

The Redevelopment of Canada and Japan's Economic Relationship, 1945-1951:
Canadian Perspectives

by

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AUTHOR'S DECLARATION

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners. I understand that my thesis may be made electronically available to the public.

Abstract

Between 1921 to 1941, Canada and Japan were close trading partners. The end of World War II provided the two countries with the opportunity to resume their former economic relationship. However, Japan was a defeated country, lacking in resources and credit, and subject to the Occupation led by the Supreme Commander of the Allied Powers. In contrast, Canada was left with a strong economy and political independence. In 1945, Canada was invited to participate in the Far Eastern Advisory Commission that later became the Far Eastern Commission in 1946. In August 1946, Canada established a Liaison Mission at its former Legation in Tokyo. Using archival material, this study explores how trade was conducted between 1945-1951 and explains how Canada and Japan redeveloped their economic relationship during the challenging years of Occupied Japan.

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Dedication

To Lilli and Brian Kenna. Without their love and support, this would never have been possible.

To Christopher Grisdale, for long conversations and academic ruminations.

To Matthew Phillips, for midnight coffee and train track walks.

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List of Abbreviations

Board of Trade (*Bōeki-chō*)

British Commonwealth Occupation Forces (BCOF)

Department of External Affairs (DEA)

Economic Stabilization Board (ESB; *Keizai Antei Honbu*)

Far Eastern Advisory Commission (FEAC)

Far Eastern Commission (FEC; the Commission)

General Agreement on Tariffs and Trade (GATT)

General Headquarters (GHQ)

Inter-Allied Trade Board (IATB)

Joint Committee on Enemy Science and Technology (JCEST)

Ministry of Commerce and Industry (MCI)

Ministry of International Trade and Industry (MITI)

Most Favoured Nation (MFN)

Occupied Japan Export-Import Revolving Fund (OJEIRF)

Royal Canadian Air Force (RCAF)

Supreme Commander of the Allied Powers (SCAP)

State-War-Navy Coordinating Committee (SWNCC)

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**Introduction:
Canada and Japan**

1 Canada and Japan: What's Old is New

American economic policies during the Allied occupation of Japan along with the recovery of Japan's economy following World War II have received an abundance of attention in scholarly literature. Presently there are no significant studies looking at how Canada and Japan rebuilt their economic relationship in the aftermath of World War II and before the San Francisco Peace Treaty in 1951. This thesis helps fill a gap in the current historiography by detailing the redevelopment of Canada and Japan's economic relationship during the Occupation period. Specifically, this thesis outlines the primary policies that affected Japan's international trade, details the Canadian Government's short and long-term economic interests with regards to Japan, and provides a thorough account of the trade conducted between the two countries from 1945-1951.

Historically, Canada and Japan maintained good economic relations prior to 1941, and, generally, Japan has remained one of Canada's top five export markets along with supplying many imported goods to Canada for the past eighty years. As of 2008, Japan was the fourth largest supplier of imported goods to Canada and Canada's third largest export market.¹ When Canada established a Legation in Tokyo in 1929, it was only the *fourth* for Canada—the first three were in London, Washington and France. Herbert M. Marler was Canada's first Minister to Japan when the Legation was established in 1929 and was aided by Hugh L. Keenleyside, the First Secretary and Chargé D'affairs, and James A. Langley, the Commercial Secretary.² The officials at the Legation were given wide breadth to develop cordial relations and operated with relative independence from the government. Japan was Canada's fifth largest export market in

1929 and fifth largest supplier of imported goods, accounting for nearly a third of all Canada's total imports and half of its total exports to "Far Eastern" countries.³

Trade between Canada and Japan decreased in the 1930s and the economic relationship was not free of political difficulties. The attitudes toward Canada's relationship with Japan in the 1920s and 1930s exhibited by the Liberal and Conservative Parties, led respectively by William Lyon Mackenzie King and Richard B. Bennett, indicate that Canadian-Japanese economic relations following World War II benefited from the Liberal Party's continued governance. The governments led by Prime Minister King during the 1920s and 1930s consistently placed the importance of good trade relations with Japan above domestic and international political differences. Japanese emigration to Canada, specifically into British Columbia, was a thorny issue for varying federal governments in Canada during the first decades of the 20th century, but King navigated the issue during negotiations throughout the 1920s. Furthermore, King was a driving force behind the creation of the first Canadian Legations and a staunch supporter of good political and economic relations between Canada and Japan. Conversely, Bennett had opposed the opening of Canada's Legations in the late 1920s. Trade between Canada and Japan suffered during the early years of the Depression, particularly from 1934-1935 when Bennett, who had defeated King in 1930, levied duties and tariffs during a trade war dispute that harmed Canadian exports to Japan and led to an anti-Canada campaign by the Japanese Government. King, though, was re-elected as Prime Minister in 1935 and helped ameliorate trade relations between the two countries.

Both the Bennett and King governments in the 1930s did not allow Canadian-Japanese relations to be deterred by Japan's actions in China, and exports of scrap-iron, lead, nickel and zinc actually rose in 1938 despite the Second Sino-Japanese War. Following the lead of the United States and the United Kingdom, however, Canada gradually restricted imports on strategic minerals and metals in 1939 and 1940, and finally froze all Japanese assets in Canada on 25 July 1941. Japan's entrance into World War II halted all trade but did not harm Canadian-Japanese economic relations in the long-term. King served as Canada's Prime Minister throughout the war and was succeeded by Louis St. Laurent, another Liberal, in 1948. Despite what was transpiring in the Pacific, King wrote with sadness about the departure of Japan's Minister to Canada, Seiji Yoshizawa, from Ottawa in May 1942:

[I] felt a great pain in my heart that I should have left him and his wife to go without a word. . . . I was not interested in protocol, was thinking of my heart and what was right to do. . . . Must remember that when all this war is over, we may wish to bind together the different countries and Yoshizawa might be helpful in that way, if his faith in me were not destroyed. Luckily, they were to stay over in Montreal for some time.⁴

Canada and Japan's diplomatic relationship was not formally restored until the San Francisco Peace Treaty was ratified by the Canadian Parliament and put into effect on 28 April 1952, but the lack of normalized diplomatic relations did not prevent the Canadian Government and private businesses from attempting to rebuild economic relations with Japan during the Occupation period.

At the end of World War II, Canada was left with a strong economy and had gained prominence as a dependable political and military ally because of its large contribution to the war effort. When the United States invited Allied countries to participate in the Far Eastern Commission (FEC), a body created to provide advice to the Supreme Commander of the Allied

Powers (SCAP) about Occupation policies, Canada was among those countries invited to participate. In August 1946 the Canadian Government set up its own Liaison Mission at the former Legation in Tokyo. From the beginning of its involvement in the Far Eastern Commission to the eventual peace settlement, the Canadian Government had consistent short and long-term policy aims concerning Japan's international trade. Security was the Canadian Government's top priority and it sought to ensure that Japan would not be a military threat in the future. The government also supported Japan's reintegration into the international market and advocated for the reduction of trade barriers along with high levels of peaceful economic activity for Japan. As Japan's international trade recovered, imports and exports between Canada and Japan resumed. Economic matters were at the centre of Canadian-Japanese relations during the Occupation period. The two primary channels that Canada used to reengage Japan during this period were the Far Eastern Commission and the Canadian Liaison Mission. The Department of External Affairs was primarily responsible for the formulation of political policies related to Canada's short and long-term interests in Japan's economic recovery. The Department of Trade and Commerce played the more direct role in facilitating trade between the two countries largely due to the work performed by its representatives at the Canadian Liaison Mission who handled enquiries related to trade.

The redevelopment of Canada and Japan's economic relationship during the Occupation took place during an era when the Canadian Government heavily promoted political and economic multilateralism through institutions such as the United Nations and the General Agreement on Tariffs and Trade (GATT). Participation in the Far Eastern Commission afforded Canada a voice that it did not have in the Allied control of Europe. The Canadian Government

balanced its new-found voice on international affairs with its political relationship to the United States and the United Kingdom. During World War II, Canada and the United States started to develop the close relationship based on mutual security and economic interests that the two countries are accustomed to now. At the same time, the predominance of the United Kingdom as Canada's principle political and economic ally shifted to the United States. The intensification of the Cold War in the late 1940s had ramifications for Occupation policies causing the United States to work towards the rehabilitation of Japan's international trade, but Washington did not intend to create an American monopoly within the Japanese market. Japan itself was a defeated country in the midst of rebuilding both its domestic economy and international trade that had been devastated by the war. Consequently, Canadian policy was shaped in part by factors that the government had no control over. The redevelopment of trade between Canada and Japan was constrained by a number of factors including: varying trade policies and procedures in place for Japan that complicated the conduct of trade, Occupation controls on Japanese imports and exports, a global shortage of raw materials, and American hegemony over North American exports to Japan. Under difficult circumstances, the Canadian Government pursued its goals as best it could, while supporting what trade was possible during the Occupation period.

This thesis opens with a historiography about the existing, albeit limited, literature relating to Canada and Japan's political and economic relationship between 1945-1951. With so few scholarly publications related to this subject, there is a need for a study of this kind to expand the understanding of Canadian-Japanese relations. Following this introduction and the historiography, Chapter 1 explains how the framework of control for Occupied Japan was developed and what guided the United States' Occupation policies. A brief history of Canada's

involvement in the Pacific War is provided along with an account of how Canada first came to reengage Japan after the war through its participation in the Far Eastern Advisory Commission and, later, the Far Eastern Commission. The primary thrust of the thesis is contained in the Chapters 2-4, which document trade policies and procedures during the Occupation, the Canadian Government's policies regarding Japan's economic recovery, and the actual trade that was conducted between Canada and Japan. Chapter 2 looks at the years 1946-1947, the period when Japan first transitioned from government-to-government trade to limited private trade. This section shows how Canada's long-term economic policies regarding Japan were established early on during the Occupation through Canada's participation in the Far Eastern Commission and because of the work performed at its Liaison Mission in Tokyo. Chapter 3 examines 1948-1949, highlighting the decline of the Far Eastern Commission's activities and focusing on the work performed by the Department of Trade and Commerce and the Canadian Liaison Mission to facilitate trade between Canadian and Japanese businesses. This section contains a number of examples from letters written to the Department of Trade and Commerce and the Canadian Liaison Mission as companies established themselves within the system of Japan's limited private trade. The examples demonstrate the types of businesses that were interested in trade and the sorts of trade conducted between Canada and Japan, while also providing firsthand accounts of the factors that limited trade between the two countries at the time. Chapter 4, 1950-1951, assesses Canadian-Japanese economic relations and Canadian policies leading to the San Francisco Peace Treaty. During these final two years, Japan gained control over most of its private trade while the Korean War increased demand for Japanese goods along with Japan's need for raw material imports. By the end of 1951, Canada was the fourth largest exporting country to Japan.

This thesis uses an expository style of writing to provide an overarching narrative about how Canada and Japan redeveloped their economic relationship during the Occupation period. Due to the sources available and used in this study, the events of this period are described from a Canadian perspective. Chapters 2 and 3 begin with sections on the foremost policies and measures undertaken by the United States and the Japanese Government that affected Japan's international trade during each of the respective years for 1946-1949. SCAP's economic demilitarization and economic deconcentration programs were important components of its efforts to eliminate Japan's economic and industrial means to wage war. These programs affected Japan's economic recovery but were not as closely related to the conduct of Japan's international trade as other policies at the time, thus they are described within the context of the "reverse course" initiated by the United States in 1948 to rehabilitate the Japanese economy.

The recovery of Japan's fishing industries was a highly-politicized and contentious affair involving a complex diplomatic dialogue between several states over the course of the Occupation, and is beyond the scope of this study. Imports and exports of fish products were part of Japan's economic recovery but this study does not provide an account of this recovery. For Canada, issues related to Japan's fishing industry were handled by the Department of Fisheries, not the Department of Trade and Commerce, and records indicate that fish products were not a primary item of trade between the two countries. Leading up to the peace conference in September 1951, provisions about Japan's fishing industries that circulated in the draft treaties were of particular concern to the Canadian Government. A description is provided about how these concerns affected Canada's negotiations over the final peace treaty.

Primary resource materials used in this study come mostly from three sources. First, documents contained in the Department of External Affairs publication, *Documents on Canadian External Relations*, are the major source for information about Canada's participation in the Far Eastern Commission and provide additional insight into the early years of the Canadian Liaison Mission. Documents obtained from Library and Archives Canada form the bulk of material about Canadian-Japanese trade from 1946-1951 and provide most of the information about the Department of Trade Commerce and the Canadian Liaison Mission. Likewise, copies of the Department of Trade and Commerce's journal, *Foreign Trade*, were obtained through Library and Archives Canada. Credit must also be given to the two Commercial Representatives who worked at the Canadian Liaison Mission: J. E. Kenderdine, who worked from 1946-1948, and J. C. Britton, who worked from 1949 through the signing of the San Francisco Peace Treaty. The correspondence of these two individuals and the articles they wrote for *Foreign Trade* during the years they worked at the Liaison Mission are the source of most of the trade statistics and information about Canadian businesses used in this study. Primary sources for trade regulations and procedures have been derived from *Foreign Trade* and the United States' Department of State publication, *Foreign Relations of the United States*.

A select few secondary sources have factored prominently into this thesis' analysis and description of the framework of control and trade policies for Occupied Japan. Miko Sumiya's *A History of Japanese Trade and Industry Policy* has been the most integral source for information about specific American Occupation policies that affected trade and the redevelopment of Japan's trade following World War II. Sumiya's text is arguably one of the more profound works on Japan's international trade during this period, with a depth unmatched in other literary

sources used for this study. Leon Hollerman's concise descriptions of trade regulation and policy during the Occupation provided in his article "International Economic Controls in Occupied Japan" must also be acknowledged. George H. Blakeslee's *Far Eastern Commission* gives a thorough account of the development, progress, achievements and shortcomings of the Far Eastern Commission, and was integral in this study's analysis of the Far Eastern Commission. Finally, a thesis by University of Victoria student Keith Stuart Webster, *Canada and the Far Eastern Commission*, is currently the foremost account of Canada's participation in the Far Eastern Commission. Although there is slight overlap between the subject and material in Webster's thesis and this one, the scope of the two studies is entirely different. Webster focuses on situating Canada's efforts at the Far Eastern Commission within analytical frameworks and in the context of the Cold War. His arguments, while informative, are not connected to the development of Canada and Japan's economic relationship and he does not discuss trade between the two countries nor the work performed by the Canadian Liaison Mission. Conversely, while this thesis examines Canada's participation in the Far Eastern Commission, it concentrates specifically on the Commission's relevance to the development of Canada's economic policies concerning Japan and does not discuss the other work performed by the Commission. The primary and secondary sources consulted for this thesis demonstrate that the redevelopment of Canada and Japan's economic relationship during the Occupation period was important to both the Canadian and Japanese Governments and that there was interest from companies in both countries to conduct trade.

2 Historiography: Canada and Japan, 1945-1948

How Canada and Japan redeveloped their economic relationship in the years leading up to the San Francisco Peace Treaty is a topic that has received very little scholarly attention. Consequently, there is a significant gap in the historiography of Canadian-Japanese relations. Presently, studies about Canada and Japan's economic relationship in the first half of the 20th century usually, though not always, are a byproduct of studies about the contentious political issue of Japanese emigration to Canada. One such example is the thoroughly researched collaborative monograph, *Mutual Hostages: Canadians and Japanese during the Second World War*, by Patricia Roy, J. L. Granatstein, Masako Iino, and Hiroko Takamura. A number of publications exist documenting Canada and Japan's trade relationship *following* the San Francisco Peace Treaty such as *The Politics of Canadian-Japanese Economic Relations* by Frank Langdon or *Neighbours Across the Pacific: Canadian-Japanese Relations 1870-1982* by Klaus H. Pringsheim.⁵ Studies concerned with the repatriation of *issei* (first generation Japanese-Canadians) or *nisei* (second generation Japanese-Canadians) to Japan after the war, although important to the broader historiography of Canada and Japan's relationship, are generally a part of those analyses about the evacuation of Japanese-Canadians during World War II. Because this was not connected to Canadian-Japanese economic relations, this historiography does not provide an account of the existing literature on the repatriation of Japanese-Canadians after the war.

Currently there are generally three types of studies about Canada's involvement with Japan during the Occupation period. The first, typically journal articles from the 1940s or early 1950s, discuss Canada's initial "Far Eastern" policies following the end of World War II. One

such account comes from noted historian W. L. Morton. In an article from September 1946, “Canada’s Far Eastern Policy”, Morton provides a number of astute observations about the changing nature of Canada’s relationship to Europe. These observations include the commentary on the Canadian public’s attitudes towards broader world affairs along with their attitudes towards China and Japan in the 1930s (sympathy for China, but never enough hostility towards Japan to affect diplomatic relations) and about how Canadian interests were becoming closely aligned with those of the United States as evidenced by the Permanent Joint Defence Board.⁶ Interestingly, though, at that point in Canada’s Far Eastern policies, China was still an ally and had received a \$60,000,000 loan.⁷ Though a number of Morton’s observations have stood the test of time, the author does make a minor mistake of saying Canada was on the Allied Council. What Morton’s article captures is the deeply complex changes happening in Canadian society and within the government as Canada moved away from the Euro-centric diplomacy of its past and embraced the partnership of the United States. This partnership, however, did not define Canada’s Far Eastern strategy and Morton argues the government did not hold much sway over the United States’ Pacific policies.

The second—and majority—of current studies connected to Canadian-Japanese relations during the Occupation period are biographies or critiques of E. Herbert Norman.⁸ By almost all accounts, Norman was a brilliant Canadian scholar whose works on Japanese history were greatly admired. Most accounts of Norman portray him as a gentle individual with a strong work ethic who was deeply committed to bettering the lives of others, but often fail to provide a detailed analysis of his work as Head of the Canadian Liaison Mission. At the end of war, Norman worked for SCAP’s intelligence division and was responsible for researching members

of Japan's government and bureaucracy to be purged. Following his work for SCAP, the Canadian Government retained Norman's services for the Far Eastern Commission after which Norman served as the Head of the Canadian Liaison Mission from August 1946 to October 1950. During an April session of the United States Senate Internal Security Subcommittee, Norman's name was mentioned and it was alleged that he had communist associations and was potentially a spy. The Canadian Government cleared him of these charges in 1951 but the experiences impacted Norman greatly and a renewal of these accusations from the United States in 1957 caused Norman to commit suicide.

James Barros, one Norman's few detractors, argues that he was likely working for the Soviets in *No Sense of Evil: Espionage, The Case of Herbert Norman*. During Norman's university years in the 1930s, he did have associations with individuals who actively supported communism or who were sympathetic to the ideology. Norman was also partly responsible for the release of two Japanese communists who had been prisoners. However, there is no evidence that Norman was a spy, worked for the Communist Party in Canada at any point, or betrayed his responsibilities and loyalties working for the Canadian Government. At the end of 1989, Peter V. Lyon was given unrestricted access to *all* the Department of External Affairs' records on Norman including memoranda, dispatches and telegrams authored by Norman. In his 42 page article "The Loyalties of E. Herbert Norman," Lyon provides a detailed assessment of Norman's personal connections in the 1930s and 1940s along with his work for SCAP and the Department of External Affairs. Lyon is scathing in his assessment about Barros' work, having meticulously examined the sources Barros used and ultimately denounces Barros' research and account of

Norman as being entirely flawed. The article is the definitive defence of Norman and Lyon is unequivocal about Norman's innocence.

Finally there are studies that touch on Canada's participation in the Far Eastern Commission and the Canadian Liaison Mission in the first two to three years of the Occupation. Historians have faced three problems looking at Canada and Japan's relationship from this period. The first problem has been the lack of sources available on this topic. The Department of External Affairs' classified files are closed for 30 years after an event, while the *Documents on Canadian External Relations* for 1947 and onwards were only published beginning in 1993. In *Neighbours Across the Pacific: Canadian-Japanese Relations 1870-1982*, Klaus H. Pringsheim acquired his post-1947 material from interviews or documents that had been published up to that time, and only quoted "material reflected in [his] analysis" that came from classified documents by special permission.⁹

The second problem, which is also the most serious, is one of perception. Canada's role in the Far Eastern Commission and the work of the Canadian Liaison Mission during the Occupation are not well known or documented. Asia was of secondary importance compared to Europe for the Canadian Government after World War II, and trade between Canada and Japan was minimal during the first years of the Occupation. However, Japan occupied a key position within Canada's strategic East Asian policy formulation and trade that developed between the two countries during this time was the basis for their economic relationship following the San Francisco Peace Treaty. Unfortunately this period is misunderstood, deemed unimportant, or seen as simply irrelevant. Describing the Canadian Government's views during the

reconstruction of Japan after the war, Carin Holroyd and Ken Coates write, “Canada stood back from this transformation, for it was of marginal importance on the international scene.”¹⁰

Without fail, their book includes a brief discussion on E. H. Norman, but does not discuss his work for SCAP (and close relationship to General MacArthur), his work for the Canadian Government in the Far Eastern Commission, or his position as Head of the Liaison Mission.¹¹

Readers unfamiliar with the significance of Norman’s writings and political work would be left undoubtedly confused by his inclusion in this book. Moreover, the authors completely miss that Canada developed short and long-term political and economic goals during this time and actively engaged in trade with Japan.

Finally, aside from government documents, not much material has been left behind from those who played the most important roles as Canada rebuilt its economic relationship with Japan. William Lyon Mackenzie King’s diaries are available online, and biographies, notably John English’s *Shadow of Heaven: The Life of Lester Pearson, volume 1, 1897-1948*, exist about Lester B. Pearson. However, E. H. Norman left no memoirs nor do any exist for the likes of H. Hume Wrong, J. E. Kenderdine, J. C. Britton, G. R. Heasman, A. R. Menzies, or other Canadian Government officials who played integral roles within the Far Eastern Commission and at the Canadian Liaison Mission in Tokyo.

H. F. Angus’ 1953 monograph, *Canada and the Far East, 1940-1953*, is one of the first accounts of Canada’s relationship with Japan during the Occupation period. Angus was a respected professor at the University of British Columbia, worked for the Department of External Affairs in the early years of the World War II, and had been sympathetic to the plight of

Japanese-Canadians prior to and during the war. Considerably longer than Morton's article, Angus presents a diverse number of issues in Asia that concerned the Canadian government during this period. The thrust of Angus' topic chapters concern issues and events occurring in China, Japan, Korea, India and Pakistan and their effects on Canada's foreign policy. The writing reflects the Cold War era with Angus arguing that the United Nations was an integral component of how the Canadian Government formulated its policies concerning Asian states. At the same time, the Canadian Government is presented as being disinterested in involving itself in the power politics surrounding Asian states at the time, though keenly aware of the geopolitical importance of the region at the time.¹² Angus explains the importance of the Commonwealth, but argues, correctly, that the United States had surpassed Britain as Canada's most important strategic partner as it developed its foreign policy.

Canadian-Japanese relations occupy only a few portions of Angus' assessment, but there are some useful insights to be gained from his writing. Aside from the background he provides about the deportation, repatriation and resettlement of Japanese-Canadians following World War II, the foremost issues presented by Angus tend to reflect the interests of the Canadian Government in the early 1950s. Concerning Canadian-Japanese trade, Angus comments that Japan offered "an attractive outlet" for Canadian exports and that Canada could likely count on a favourable trade position vis-à-vis Japan.¹³ However, Angus argues there were two potential problems that could emerge from Canada's economic relationship with Japan. Both were, it should be added, issues under deliberation by the Canadian Government at the time. First, Angus worried that the entrance of Japan as a member of the General Agreement on Tariffs and Trade would give Japan a favourable a trading position with Canada comparable to that enjoyed

by the other Commonwealth members, potentially displacing goods imported into Canada from the United Kingdom.¹⁴ The second problem was similar to the first postulated by Angus. As Japan created new trade agreements with other countries, exports from the United Kingdom would be challenged either directly or the competition would lower the price of those goods. Moreover this competition would potentially hamper Canada's exports to the United Kingdom and its efforts "to promote the restoration of the convertibility of Sterling."¹⁵ Angus' arguments were partially correct. Canada did not want to grant Japan most favoured nation treatment in 1949, but, as a policy, supported Japan's eventual accession into the GATT. After the San Francisco Peace Treaty was signed, Canada was a much more vocal proponent of Japan's accession into the GATT.¹⁶ While Angus' book is informative in parts, it suffers from a dated style, and it is not a thorough analysis of Canadian-Japanese political and economic relations during the Occupation period.

The most noteworthy research concerning Canada and Japan's economic relationship from 1945-1951 appeared within a short period of time in the early 1980s.¹⁷ Dr. Nobuya Bamba, a professor at Tsuda College in Tokyo, and the founder of the Japanese Association for Canadian Studies (JACS), published *Japanese-Canadian Relations: An Overview*. He also published a working paper in 1983 that briefly covers Canadian-Japanese cultural, political, and economic relations from the mid-1800s to the early 1980s. Bamba notes that after Canada emerged "as a strong nation in comparison to the war-torn European powers," the government sought its own particular role in international politics.¹⁸ Conversely, Japan was at the beginning of the Occupation. Amidst this contrast, the Canadian Government's attitude towards Japan was much friendlier and relations were increasingly bilateral, but Canada remained subordinate in its

importance to the Japanese Government compared to the United States.¹⁹ Even so, Bamba notes the important role played by Norman during the formulation of the Japanese Constitution, along with Canada's mediating role within the Far Eastern Commission. Regarding trade during this period, Bamba is brief, stating that the federal government thought that trade interests would be curtailed as long as the Occupation continued, and that at the Canberra Conference, Canada indicated it was a "Pacific nation" concerned with political and economic stability in the region.²⁰

Klaus H. Pringsheim divides Canadian-Japanese relations into five time periods in *Neighbours Across the Pacific: Canadian-Japanese Relations 1870-1982*. The section devoted to the period of 1941-1952 sketches the resettlement and repatriation of Japanese-Canadians, and E. H. Norman's roles in SCAP, the Far Eastern Commission, and as the head of the Canadian Liaison Mission in Tokyo. He also includes information about the peace settlement process including Lester B. Pearson's role. Pringsheim's account is thoroughly researched, relying on a number of unique and primary sources, but his segment regarding postwar Japan is short with the diplomatic activities and personal life of E. H. Norman receiving the bulk of attention. Even so, it provides a decent outline of issues and events in Japan that were of relevance to the Canadian Government after World War II.²¹ Trade in the 1950s becomes the focus in the next section of his book, with Pringsheim arguing that trade topped military concerns in the East Asia as Korea moved closer to an armistice and Japanese signed the peace treaty.²² The Canadian Government was eager for trade with Japan, and in turn, so were the Japanese, who sent a trade mission to Canada in 1951 expressing needs for raw goods like nickel and asbestos, while also stating a desire to join the International Wheat Agreement and the GATT.²³ Pringsheim's work is

essential for a solid understanding of Canadian-Japanese political relations prior to World War II, and a solid survey of 100 years of Canadian-Japanese relations.

The 1980 publication *Canadian Perspectives on Economic Relations with Japan* is a notable example of how the politics of Canadian-Japanese trade have generally been examined. As an anthology, Michael G. Fry leads the text with an assessment of the politics behind Canadian-Japanese trade between 1919-1947. Though only two pages are devoted to politics and trade post-1945, Fry provides some insight as to how the Canadian Government's policy was formed by individuals such as Pearson, Norman, and others like R. E. Collins, General H.D.G Crerar, and Brooke Claxton in the immediate years after the war.²⁴ Fry pays particular attention to the Crerar mission's report in 1947 that gave a rather dim perspective for trade in 1948 between the two countries.²⁵ Just like Pringsheim's text is indispensable for understanding Canadian-Japanese political relations prior to the World War II, so to is Fry's contribution for understanding the politics behind Canadian-Japanese economic relations prior to the war.

A working paper by Fry in 1983, *Canada and the Changing Economy of the Pacific Basin: The Development of Economic Relations Between Canada and Japan, 1945-1953*, resumed his narrative of the history of Canadian-Japanese economic relations where his work in 1980 had ended. This working paper is short at seventeen pages including the bibliography and attachments, but it is integral to the historiography. Fry places Canada's Japanese policies within context of the declining importance of the Commonwealth, the "special relationship" that had developed between Canada and the United States that was reinforced by the Cold War, and the Canadian Government's need to maintain policies autonomous from those of the United States.²⁶

Importantly, he points out that Canada's relations with Japan existed through the Canadian Liaison Mission in Tokyo under the auspices of American Occupation. Fry argues that the Canadian Government's policy towards Japan was largely developed by the Department of External Affairs, with the Departments of Trade and Commerce, Fisheries, Justice, and Defence all playing smaller, subordinate roles.²⁷ Moreover, External Affairs had such an influence because it was largely independent from internal Cabinet politics or interference by the Prime Minister.²⁸ Fry sums up the Canadian Government's policy in seven points—some that parallel American goals. Aside from the need to create and preserve a demilitarized and democratic Japan that could have a peaceful role in the international system, Fry argues the Canadian Government sought renewed trade that was favourable to Canada, modest reparations, the protection of its fisheries, and the assurance that Japanese immigration to Canada would not resume.²⁹ Two of the biggest obstacles to trade, as Fry presents them, were United States policies that attempted to tie Japan economically to the United States, along with the combination of the Japanese Government's policies and the preferences of Japanese business leaders that harmed early trade. The Canadian government's priority of the European markets, its slow approach to stimulating trade with Japan, the inability for mineral exports to resume beyond coal, iron ore, and zinc, and general fears of the potential threat to Canadian industries and of discriminatory trade practices from a revived Japan are all cited as additional reasons that hampered trade in the late 1940s and early 1950s. It is very unfortunate that no further work by Fry on this time period exists.

The foremost study of Canadian-Japanese political relations during this time is Keith Stuart Webster's thesis, "Canada and the Far Eastern Commission." The thesis is the first

comprehensive study about Canada's participation in the Far Eastern Commission from 1945-1948. The thesis opens with a significant historiography that details the development of Canada's foreign policy during the early phase of the Cold War. Webster describes the major analytical frameworks that have been used to assess Canada's foreign policy during this time: functionalism, middle power theory, and multilateralism. Webster defines functionalism as a policy wherein: "states should influence world affairs on matters where they were most involved and where they had the capacity to contribute to the matter at hand."³⁰ According to the middle power theory, Canada could use its influence from past military actions to act on a tier below the great powers.³¹ Lastly, multilateralism was a means to bring together states and encourage standards of behaviour, but this did not necessarily translate into a greater say for Canada.³² Webster also includes an outline of the orthodox, revisionist, and post-revisionist views of Cold War and explains that Canadian historians, diplomats and pundits "were less willing to use extreme language in describing the Soviet Union or communism in general."³³ The primary sources used by Webster mostly come from the *Documents on Canadian External Relations*. He also uses a limited number of documents from Library and Archives Canada, and is informed on Cold War policy and analytical frameworks by a plethora of secondary resources. The judicious use of both the primary and secondary sources is one of the compelling features of Webster's study and his analysis about how Cold War politics, multilateral systems, and bilateral interests affected Canadian policy developments and the country's participation in Far Eastern Commission is a critical component of the existing historiography.

The thesis covers the development of the Far Eastern Commission from the Far Eastern Advisory Commission in 1945 and looks at the years when FEC's work was most productive,

1946-1948. Canada's involvement in four issues the Commission dealt with are examined by Webster: the development of Japan's constitution, reparations, the peace settlement, and the International Military Tribunal that prosecuted Japanese war criminals. Because Webster analyses Canadian interests through the lens of the Cold War, he tends to augment the impact of Cold War developments on Canadian policies for Japan. Furthermore, Canada's participation in the Far Eastern Commission is treated as the definitive forum wherein Canada displayed its policies for Japan, but Webster misses that Canadian-Japanese relations were impacted by factors other than the Commission's activities. For instance, Webster writes that the Far Eastern Commission and the Cold War:

forced the Canadian government and its diplomatic service to think about East Asia, and to develop positions on many issues that would otherwise have passed by out of Canadian sight. There was continuity with the pre-war era in Canadian concerns about trade but as trade stagnated in the early post-war years, issues of security and post-colonial governance emerged to become more important."³⁴

The first sentence is entirely correct; the problem is his assertion in the latter sentence. Broader strategic concerns had been a part of Canada policy formulation since 1945 and were often directly related to Canada's trade interests in East Asia. There is little discussion of events beyond 1948 in Webster's thesis and it does not inform on broader Canadian economic aims for Japan beyond the reparations issue.

However, there are very few problems with Webster's analysis and the ones that do exist are either minor or open to debate. His assessment is rigorous and no study exists at this moment that pays greater attention to Canada's Japan policies in the late 1940s. He is correct that Canada's primary interest in the Far Eastern Commission involved promoting its political, security, and economic interests, and that Canada supported the Commission because of the

government's commitment to multilateralism. Furthermore, Webster's thesis conveys that Canada's voice within the Commission was limited and that its ability to affect the outcome of some of the most pressing issues deliberated by the Commission was minimal. One of the most important outcomes of Webster's thesis is that it demonstrates Canada was involved in the creation of policies that affected Japan after the war. The second last sentence of Webster's conclusion reads, "Canada's involvement in the FEC provides further evidence of extensive, if unheralded, involvement in East Asia following World War Two."

Chapter 1

War and Peace, 1944-1945: SCAP, FEC, and Canada

1 SCAP and FEC: Creating the Administration for the Occupation of Japan

On 14 August 1945 Japan announced its unconditional surrender, bringing to a conclusion the combative phase of World War II. Until the San Francisco Peace Treaty came into effect on 28 April 1952, Japan was under military occupation by the United States. The United States began planning its postwar Far Eastern policies in 1942 when the State Department began studying questions about American postwar objectives and the nature of a potential occupation of East Asia.³⁵ The State Department later formed the Inter-divisional Area Committee on the Far East, and in December 1944 the State-War-Navy Coordinating Committee (SWNCC) was formed to coordinate questions emerging from the State, War, and Navy Departments. A Sub-Committee on the Far East was formed on 5 January 1945 and tasked with preparing papers for the SWNCC.³⁶ As the war with Japan drew to its end in August 1945, President Truman designated General Douglas MacArthur as the Supreme Commander of the Allied Powers (SCAP) and MacArthur's General Headquarters (GHQ) was established in Tokyo in September. The United States' military and civilian administration overseeing the occupation of Japan was known synonymously with MacArthur's designation as SCAP and reached a peak of 3,200 bureaucrats working for it by 1948.³⁷ John Dower writes that the breadth of SCAP's mission to completely demilitarize, democratize and remake Japanese society was an "audacious undertaking by the victors in war [that] had no legal or historical precedent" and that General MacArthur's authority during the Occupation, particularly in its first years, was immense: "MacArthur was the indisputable overlord of occupied Japan, and his underlings functioned as petty viceroys."³⁸

The papers SWNCC produced were fundamental to the development of SCAP and its initial policies, but the framework for occupation of postwar Japan was also laid out, in part, by three conferences held by the United States, Soviet Union, Britain, and China. The Cairo Declaration, issued on 1 December 1943, specified the territorial possessions Japan would be limited to after its defeat, including all those acquired after 1914 and all territory that had previously belonged to China. The secretive agreement made at the Yalta Conference in February 1945 outlined the terms under which the Soviet Union would enter the war against Japan along with Japanese territories the Soviet Union stood to gain. Finally, the Potsdam Declaration, issued on 26 July 1945, clarified the terms of unconditional surrender, outlined the layout for Japan's postwar economy, and contained the territorial provisions from the Cairo Declaration. These conferences formed the legal precedents for SCAP's authority and helped guide its decisions.

The functions of SCAP and framework of the Occupation were further determined by: General Order No. 1 (JCS 1467/2) issued on 17 August 1945; the Instrument of Surrender signed on 2 September 1945; the United States Initial Post-Surrender Policy for Japan (SWNCC 150/4) approved by President Truman on 6 July; and an agreement made by the United States, Soviet Union, Britain and China at the Council of Foreign Ministers meeting in Moscow on 26 December 1945. The Initial Post-Surrender Policy for Japan was updated on 3 November 1945 with the Basic Initial Post-Surrender Directive to the Supreme Commander of the Allied Powers for the Occupation and Control of Japan (JCS 1380/50).

General Order No. 1, issued by General MacArthur on 17 August, gave specific orders to the Japanese Imperial General Headquarters for their unconditional surrender. Orders included: a list of territories under Allied control and their respective commander to whom the Japanese commanders were to surrender their forces to; instructions for the movement and stationing of Japanese troops until their surrender; disarmament procedures including the removal of land and naval mines; measures to be taken to ensure the safety of prisoners of war; and provisions about the nature of assistance Japan's military and civil authorities were to make available to SCAP.³⁹ Conditions set forth from General Order No. 1 were incorporated into the Instrument of Surrender including those that subjected the Japanese Emperor and Government to SCAP's authority. The Initial Post-Surrender Policy was created by the SWNCC and contained the foremost policies that determined the framework for the American-led occupation and the ultimate objectives of the United States for postwar Japan.⁴⁰ Japan was to be disarmed, demilitarized and prevented from becoming a menace to the United States and the world; its people "encouraged" to form a respect for human rights and democracy; and the country permitted a basic economy to meet the minimum needs of its people. The Japanese Emperor and Government were permitted to retain the powers of a normal government, though subject to SCAP's control; SCAP had ultimate authority over all matters, but exercised its power *through* the Japanese Emperor and Government. Because of the Instrument of Surrender and Initial Post-Surrender Policy, the Japanese Government was not an idle or passive actor during the Occupation. Far from being simply dictated to, the Japanese Government, along with its ministries and various bureaucratic agencies, undertook organizational reforms, developed a number of important policies, and was integral to Japan's postwar economic development.

Control of Japan at the war's end was markedly different from what was taking place in Europe at the same time. Germany had been divided into four zones of control administered respectively by the United States, Soviet Union, Britain, and France; the European Advisory Commission was dissolved after the Potsdam Conference. Japan was not partitioned by territory at the war's end and the United States provided the bulk of military, civilian and fiscal resources for the duration of the Occupation. However, it was never envisaged that the United States would bear sole responsibility for the occupation of Japan. The Initial Post-Surrender Policy affirmed SCAP's authority and reiterated the supremacy of the United States, but provided for the participation of other states in the occupation of Japan:

The occupation shall have the character of an operation on behalf of the principal allied powers acting in the interests of the United Nations at war with Japan. For that reason, participation of the forces of other nations that have taken a leading part in the war against Japan will be welcomed and expected. The occupation forces will be under the command of a Supreme Commander designated by the United States. Although every effort will be made, by consultation and by constitution of appropriate advisory bodies, to establish policies for the conduct of the occupation and the control of Japan which will satisfy the principal Allied powers, in the event of any differences of opinion among them, the policies of the United States will govern.⁴¹

A number of Allied countries had contributed to the war against Japan and their participation in the occupation had been considered during the development of American occupational policies. On 13 March 1944 a policy paper was submitted by the Inter-Divisional Area Committee that called for representation from Allied states who had actively participated in the war against Japan, *so long as* the United States' retained the dominant position.⁴² Through the efforts of the State Department, SWNCC and the Sub-Committee, a draft for the terms of reference of a Pacific-Far Eastern high commission was submitted on 11 April 1945. This first draft proposed that the commission consist of representation only from the United States, United Kingdom, and China, and included a broad mandate to deal with problems in the "Pacific-Far

Eastern area” in addition to the fulfilment of Japan’s unconditional surrender.⁴³ After further discussion by SWNNC and the Sub-Committee on the Far East, SWNCC proposed that the commission be named the Far Eastern Advisory Commission (FEAC), its mandate limited to making recommendations about Japan’s fulfilment of the Instrument of Surrender, and each state party to the agreement allowed only one representative, although the composition of FEAC was determined later during discussions over SWNCC’s proposal.⁴⁴

On 21 August, the final terms of reference developed by SWNCC and the Sub-Committee were transmitted to the governments of the United Kingdom, Soviet Union and China, whose countries were invited to participate in the Far Eastern Advisory Commission. Initially, terms of reference limited the commission’s functions to “policies, principles and standards by which the fulfilment by Japan of its obligations under the instrument of surrender may be determined” but contained no mention of voting procedures or how FEAC policy recommendations would be carried out.⁴⁵ All three states accepted their invitation to participate in the Far Eastern Advisory Commission, but the United Kingdom objected to the draft terms of reference and submitted a revised terms of reference on 1 October to change the name to the Far Eastern Commission and have the commission’s authority strengthened.⁴⁶ The British Embassy had already suggested to the Secretary of State on 20 August that a control council be established, but upon the United States’ consideration of British amendments to FEAC’s terms of references, the United Kingdom “agreed not to proceed with [its] earlier proposal for a Control Council in Tokyo and thus consented to make the Far Eastern Commission the principal channel for exerting [British] influence on the treatment of Japan.”⁴⁷ The Soviet Government had also changed its opinion about the commission in October and proposed that a control council be set

up prior to the establishment of FEAC.⁴⁸ Participation by the Soviet Union was seen by the British as essential to forestall problems arising from potential Soviet actions in China and North Korea, and to offset problems arising on matters such as Japanese reparations or the coordination of Allied policy on strategic and economic controls.⁴⁹

SWNCC, the Sub-Committee and the State Department considered the British and Soviet proposals for the Far Eastern Commission and the control council, and submitted two major revisions to the terms of reference on 27 October and 1 December. Elements remained from the original terms of reference such as the commission's primary function to formulate the policies, principles and standards required to carry out the Instrument of Surrender, but the suggestion for the creation of the Far Eastern Commission was adopted. The new commission's voting procedures were clarified and required a majority from all members of the Far Eastern Commission including a majority from the United States, Soviet Union, United Kingdom, or China. The authority of the Far Eastern Commission was expanded to allowed any representative to review directives issued by SCAP and stipulated that any changes to the Japanese constitution or "regime of control" could only be done after consultation with the Commission.⁵⁰ The Foreign Ministers of the United States, United Kingdom, and Soviet Union, agreed upon the final terms of reference for the Far Eastern Commission and the Allied Council at the Moscow Conference on 26 December 1945. The final terms of reference gave veto power to the United States, Soviet Union, United Kingdom and China, granted the Commission the authority to formulate policies rather than just act as an advisory body, and permitted the United States to issue interim directives.⁵¹ The Commission was precluded from recommending policy about military operations or territorial adjustments. Over the course of the Occupation, the terms

of reference of the Far Eastern Commission were a source of contention between the United States and Commission members, but the United States Government took seriously the legal obligations outlined by the Initial Post-Surrender Policy and the Far Eastern Commission's terms of reference. The Far Eastern Commission was the principle organization for the development and oversight of Occupation policies second to SCAP.

2 Canada and Japan, 1944-1945: The Pacific War and the Far Eastern Commission

Canada's defence policies throughout the 1930s were premised on receiving support from the United Kingdom, but the worsening situation in Europe led Canada and the United States to enter into secret discussions in 1938 over mutual continental security concerns.⁵² The eventual result was the creation of the Permanent Joint Board on Defence in August 1940. As an advisory body, it presented thirty-three formal recommendations to the governments of Canadian and the United States over the course of World War II.⁵³ When Pearl Harbour was attacked, Canada was the first country to declare a state of war against Japan and provided a small military contingent that fought in the disastrous Battle of Hong Kong in December 1941. However, Canada's overall contribution to the war against Japan in the following years was small, consisting mostly of financial or material support to the United States and other Allied countries, while the Hong Kong expedition was Canada's only military engagement. Furthermore, although Japan had been considered to be one of Canada's primary security threats in the 1930s, it was only in 1944 when the government began to earnestly formulate plans to enter the Pacific theatre.

Canada's reasons for its participation in the war against Japan were reiterated in an extract from a Cabinet meeting in January 1944. "Canada's position as a Pacific Power, as a member of the Commonwealth, and as an American nation, made it necessary that she take part in the subjugation of Japan."⁵⁴ In early January 1944, the Cabinet War Committee discussed sending up to 30 Army Officers to British units in Southeast Asia to acquire experience, eventually approving Army, Navy, and Air Force personnel to be attached with "United Kingdom and other Commonwealth forces and to U.S. forces in the Pacific and Asiatic areas."⁵⁵ At the same time, Charles Power, Canadian Minister for National Defence for Air, was

concerned about planning for the eventual demobilization of Royal Canadian Air Force.⁵⁶ Over the course of January and early February, discussions were held between Canadian and United Kingdom officials about the Commonwealth Air Training Plan.⁵⁷ These and subsequent discussions about the program affected Canada's long-term policies for entering the war against Japan: Canada wanted its forces to operate on a definite as opposed to unlimited commitment; it wanted RCAF personnel unscrambled from the Royal Air Force at the conclusion of the German war; and Canada's demobilization at the end of the German war would be related to its participation in the *air war* against Japan.⁵⁸ Moreover, the Minister of National Defence for Air wrote in an aide-mémoire that:

Any plans for the final campaign against Japan, which may involve the use of Canadian forces, should accordingly take account of the following amongst other factors: the deployment from Canadian bases of some part of the Canadian forces; the importance which the northwestern route to Asia, across Canada, may assume in the later stages of the war; the defence of the Canadian Pacific Coast; questions of supply and equipment. These and other related considerations may render it advisable for Canada to play her part in the Japanese war in very close co-operation with the United States, at any rate in certain operational areas.⁵⁹

Discussions between Canada and the United Kingdom continued in May 1944 when the Canadian Joint Mission in London met with the United Kingdom Chiefs of Staff. Canadian plans were not the only ones at the tentative stage. At the Prime Minister's meeting in London it was expressed to the Canadian Prime Minister that the British Naval and Air Forces would play the major role, but that these plans were not final.⁶⁰ Likewise, no final plans had been formed between the United States and the United Kingdom by mid-June.⁶¹ The Minister of National Defence for Air had surmised that Canada's military participation in the Pacific would be most effective if it acted in close concert with the United States rather the United Kingdom, while United Kingdom planning was already considering a reduced role for Canadian air squadrons.⁶²

A report from June 1944 weighing the benefits of Canada's prospective contributions to the Southeast, North, or West Pacific theatres, argued that the United States would not likely request Canadian cooperation in the Pacific.⁶³ Furthermore, an aide-mémoire from July 1944 anticipated that an attack by British forces from the North Pacific was unlikely to begin until spring 1946 and not earlier than the summer of 1945.⁶⁴

American gains in the Pacific in spring 1945 changed Canadian and United Kingdom planning; however, even in mid-June 1945 it was only *hoped* that the first Canadian squadrons would begin operating in Japan by December 1945. On the basis of United Kingdom plans, the Canadian Government approved "the employment of two RCAF VLR bomber squadrons and three transport squadrons with the forces to be based in the Ryukyus" but the Canadian Government mostly remained non-committal about the specific size of its Pacific contribution.⁶⁵ The delays caused a slight strain in Canada's relationship between the United States and United Kingdom in July. During one Cabinet meeting, it was argued that Canada's contribution by that point would have solely been to "maintain national prestige."⁶⁶ The rapid conclusion of the war in August did not eliminate the possibility for Canadian military participation in the occupation of Japan, but Prime Minister King rejected participation by the Canadian Army and Air Force in the occupation: "We [Canada] are not prepared to furnish a brigade group for occupation or other special duties in the Pacific theatre as you [United Kingdom] suggest... We now have considerable forces in Europe and we are not ready to undertake any further commitment of this nature involving either Army or Air Force units."⁶⁷ Nonetheless, Canada's contributions to the war against Japan were enough to earn it an eventual seat in the Far Eastern Commission and the government was informed by the United Kingdom on 24 August that it was on the list of

countries suggested to be participants in the Far Eastern Advisory Commission. While Prime Minister King continued to be apprehensive about a military contribution at the time (in part because the United States was not aware yet of Canada's decision not to send a contingency force to Japan), the government welcomed the potential for participation in the Far Eastern Advisory Commission since it was "a departure from the three, four or five power patterns" that Canada had been accustomed to during the war.⁶⁸

Invitations were sent to Australia, France, the Netherlands, New Zealand and the Philippine Commonwealth (as it was known until 1946) between 5 and 6 October to participate in the Far Eastern Advisory Commission, while India was invited on 25 October.⁶⁹ Canada received its invitation on 8 October and Prime Minister King and the Cabinet approved Canada's participation by 10 October. Lester B. Pearson, Canada's Ambassador to the United States, was already in Washington where the Far Eastern Advisory Commission was set to meet, and was selected to be Canada's representative. The Canadian Government had received updates on FEAC developments by the United Kingdom and was forwarded a summary of the instructions sent to the United Kingdom representative prior to the Far Eastern Advisory Commission's first meeting on 30 October.⁷⁰ The instructions stressed the need for the United Kingdom representative to press for increasing the authority of the Far Eastern Advisory Commission and to attempt to gain Soviet Union inclusion into FEAC. The instructions also directed the United Kingdom representative to maintain close contact with other Commonwealth members, and recognized that the United Kingdom and the United States were likely to share similar positions on economic matters such as reparations, the nature and direction of foreign trade, Japan's industrial and financial organization, and relief supplies for Japan. Pearson was issued his own

set of instructions on 27 October that outlined the guiding principles for Canada's participation in the Far Eastern Advisory Commission, and in a separate message also sent on 27 October, Pearson was provided further instructions developed in response to those of the United Kingdom.

The initial instructions sent to Pearson were refined in the following weeks and proved to be enduring guidelines for Canada's later participation in the Far Eastern Commission. Because of Canada's minimal contribution to the war against Japan and because Canada's political and economic interests were seen as a "good deal less extensive than those of the United Kingdom," Pearson was instructed not to take the initiative in bringing forward proposals during the early sessions, but *also* not to hesitate to "make clear Canadian interests and concerns."⁷¹ Pearson was instructed to support the Initial Post-Surrender Policy since the Canadian Government regarded the United States' singular military control as advantageous compared to the situation in Germany at the time.⁷² The Canadian Government regarded American cooperation with other Allied countries including the Soviet Union as advantageous for both Canada *and* the United States.⁷³ To this end, Canada supported amendments that would strengthen the Far Eastern Advisory Commission's ability to recommend and pass policy directives to SCAP. However, the Canadian Government was anxious to "[avoid] any appearance that the representatives of the British Commonwealth countries on the Commission constitute a bloc."⁷⁴ This became a reoccurring issue for the Canadian Government after the formation of the Far Eastern Commission, and Canada's representatives were duly instructed in many instances to avoid the appearance of belonging to a Commonwealth bloc.

Between 30 October and 21 December, the Far Eastern Advisory Commission met ten times, carried out organizational duties, and considered its basic policies and objectives.⁷⁵ General Frank R. McCoy from the United States was selected as the Chairman, and Dr. Herbert V. Evatt, the Australian Minister of External Affairs, was selected as the Vice-Chairman. Six working committees were created to study the following topics: Committee 1, Basic Policies and Objectives; Committee 2, Economic Problems and Reparations; Committee 3, Strengthening of Democratic Processes; Committee 4, Constitutional Reform; Committee 5, War Criminals; Committee 6, Aliens in Japan. In late November, plans were developed to send the Far Eastern Advisory Commission to Tokyo in December on a fact-finding mission. Such a mission was advantageous for Canada because the government was lacking first-hand information directly from Japan aside from limited reports from the United Kingdom and from E. H. Norman.⁷⁶ Due to Pearson's duties as Ambassador, and because Hugh Keenleyside, who had worked at the Legation prior to the war, was busy with his duties as the Canadian Ambassador to Mexico, it was decided that Norman, who was already in Tokyo working for SCAP, would join the Commission in Japan and return to Canada after the FEAC tour of Japan was completed. On 26 December, the same day that the Foreign Ministers in Moscow agreed to establish the Far Eastern Commission, the Far Eastern Advisory Commission members began their fact-finding mission to Tokyo. Pearson relayed Canada's invitation to join the Far Eastern Commission and the new terms of reference on 29 December. Prime Minister King formally accepted the invitation on 3 January 1946 and announced that Pearson would represent Canada in the Far Eastern Commission.

Chapter 2

Early Decisions, 1946-1947: Government-to-Government Trade and Returning Japan to the International Market

1 SCAP and the *Bōeki-chō*, 1946: The Government-to-Government Trade Period

Japan's economy lay in ruins at the end of the war and the country faced severe challenges as it began the process of rebuilding its international trade. SCAP calculated in 1946 that Japan had "lost one-third of its total wealth and from one-third to one-half of its total potential income."⁷⁷ Furthermore, Japan lost 45 percent of its prewar territorial possessions, notably those in China and Korea, along with access to the resources and income generated by trade (and coercion) from those territories.⁷⁸ World War II had caused a global shortage of raw materials and commodities, consequently Japan could not just simply rely on other sources. Japan's coal supply had been devastated by the loss of imports from its former colonial possessions and domestic production was in dire condition. Industrial production had plummeted to 10 percent of the prewar 1930-1934 level while inflation went unchecked. Illustrating the rapid rate of inflation, Chalmers Johnson writes, "If we take the price level of August 1945 to be 100, then the level rose to 348.6 in September, to 584.9 in December, and to 1184.5 the following March."⁷⁹ The war had also taken a tremendous toll on Japan's population, further contributing to the difficult process of economic recovery. Millions of Japanese had died or were injured during the war, its major cities were burned out and most factories virtually destroyed by Allied bombing, and millions of other Japanese citizens were stranded in the former colonial territories.⁸⁰ Establishing Japan's international trade was a necessity in order for the country to recover economically, but SCAP's priority in 1945 and 1946 was to change the country's ideological propensity towards war while eliminating Japan's material and economic means to wage war. Inflation, lack of raw materials, low industrial capacity and production, and the uncertainty caused by looming reparations removals were problems that plagued Japan's

economic recovery and ability to conduct trade until 1950. The task ahead of SCAP, the Far Eastern Commission, and the Japanese Government to rebuild Japan was immense.

From the outset of the Occupation, it was expected that Japan would eventually participate in international trade. The Potsdam Declaration, Initial Post-Surrender Policy and, later in November 1945, the Basic Initial Post-Surrender Directive were the principle documents that guided SCAP, the Far Eastern Commission and the Japanese Government's policies for the redevelopment of Japan's economy and trade. The Potsdam Declaration provided the basic framework for the shape of Japan's postwar economy:

Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind, but not those which would enable her to re-arm for war. To this end, access to, as distinguished from control of, raw materials shall be permitted. Eventual Japanese participation in world trade relations shall be permitted.⁸¹

The Initial Post-Surrender Policy built upon the Potsdam Declaration and outlined Japan's postwar economic structure. The document blamed Japan for its own economic ruin and declared that "the Allies will not undertake the burden of repairing the damage" but Japan's authorities were called upon to "facilitate the restoration of [the] Japanese economy so that the reasonable peaceful requirements of the population can be satisfied." The Initial Post-Surrender Policy's subsection on international trade and financial relations detailed the sorts of control Japan's trade would be subject to. SCAP's authority extended to all economic matters including control over all Japanese imports, exports, foreign exchange and financial transactions. Exports were to be used to pay for approved imports, and foreign purchasing power was to be used only for essential needs. The purchase of raw materials from foreign countries was permitted although certain materials were restricted. While SCAP had the final say in all matters, the

Japanese Government was permitted to establish and administer control “over economic activities, including essential national public services, finance, banking, and production and distribution of essential commodities...” The Basic Initial Post-Surrender Directive elaborated on the economic provisions of the Initial Post-Surrender Policy, providing greater detail about economic controls, reparations, and called upon the Japanese Government to curb rampant inflation. Two provisions of the Directive, however, created a slight inconsistency between SCAP’s mandate and American policies.⁸² The two relevant passages read:

Your supreme authority as Supreme Commander of the Allied Powers in Japan will extend to all matters in the economic sphere. In the exercise of that authority, to the extent that the accomplishment of your objectives permits. In the exercise of that authority, to the extent that the accomplishment of your objectives permits, you will use the services of the Emperor and the machinery of the Japanese Government to accomplish your objectives.

And

You will not assume any responsibility for the economic rehabilitation of Japan or the strengthening of the Japanese economy. You will make it clear to the Japanese people that... You assume no obligations to maintain, or have maintained, any particular standard of living in Japan.”⁸³

Consequently, SCAP did not actively attempt to rehabilitate Japan’s economy until 1948 and left intact much of the existing bureaucracy. In turn, the Japanese Government was assured an active role helping to rebuild the country’s economy rather than being a vessel to simply carry out dictates from SCAP.

Government-to-government trade was the sole type of international trade conducted by Japan until the resumption of limited private trade in 1947. At the level of trade conduct and oversight, two developments during this period had lasting effects for Japan’s international trade throughout the Occupation: the systems of economic control SCAP devised, and the creation of

the Japanese Government's agencies responsible for trade and economic planning. A lesser development was the Far Eastern Commission's approval to establish the Inter-Allied Trade Board (IATB) on 10 October 1946. The IATB was set up "to make recommendations to the United States on questions concerning 1) the disposition of commodities available for export from Japan, 2) the sources from which commodities were to be imported into Japan, and 3) general facilitation of Japanese exports and imports."⁸⁴ The IATB's primary contribution was its recommendations in 1947 concerning the allocation of quotas for the 400 businessmen to initially be allowed into Japan once private trade was resumed.⁸⁵ By 1949, Canada's Department of Trade and Commerce had dismissed the relevance of the Inter-Allied Trade Board. "In an effort to circumvent the deadlock in the Far Eastern Commission, the Inter-Allied Trade was formed, but this has not achieved much in promoting recovery of Japan's foreign trade."⁸⁶

The Japanese Government's ministry with the foremost responsibility for Japan's economy, the Ministry of Commerce and Industry (MCI), was one of the more powerful bureaucracies that emerged in the aftermath of the war, having been reborn in August 1945 from its brief but towering existence as the Ministry of Munitions. Because the Japanese Government was responsible for oversight of its domestic economy, both SCAP and MCI recognized the need to shift control of wages, prices, and the allocation of rations and distribution of commodities to the government.⁸⁷ To fill this need, the Economic Stabilization Board (ESB; *Keizai Antei Honbu*) was created on 12 August 1946 as "a policy planning and coordination organ" for Ministry of Commerce and Industry.⁸⁸ The ESB was responsible for some of the Japanese Government's most prominent economic policies during the Occupation and SCAP ordered that all ministerial planning be transferred to the ESB in 1947.⁸⁹

While the Economic Stabilization Board was pivotal in the broader development of Japan's postwar economic policies, the Board of Trade (*Bōeki-chō*) had the more direct impact on Japan's international trade during the Occupation. In response to an order given by SCAP on 9 October 1945 that called on the Japanese Government to create a single agency to handle the flow of trade, the *Bōeki-chō* was created on 14 December 1945 as "the exclusive agency of the Imperial Japanese Government to handle all Japanese foreign trade transactions."⁹⁰ The *Bōeki-chō* was an agency attached to the Ministry of Commerce and Industry, and while it operated mostly independent from MCI, it had no official policy-making capability.⁹¹ The importance of the *Bōeki-chō* cannot be overstated. It oversaw the reorganization of the domestic trade associations that had operated during the first year and a half of the Occupation, into four governmental corporations (*kodan*) in 1947: the Mining and Manufacturing Goods Trading Kodan, Textiles Trading Kodan, Foodstuffs Trading Kodan, and Raw Materials Trading Kodan. Sumiya writes that the *kodan* were "established with total equity provided by the government to handle specific trading."⁹² Imports and exports were subject to SCAP's approval, but the *Bōeki-chō* handled all of Japan's imports and exports until being merged with MCI in 1949 to create the Ministry of International Trade and Industry (MITI).

At the international level, the system of government-to-government trade instituted in 1945 required that Japan use its exports to acquire desperately needed raw materials and commodities for Japan's industries. Until 1947, the *Bōeki-chō* was authorized to deal only with representatives of foreign governments (a limited group in 1946 that did not include Canada) and trade was handled on a consignment basis. Imports to Japan were handled by SCAP who received purchased goods from the War Department and then passed these on to the *Bōeki-chō*;

the *Bōeki-chō* received payment for Japan's exports only after the United States Commercial Company (a subsidiary of the Reconstruction Finance Corporation) deducted its charges.⁹³ All trade was conducted solely in U.S. dollars during the government-to-government period, and both SCAP and the *Bōeki-chō* subsidized all transactions until a fixed exchange rate for the yen came into effect in April 1949. Japan was reliant on the United States for the bulk of its imports and very limited exports in 1946—a pattern that later affected Canada's ability to conduct trade with Japan.

2 Canada and Japan, 1946: The Far Eastern Commission

In 1946, the Canadian Government was given its first real opportunity to reengage politically and economically with Japan. Of course, no official diplomatic relations existed between the two countries until 1952 and Japan was in the early stages of the Occupation, but Canada's participation in the Far Eastern Commission and the establishment of its Liaison Mission in Tokyo were the first crucial steps towards the redevelopment Canada and Japan's economic relationship.⁹⁴ Participation in the Far Eastern Commission enabled Canada to play a role in shaping the future of Japan's economic system. At the same time, the establishment of the Canadian Liaison Mission in Tokyo provided the Canadian Government a direct link for Canadian-Japanese business interests. Representatives from the Department of External Affairs handled most of the political duties, while the Department of Trade and Commerce handled business affairs. With Japanese citizens unable to travel abroad during the first years of the Occupation, having Canadian personnel working alongside Allied representatives in addition to having representatives working in Japan was favourable compared to the situation that had emerged in Europe.

Canada entered 1946 represented on the newly created Far Eastern Commission by its Ambassador to the United States, Lester B. Pearson, while Norman represented Canada in the Far Eastern Advisory Commission's inspection trip from January to mid-February.⁹⁵ The instructions given to Pearson in October 1945 for Canada's participation in the Far Eastern Advisory Commission remained the guiding criterion for Canada's participation in the Far Eastern Commission. Thirteen days after the return of the former Far Eastern Advisory Commission's fact-finding mission, the Far Eastern Commission held its inaugural meeting on

26 February 1946 in Washington at the former Japanese Embassy. The composition of the Far Eastern Commission was like that of the Far Eastern Advisory Commission except for the addition of the Soviet Union. At the inaugural meeting of the Far Eastern Commission, it was decided that FEAC documents would be renumbered as FEC documents. General McCoy, who was previously selected as Chairman for FEAC, was once again elected for this task at the Far Eastern Commission. In addition to the Steering Committee, seven committees were created: Committee 1, Reparations; Committee 2, Economic and Financial Affairs; Committee 3, Constitutional and Legal Reforms; Committee 4, Strengthening of Democratic Tendencies; Committee 5, War Criminals; Committee 6, Aliens in Japan; and Committee 7, Disarmament of Japan. With Pearson's busy schedule as the American Ambassador, Ottawa wasted no time putting to use the talents of its other diplomatic staff. It was suggested on 6 March that Norman become temporarily attached to the Embassy in Washington as the alternate delegate in the Far Eastern Commission.⁹⁶ Soon after this placement, Norman's expertise was put to use acting as the de facto head of Committee 3, though he was originally selected to be the Deputy Chairman of the sub-committee.⁹⁷

Canadian representatives at the Far Eastern Commission advocated for multilateral solutions and cooperation as best they could. The unique position of being close to both the United States and the United Kingdom necessitated the Canadian Government balance its continental interests with its European ties all while asserting the country's independence. Despite the common economic interests of Canada and the United States, the Canadian Government had cause to worry about excessive American hegemony affecting Canada's long-term economic aims.⁹⁸ Similarly, while Canada agreed with the United Kingdom on a number of

economic matters, Canada's representatives at the Far Eastern Commission were instructed to distance themselves from agreements or arrangements that had the appearance of a Commonwealth bloc. Although the instructions sent to Pearson in October 1945 stated, "It is obvious that the strategic, political and economic interests of Canada are a good deal less extensive than those of the United Kingdom and we shall therefore be less likely to take the initiative in bringing forward proposals," the Canadian Government certainly was concerned with its own economic interests in Japan.⁹⁹

Pearson was supportive of the Commission's purpose and work, and through the Far Eastern Commission, the Canadian Government gained insight into the relations of the other members' East Asian relations and policies. Still, the Far Eastern Commission's ability to formulate policy soon ran into problems early during its work as it was evident that SCAP was being insulated from outside influence. Pearson conveyed this problem on 4 June, stating that the United States did its best to shield SCAP from the Commission, and that decisions of the Commission were welcomed so long as they did not "encroach upon [the] details of [the] occupation administration."¹⁰⁰ The Commission also faced problems from the United States' legalistic interpretation of policy and policy implementation. Members approached SCAP with caution for fear of offending its prestige.¹⁰¹ Consequently, the Canadian Government was made aware early on for the need to pursue avenues that could help place it in favour with SCAP and the United States. Pearson, though, was contented that the Commission was operating more smoothly than the mechanisms of control in Germany at the time, and felt that there was genuine room for disagreement amongst even the American members of the Commission. As Canada's

representative to the Far Eastern Commission, Pearson worked until October 1946 whereafter he was replaced by Humphrey Hume Wrong.

The economic issues for the Canadian Government in 1946 were Japanese reparations, establishing contacts in Japan through the Liaison Mission, assessing the prospects for Canadian companies interested in conducting business in Japan, and attempting to relax some of the stringent economic controls in place. Members of the Far Eastern Advisory Commission's inspection trip had cited the issue of reparations as being an integral element for the revival of trade.¹⁰² The level of reparations was a protracted issue for the Far Eastern Commission due to conflicting views from the Commission's members. The Canadian Government did not have a significant stake in receiving indemnities because its contribution to the Pacific war effort was minimal. The government's Inter-Departmental Committee on Reparations shaped Ottawa's attitudes towards the creation of a reparations policy for Japan. Canada's stance was forward-looking, recognizing the need for reparations that would not harm Japan's economic recovery.

In March, the United Kingdom proposed that reparations be negotiated on a political, rather than a statistical basis (although it was suggested that some discussion between Commonwealth members take place with statistical comparisons).¹⁰³ The Canadian Government rejected this. Although the government saw merit in the proposal, it felt that the proper discussions should be within the Far Eastern Commission and not a Commonwealth bloc.¹⁰⁴ Canada's insistence on presenting its views separately from the United Kingdom's repeatedly occurred during the Occupation. Canadian and United Kingdom interests intersected over rebuilding the Japanese economy, though, with Canada agreeing that the Interim Reparations

Program should not impair the minimal requirements of a viable economy.¹⁰⁵ Writing to Norman in order to help him prepare for a memorandum on the Far Eastern Commission, the First Secretary of the Embassy in the United States emphasized Canada's priorities:

The main point that Canada wishes to have kept in mind is that Canada's long term interest is in the peaceful economic recovery of Japan, that payments for essential imports should be a first charge on Japanese industry and production, and that extraction of reparations should be carefully limited to prevent the possibility of it being necessary for the Allied nations to assist the Japanese financially or otherwise at a later date.¹⁰⁶

The overriding concern was returning Japan to some capacity of trade, and Canada was prepared to mediate differences between the United States and United Kingdom to settle the reparations issue in a timely fashion.¹⁰⁷

Instructions sent to Pearson on 1 April outlined the broader Canadian views on reparations and advised that the first priority for reparations removal was to use them to pay for approved imports to help the Japanese economy.¹⁰⁸ Additionally, it was expressed that figures of remittances from Japanese abroad and property owned by Japanese in Allied countries should be excluded from the reparations.¹⁰⁹ Canadian claims amounted to 2 to 4 million dollars of Japanese assets and 9 to 11 million dollars in claims against Japan.¹¹⁰ While Canadian forces had not seen action in the Pacific other than in Hong Kong, Canada had contributed money to the Pacific war effort.¹¹¹ Pearson stated that the Bureau of Statistics was considering the following in summing Canadian losses:

1. Mutual Aid to China, Australia, India.
2. Mutual Aid to U.S.S.R. after May 7th, 1945.
3. Commercial losses in the Far East due to the Pacific War.
4. Relief sent to Allied nationals in the Far East during the war.
5. Cost of the repatriation of Canadian nationals from the Far East.¹¹²

The government was firm in its insistence to have a share of reparations despite its small contribution to the Pacific war effort, but this was posturing rather than actual concern over receiving indemnities.¹¹³ As the government drew up its lists of items of interest for reparations removals, two industries, fisheries and aluminum production, were the centre of its attentions. As noted in the introduction, Japan's fishing industry was one of the most protracted issues during the Occupation. On this issue, Canada was in agreement with the United States that the Japanese fishing industry could not be allowed to exploit supplies governed by existing laws between the two countries. In August 1946, Pearson was given the following list of items the Canadian Government was interested in having allocated as part of its reparations share:

- A. Japanese equipment and methods connected with fisheries processes:
 - 1. The recovery of kelp and sea mosses particularly agars.
 - 2. Sea oyster culture.
 - 3. Utilization of fish skins.
 - 4. Utilization of whales.
 - 5. Pearl essence processes.
 - 6. Reduction of fish oils.
 - 7. Modern canning.
- B. Aluminum Sheet Rolling Mill.
- C. Aluminum Foil Mill.
- D. Electrolyte Caustic Soda Plant.¹¹⁴

The Department of Trade and Commerce submitted additional items that Canadian companies might have had an interest in, including an electric caustic soda plant with approximately a 12,000 ton capacity (with or without tanks or motors) for the Aluminum Co. of Canada, and a plant for the production of phthalic anhydride required by the Dominion Tar and Chemical Company.¹¹⁵ Trade and Commerce emphasized reparations related to aluminum and aluminum production as being of interest to Canada. However, far from Pearson's optimism about the progress the Reparations Committee had been making in May, the issue of reparations remained at a standstill towards the end of 1946. The Secretary of State for External Affairs

wrote to Pearson in December, stating Canada's agreement with the United Kingdom's view that "the most urgent aspect of the reparations problem is the stabilization of the Japanese economy at peacetime levels. We also feel this can be largely achieved without a complete settlement of the reparations question."¹¹⁶ Reparations were a minor issue for Canada in 1946 and continued to be so in 1947. As a matter of long-term policy, Canada was more concerned with restoring Japan's trade and seeing its economy recover.

3 Canada in Japan, 1946: The Canadian Liaison Mission

The constraints of a chaotic Japanese economy still in the early phases of recovery, the inability for Japanese to travel abroad, American direct control over Japanese imports and exports, and the gap between the Far Eastern Commission and SCAP meant that trade was tightly controlled with little room for improvement in 1946. In May 1946, SCAP began to accept representation in Japan from governments “neither neutral or participants.”¹¹⁷ The first plans for a Canadian mission in Japan, though, were linked to the October 1945 Privy Council decision to set up a Canadian military mission in the areas of Germany occupied by the United Kingdom. The military mission in Germany was created to maintain Canadian military and civil interests, and act as an interim liaison within the British zone.¹¹⁸ Towards the end of the year, the Department of National Defence began sending enquiries to SCAP to take part in the technical research missions. Emphasizing the *ongoing* nature of technical investigations being carried out by the United States and responding to the possibility of Canadian participation, Colonel W. S. Wood from SCAP’s Intelligence Division sent a letter on 3 December 1945 to Colonel Omond McKillop Solandt, Director of Research for Canada’s National Defence. In it, Colonel Wood stated that Japan had made notable developments “in only a very few phases of scientific and economics,” notably: fisheries, forest products, meteorology, ionosphere research, magnetic research, a few special lines in medicine, and magnetron theory.¹¹⁹ Colonel Wood went on to state that Washington would eventually be releasing full reports, and suggested that Canadian personnel could perhaps work under the section of SCAP handling the investigations.¹²⁰

Canadian interest for participating in investigations of Japanese scientific and technical developments gained traction in late January 1946. Japanese fisheries were highlighted by Colonel Solandt as being of interest to the Canadian investigators, while forestry and geology were seen as less important; textiles, metallurgy and paper were not seen as being of any interest.¹²¹ Support for sending a representative to investigate Japanese fisheries also came from the Departments of External Affairs, Trade and Commerce, and Reconstruction. The informal invitation to Colonel Solandt in December was forwarded by Major Maskell, of the National Defence's Joint Committee on Enemy Science and Technology (JCEST), to the Department of External Affairs's JCEST representative on 23 January 1946. In turn, the discussion about a potential military mission was forwarded to Major General Harry Farnham Germaine Leston of the Canadian Army Staff in Washington.¹²² Based on contact with the United States War Department, Major General Leston recommended that, in order to "prevent friction with USWD" and expedite any requests, the Canadian Army Staff use its contacts with G-2 and have ready information about: the number of people planning to go to Japan; whether they would be in uniforms or not (emphasizing that they should be uniformed); what the objective of the visit would be; what was the intended use of the information by the Canadian Government; and the date of availability for investigators along with the duration of their stay.¹²³

While Major Maskell used his contacts within the Canadian Joint Technical Mission in Washington as part of the effort to secure an invitation for Canadian representation on scientific and technical missions, the matter was being taken up by the Department of External Affairs and Department of Trade and Commerce.¹²⁴ G. R. Heasman, Director of the Trade Commissioner Service, part of the Department of Trade and Commerce, wondered whether there was something

to learn “regarding floating canneries, oyster culture, the use of waste material, etc.”¹²⁵ External Affairs and Trade and Commerce awaited the return of Dr. Finn, Deputy Minister of Fisheries, to Ottawa from Vancouver before proceeding any further in early February.¹²⁶ Upon meeting with Dr. Finn, it was decided that Dr. Neil N. Carter, Director of the Fish Experimental Station at Vancouver, would be asked to be sent to study the Japanese fishing industry, specifically, “processing methods, fishing craft and gear, organization of the industry, education of fishermen and, especially, fisheries research.”¹²⁷

Specific policies regarding the arrangement for the participation of Allied missions in Japan had not entirely been finalized by SCAP by February 1946. While some discussion had taken place during the Far Eastern Advisory Commission’s trip in January and early February, the Far Eastern Commission had not taken up the subject formally.¹²⁸ Prior missions, such as the Australian Scientific Mission, had been ad-hoc, while other observers, such as those from the United Kingdom, India and China who were partaking in a textile mission at the time by invitation of the State Department, had been sent as part of various United States missions through invitation or special permission.¹²⁹ Similar to the ad-hoc nature of other missions in early 1946, Canadian efforts to prepare and take part in technical and commercial missions were not coordinated. By early March, the possibility of sending Canadian investigators to Japan was unlikely due to the “undoubtedly civilian status of investigators” and because of new restrictions imposed by SCAP.¹³⁰ The Army’s response to the problem of civilian investigators highlighted the fact that Colonel Wood’s original letter had cited fisheries at the top of the list of notable Japanese developments and countered the problem of civilian investigators with “...Canada is unlikely to find experts in fisheries in the Armed Forces.”¹³¹ The plans by the Department of

Fisheries to send a representative continued, but the emphasis shifted towards the plans for a civilian, rather than scientific or technical, mission that had been developing at the same time.

Concerted discussion had been underway since at least January 1946 about Canada's economic representation in Japan. The Department of External Affairs had already sent various documents to the Department of Trade of Commerce about the "machinery for controlling imports and exports."¹³² Although fisheries was important to the Department of Trade and Commerce, Canada's broader economic interests also required attention. Colonel Lawrence Moore Cosgrave, Canada's signatory to the Japanese Instrument of Surrender, was stationed in Tokyo and wrote to Heasman on 17 January 1946, urging Trade and Commerce to send a trade commissioner to Japan.¹³³ This telegram was the nucleus behind the inter-departmental conversation about Canadian *economic* representation in Japan. The telegram, which reached Heasman on 28 January, was the subject of a phone conversation between Heasman and G. S. Patterson, from the Department of External Affairs, on 2 February that resulted in Patterson sending Heasman a summary of Japan's economic conditions, on 7 February. Patterson stated that the purchase of commodities would be "impractical" without Canadian representatives in Japan.¹³⁴ The summary begins with a brief outline of parts from the United States Post-Surrender Policy for Japan concerning Japan's international trade and financial relations.¹³⁵ Patterson then lists the functions of SCAP's Economic and Scientific Section, and included critiques from New Zealand and the United Kingdom in 1945. The summary also includes points about the United Kingdom's representation in Japan and refers to the participation of Britain, India and China on the textile mission in early 1946.¹³⁶ Importantly, the summary highlighted the degree of control SCAP had over all Japanese imports and exports, and that

Japanese authorities were supposed to provide foreign organizations equal opportunity in trade. Furthermore, it notes that the United Kingdom had added “political, financial and other technical experts to the existing British staff” at the end of November 1945.¹³⁷ This point underscored Colonel Cosgrave’s letter—which Heasman would have had read—that warned Canada was significantly behind other countries in economic representation. “All other British countries except South Africa strongly represented both political and economically while believe India considering despatch of Trade Commissioner.”¹³⁸ Even though certain countries had economic representatives in Japan, Japanese nationals were prevented from engaging in direct commercial contact for reasons of security. Economic representation in Japan was allowed for the arrangement to purchase or ship commodities by working with, or serving on the staff of SCAP, while trade ultimately was conducted through the United States Commercial Company.¹³⁹

Norman, who had returned from the Far Eastern Advisory Commission’s inspection trip in mid-February, favoured a small liaison mission with a political and economic representative, while Heasman and R. M. Macdonnell awaited Colonel Cosgrave for further input.¹⁴⁰ Patterson provided a memorandum on 21 February outlining what services a mission should provide, but it was not until April, after the plans for a technical mission had fallen through, that the government finally settled on a civilian liaison mission.¹⁴¹ On 2 April, Pearson reported about unofficial talks in Washington between Norman and State Department officials about a potential liaison mission. Pearson relayed information outlining the status of various missions operating in Japan, and provided suggestions for a possible Canadian mission. With the exception of the French who had their own consular office, most diplomats were attached to their respective military missions. It was suggested that Canada take a similar approach and name an officer

from External Affairs to be the political and diplomatic representative.¹⁴² Alternate proposals to this included appointing a member of the Department of External Affairs as a consular official, or attaching officers from the Departments of External Affairs and Trade and Commerce to the staff of the Commonwealth forces, though both of these options were seen as restrictive compared to the suggestion of a military mission.¹⁴³ Ottawa, however, preferred a civilian liaison mission and kept the military mission as an alternative plan; the other two plans were dismissed.¹⁴⁴ As requested by Pearson, the Under-Secretary of State for External Affairs provided a tentative “deadline” of 15 May for Washington to act on enquiries about a Canadian mission.¹⁴⁵ On 9 May, when SCAP agreed to accept representation from governments that were neither “neutral or participants,” Canada was essentially cleared for a civilian liaison mission. Patterson wrote to Norman Robertson, the Under-Secretary of State for External Affairs, on 10 May saying “It now seems clear a civilian liaison Mission will be accepted,” and on 14 May, Norman wrote that Ottawa had confirmed a Canadian Mission.¹⁴⁶ It was not until 20 May that General MacArthur acquiesced, having “grudgingly agreed that a Canadian representative might go to Tokyo.”¹⁴⁷

When the Canadian Government drew up its list of potential representatives for the Liaison Mission, Norman was tapped to be the Head of the Mission.¹⁴⁸ This original list was an attempt to draw talent from individuals who had experience with Japan and who could best help Canada form closer relations with SCAP. Norman’s work for SCAP and close relationship with General McArthur, in addition to his extensive historical knowledge about Japan, made him the ideal candidate to be Head of the Mission. Lieutenant Colonel A. P. Mackenzie was suggested for the Military Attaché position due to his knowledge of Japan, intimacy with the Japanese

language, and ability to provide both military and political insight for External Affairs.¹⁴⁹ The original list also called for one to two Commercial Secretaries and clerical staff. However, in giving consent to a Canadian Mission, General MacArthur only approved of Norman, as Head of the Mission, an economic attaché, and “two female stenographers.”¹⁵⁰ J. E. Kenderdine was nominated by the Department of Trade and Commerce to be the Economic Attaché, but before his departure, the Department of Trade specified that Kenderdine was being sent to Japan as a “Special Representative of [the] Department” and not as a Trade Commissioner or Trade Representative.¹⁵¹ Freda Guthrie Roxborough and Lorne Henry Berlet were selected as the two stenographers.¹⁵²

An Order-in-Council was passed on 9 July that authorized the opening of a Canadian Liaison Mission in Japan and outlined the purposes of the Mission:

- (a) assume protection of Canadian interests in Japan;
- (b) render services as required to Canadians resident in Japan;
- (c) seek recognition and protection for Canadian property titles;
- (d) deal with problems of Allied Nationals and others who may be seeking entry to Canada;
- (e) report on political, economic, and cultural developments in Japan;
- (f) recommend policies affecting future Canadian trade;
- (g) cooperate with such representatives as the Canadian Government may wish to send to Japan from time to time.¹⁵³

Further instructions to Norman specified for him to thank the United Kingdom Liaison Mission for looking after Canadian interests, “establish cordial relations with the British member of the Allied Council for Japan,” “establish and maintain cooperative relations with representatives of all the United Nations in Japan,” and to maintain an air of independence from British or American influence while working to strengthen mutual cooperation between the United Kingdom, United States and Soviet Union.¹⁵⁴ Other directions included for Norman to visit

Canadians living in Japan who would likely be unaware of the Liaison Mission and its services, draw up a list of names and addresses of Canadians in Japan, and report on their living conditions.¹⁵⁵

Clearance for the five members of the Canadian Mission was granted by 18 July, and after the arrival of Norman, the Mission began its operations in August. The members of the Canadian Mission were not the only Canadians billeted in Japan. Canada's representative on the International Tribunal, Justice McDougall, Lieutenant Colonel O. Orr, and Captain John D. C. Boland were billeted with the British Commonwealth Occupation Force (BCOF). Dr. Cartier from the Department of Fisheries was billeted in the U.S. Army lodgings, and Brigadier H. G. Nolan and Colonel T. Moss were at the Legation.¹⁵⁶ Conditions at the Legation were cramped because the BCOF was still using the building and there was only room for Norman and Kenderdine at first; the other three members of the Canada's delegation had to billet with the BCOF four miles away. Norman also expressed the need for another car because he and Kenderdine would be "going our own ways" due to their respective duties.¹⁵⁷ Norman concluded his initial summary by stating the situation was more difficult than he was able to express.¹⁵⁸

Part of the reason for the cramped conditions at the Legation was because of a misunderstanding in May between Norman, Brigadier General H. E. Eastwood, the Swiss Government, and SCAP.¹⁵⁹ With permission from the Canadian Government, Norman had allowed the Legation to be temporarily used for the billeting of Allied personnel with the understanding that Canadians would receive priority for billeting at the Legation. When Canada

requested to use the building, SCAP refused and stated that it was being completely used by the British Commonwealth members of the International Prosecution Section, and the British member of the Allied Council. At the end of May, Brigadier General Eastwood was in Washington and helped resolve the matter. However, Norman had to clear up further misunderstandings after his arrival at the Legation as he attempted to gain billeting space for his and Kenderdine's wives, respectively.

The Liaison Mission's staff grew with the later addition of J. J. McCardle, a graduate in Modern History from the University of Toronto and a graduate of the Canadian Army Japanese Language School.¹⁶⁰ McCardle was assigned as a probationary Japanese Language Officer to the Mission, and Norman, who was swamped with work, welcomed McCardle's arrival. Much of Norman's early work was spent interviewing individuals, particularly *nisei* who were looking to return to Canada, and he requested that McCardle study legal material concerning the repatriation of *nisei*.¹⁶¹ Unfortunately, the records obtained for this study only provide insight from Norman about the Mission's activities in late 1946, but Norman did indicate that Kenderdine was also having a difficult time in late 1946. From Norman's correspondence, the Canadian Liaison Mission was overloaded with work in 1946 and still in a period of organization towards the end of the year.

There were Canadian exports to Japan in 1946 but the records obtained for this study do not indicate what channels these were delivered through. Langdon's study provides a value of \$1,027,000 for Canadian exports to Japan in 1946 and the figures provided by G. S. Hall in Appendix 1 indicate that Canadian exports to Japan for 1946 consisted of 1 car, 8 gallons of

whiskey, 10 pounds of cigars, 10 pounds of cigarettes, 40,000 CWT (hundredweight) of ammonium sulphate and 354,767 CWT of manufactured fertilizers. These exports would likely have been delivered through one of the Allied trade boards and at the specific request of the United States. Moreover, a memorandum for the Economic Division dated 14 June 1946 states that “the machinery for handling Japanese external trade has not yet been established since, as you know, agreement has not been reached in the Far Eastern Commission on the terms of reference for the proposed Inter-Allied Trade Board for Japan.”¹⁶² The memorandum also states that there was interest from the Sun Life Assurance Company and the Aluminium Secretariat Limited to send representatives to Japan to investigate their properties and assets.

4 The United States and Japan, 1947: Limited Private Trade

Government-to-government trade was never intended to be a long-term substitute for Japan's regular trade. Reopening Japan to limited private trade was politically expedient and an economic necessity for the United States in 1947 as Occupation costs were tremendous and Japan's economy was only beginning to recover *slightly* from the dire conditions of the previous two years.¹⁶³ Up until 1 July 1947, Japan's total government-to-government imports had amounted to \$500,000,000, with the United States being the largest supplier of imported goods—and those mostly consisted of “food, medical supplies, petroleum products, and fertilizer brought to Japan to prevent disease and unrest.”¹⁶⁴ Exports from Japan totalled only \$200,000,000 up to 1 July 1947.¹⁶⁵ Writing to President Truman on 19 June 1947, George C. Atcheson stated:

Whether we like it or not, Japan is at present an economic responsibility of the United States and it is to our interest to assist in the process of getting the country on at least a minimum self-supporting basis. The partial reopening of Japan to private trade on August 15 will start a process which should be productive of good results in due course.

... After 21 months of occupation, industry has now inched its way toward recovery only some 30 per cent of the 1930-1934 level. Lack of coal limits all industrial output including manufacture of needed coal-mining machinery. The rayon industry has come almost to a standstill. Cotton yarn output is about five per cent of 1937. Silk is only one-sixth pre-war and exports meet with poor sales because of the competition of synthetics.¹⁶⁶

In September, after private trade was reopened, William J. Sebald, the United States' Acting Political Adviser in Japan, further clarified the need for the resumption of limited private trade to the Allied Council, reasoning that:

With a population of over 70,000,000 living on the small arable area afforded by the four main islands, and with relatively meagre natural resources, Japan maintained herself in large part by importing raw materials, processing them, and exporting the finished products in exchange for food and additional raw materials.

It has therefore been clear, from the beginning of the occupation, that a revived Japanese foreign trade is an indispensable prerequisite to the reconstruction of a stable economy

which will strengthen democratic institutions and enable the Japanese to support themselves peaceably by their own efforts.¹⁶⁷

SCAP, the Far Eastern Commission and the Inter-Allied Trade Board collectively worked towards reopening Japan to private trade. On 23 January 1947 the Far Eastern Commission approved the policy paper “Determination of the Peaceful Needs of Japan” (FEC 106/1) which stated that the standard of living for Japanese persons by 1950 should be set at prevailing levels of 1930-1934.¹⁶⁸ The progress of Japan’s industrial recovery up to that point had already been measured against the 1930-1934 levels. One of the first steps towards resuming private trade was taken in January 1947 when SCAP allowed “international correspondence of a non-transactional nature with private Japanese citizens.”¹⁶⁹ The Far Eastern Commission passed two further policy papers on Japanese trade—“Destination of Japanese Exports” on 8 May and “Interim Import-Export Policies for Japan” on 24 July—that ensured “the criterion of pre-war patterns of trade ... be taken into account in any control measures which might apply.”¹⁷⁰ Stockpiles of Japan’s industrial raw materials had already been used to obtain foreign credit balances during the government-to-government trade period, but to enhance Japan’s foreign credit, SCAP created the Occupied Japan Export-Import Revolving Fund (OJEIRF) on 14 August 1947. OJEIRF opened up Japan’s gold and silver supply, held by SCAP and valued at \$137,000,000, to provide additional collateral for bank credit for self-liquidating projects.¹⁷¹ It was hoped that this would generate up to \$500,000,000 in loans.¹⁷² Finally, in June 1947, members of the Inter-Allied Trade Board approved recommendations that set the period of stay allowed by entry permits for businessmen going to Japan at 21 days, and additionally, suggested that SCAP approve specific extensions for more than 21 days under “proper circumstances.”¹⁷³

On 22 July 1947 the United States sent a memo to diplomatic and consular offices announcing the reopening of *limited* private commercial relations with Japan was set to begin on 15 August 1947. The memo prepared countries for how trade would be conducted, and provided details specifically about: quotas and entry permits; accommodations and services; and pricing, payment, and other business arrangements.¹⁷⁴ Private trade was a cumbersome process complicated by geography and strict regulations. Trade was conducted either within or from Japan: the *Bōeki-chō* would oversee all private contracts under the auspices of SCAP; information on United States customs and tariffs would be supplied from Tokyo; offers for tenders on contracts were sent from Japan; and governments with Missions in Japan were urged maintain close ties with SCAP for information.¹⁷⁵ Of the 400 trade representatives allowed during the initial stage, the IATB allocated Canada a quota of only 8.¹⁷⁶ The quotas for the United States was 102; United Kingdom and its colonies 64; China 64; the Netherlands and its colonies 27; India 39; Australia 23; and France and its colonies 16.¹⁷⁷ Only the Soviet Union, Philippines, New Zealand, and non-FEC members were provided less. Interested parties whose governments were members of the Far Eastern Commission first had to apply to their own respective governments who would then requests for entry permits to SCAP. Initially, four categories of entrants were allowed:

- (1) Private trade representatives, or those engaged in buying or selling on behalf of private firms.
- (2) Service representatives, or those engaged in shipping, insurance, banking, and other commercial services necessary to facilitate private trade.
- (3) Investment representatives, or those wishing to make private capital investments or resume pre-war business in Japan, who [were] permitted to enter at a later date.
- (4) Government trade representatives, who have already been participating in government-to-government trade...¹⁷⁸

Business representatives with interests concerning banking, shipping, and insurance did not count against quotas although there were fewer of these sort of representatives than those who entered under the quotas. States that were not members of the Commission or did not yet have a Mission set up yet in Tokyo could apply to SCAP. As per the IATB's recommendations, entry permits were granted for 21 days but could be extended upon approval.

Payments were to be made into a trust fund account, and the memo stated that SCAP was guided by a FEC directive specifying payment for Japanese exports could be made in currencies:

- a) Freely convertible into currencies which can be used for purposes of procuring necessary imports.
- b) Inconvertible, but usable to pay for imports already or concurrently purchased, but not paid for.
- c) Inconvertible but stable in value and subject to specific agreement with areas within which the currency is valid subject to the condition that excess balances of the currency in question arising from sale of Japanese exports, not usable for purchase of imports within a reasonable time period, will be made convertible into dollars.¹⁷⁹

Prices were established in U.S. dollars by SCAP in consultation with the *Bōeki-chō* to “bring a fair return for value,” and based on factors such as international market prices, competitive bidding, or “when no such prices [for items] exist, pre-war prices, adjusted by the change in dollar price index for the commodity group in which the merchandise falls, [were] used.”¹⁸⁰

Traders could negotiate all matters such as prices and contract terms with the *Bōeki-chō* and Japanese producers, but negotiations were complicated since there was no fixed exchange rate for the yen.¹⁸¹ In lieu of a fixed exchange rate, prices were quoted in U.S. dollars, freight on board, and buyers of Japanese imports had to produce an irrevocable letter of credit in favour of the *Bōeki-chō* with 90 days sight terms being the norm. Contracts and transactions were handled

specifically by the *Bōeki-chō*; SCAP merely approved and validated transactions but was not a party to them.¹⁸² Six sales contracts were formed:

- (a) Form JX Con 1 provide[d] for general inspection of merchandise in Japan by buyer's inspector, or by the *Bōeki-chō* if no inspector [was] appointed, and require[d] an inspection certificate to be provided as to the quantity and condition.
- (b) Form JX Con 2 provide[d] for the sale of merchandise of an "as is" basis, and [did] not require [the] seller to furnish [an] inspection certificate.
- (c) Form JX Con 3 provide[d] for the sale of merchandise on the basis of stated brand name without further warranty as to quality, grade or condition. No inspection certificate [was] required.
- (d) Form JX Con 4 provide[d] for the buyer to specify recognized inspection agencies, such as laboratories, authoritative organizations, and Japanese Government, for silk. Inspection certification [was] required, which [was] final as to quality.
- (e) Form JX Con 5 cover[ed] sales of classes of commodities requiring preliminary determinations of content of merchandise by seller. Adjustments [were] to be made after analysis at destination. Seller's certificate of preliminary determination of content [was] required. An example of this is class [was] the vitamin group.
- (f) Form JX Con 6 cover[ed] the sale of merchandise subject to Pure Food and Drug Administration Inspection, on a "no pass, no sale, no replacement" basis, and provide[d] for refund of invoice value of items not passing inspection. Seller's inspection certificate [was] also required.¹⁸³

In practice, SCAP maintained thorough oversight since it issued import licenses and controlled the foreign exchange available to cover imports. Only the most urgent requirements needed for import to Japan, such as raw materials for the Japanese industry, "commodities for the basic minimum economy, [and] for the prevention of disease and unrest" were permitted for import; SCAP was not willing to make foreign exchange for consumer goods.¹⁸⁴ Raw materials were subject to hefty restrictions despite the necessity and demand for these materials.

With respect to the United States' long-term policy objectives, SWNCC clarified these on 12 August 1947 just prior to the resumption of Japan's private trade. General McCoy was instructed to press for the approval of SWNCC's policy statement "United States Policy with

respect to the Restoration of Private Trade with Japan” at the Far Eastern Commission. The statement contained three long-term objectives for the reopening Japan to private trade:

1. To foster the development of conditions in Japan which will contribute to the expansion and balanced growth of international private trade.
2. To promote the reduction of trade barriers and the progressive elimination of all forms of discriminatory treatment in international commerce.
3. To encourage an increase in Japanese exports, compatible with occupational objectives, in order that these exports may, as soon as possible, pay for the imports required for the prevention of disease and unrest in Japan, and the reestablishment of a self-sustaining Japanese economy; and, in order that Japan may provide goods required throughout the world—particularly in areas which have suffered as a result of Japanese aggression.¹⁸⁵

Reopening Japan to limited private trade was imperative to restoring its normal foreign trade, but many of the same obstacles that hampered trade during the government-to-government period remained. The foremost problems were: the slow recovery of Japan’s domestic economy and production due to the disruption caused by the war; limited access to raw materials needed by Japan’s industrial production; limited credit to pay for imports; currency fluctuations, inflation, and the lack of a fixed exchange rate; and, finally, restricted trade with states in Asia due to “unstable political circumstances” in the region.¹⁸⁶ The use of multiple exchange rates in lieu of a fixed exchange rate had a negative impact during the first two years of limited private trade, contributed to the rising inflation, and slowed the rate of production.¹⁸⁷ At the same time, Japanese imports and exports were effectively subsidized: import prices were set below domestic levels and export prices set to guarantee exporters a profit.¹⁸⁸ Imports of raw materials were prioritized and comprised the bulk of exports to Japan during the Occupation. In the initial phase of private trading, the raw materials needed most by Japan were wool, rayon, pulp, dye stuffs, jute, coal, coking coal, iron ore, salt, iron, caustic soda, tinsplate, fats and oils, hides and skins, and tanning materials.¹⁸⁹

5 Canada and Japan, 1947: The Canberra Conference

The resumption of private trade in August was a major step towards normalizing the Japanese market, but private trade was still limited, Japan's industry and the economy as a whole were still in disarray, and a peace conference proper did not have a set date. On 12 March President Truman announced to Congress a shift in American policy that came to be known as the "Truman Doctrine." Five days later, General MacArthur proposed at a press conference that a peace treaty with Japan should be concluded within one year. MacArthur's announcement, coupled with the intensification of the Cold War as underscored by the Truman Doctrine, presented new challenges for officials in Washington and Tokyo, with ramifications that extended to the Far Eastern Commission.¹⁹⁰ The Inter-Allied Trade Board became less important in policy formulation after private trade began in August. With the resumption of limited private trade, Canadian trade interests were advanced mostly by the Department of Trade and Commerce through the Canadian Liaison Mission, while the Canadian delegation to the Far Eastern Commission was left working on broader political and economic policies. Canada advocated for the continued liberalization of Japan's economy and assumed a mediating role in discussion about reparations, but the extent of Canada's influence over economic policy at the Commission was minimal. The Department of External Affairs focused its attention on the economic provisions of a potential peace treaty with Japan.

Reparations had been a low priority for the Canadian Government in 1946, but formulating policy on the reparations issue was a major obstacle at the Far Eastern Commission. Despite submitting a very minor claim for reparations shares, Canada's delegation operated under the expectation that the country would receive a share in the final settlement and wanted to

avoid statements or agreements that would have hindered any future claims.¹⁹¹ In September 1946, SCAP invited Allied Powers to put together five men teams under the control of SCAP to provide industrial surveys concerning restitution and reparations. Only one Canadian firm, Aluminum Limited of Montreal, had expressed interest in being a part of Canada's team by January 1947.¹⁹² Prior to the war, the Sun Life Assurance Company of Montreal, Manufacturers Life Insurance Company of Toronto, and Aluminium Limited of Montreal, held "the great majority of Canadian assets in Japan."¹⁹³ The Sun Life Assurance Company and Manufacturers Life Assurance Company had been in touch with the Canadian Government since mid-1946 about their respective interests in Japan. When the Canadian Government established its survey team on 14 January 1947, Kenderdine, already working in Tokyo, was selected to be chairman.¹⁹⁴ F. F. Ruthven, an engineer of Aluminium Limited, was selected as the industrial investigator, and R. M. Dobson, secretary for the Sun Life Assurance Company of Canada, was selected as the insurance investigator.¹⁹⁵ Although the survey teams answered to SCAP, Dobson and Ruthven were instructed to make "no expression of Canada's interest in either reparations or restitution matters."¹⁹⁶

The government did not expect an increase in the level of interest demonstrated by Canadian companies to acquire shares of reparations, which left the two insurance companies and Aluminum Limited as the parties most interested in reparations. Aluminum Limited's views were sought by the government as it prepared to vote on FEC 218, "Reparations Removals of Industrial Facilities and Merchant Shipping from Japan."¹⁹⁷ As later expressed in the report from the Canberra Conference, there was doubt that Japan's production levels at the time were suitable to produce reparations.¹⁹⁸ The United States Government's 4 April directive to SCAP,

“Advanced Transfer of Japanese Reparations,” was meant to bypass the Far Eastern Commission’s deadlock and deliver 30 percent of reparations for countries deemed most in need, but no articles were delivered by mid-August.¹⁹⁹ Of the Far Eastern Commission members, Canada submitted the lowest claims for reparations by percentage, 1.5%, at the end of August. However, the modest position assumed by Canada had little effect on helping the Far Eastern Commission progress on the issue of reparations.

After MacArthur’s 17 March announcement, the United Kingdom proposed that Commonwealth nations exchange views, and Australia began efforts to organize a conference in Canberra to act as a preliminary forum for discussion on the peace conference proper.²⁰⁰ The Canadian Government was initially reluctant to Australia’s requests, stating its interests in the Pacific more closely aligned to those of the United States than the Commonwealth.²⁰¹ The Canadian Government did eventually agree to attend the proposed conference. Leading up to the conference, the government was unequivocal in its opposition to make any sort of commitment to policies at the conference—even broad ones. This did not mean Canada would not or did not agree with views of other Commonwealth countries, but sought to maintain its autonomy in policy formulation. The Canadian Government sought a balance between economic and security concerns as it mulled demilitarization, trade barrier reduction, and reparations. An undated memorandum by the Department of External Affairs in August 1947 highlights the government’s position:

The development of more rapid means of communication, the discovery of long range instruments of war, and the emergence of new powers in the Far Eastern theatre now make it impossible for Canada to regard as unimportant to its security political developments in Eastern Asia. ... Prior to the war Canada had extensive trade interests in the Orient and the form of their resumption will depend substantially on the position which Japan is to be permitted to assume in the economic field. This position

will no doubt be governed by the Treaty terms and is necessary for this reason to secure participation in their preparation.²⁰²

Members of the military had assessed, correctly, that the economic demilitarization of Japan had been largely achieved, and were in agreement with the United Kingdom Chiefs of Staff that any demilitarization provisions in the final settlement should include exceptions allowing various equipment and materials necessary for the maintenance of civil security, construction and mining, along with permitting the development of civil airlines and limited watercraft.²⁰³

Norman proposed a system of control, similar to the one proposed by Australia's Department of External Affairs, whereby an international council be created from the signatory nations to carry out inspections within Japan.²⁰⁴ Norman's view was shared in a 21 July memorandum wherein the Department of External Affairs provided a comprehensive outline of its views about the economic demilitarization and economic control aspects of the peace treaty. External Affairs weighed the problem of Japanese production if it were constantly supervised against potential reaction from "former victims of Japanese aggression" if there were less stringent control over Japanese production or imports.²⁰⁵ A political system of economic control was advocated as being a flexible means to ensure Japan's peaceful economic development instead of a form of military control that had the potential to leave the United States and the Soviet Union vying for "strategic advantage," consequently weakening Canadian security interests in the North Pacific.²⁰⁶ External Affairs submitted its considerations prior to the reopening of private trade. Strict controls were continued even after private trade was allowed to resume, but economic controls after the conclusion of a peace treaty had the potential of stifling the recovery of traditional Canadian exports to Japan. Metals and minerals had been a major export to Japan prior to the war: aluminum and nickel accounted for 60 percent of the value of

Canada's exports to Japan in 1939, while another 25 percent were from copper, lead, zinc, scrap iron, and steel.²⁰⁷ The Department of External Affairs was willing to write off the loss of this trade, however:

The limitation of our future market in Japan for these materials does not seem an excessive price to pay for security. Even if this market were entirely eliminated the loss of \$16 1/2 millions in income is a trifling figure when set beside the \$832 millions which made up only the budgetary cost of our very limited war effort against Japan. Moreover it would be quite illogical for Canada to participate in any security system vis-a-vis Japan if we are not willing to cooperate in a system of economic controls which would regulate the supply of strategic raw materials.²⁰⁸

On 30 July, Prime Minister King agreed that restricting imports on strategic materials could be a key form of economic control, and opined that demand for other Canadian products had the potential to mostly negate the long-term loss of these prewar export items.²⁰⁹

Brooke Claxton, Minister of Defence, was selected as Canada's representative to the Canberra Conference and given rough guidelines in mid-August instructing him to support policies that balanced economic recovery with security concerns. To balance justice with security and economic issues, Claxton was instructed to: support economic controls that would not prevent Japan's economic recovery and normal trading conditions, so long as security concerns were met; protect Canadian fishing interests; and advocate for no further reparations removals from Japan's production at the time.²¹⁰ Because Canada's security interests aligned more closely with those of the United States, Claxton was instructed to support the American proposals for the procedures of the peace conference.²¹¹ At the Canberra Conference, Canada's goal to remain non-committal towards policies was achieved, although Canada participated fully in the talks.²¹² Norman, who had accompanied the delegation, gave presentations that were well-received, and Claxton was able to express Canada's desire for resumption of a peaceful

commerce.²¹³ Reporting on the conference after its conclusion, Claxton noted that it had quickly shifted from security to matters of economic policy.²¹⁴ His report concludes that there was some consensus on restriction or limitations to the production of various materials and substances, and that Canada was in agreement with the United Kingdom and India that there should be no undue interference in Japan's internal economy from provisions about Japan's fiscal policy and employment as suggested by Australia and New Zealand.²¹⁵ Ultimately, the conference was a successful venture for the Commonwealth countries. Canada, worried about offending the United Kingdom and the United States, was able to find common ground on a number of issues, while principles adopted at the conference were in alignment with United States proposals.²¹⁶ The conference served to inform the Canadian Government of the changing attitudes of other governments, notably the softening of the Australia Government towards proposed economic policies.²¹⁷ Michael G. Fry argues that the conference also helped the government formulate new policies in September "on a variety of issues" although the shift away from government-to-government trade dovetailed with the Far Eastern Commission's waning influence over economic matters in the coming year.²¹⁸

Regarding Canada's participation in the Far Eastern Commission and the Inter-Allied Trade Board up to July 1947, H. H. Wrong, the Canadian representative at the Far Eastern Commission, wrote, "One of the main Canadian interests, both in the IATB and the Commission, has been to hasten the opening of Japan to private trade, and the Canadian representatives on both bodies have consistently supported any proposals which might expedite this."²¹⁹ Prior to the resumption of private trade, Wrong assessed Canadian interests in Japan as: resident commercial or industrial activities (aluminum processing and insurance); trade (lumber, silk,

etc.); missionary activity; property; and reparations.²²⁰ Wrong's choice to list reparations last on the list of Canadian interests was not a mistake; obtaining reparations from Japan was not as significant to the Canadian Government as attempting to break the deadlock on the issue of reparations at the Far Eastern Commission.

With the upcoming Canberra Conference and reopening of Japan to limited private trade, a mission headed by General H.D.G. Crerar was sent to Japan to assist formulating peace settlement policies and to assess the potential for trade with Japan.²²¹ The mission took place between 2 August and 20 August. When Crerar submitted his report in September, it contained a dim outlook on Canadian-Japanese trade prospects in 1948. Fry's summary of General Crerar's report states that trade would be hampered by fiscal controls, reparations would continue to distort trade patterns, and that competition from the United States would make it difficult for Canada to penetrate the Japanese market.²²² Furthermore, Japan's low production, limited purchasing power, high unemployment, and unchecked inflation posed formidable barriers.²²³ However, the prewar pattern of goods trade between Canada and Japan was expected to eventually return once trade had been revived between the two countries.²²⁴

6 Canada in Japan, 1947: The Resumption of Private Trade

Preparation for, and participation in, the Canberra Conference gave the Canadian Government an opportunity to refine and clarify its positions about Japan's economy in the long-term. The results of the conference itself, while successful, were negated in the following months as American policy moved away from supporting an early peace with Japan; for the Department of External Affairs, Japanese aggression became perceived as less of a threat compared to potential Soviet aggression.²²⁵ The more tangible component of the redevelopment of economic relations between Canada and Japan was impacted by the resumption of private trade in August. By mid-August, SCAP had approved six of the first eight entry permits allocated to Canada's quota. The first six slots were given to:

R. M. Andrews, of Andrews and George Company, Incorporated., Vancouver; H. Hacking, of Hacking Company, Limited, Vancouver; R. J. Killiam of the British Columbia Pulp and Paper Company, Limited, Vancouver; J. L. Bennett, of Birks-Crawford, Limited, Vancouver; J. C. Muskett, of the T. Eaton Company [Eaton's], Limited, Toronto; and Frank Hacking of Frank Hacking (Canada), Limited, Toronto.²²⁶

These initial business representatives were not indicative of total number of Canadian businesses interested in trade with Japan at the time. Between 1947-1948, thirty-two Canadian businessmen entered Japan, two were granted semi-permanent status, and several more made return trips.²²⁷

The Department of Trade and Commerce, normally through its officials in the Asia Section of the Foreign Trade Service, assisted businesses interested in the Japanese market by responding to enquiries, informing them of new policy developments, and putting them in touch with Kenderdine at the Canadian Liaison Mission. However, the Canadian Government did not take part in private transactions and Canadian businesses were responsible for securing their own trade agreements with SCAP and the *Bōeki-chō*. Nonetheless, Trade and Commerce and

Kenderdine played an important role facilitating trade as intermediaries for Canadian and Japanese business interests. Even with the delay of letters and cables going between Canada and Japan, Trade and Commerce tended to act swiftly when responding to business enquiries. This was, after all, the period when Japan was first establishing *its* private foreign trade after the war. On 16 August, one day after private trade was officially resumed, a list containing dozens of categories of products available for export from Japan, along with their scheduled production, was released in the Department of Trade and Commerce's weekly publication, *Foreign Trade*.

The categories of items available for export from Japan were:

accessories and dress trade items; bamboo products; belting and hoses, rubber, industrial; ceramics; chemicals and minerals, industrial, clocks, watches, movements and optical glass; construction equipment and material; electrical material; farm implements; foods and beverages; furs; gifts and artware; glassware; housewares; jewellery; leather goods; linen and ramie; metals, ferro-alloy; metals, non-ferrous; miscellaneous and sundries; musical instruments; notions and novelties; paper and stationary; pharmaceuticals, drugs and allied supplies; photographic supplies; rayon; rubber products; seeds; sewing machines; silk; smokers supplies; sporting goods; surgical, dental and laboratory instruments; toys and holiday goods; wood and wood products; and wool.²²⁸

There was no discrimination against Canadian products, but the sorts of goods accepted for import were very limited and remained so in the following years. As anticipated by the report from General Crerar, competition from the United States hampered Canadian companies' abilities to export their own products to Japan. Traditional Canadian exports to Japan, such as raw materials used in industrial production, were limited due to the restrictions still in place for postwar security, while other traditional exports such as wheat, flour and other foodstuffs, were also slow to recover. Overall trade between Canada and Japan remained low in 1947; exports to Japan actually dropped from a total value of \$1,026,850 in 1946 to \$559,224 in 1947.²²⁹ Imports from Japan, however, increased substantially from a value of only \$3,000 in 1946 to \$349,566 in 1947, reflecting both the severe trade limitations and Japan's weak industrial output in 1946.

Both imports and exports between the two countries were still millions of dollars less than they had been from their 1935-1939 average of \$23,000,000 in exports to Japan and \$4,500,000 in imports from Japan.²³⁰ Finally, Table 1.1 demonstrates how miniscule trade between Canada and Japan was in both 1946 and 1947 compared to its two largest trading partners, the United Kingdom and the United States. Whereas the latter half of 1947 was the period when Canadian businesses began returning to Japan, 1948 was when Canadian businesses first started to *firmly* establish their trade links with Japan.

Table 1.1 Canadian Exports, by Area, 1946-1947²³¹
U.S.\$

Country	Date	Date
	January-October, 1946	January-October, 1947
Japan	\$577,000	\$516,000
United Kingdom	\$480,261,000	\$609,403,000
United States	\$714,845,000	\$835,422,000
Total foreign countries	\$1,142,906,000	\$1,305,676,000
Total domestic exports	\$1,868,094,000	\$2,255,644,000

Chapter 3

The Cold War, 1948-1949: Changing Priorities and Expanding the Japanese Economy

1 The United States and Japan, 1948: Changing Priorities

The focus of SCAP's economic policies during the first two and a half years of the Occupation had been directed towards eliminating Japan's ability to wage war and on the economic deconcentration program—the attempt to break up the large industrial and banking firms, known as *zaibatsu*, that controlled the majority of Japan's economic wealth and production prior to and during the war. Up to 1948, reviving the Japanese economy had only been aimed at ensuring the *minimal* peaceful needs of Japan's citizens. This, however, changed in 1948 when the United States Government pursued a “reverse course” that made Japan's economic recovery the primary objective of its occupational policies. The reverse course was the result of recommendations from the Strike Report, Draper Mission, Johnston Committee Report and Young Mission Report that culminated with the National Security Council's adoption of “Recommendations With Respect to United States Policy Towards Japan” (NSC 13/2) in October 1948 (see Appendix 2). The United States pursued the reverse course by using interim directives aimed at making Japan self-sufficient. The interim directives were legally justified in part by broadly interpreting the Far Eastern Commission's “Interim Import-Export Policy for Japan” (FEC 032/26).²³² The return of Prime Minister Shigeru Yoshida, after the defeat of the Ashida government in October 1948, introduced a government with ideologies more complimentary to the changes being sought by the United States Government. However, General MacArthur was resistant to implementing many of the policy recommendations in 1948, which caused a number of disputes between policy-makers in Washington and in Tokyo. Consequently, many of the reforms Washington wanted to see carried out were delayed until 1949, but, as a matter of policy, the reverse course was official by October 1948.²³³

The origins of the reverse course can be traced back to disputes in 1947 about SCAP's economic deconcentration policies. James Lee Kauffman, who was connected to the First Strike Mission in February 1947, visited Japan in August 1947 and became the foremost outspoken critic of SCAP's policies. He managed to obtain a copy of FEC 230, a draft policy about the dissolution of the *zaibatsu* with ramifications that extended beyond simply breaking up the top holding companies.²³⁴ Kauffman issued a report about FEC 230 and SCAP that was utterly dismissive of the economic deconcentration policies. He argued that the system was an experiment that worked against American economic and political interests by hampering business developments at the cost of the American taxpayer and discouraging the Japanese.²³⁵ Washington dispatched a mission headed by the Under Secretary of the Army, General William Draper, whose subsequent agreement with Kauffman's assessment led to the Army Department revising its economic policies. The Secretary of the Army, Kenneth C. Royall, signified the shift of Washington's views about demilitarization and economic deconcentration during a speech he gave in San Francisco on 6 January 1948. Royall contended that "there was an era of conflict between the original concept and the new purpose of building a self-supporting nation" and went on to say that the *zaibatsu* were amongst "the ablest and most successful leaders of [Japan], and their services would in many instances contribute to the economic recovery of Japan."²³⁶ General McCoy, still the United States representative to the Far Eastern Commission, concurred that stabilizing Japan's economy should be the priority and announced to the Commission the United States' intent to remove obstacles towards making Japan self-sufficient.²³⁷

Clifford Strike was again sent to Japan, releasing the Second Strike Report in February 1948, which argued that in order to raise Japan's standard of living to the 1931-1937 level,

industrial output needed to be expanded but could not be done if more of Japan's industries were removed for reparations.²³⁸ George Kennan, the director of the State Department's new Policy-Making Staff, became one of Washington's most vocal proponents for the policy reversal and was sent to Japan in February 1948 to discuss with General MacArthur the issues of United States security needs in the Pacific, the desirability of an early peace treaty with Japan with or without the Soviet Union, and, importantly, steps to speed up Japan's economic recovery.²³⁹ Forcefully arguing against FEC 230 and in favour of economic reconstruction, Kennan captured the predominant views that had emerged from the State Department:

I am personally not satisfied that these policies of decartelization with respect to ex-enemy countries are sound or desirable. They rest, as far as I can see, on the strong views and convictions of a relatively small group of people who view the respective problems exclusively from the standpoint of economic theory and whose enthusiasm and singleness of purpose have sufficed to get them documented as US Government policy. The concepts behind the decartelization program happen to be ones strongly supported by the Russians for political reasons related to their aggressive foreign policy program. ...This represents the type of interference in Japanese affairs which is no longer justifiable in the light of time and circumstance.²⁴⁰

Kennan further argued that FEC 230 would lead to "economic disaster, inflation, unbalanced budgets, resulting in near anarchy which would be precisely what the Communists want."²⁴¹ In March, Kennan was joined by a new mission led by General Draper. General Draper was accompanied by the Johnston Committee which was composed of five representatives from powerful American corporations.²⁴² Draper and Kennan both impressed upon General MacArthur the shift in American policy, but MacArthur was still resistant. On 26 April the Johnston Report was filed, providing for the first time the United States' full policy for Japan's economic reconstruction.²⁴³ The report shared many of Kennan's views and advocated relaxing the program of economic deconcentration, scaling back the reparations program, establishing a fixed exchange rate for the yen based on the U.S. dollar, reducing subsidies, imposing wage

controls, and having the Japanese Government create a balanced budget.²⁴⁴ The Young Mission Report in June 1949 advocated for the establishment of a single fixed exchange rate by 1 October 1948 to cover both commercial and military transactions.²⁴⁵ The report was also used to create the Ten Principles of Economic Stabilization which SCAP directed the Japanese Government to implement in July, but because of the domestic political situation in Japan at the time, the Ashida government was unable to carry these out.

MacArthur remained opposed to the recommendations from the Johnston and Young Reports, but Washington continued to move forward with its policy creation. When the National Security Council (which eventually replaced SWNCC in 1949) approved NSC 13/2 on 7 October, the reverse course was made official policy. NSC 13/2 was sweeping, covering the peace treaty, security matters, SCAP's control and occupational policy. Concerning Japan's economy and trade, NSC 13/2 declared that Japan's economic recovery was the primary concern of the United States' new policies for Japan aside from American security interests. NSC 13/2 then articulated the need to liberalize and increase Japan's trade and that aid would be decreased, placing a greater onus on the Japanese Government to address the problems of inflation and debt.

It should be sought through a combination of United States aid program envisaging shipments and/or credits on a declining scale over a number of years, and by vigorous and concerted effort by all interested agencies and departments of the United States Government to cut away existing obstacles to the revival of Japanese foreign trade, with provision for Japanese merchant shipping, and to facilitate restoration and development of Japan's exports. In developing Japan's internal and external trade and industry, private enterprise should be encouraged. ...We should make it clear to the Japanese Government that the success of the recovery program will in large part depend on Japanese efforts to raise production and to maintain high exports levels, internal austerity measures and the stern combatting of inflationary trends including efforts to achieve a balanced internal budget as rapidly as possible.²⁴⁶

Based upon the recommendations from the Johnston and Young Reports, NSC 13/2 and in consultation with SCAP, the State Department and Army Department issued the so-called “Nine Point Economic Stabilization Program” on 11 December.²⁴⁷ The Nine Point Economic Stabilization Program was an encompassing plan meant to address the foremost problems facing Japan’s economic recovery with objectives to:

- (1) achieve a true balance in the consolidated budget at the earliest date; (2) accelerate and strengthen the program of tax collection and insure prompt, widespread and vigorous criminal prosecution; (3) assure that credit extension [was] vigorously limited to those projects contributing to the economic recovery of Japan; (4) establish an effective program to achieve wage stability; (5) strengthen, and if necessary, expand the coverage of existing price control programs; (6) improve the operation of foreign trade controls and tighten existing foreign exchange controls; (7) improve the effectiveness of the allocation and rationing system, particularly to the end of maximizing exports; (8) increase production of all essential indigenous raw materials and manufactured products; and (9) improve the efficiency of the food collection program.²⁴⁸

General MacArthur transmitted the directive to Prime Minister Yoshida in a letter on 19 December 1948, setting into motion major economic reforms that were carried out beginning in 1949.

Procedures for private trade remained mostly unchanged from 1947, but just as Washington oriented its policies in 1948 towards reviving Japan’s economy, so too were trade restrictions relaxed slightly in August and September. Approved foreign businessmen visiting Japan could hire agents in Japan and SCAP increased the allotted duration of stay from 21 to 60 days. Conversely, Japanese exporters were allowed to make direct sales to foreign buyers although these were still subject to restrictions. The foremost changes to Japan’s trade procedures were the introduction of private barter transactions beginning in August 1948 and the conclusion of several bilateral trade arrangements on behalf of Japan by SCAP. Private barter transactions could be made between private businesses and Japanese companies (with contracts

still subject to the *Bōeki-chō* and SCAP's approval), and served two primary purposes. First, private barter transactions were a means to help foster reciprocal trade between Japan and other countries. Secondly, as a means of liberalizing Japan's trade, more operational control was given to Japanese companies.²⁴⁹ Foreign firms and Japanese manufacturers concluded contracts based on negotiations over prices set by SCAP. Proceeds from the sale of raw materials to Japan through this type of transaction were held in escrow by Japanese banks that would reduce the accounts as Japanese products were purchased and the proceeds expended (escrow transactions did not frequently occur as it was a costly procedure).²⁵⁰

More significant than the private barter transactions were the bilateral trade agreements signed in 1948. On 31 May the "Overall Trade Agreement and Payments Arrangement With the Sterling Area" was concluded by SCAP and initially expected this to result in trade worth \$200,000,000 by June 1949.²⁵¹ Countries covered under the sterling agreement that conducted trade pacts with Japan in 1948 included Australia, India, New Zealand, South Africa, and the United Kingdom and its colonies except Hong Kong, while additional trade agreements were made with Siam (Thailand), the Netherlands, Indonesia, and Sweden.²⁵² Countries party to the sterling agreement with Japan were expected to mostly provide raw materials and goods such as raw wool, iron ore, salt, raw cotton, cereals, petroleum, rubber, tin, jute, oil seeds, wool waste, coal, hides and skins, manganese, gums and resins, and shipping.²⁵³ In turn, Japanese exports to these countries was expected to consist mostly of industrial machinery, raw silk, rolling stock, caustic soda and other chemicals, rayon, wool, silk manufactures, paper and paper products, and bunker coal.²⁵⁴ Bilateral trade agreements indicated the commodities and quantities expected to be involved in trade but were not binding.²⁵⁵ Like private barter transactions, bilateral trade

agreements were aimed at balancing Japan's trade deficits, but they proved to be problematic and did not solve the trade deficit issue. Hollerman recounts that because there were no penalties for leaving contracts unfulfilled, many foreign companies simply backed out on agreements when fluctuations in market prices or changing market conditions left them at a disadvantage compared to when the contracts were first signed.²⁵⁶ Japanese companies also abused the system at times, signing contracts simply to obtain scarce materials under the allocations system and then backing out of their agreement.²⁵⁷ Nevertheless, bilateral trade agreements were the preferred method of arranging and conducting trade until early 1950, and the system was advantageous for countries attempting to secure contracts because they were given priority.

2 Canada and Japan, 1948: Economic Liberalization

As a legal and practical necessity, policy makers in Washington and in SCAP took into consideration the recommendations of the Far Eastern Commission during the reverse course. Nevertheless, the ability of the Far Eastern Commission to seriously enact policies that affected Japan's economic recovery was in decline. Canadian economic interests were aligned with the United States on the practical aspects of Japan's recovery and trade but Japan's ability to conduct private international trade was impacted by American policies which Canada had no influence over—however closely the two countries' interests intersected. Canada's Assistant Under-Secretary of State for External Affairs, Escott Reid, summed up the relationship as it stood in May 1948 by stating: “ Our position is influenced by the fact that Canada and the United States are the only two North American members of the Far Eastern Commission and Canada is therefore more inclined to share United States views on security questions than other members are. Our common commercial and other interests also tend to draw us closer together.”²⁵⁸ The deadlock on reparations continued to be problematic for Japanese industries, but with the Johnston Report and Young Reports, Washington was putting forth policies that had a greater impact on Japan's economic recovery than what was emerging from the work of the Commission at the time.

As the Cold War intensified, the Department of External Affairs correctly assessed the changing situation between the United States and the Soviet Union as something that would affect American policies on Japan's economic recovery and the more long-term outlook for a peace treaty. For Canada and the United States, Japan was no longer the threat to world peace when compared to the Soviet Union, and because the Canadian Government had already been

prepared to support a peace settlement with Japan in 1947, it made little sense for the government not to continue to advocate for the restoration of economic conditions in Japan.²⁵⁹

Arthur Menzies, who was working for the American and Far Eastern Division, stated as much to Bryan S. Lendrum, Assistant Secretary of the Office of High Commissioner of New Zealand, arguing that a peace treaty was not urgent and that “[Canada was] not seriously affected one way or another.”²⁶⁰ Menzies then elaborated about how the increasing Soviet tensions affected

Canada’s position on Japan’s economy:

If the United States felt that it was desirable to build up the Japanese economy to a point where it would be better able to assist in resisting Soviet expansionism in Northeast Asia than [sic] we were hardly in a position to argue over this policy. In the final analysis it was the United States which held the preponderance of power in the North Pacific and on whom we would rely for protection whether the aggression came from the Soviet Union or a revived Japan.²⁶¹

Trade restrictions and the lack of a fixed exchange rate were still obstacles that needed to be tackled. Menzies iterated that trade prospects were low between Canada and Japan and that Canadian businessmen who had gone to Japan had experienced difficulties, but future trade between the two countries could be bolstered by Japan’s increased trade with “all countries.”²⁶² This multilateral line of thinking reflected the inter-connectedness of postwar trade and how important the revival of Japan’s prewar trade partnerships were to its economic recovery.

A problem for Canada was that the increasing tensions between the Soviet Union and the United States carried over into the Far Eastern Commission and caused members to refrain from putting matters to a vote where either the American or Soviet veto could be used.²⁶³ For the first time in the Far Eastern Commission’s existence, veto power was used on 4 March—by the Soviet Union.²⁶⁴ The Canadian Government was cognizant that political opinion in some of the American political circles was that the Far Eastern Commission, along with the Allied Council,

had outlived its usefulness. On the other hand, the Canadian Government felt that the United States still remained “susceptible to moral and diplomatic pressure, and ... would be prepared to go a long way to gain general support for its policies in Japan.”²⁶⁵ Because the Canadian Government did not want to completely lose its voice within the Commission—limited as it was—it supported a potential change to the Commission’s voting procedure that would have allowed policies to pass with a two-thirds majority vote (although this change ultimately did not occur). A memorandum from 23 July clarified the Canadian Government’s position vis-à-vis the United States, the United Kingdom, and the Far Eastern Commission with respect to Japan’s economic recovery and trade. Even though the Canadian Government had communicated to the United States potential “avenues” to consider in order to bring about a peace conference, responsibility for the success or failure of the Occupation hinged on the Americans, and the government considered it “unwise to press the United States towards a course of action which they themselves consider imprudent.”²⁶⁶

However, the Canadian Government was not as willing to let slide the issue of Japan’s economic recovery if it threatened Canada’s security. Despite the Commission’s recommendations in 1947, up until July 1948 it had not reached a conclusion on what the levels of Japanese industry should be, although the Commission continued to work from the original proposal to fix levels in 1950 by 1930-1934 levels.²⁶⁷ Canada was willing to agree with the United Kingdom that industrial levels could be increased so long as they were not a “menace” to security, but, on the other hand, the similarities between Canadian and American security requirements meant that Canada was cautious in supporting the Commonwealth creating its own working paper, and preferred to defer to the Far Eastern Commission as the proper body for

policy proposals.²⁶⁸ Canada had already been supporting within the Far Eastern Commission levels of industry for Japan that were often higher than what other members on the lower committees accepted.²⁶⁹

The United States had unsuccessfully attempted to obtain most favoured nation treatment for Japan at the Havana Conference and had also unsuccessfully attempted to get the Economic Cooperation Administration to grant Japan bilateral agreements under the European Recovery Program (Marshall Plan).²⁷⁰ Canada had also been attempting to garner support for giving Japan most favoured nation status, and was supporting the United States in this endeavour in 1948. The United Kingdom was against the idea of granting most-favoured nation treatment to Japan based on limited time to study the issue and out of concerns for its textile industries.²⁷¹ Reminiscent of Menzies' comment that increasing trade between Japan and other countries would benefit Canada, the Interdepartmental Committee on External Trade Policy and its Sub-Committee considered the revival of Japanese markets important to Canada.²⁷² Blocking the revival of Japan's textile industry or opposing arrangements that could harm trade in the Pacific area was not considered justifiable even though the Department of External Affairs noted that the Canadian textile industry might face some difficulties.²⁷³ The issue of granting most-favoured nation treatment to Japan was not resolved in 1948 and was the primary issue regarding Canada and Japan's economic relationship that the Canadian Government addressed in 1949.

3 Canada in Japan, 1948: Private Trade Case Studies

Norman, as Head of the Mission, was still Canada's top political representative in Japan while Kenderdine continued in his role as the Canada's economic representative until the end of 1948, when he was replaced by Joseph Cleland Britton. Norman and Kenderdine's opinions were solicited by the Department of External Affairs on political and economic matters. Norman handled meetings with United States officials like Kennan or General Draper, and also was asked for opinion on matters like the revival of textile trade. Kenderdine, acting as an intermediary between Canadian businesses, SCAP, and the *Bōeki-chō*, handled more direct trade matters relating to specific enquires such as the availability of wheat or lumber.²⁷⁴ In Ottawa, Heasman, as Director of the Trade Commissioner Service, and G. S. Hall from the Asia Section of the Foreign Trade Service, were the principle individuals responding to enquiries from Canadian and Japanese companies. The government ruled out providing a loan to Japan, citing both the unlikelihood of interest from Canadian private businesses and that, even if they were, they would not be permitted to do so because "the Canadian economy [was] in no position to send unrequited exports to Japan."²⁷⁵ Loans aside, Canadian companies were interested in trade with Japan.

Companies encountered many difficulties already enumerated earlier such as the lack of a fixed exchange rate, limits on what commodities could be imported to Japan, and especially the process involved in contacting the appropriate authorities to setup trade business agreements in the first place. Canadian companies often contacted the Department of Trade and Commerce, Foreign Trade Service, or Trade Commissioner Service as a first step. If they followed the Trade and Commerce's weekly journal, *Foreign Trade*, they would be informed about who in Japan to

contact in order to set up trade: SCAP, the *Bōeki-chō*, or Kenderdine. Nonetheless, companies often sought information from Ottawa as a first step. In turn, officials from the Foreign Trade or the Trade Commissioner Service would reply that their letter(s) had been forwarded to Kenderdine and suggested that they contact him directly. The following selected letters from Canadian companies, Heasman, Hall, Kenderdine and Norman provide a partial outline of what sorts of Canadian businesses were interested in trade and how it was handled by the Canadian Government. The letters also provide insight into some of the Japanese trade interests with Canada.

Most often, parties interested in trade were provided a reply from the Department of Trade and Commerce that outlined the recent history of trade between Canada and Japan since August 1947, how trade was conducted, and who were the appropriate authorities in Japan to contact about trade. The Asia Section of the Foreign Trade Service had a general template they used to respond to Canadian businesses. One such letter to A. B. Willson, from Canadian Refractories Limited, in Montreal, typifies the response Canadian businesses could expect. Formalities aside, the two page letter begins with G. S. Hall stating, “ Trade between Japan and Canada is both possible and practical, and is being carried out on a limited scale. For the first quarter of this year imports from Japan totalled \$203,707 and exports to Japan totalled \$769,735.”²⁷⁶ Hall then briefly outlines how SCAP and the *Bōeki-chō* handled potential imports, contracts, and what foreign exchange was being made available to. It is suggested to Wilson that he get in contact with Kenderdine, as the Special Representative of Trade and Commerce, and to pursue SCAP, the *Bōeki-chō*, and Kenderdine when making any business offer as “it has been found that the *Bōeki-chō* needs pressure to bring about results.”²⁷⁷ Towards the conclusion of the

letter, Hall brings attention to the enclosed reports that were intended to provide greater detail on the background of trade conditions in Japan, notably “report No. 3 regarding representation.” This report expanded on the earlier theme that in order to obtain results, constant approaches needed to be made to SCAP: “... a foreign supplier with a representative in Japan who could make daily calls on SCAP to enquire how things are proceeding, is most likely to be the successful in developing business.”²⁷⁸ Canadian Refractories, in turn, responded positively, saying that they had contacted SCAP, the *Bōeki-chō*, and Kenderdine, and were grateful for the information provided by Foreign Trade, particularly with reference to Canadian magnesite.²⁷⁹ This same letter was sent by Foreign Trade to the Canadian Manufacturers Sales Co., in Montreal, on 31 August, and again to K. Hori from Toronto, with the content in the latter discussing the need for persistence with SCAP and the *Bōeki-chō* but not specifically citing “report No. 3” in the letter’s text.²⁸⁰ A similar letter was sent on 28 July to Canada Far Eastern Commerce Limited, of Toronto, but was shorter and included reports on commodities available for export from Japan.²⁸¹

A more detailed response was given to Thomas Flynn of the Lancashire & Yorkshire Timber Co., in Vancouver, who wrote to the Minister of Finance, D. C. Abbot, expressing his concern about the trade situation between Canada and Japan. Flynn worried that the United States was purposefully hampering Japan’s economic recovery and trade opportunities. An article from the *Nippon Times*, dated 22 June 1948, sent to Flynn by “Japanese industrial concerns ready and anxious to do trade with Canada,” was the source of his worries in addition to an interview given by General MacArthur to one of the local Vancouver papers. Flynn

minimized Japan's role and conduct in World War II and encouraged the restoration of normal trading ties with Japan based on humanitarian concerns:

The U.S.A. did the lion's share in the subjection of the Japanese, who were Hitler's pawns, in a great effort to conquer the world, and Canada took her part in other spheres, in the ultimate destruction of the mighty German Machine, which brings me to the definite conclusion, that the U,S,States [sic] are presuming entirely too much, in setting up or drawing down a curtain of isolation to the detriment of Canadian trade... There is as you know a limit to human endurance, and the bonds of restraint may yet be broken.²⁸²

In order to better understand trade policies and what Canada was doing to improve the trade situation, Flynn sought information about: Canada's representative in Japan (Kenderdine), what authority was given to Canada's representative and whether Kenderdine could investigate potential trade between British Columbia and Japan.

Flynn's letter was forwarded to the Asia Section and Hall attempted to clear up a number of the issues Flynn was concerned about. Addressing Flynn's assertion that trade was limited specifically due to American policy and the "careful guidance of MacArthur," Hall noted a number of the factors that were affecting trade between Canada and Japan such as the lack of raw materials within Japan, labour issues, adjustment to newer commercial conditions, and Japan's unstable currency.²⁸³ Hall then went on to state that Japanese merchandise was arriving in the United States and not Canada, not because any restrictions on Canadian shipping to and from Japan (there were not any), but because limited cargo to and from Japan was an unattractive economic prospective for Canadian shipping companies. On the more pertinent points of trade conduct and the authorities responsible for economic policy, Hall outlined the Far Eastern Commission's responsibility for directing general policy to SCAP, the role of the Inter-Allied Trade Board to deal with trade affairs in conjunction with SCAP and that Canada was represented on the IATB. Finally, Hall pointed out that "there was a great deal of inaccurate

reporting on Japanese affairs, particularly regarding trade with that country, and the alleged discriminatory attitude of SCAP,” and noted that Foreign Trade had helped a number of Canadian businesses in their endeavours to conduct business with Japan. As such, Hall provided information on Kenderdine and offered Foreign Trade’s further assistance if Flynn had specific business interests he wanted to pursue with Japan.

Companies that were interested in conducting trade with Japan offered a diverse number of products, but Japanese commodity import lists changed periodically and the window for securing trade could be short despite the often lengthy process involved in securing trade agreements with the *Bōeki-chō* or SCAP. Staying on top of the changing lists of acceptable exports to Japan and informing Canadian companies that may have had an interest in supplying these particular goods was another aspect of the work Trade and Commerce and Kenderdine performed to help facilitate trade. Two notable instances of how this work was conducted appear in the 1948 records. The first example shows Trade and Commerce working to gauge interest in limited number of products and potential suppliers of these. In early August, G. A. Newman, Acting Director of the Export Division, sent Kenderdine a letter about Canadian supplies of vegetable seeds, starches, and pulses, peas and beans. According to Newman, Canada was unlikely to be able to compete against the United States on corn starch, but had good supplies of potato and wheat starch. At the time, Canada had available for export to Japan: 20,000 metric tons of pulses; approximately 11,000 tons of peas; and 9,000 tons of beans.²⁸⁴

Upon receiving the information from Newman, Kenderdine provided the following list from SCAP requesting vegetable and flower seed imports:

95 metric tons Red Clover (midland strain preferred)
25 metric tons Timothy
25 metric tons Orchard Grass
145 metric tons Hairy Vetch
445 metric tons Common Vetch
30 metric tons Jute.²⁸⁵

Regarding pulses, only soy beans were needed at that time, while starches were handled in a separate letter by Kenderdine.²⁸⁶ With this information, G. F. Clingan from the Export Division sent out letters to various companies who might have been able to supply red clover and timothy seeds for export. Kenneth McDonald & Sons, Limited, responded that they were unable to make up the quantities requested.²⁸⁷ One company, Hogg & Lytle, Limited—“Growers, Dealers, Exporters” of “Forage and Cereal Seeds”—responded to both Clingan and Kenderdine, expressing their interest to export the seeds. After Kenderdine investigated the time of shipment for the seeds, Hogg & Lytle sent an offer for Kenderdine on: “95 metric tons 1948 Canadian medium red clover, 98% purity, normal germination of the new crop, dodder free, at U.S.\$58.00 per 100 pounds, gross weight new seamless cotton bags included, C.I.F. Tokyo, November/January shipment.”²⁸⁸ However, Hogg & Lytle did not make an offer on timothy seeds because the price of Canadian timothy seeds could not compete with American firms.²⁸⁹

A much more sweeping assessment of trade interests was conducted by Trade and Commerce in September after Kenderdine sent Newman a list of various commodities that SCAP was inviting offers for tenders on. Kenderdine also supplied a list of several Canadian exporting companies who had representation in Japan at the time. In Tokyo, there was Jardine Matheson & Co., Limited, Dodwell & Co., Limited, Brunner Mond (Japan), Limited, Butterfield

and Swire (Swire and Maclaine Limited), and East Asiatic Co., Limited; Cornes & Co. were operating out of Yokohama; and Cameron & Co., Limited, were operating out of Osaka.²⁹⁰ Even with this information, Kenderdine conceded that he could not be certain of how many Canadian companies were operating or the extent that the above companies represented Canadian interests. Moreover, because Canadian companies had already plenty of time to negotiate their representation in Japan, Kenderdine questioned the value of the continuing to send Trade and Department cables when SCAP and the *Bōeki-chō* offered invitations for tender.²⁹¹ In response, Newman sent a memorandum on 8 October to the Section Chiefs of the Department of Trade and Commerce, soliciting information on what commodities they wanted be informed of when SCAP or the *Bōeki-chō* provided these opportunities.²⁹²

The reports that came back from the Section Chiefs contained mixed reactions and were compiled and sent to Kenderdine. J. D. Moorman reported back with a number of commodities—mostly large machinery such as trucks and agricultural equipment—that were available for immediate export along with the names of firms producing those items that would have likely been interested in receiving updates from Kenderdine.²⁹³ The Commodity Officer for Chemicals and Allied Products, S. G. Barkley, also supplied a similar list.²⁹⁴ Despite the availability of products, trade prospects were unfavourable due to a lack of interest in Canadian products or because of competition from American companies. Emphasizing the lack of interest from Canadian companies, Moorman wrote, “Up to date we have not received any enquiries for the above [trucks and agricultural equipment] to Japan. It is felt that most of the items mentioned could be supplied in competition from the United States.”²⁹⁵ A. M. Tedford, Commodity Officer for Non-Ferrous Metals and Non-Metallic Minerals, noted some items could

be supplied in competition with the United States, but stated, “It is doubtful if Japan will wish to secure the bulk of these items from Canada. ...Up to date coal has been the only item which Japan has requested other than asbestos, and some of the non-ferrous metals which, of course, are not available.”²⁹⁶ Similarly, L. G. Dornan wrote, “Iron and steel products are in short supply and Canadian firms are not in a position to quote on primary or finished steel items at this time.”²⁹⁷ Allister S. MacRae, Commodity Officer for Electrical & Electronic Equipment, wrote “I cannot think of any items under the purview of this Section that would lend themselves to economical development of an order through cable exchanges alone, as a fair amount of specific material is usually involved in such transactions of much significance.”²⁹⁸ Nonetheless, a list of six categories of commodities was compiled by Trade and Commerce and sent to Kenderdine 21 October: foodstuffs and allied products; automotive and agricultural machinery and equipment; non-ferrous metals and products; chemicals and allied products; leather and textile products; and iron steel products (see Appendix 3).²⁹⁹

Letters from Canadian companies to the Department of Trade and Commerce and Kenderdine in 1948 reveal interest in commodity exports such as minerals, ferrous and non-ferrous metals, logging and associated products such as pulp, foodstuffs (including interest from the Purity Popcorn Co.), clothing and tailoring, medical supplies, and toys. The letters highlight the difficulties Canadian companies faced as they attempted to conduct trade and how these companies attempted to deal with competing businesses. One example, Canada Talc Limited was unable to export talc in December due to labour problems that had caused a lapse in development, although they had “enormous bodies of ore to develop” and stated they would notify Trade and Commerce if their company’s position changed.³⁰⁰ Another company,

Canadian Refractories Limited, had been in contact with the Department of Trade, Kenderdine, and the *Bōeki-chō* beginning in June 1948. Responding to a letter that was sent by Tedford on 14 December, Canadian Refractories revealed that they had lost out on a contract for dead burned magnesite to Czechoslovakian magnesite producers who had aggressively cut their prices for the Japanese market.³⁰¹ Normally their company had been able to compete in Europe on prices, and intended to pursue the matter with the Canadian Commercial Corporation in Washington, hoping that “within a few weeks we can get some of this business rediverted to Canada.”³⁰²

Toy companies and wool knit glove producers registered their complaints to the Department of Trade and Commerce about competition from Japanese companies. Toy companies were concerned that imports from Japan did not have the country of origin marked on imports.³⁰³ A special committee of the toy trade was formed with the intent on bringing the subject up in Ottawa, so Hall sought information from Kenderdine about the prices and production of Japanese toys, along with export markings.³⁰⁴ Wool knit manufacturers pressed their case in December (which carried over into 1949) that Japanese wool mitts and gloves were being imported at a lower cost into Canada compared to Canadian manufactured gloves. They provided figures showing that per dozen gloves, Japanese imports to Canada cost \$3.79, duty paid, compared to \$8.50 for Canadian wool gloves.³⁰⁵ For mitts, Japanese imports were \$3.13 compared to Canadian manufactured gloves at \$4.23 per dozen.³⁰⁶ There was no argument against the competition being unfair due to the quality or style of the gloves; rather, the focus was on low labour costs bringing down the cost of Japanese gloves. The solution advocated by the Canadian Woolen and Knit Goods Manufacturer’s Association was for duties to be fixed

under Section 43 of the Customs Act to bring the imports of Japanese gloves into closer approximation with Canadian costs.³⁰⁷

There were, however, opportunities for new trade alongside the chance to resume prewar business. Colonel Marc Logie went to Japan to work for a newly-formed company associated with Colonel de Long, one of the principles of the Morrison-Knudsen Company, Inc.³⁰⁸ The Silver-Skagit Logging Co., Limited., from Canada, was a “participation venture” of Morrison-Knudsen, and Colonel Logie supplied the Trade and Commerce with reports about pulp and lumber after his first visit to Japan. Alternatively, H. S. McCarty of Lendrum (Eastern) Limited—the “local agents for Export Sales Co., Ltd, Howard Smith Paper Mills and a number of other Canadian manufacturers”—was put in touch with Kenderdine prior to his trip to Tokyo meant to resume Lendrum’s prewar business.³⁰⁹ Similarly, Trade and Commerce and Kenderdine also dealt with non-Japanese companies who had operations in Japan. D. R. Daver, who was in charge of sales in Japan for the R. E. Daver & Co, based in Bombay, had sought the Canadian Embassy and its officers in order to enquire about Canadian products for sale in Japan.³¹⁰ Trade and Commerce passed along Kenderdine’s contact information along with sending Kenderdine one of Daver’s business cards. In the cases of H. S. McCarty and R. E. Daver & Co., Kenderdine was the principle contact for businesses seeking to do business with Canadian companies.

Interest in trade also came from Japanese companies and local boards of trade that would send information, or had their letters forwarded, to the Department of Trade and Commerce or Kenderdine. Periodically companies or boards of trade would send lists containing information

about commodities they were looking to import or export. Because of Trade and Commerce's existing files on Japanese companies prior to the war, trade restrictions and regulations, and Kenderdine's presence in Japan as the principle connection for Canadian commercial interests there, investigating Japanese businesses on behalf of Canadian companies or responding to these letters were tasks well-suited to Trade and Commerce and Kenderdine. In some cases, responses to enquiries from companies were handled easily. For instance, Canada's Commercial Secretary in London, R. Douglas Roe, was contacted in May by K. Kawase who was acting in an "honorary capacity" as a representative for the Naigai Trading Company. Trade regulations prevented Japanese businesses from appointing representatives abroad, complicating the ability for businesses from both countries to communicate their interests. However, Trade and Commerce was able to obtain information on Kawase who had been living in England for over 20 years, including during the war, and had worked for the Okura Trading Company which had reorganized itself after the war as the Naigai Trading Company.³¹¹ Kenderdine was also approached by Y. Harada, Director of the Naigai Trading Company, who was interested in Canadian suppliers of asbestos, lumber, pulp, flour, and other goods. Ultimately, it was Kenderdine in Japan who handled affairs with the Naigai Trading Company.³¹²

Another such case involved enquiries made by E. Kagetsu, of Toronto, about importing butter, wheat, pulp, and men's suits. Kagetsu had been appointed as the Canadian agent for a Japanese firm, which surprised Hall from the Asia Section of Foreign Trade given the restrictions on such representation at the time.³¹³ Kagetsu expanded on his background and qualification in a follow-up letter, stating that he had a letter from the Director of the *Bōeki-chō* dated 3 May 1948, and had worked as a timber exporter in Vancouver prior to the evacuation of

Japanese-Canadians in 1942.³¹⁴ He had received enquiries for exporting nearly 3,000 tons of pulp, and was looking for commodity prices, information on export policy, and how payments for exports were secured. Hall's response to the first letter—surprise aside—provided information on trade regulations, noting that butter was under export control, wheat under international allocation, and the world shortage of pulp.³¹⁵ Although the situation was improving, Hall wrote in his second letter that “the supply situation [of mechanical pulp] prevents such trade except through organization in close association with supplies.”³¹⁶ It was suggested that Kagetsu contact the Canadian Manufacturers' Association or the Canadian Pulp and Paper Association, and he was provided further information about SCAP's import payment procedures. Hall was unable to supply commodity export prices despite Trade and Commerce's ability to supply similar information to other companies and to Kenderdine.³¹⁷

Sometimes obtaining information for or about companies could take months. The war had disrupted business for many Japanese companies, and many had folded or were reorganized after the war. In November, the Fisher Scientific Company Limited from Montreal enquired about the Hospital Supply Company—as it was known before the war.³¹⁸ Trade and Commerce had the company on its 1939 index as “exporters of surgical instruments and hospital supplies, and importers of prepared medications and toilet articles,” although it could not find reference to the company in the *Bōeki-chō*'s “Who's Who” of companies.³¹⁹ Although Kenderdine was asked to look into the matter, it was not resolved until January when F. B. Clark communicated the findings of G. Moore to the Fisher Scientific Company. The *Bōeki-chō* had determined that the Hospital Supply Company had been dissolved during the war, and Moore suggested the

Matsuanmi Glass Works, based in Osaka, as an alternate supplier for the Fischer Scientific Company's needs.³²⁰

When Japanese companies contacted Canadian companies, Canadian companies were sometimes at a loss as to how to make use of the supplied information or what the proper response should have been, and would defer the matter to the expertise of the Department of Trade and Commerce. The Nomura Trading Co., and Osaka Asaito Co., Limited, were two such companies whose letters were forwarded to the Department of Trade and Commerce in 1948. The Nomura Trading Co. enclosed a list of dozens of items that it was able to export and items it was looking to import. The categories of items the Nomura Company was looking to export were: textiles; "made-up goods" such handkerchiefs; shirts, beddings, pillow-cases; hosiery; blankets and towels; chemicals and drugs; rubber goods; glassware; machineries and tools; and sundry goods.³²¹ The principle categories of goods the Nomura Trading Co. was looking to import were: raw materials including rubber products, oils, coal and minerals, lumber, cotton and leather; foodstuffs such as oils, peas, wheat, cocoa, coffee, and salt and sugar; and manufactured goods like dyes, fertilizer, paper, gunny bags, and tobacco.³²² In this instance, Kenderdine was forwarded a copy of the letter and it was conveyed to the company that Kenderdine would follow up with them.³²³

In the case of the Osaka Asaito Co., the company sent a letter to the Windsor Chamber of Commerce in July advertising the company as "one of the prominent exporters of Linen-goods in Japan" and supplied a list of commodities it could export. The categories including: linen piece goods, spun rayon fabrics, tyres and tubes, rubber goods, wooden parts for textile machines, and

general merchandise such as toys, buttons, “X-mas goods, etc.”³²⁴ In response, H. J. Lassaline, Secretary-Manager of the Windsor Chamber of Commerce, forwarded the letter to the Department of Trade and Commerce and advised the Osaka Asaito Co. that it had been referred to Trade and Commerce. Hall’s response to the Lassaline consisted of the same stock letter sent to other Canadian companies enquiring about trade regulations, and Kenderdine was again left to deal with the company in Japan.³²⁵ Conversely, when Kenderdine was supplied with pertinent information directly from Japanese companies, he would pass this along to Trade and Commerce. As an example, an unnamed exporting house provided potential clients a chart outlining a complex, eleven-step procedure for ordering silk fabrics. Kenderdine obtained a copy of this chart and passed it to the Asia Section at Foreign Trade. He commented on the cumbersome process involved in securing transactions for silk that the chart highlighted and also stated, “The procedure is not peculiar to silk fabrics, with certain variations the routine applies to all export transactions and the paper work involved is really stupendous.”³²⁶

Supply shortages of raw materials and commodities kept Canadian companies from exporting certain goods that SCAP and the *Bōeki-chō* were looking for, while trade restrictions and complex procedures caused problems for Canadian businesses looking to do trade. The short time to respond to SCAP’s offers for tenders also made it difficult for Canadian companies to respond adequately to trade opportunities, and there existed a lack of interest from Canadian companies. Nonetheless, Canadian exports to Japan increased substantially, from \$559,224 in 1947 to \$8,000,548 in 1948.³²⁷ In the 15 January 1949 issue of *Foreign Trade*, Kenderdine wrote that Canada had supplied “an appreciable part” of coal exports to Japan, and the first postwar shipments of rayon pulp and flaxseed to Japan had come from Canada.³²⁸ Imports from

Japan increased from \$349,566 to \$3,143,995, and Japanese imports to Canada in the first six months consisted mostly of sundry consumer goods.³²⁹ Table 1.2 provides a breakdown of the top commodities traded between Canada and Japan in 1948.

Table 1.2 Commodity Breakdown, 1948³³⁰
U.S.\$

Exports to Japan	Value in \$
Coal	5,079,079
Flax Seed	1,197,867
Pulp Sulphate	486,039
Whiskey	273,942
Feed Meal	131,567
 Imports from Japan	
Scrap Metal	1,615,33
Food Products (Tea, Oranges, etc.)	355,029
China and Porcelain Ware	293,977
Silk Fabrics	226,972
Cotton Fabrics	96,999

4 The United States and Japan, 1949: The Dodge Line and Economic Recovery

The reverse course was initiated in 1948 as official American policy but the debates between Washington and SCAP delayed the introduction of measures aimed towards dealing with the Japanese economy's most serious problems. General MacArthur was given firm directions at the end of 1948 to carry out the policies of NSC 13/2. To help SCAP and the Japanese Government carry out NSC 13/2 and the Nine Point Economic Stabilization Plan, Joseph Dodge, president of the Detroit Bank, was requested to visit Japan by President Truman. He was given the rank of minister and served as the financial adviser to SCAP. Dodge's foremost task was to balance Japan's budget, with the objective of curbing inflation, boosting economic production, and, consequently, reduce Japan's dependence on United States economic aid. To carry this out, Dodge did not simply set edicts; rather, he worked closely on guiding policy and created a series of programs that became known as the Dodge Line.³³¹

The Dodge Line worked by reigning in the factors causing Japan's inflation and debt, while returning the economy to normal practices. This was achieved, first, by consolidating all of the Japanese Government's accounts including general accounts, special accounts (operation of government-owned industries), and accounts of government-affiliated agencies, while American aid was also factored into the budget for the first time.³³² The effects from this were immediate, causing Japan to go from a deficit of 141.9 billion yen in the fiscal year 1948 to a surplus of 156.7 billion yen in the fiscal year 1949.³³³ Furthermore, this had a deflationary effect on the economy that lasted into 1950. The creation of the Counterpart Fund helped control Japan's deficit and reduce American spending since it required the Japanese Government to pay into the Fund an equal share of yen as it received from American aid.³³⁴ Other measures were

introduced to reign in government loans and reduce or eliminate subsidies. These measures helped to boost the Japanese economy, though in June 1949 there was a downturn of the global market. This downturn consequently affected Japan by causing a decrease in demand for Japanese exports. Furthermore, the United Kingdom devalued sterling in September 1949. Consequently, SCAP lost \$25,000,000 in its holdings of sterling because the sterling agreement signed in 1948 contained no provisions that safeguarded Japan from such a devaluation.³³⁵ In response, “the Japanese Government temporarily suspended the sanctioning and handling of all export contracts with countries other than the United States.”³³⁶

Nonetheless, the measures adopted in 1949 addressed many of the more pressing problems that had hampered trade in the previous years, such as the lack of a fixed exchange rate, reparations removals, and strict economic controls. On 25 April, the yen was finally set at a fixed exchange rate of ¥360 to 1 U.S. dollar. Regarding reparations, officials in Washington had been wrangling over the political and legal consequences of unilaterally ending Japan’s reparations program. However, it was viewed as a necessary step to help rebuild Japan’s economy, and on 12 May, interim directive Serial No. 104 was issued and General McCoy who, in turn, relayed to the Far Eastern Commission that the reparations removal program was ended. The United States gradually loosened its control over Japan’s trade and economic institutions over the course of 1949. In February, SCAP transferred all control over foreign exchange derived from international trade, and the Japanese Government was later given almost total control over the negotiations of raw materials and foodstuffs. An important development for Japan’s long-term trade policies and conduct was the merger of the Ministry of Commerce and Industry and the *Bōeki-chō* to create the Ministry of International Trade and Industry.

Ultimately, the measures in 1949 to revive Japan's economy and improve its international trade led to the 1 December SCAP directive "Licence Free Exports" (SCAPIN 2059) that gave the Japanese Government almost complete control over Japan's international trade beginning on 1 January 1950. Also passed on 1 December was the Foreign Exchange and Foreign Trade Control Law. This law, at first glance, seemingly placed limits on Japan's international trade by necessitating that foreign exchange acquired by citizens from private trade be turned over to a government account that ESB was in charge of.³³⁷ However, MITI retained the law for another 30 years. Beginning in 1950, trade was conducted almost entirely by the Japanese Government or by private traders. The preferred method of trade remained through bilateral agreements in 1950.

5 Canada and Japan, 1949: Most Favoured Nation Treatment and GATT

With the United States taking more direct control over policies to remedy Japan's economic problems, the Far Eastern Commission's ability to enact policy that affected Japan's economy was effectively marginalized over the course of 1949. The unilateral termination of reparations removals by the United States put an end to one of the biggest points of contention in the Far Eastern Commission, yet mounting tensions between the United States, Soviet Union, and China finally began to seriously prevent the Commission from carrying out its work.³³⁸ The consequent deadlocks and delays in the Far Eastern Commission along with the United States' willingness to take a more unilateral approach to rehabilitating the Japanese economy meant that Canada was rapidly losing the voice it had to affect broader Japanese economic policy through the Far Eastern Commission. There was however, a change at the Canadian Liaison Mission with the appointment of Joseph Cleland Britton as the Department of Trade and Commerce's new Commercial Representative. It had been announced in the 11 September 1948 issue of *Foreign Trade* that Britton would take over from Kenderdine at the end of 1948 because Kenderdine planned to return to private business in British Columbia.³³⁹ Britton was extensively qualified for the position, having worked for the Canadian Trade Commissioner Service since 1931 except from June 1942 to May 1943 when he was part of the Royal Canadian Naval Volunteer Reserve. Prior to his appointment to the Canadian Liaison Mission, he was the Commercial Secretary in St. John's, Newfoundland.

Despite the deterioration of the Far Eastern Commission, the Canadian Government was able to address the pressing issue of whether to grant Japan most favoured nation treatment. This fell outside of the Commission's purview and related directly to Canada's postwar economic

policies that favoured multilateralism and economic liberalization. The United States intended to raise the issue during the Third Session of the Contracting Parties to the General Agreement on Tariffs and Trade, in Annecy France. With the conference slated to begin on 8 April 1949, the Canadian Government was pressed to resolve its policies on the matter. Throughout 1948, the government had been warm to the idea of granting most favoured nation status to Japan, but the deliberations continued into 1949. The discussions that occurred between March and early April had the greatest impact on Canada's position whether to grant most favoured nation treatment to Japan. Input was obtained from representatives of Canadian industries, the Department of Trade and Commerce, the Canadian Liaison Mission, and other governments including the United States and those present for the pre-Annecy Commonwealth discussions held in London.³⁴⁰

The Canadian Manufacturer's Association made their views known in late December 1948 and early March 1949, arguing against granting most favoured nation treatment to Japan. J. T. Stirrett, General Manager of the association, expressed several concerns to the Secretary of State for External Affairs on 23 December that concerned the contentious trading practices by Japanese companies from 1932 to 1939. The foremost practices said to have jeopardized Canadian manufacturing industries during this period were the wholesale dumping of cheap Japanese goods, and Japanese companies going so far as to copy Canadian products—including the “Made in Canada” label.³⁴¹ Stirrett then referred back to the issue of knitted gloves in December 1948, contending that the lower cost of Japanese textiles entering Canada, even after duty and freight were paid, were “below Canadian factory costs in competitive lines” and that this posed a threat to Canadian manufacturers.³⁴² Prewar competition from Japan was described as “ruthless” in Stirrett's March letter, and he argued that granting most favoured nation

treatment to Japan would result in a repeat of the “disastrous competition” of the prewar years³⁴³ It was further argued granting most favoured nation treatment to Japan would bind the Canadian Government’s ability to take “drastic” actions to prevent undue competition from Japanese exports. Records indicate that the Canadian Government seriously took into consideration the concerns of Canadian manufacturers as it mulled what policy to pursue.

Canadian officials met with United States officials on 5 March in Washington and on 16 March in Ottawa. The first meeting was held in the office of Merrill C. Gay, of the Commercial Policy Division. American officials were said to be “most anxious” for Canada’s support at the Annecy conference while Gay expressed that Canadian and American interests were similar. However, Gay raised a number of questions that continued to perplex the Canadian government: the lack of a fixed exchange rate; the practice of dumping, to which Gay cited the concerns about Japanese gloves and toys; and reports from Tokyo that bilateral trade arrangements were being insisted upon by SCAP “for any trade at all.”³⁴⁴ Colonel L. F. Schockner, representing the United States Army’s Civil Affairs Division, responded to concerns about Japanese dumping, countering that the United States would also not want to see a revival of such practices. Concerning the cases of Japanese gloves, it was stated that United States officials were aware of the problem but needed more information to ascertain its seriousness. Both the glove and toy issues were explained as exceptional cases that had likely escaped SCAP’s attention.³⁴⁵ Colonel Shockner also responded to concerns that bilateral arrangements were needed in West Germany despite most favoured nation treatment applying there, saying his suspicion was that “export-import planning was probably the objective, rather than firm commitments.”³⁴⁶ The Canadian official made clear that no official position could be taken at the time.

A letter sent by Pearson to Britton on 9 March highlights a number of the considerations the Canadian Government was taking into account that connected most favoured nation treatment to its trade practices with Japan. Broadly stated, Pearson asked: whether granting most favoured nation status or agreeing to a bilateral trade agreement would affect Canada's trade obligations such as the non-discriminatory obligation in the Geneva Agreement; whether SCAP was guided by GATT and the International Monetary Fund rules; what the current trade policies in Japan were including information on dumping and controls on imports, exports, pricing, and quantity; and whether Canadian trade with Japan could only be maintained by agreeing to granting it most favoured nation treatment or concluding a bilateral arrangement.³⁴⁷ Britton clarified what bilateral trade arrangements between and Japan other countries meant, and added that granting most favoured nation treatment to Japan could assist Canada's bargaining position if it were to negotiate a bilateral trade arrangement with Japan through SCAP.³⁴⁸ While neither providing most favoured nation treatment or concluding a bilateral trade arrangement meant that Canadian goods would be discriminated against, Britton pointed out that SCAP was more likely to direct trade to those countries that provided reciprocal treatment to exports from Japan, and most favoured nation treatment would indicate Canada's willingness to increase its Japanese imports.³⁴⁹ However, Pearson noted that SCAP had approached Canadian officials about a possible bilateral trade arrangement that was similar to one received from the Joint Export-Import Agency prior to 16 March meeting in Ottawa. This had raised some doubts about SCAP's intention to trade on a most favoured nation basis.³⁵⁰ Nonetheless, the conclusion of trade agreements by the United Kingdom and Australia with Japan was taken by Britton to indicate their satisfaction with SCAP's conformity to GATT and IMF rules; dumping was unlikely because floor prices on Japanese exports had been established by SCAP in conformity

with global norms.³⁵¹ Britton opined that Canada might conclude arrangements following the Annecy conference that conformed to Canadian trade policy.³⁵²

Dana W. Wilgress, Canada's High Commissioner in London, cabled Ottawa on 10 March reporting about the American preparations for the conference and views from the United Kingdom Government about the situation. United States officials had been preparing the proposal based on a system in effect in West Germany at the time, though there were ruminations about modifying the a proposal to "impose some reciprocal obligations on SCAP" and in case a fixed exchange rate was not established during the conference.³⁵³ American manufacturers were also worried about unfair competition from Japan.³⁵⁴ To this end, Pearson later replied to Wilgress that the prevailing view from Ottawa was that the United States had been making a number of promises about Japan's economic rehabilitation that had not come into effect yet: "At the official level here the view is held that the U.S. is putting the cart before the horse."³⁵⁵ Like the Canadian Government, the United Kingdom Government had not committed to the policy either way. It was Wilgress' contention that the United Kingdom was unlikely to agree to grant Japan most favoured nation treatment because criticism was mounting in the British Parliament, press and industry, while political difficulties could have been expected from Australia and New Zealand.³⁵⁶ Moreover, some British officials seemed to think it was a non-urgent matter, although the United Kingdom Ambassador was asked to gauge the seriousness of the United States on the subject.³⁵⁷ India's Prime Minister, Jawaharlal Nehru, expressed in a telegram that Japan should be "encouraged to participate in world trade on the basis of equality with other nations, subject to suitable safeguards for the security and general interest of allied powers."³⁵⁸ The telegram was only meant to state the Indian Government's views, but echoed

calls for certain conditions to be met, such as establishing a fixed exchange rate and having measures in place to prevent unfair competition from Japan, prior to granting Japan most favoured nation treatment.³⁵⁹

The 16 March meeting with United States officials did not sway the Canadian Government. Four days prior to the meeting, Pearson wrote to Wilgress that the government had accepted the general recommendations of a 3 March memorandum, though it was undecided whether a public statement would be made before the conference.³⁶⁰ Pearson presented Cabinet with a memorandum outlining the policy decisions of the Cabinet Committee on External Trade Policy that had been recommended by Interdepartmental Committee. Initially, the Cabinet Committee on External Trade policy had agreed on three of four points: the Canadian Government could not consider entering into an agreement at the time; the delegation to Annecy should try to get the United States to drop or postpone their proposal; and if the United States would not agree, the Canadian delegation should consider a conditional most favoured nation agreement that protected Canadian industries.³⁶¹ Left undecided still was whether a public statement should have been made before the conference began. The memorandum recommended that a draft for a press release be created that emphasized the government's consideration of Canadian industrial concerns. The draft release was supposed to:

- (a) refer to the submissions which the Government [had] received from Canadian manufacturers and traders on the question of most-favoured-nation treatment for Japan;
- (b) point out that no specific proposals [had] as yet been received by the Canadian Government, although it [was] known that the United States [would] probably be raising the issue at the Annecy meeting, and
- (c) give assurance that in any such discussions as might take place at Annecy, the views of manufacturers and traders who [had] made representations [would] be kept in mind.³⁶²

A press release was drafted that referred to the “many submissions the Government has recently received from Canadian manufacturers and traders regarding trade relations with Japan” but stated that the Secretary of State for External Affairs, Pearson, had not heard of any specific proposals.³⁶³

At the Annecy conference, the United States’ proposal “most-favoured-nation treatment for Japan” was item 12 on the agenda. During the pre-Annecy Commonwealth discussions, the United Kingdom indicated that it would not enter into negotiations during the conference and communicated this to the United States.³⁶⁴ Even so, the issue was brought up in the British House of Commons on 19 May. Albert Richie, First Secretary, High Commission in United Kingdom, noted that William Treling was interested to know “what members of the British Commonwealth, particularly Canada, feel about this matter [MFN treatment for Japan]” during his questions to Arthur Bottomley, Secretary for Overseas Trade.³⁶⁵ Faced with a lack of support, the United States requested on 12 June that item 12 be withdrawn from the conference. The issue, however, was not finished for the Canadian Government nor the Americans. On 26 September the Canadian Government deliberated whether Japan should receive an invitation to enter into tariff negotiations with the Contracting Parties to the General Trade Agreement and other countries about its possible accession into the GATT. The Contracting Parties to the GATT were set to meet in September 1950 for the next round of tariff negotiations. If a vote was passed by the Contract Parties, Japan would have been accorded most favoured nation treatment by Canada due to Canada’s position as a Contracting Party. In a memorandum from 26 September 1949, Pearson stated that while the United States had faced opposition from the Contracting Parties at Annecy, Canada’s position to “persuade the United States to drop, or at

least postpone, the whole proposal” was likely the deciding factor that caused the United States to eventually withdraw the issue from the Annecy agenda.³⁶⁶

Pearson offered the major arguments for and against supporting the ascension of Japan into the GATT. The arguments were telling of Canada’s conception of multilateralism and economic liberalization in the postwar era. Seven arguments were presented for supporting the United States’ policy.³⁶⁷ First, Canada had been committed to lowering trade tariffs since World War II, and going against this policy would have opened Canada to accusations that it had abused or was giving up the most favoured nation approach to trade. Second, Canada’s policy was to help rebuild the economies of countries like Japan, and a continued trade deficit along with excluding Japan from useful markets had the potential to turn the country into a “fertile field for the spread of misery, disease and communism.” Third, Japan’s prewar trading practices had been motivated by their war aims, but with the prewar motivations, government and threat removed, Japan could become self-sufficient if it had access to the world markets. Fourth, Canada would be at a disadvantage to other countries who offered Japan most favoured nation treatment. Fifth, the implementation of single fixed exchange rate for the yen had eliminated one of the major arguments against providing MFN treatment to Japan. Sixth, tariffs on goods from the United States exports to Japan might be lowered during negotiations between the two countries. Finally, membership in the GATT would bind Japan to supervisory rules that went beyond those of the most favoured nation treatment.

The arguments Pearson presented against supporting Japan’s accession into the GATT were similar to the ones used against according Japan most favoured nation treatment earlier in

the year.³⁶⁸ First, it was argued the practice of dumping Japanese goods was likely to occur in Canada and other markets. There were fears of competition from cheap labour and Japanese goods being sold below cost, while it was further worried that Japanese goods such as textiles, metal products, pottery, and glassware could be placed in markets that threatened Canadian companies. Harkening to its trade partnership with the United States, Pearson offered that Canada's most favoured nation duties were already lower than those of the United States. In regards to the United Kingdom, it was argued that Canadian imports of United Kingdom goods could be harmed by competition from Japanese goods. Finally, Pearson stated "that the question of Japanese trade and tariffs should not be considered separately from Japan's industrial and economic future."³⁶⁹

Ultimately, the Cabinet denied most favoured nation treatment to Japan the following day, and the issue was not resolved until after the signing of the San Francisco Peace Treaty. The Canadian Government did not make any moves to hinder the recovery of Japan's industrial or economic recovery nor its international trade, and the withdrawal of support at the time was not out of line with its policies of multilateralism or economic liberalization. The benefits of most favoured nation treatment had the potential of being conveyed in the following year or with provisions in the eventual peace settlement.

6 Canada in Japan, 1949: Private Trade Stalled

Despite the implementation of the Nine Point Economic Stabilization Program in the first half of 1949 and the creation of Ministry of International Trade and Industry, Canadian exports to Japan were lower in 1949 than in 1948. Japan's total exports in 1949 doubled from their 1948 value to approximately \$500,000,000, while imports grew 38% for a total of \$940,000,000.³⁷⁰ Japanese exports to Canada also rose considerably. However, the figures of Canadian-Japanese trade from this time are somewhat muddled. According to an article published by Britton in *Foreign Trade* on 8 March 1950, Canada exports to Japan increased slightly from U.S. \$4,018,786 in 1948 to \$5,443,118 in 1949, while Japanese exports to Canada rose from \$1,911,698 in 1948 to \$5,102,934 in 1949.³⁷¹ This contradicts figures provided by the Asia Section of the Foreign Trade Service in March 1949 that indicated Canadian exports to Japan were valued at \$8,000,548 in 1948 while imports of Japanese goods were valued at \$3,143,995. The trade statistics used by the Asia Section of the Foreign Trade Service match those obtained by Michael G. Fry from the Dominion Bureau of Statistic's External Trade Branch/Section publication, *Review of Foreign Trade, Calendar Years 1947-1957*.³⁷² Furthermore, the Asia Section's statistics also match those that later appeared in an article by the Foreign Trade Service in early 1951 (see Table 1.3). Britton provides a breakdown of commodities traded in 1949, but the commodities do not mesh with the trade situation at the time. For instance, Britton lists coal as the third largest Canadian export to Japan in 1949. However, as this section shows, Canadian coal exporters faced difficulties competing in 1949. Britton was correct to say that Japanese exports to Canada increased in 1949, but even here his figures do not gel. From the accounts of the letters sent by the Department of Trade and Commerce, 1949 was a difficult year for Canadian companies looking to export to Japan. Consequently, it is the position of this thesis to

agree with the figures provided by the Asia Section of the Foreign Trade Service and those provided by Michael G. Fry in his monograph on Canadian-Japanese trade. Canadian trade dropped in 1949 from \$8,000,000 in 1948 to \$5,860,000 in 1949. The major factors that contributed to this drop were issues with trade procedures, competition from the United States, and the lack of a bilateral trade arrangement between Canada and Japan. One further point of clarification is necessary, though. Britton, in his new capacity as Canada's Commercial Representative at the Canadian Liaison Mission, worked extremely hard throughout 1949 and would have been very familiar with Canadian-Japanese trade by 1950. This section is only possible due to the surviving records of his work and contains many of his observations and arguments.

Trade policies and competition from United States companies worked to the disadvantage of Canada in a number of ways. In March 1949, the Department of Trade and Commerce solicited input from its staff and Kenderdine—though he no longer worked for them—about adverse factors affecting Canadian exports to Japan. F. B. Clark responded on 12 March that the failure of Canadian companies to offer competitive pricing and their inability to meet delivery dates at times were significant factors limiting their trade, but that competition from American companies was the foremost factor hindering Canadian exports.³⁷³ Firms that had representation in Japan were already at an advantage over those attempting trade from abroad, and Clark argued that American firms, well-established and with close contacts with SCAP, had an increased advantage to Canadian companies. He provided an example from 1948 when SCAP placed a tender for eight million feet of lumber. Companies on Canada's west coast were able fulfill this request and their costs were lower, but the orders were placed with the United States.³⁷⁴ It was

also argued that the fixed exchange rate, which had not been set by March, and the fluctuation of commodity prices were other factor affecting Canadian exports. T. M. Burns echoed Clark's arguments, saying Canadian and American commodities often overlapped and that the latter tended to be favoured.³⁷⁵ Burns also recognized that bids from Canadian companies were often higher than those from United States sources, and that the presence of American firms along with their contacts to SCAP in Japan worked to Canada's disadvantage.³⁷⁶ Kenderdine also shared Clark and Burns' views and added that the lack of a reciprocal trading agreement between Canada and SCAP harmed Canadian exports.³⁷⁷ Still, Burns and Kenderdine were understanding that the preponderance of American companies and the United States "peculiar position" overseeing and controlling the Occupation gave American companies a natural advantage.

Canadian companies also faced issues with supplies, at times quality, and competition due to bilateral trade arrangements. For instance, pig iron and iron ore were not available for export. On the east coast, Dominion Steel and Coal was not interested in shipping from their deposits in Newfoundland, and Steep Rock Iron Mines Limited were satisfied selling their excess material to the United States.³⁷⁸ On the west coast, Texado was insufficiently developed to supply iron ore at the time.³⁷⁹ Alberta contained most of Canada's coking coal supplies, but American companies were at an advantage because of the high freight costs on shipping supplies from Alberta.³⁸⁰ High ash content in coal from Canada's west coast in 1948 had also caused the loss of some coal orders in early 1949.³⁸¹ In 1948, United States companies were supplying Western Europe with the bulk of its coal, which was a contributing factor to Canada's high volume of coal exports to Japan that year.³⁸² Weakened demand for coal in Western Europe in 1949 meant that American companies could cut into the Canadian share of coal exports.³⁸³

Canadian supplies of wheat had sufficiently increased to be exportable compared to the previous years, but imports of foodstuffs continued to only be for relief purposes or use in manufacturing commodities.³⁸⁴ Wheat exports remained problematic for Canadian companies until 1950.

Canadian companies lost the chance to offer tenders on 20,000 metric tons of wheat sometime around September 1949 due to the sterling area agreement with Japan that excluded offers from countries outside the sterling area.³⁸⁵ Likewise, the British Columbia Pulp and Paper Company Limited had lost business because of bilateral trade arrangements. The company had shipped rayon to Japan prior to the war, was one of the first companies from Canada to send a representative to Japan in fall 1947, and had shipped 2,000 metric tons of rayon pulp in 1948.³⁸⁶ For 1949, they “were encouraged to believe” they would receive a contract for 25,000 metric tons of rayon pulp, but were left with a contract for only 10,000 metric tons. Their prices were competitive and the quality of their products well respected by Japanese buyers. R. J. Killam, Company Representative, stated, “It is a peculiarity of the rayon pulp business that rayon manufacturers like to get used to two or three particular pulps and maintain this blend steadily so as to eliminate variations in their product.”³⁸⁷ According to Killam, the problem was that SCAP was allotting fewer U.S. dollars to rayon pulp purchases, favouring sterling area countries and companies who were conducting private barter. In the 11 June 1949 copy of *Foreign Trade*, Britton argued that bilateral trade arrangements between Japan and other countries, along with Japan’s need to balance its total imports against Canada’s exports, had limited the potential for

growth of Canadian exports to Japan in 1949.³⁸⁸ On 11 July, Britton wrote to Heasman:

I have repeatedly referred to the obstacles confronting Canadian exporters endeavouring to sell their products in Japan and you will be aware that although there would appear to be many items on the import requirements list which could be supplied competitively by Canada, in actual fact the commodities are obtained through the United States or countries having trade agreements with Japan.

Britton also argued in September that the rigid policy of balancing trade meant that the new trade measures being introduced for late 1949 and early 1950 were unlikely to help increase Canadian exports for several months.³⁸⁹ Bartering agreements and bilateral trade arrangements were not uniform in all instances, though, and the Japanese Government worked on revising these regulations in early 1950.³⁹⁰

The Canadian Government was committed to GATT and economic liberalization, but the issue of most favoured nation treatment to Japan was not decided upon until the end of September. Because the government was satisfied that its trading policies with Japan were similar to most favoured nation treatment, no additional bilateral trade arrangement was seen as necessary. Japanese goods were already being imported at a higher rate to balance trade, and an agreement would have been unlikely to increase Canadian exports. Furthermore, as Clark stated in his March letter, “Japanese goods offered for export [were] not essential to the Canadian economy.”³⁹¹ The Canadian Government was content to wait for SCAP to implement its reverse course policies in 1949 instead of settling on a trade arrangement that only had the *possibility* of increasing Canadian exports.

SCAP's policies in 1949 were beneficial for some Canadian exports. The fixed exchange rate eliminated one of the biggest problems of the preceding years. Likewise, SCAP had provided more time to submit tenders on trade offers, companies were more acquainted with the procedures of dealing with the Japanese market, trade procedures had also been simplified, and delays at the *Bōeki-chō* had been reduced.³⁹² Overall interest from Canadian companies for conducting trade with Japan remained low for most of 1949, but the Department of Trade and Commerce did receive a steady stream of enquiries from businesses looking for assistance.³⁹³ Not all Canadian companies had difficulties dealing with SCAP and the *Bōeki-chō*. Torao Okimi, from Hamilton Beach, Ontario, was satisfied with the responses received from SCAP, the *Bōeki-chō* and Kenderdine about trade possibilities.³⁹⁴ Britton was helping negotiate sales of Canadian wheat as a private barter transaction at the end of 1949.³⁹⁵ He was also working on three other private barter deals at the time, one of which was for unbleached sulphite pulp, and wrote to Heasman that "a number of Canadian firms are seriously considering private deals with Japan."³⁹⁶ Likewise, enquiries and offers from Japanese companies continued to be received by Trade and Commerce and Britton. The Far East Company, in Tokyo, sent Trade and Commerce a letter offering chemicals, camphor products and silk textiles, and was interested in Canadian agricultural products, particularly oil-bearing seeds.³⁹⁷ On 5 November, T. Itoh, Managing Director of the Osaka Chamber of Commerce and Industry, wrote to the Board of Trade of the City of Toronto requesting information on imports and exports.³⁹⁸ Acting on behalf of "private Japanese concerns," I. A. Davis, of Davis & Company, sent Trade and Commerce a request for 35 thousand tons of pig iron and large quantities of coking coal.³⁹⁹

In September, Britton anticipated that SCAP was working towards using more funds from its commercial accounts to increase the purchase of raw materials and foodstuffs.⁴⁰⁰ There was other good news that SCAP was transferring greater control over the trade of raw materials and foodstuffs to the Japanese Government. In December, Britton went on to write Colonel Cosgrave about the significant reorganization and reduction of SCAP's economic staff.

There appears to be no doubt that SCAP are getting out from under insofar as trade is concerned and that it will be entirely in the hands of private trading firms in Japan. At the present time traders in Japan are dealing mainly with the Japanese Department of International Trade and Industry [MITI] and virtually ignoring the recently powerful SCAP Foreign Trade Division.⁴⁰¹

Trade arrangements between Japan and other countries were expected to increase in 1950 which could have limited Canada's trade potential, but the Japanese Government was set to assume control over most aspects of Japan's international trade on 1 January 1950. Despite a poor year for Canadian exports, there was reason for Canada to be optimistic about its future trade prospects.

Chapter 4

War and Peace, 1950-1951: The Korean War and the San Francisco Peace Treaty

1 Canada in Japan, 1950-1951: Trade Partners

On 8 September 1951, the San Francisco Peace Treaty was signed by Japan and 48 countries including Canada, and went into force on 28 April 1952, officially ending the war and the Occupation. It was during these last two years leading up to the San Francisco Peace Treaty that the Japanese Government assumed almost total control over its international trade. The creation of MITI and the Foreign Exchange Control Board in 1949, along with the creation of the Export Bank of Japan in December 1950 (later renamed the Export-Import Bank of Japan in April 1952), reshaped the institutional structure of how trade was planned and conducted. On 1 January 1950, the Japanese Government gained oversight over most of the country's private trade.⁴⁰² The country had actually entered 1950 experiencing one of the worst economic downturns of the Occupation period.⁴⁰³ Prices of Japanese goods had increased after the British pound was devalued in September 1949, causing thirty other countries to devalue their currencies, and harming Japanese exports to important markets.⁴⁰⁴ However, the outbreak of the Korean War on 25 June 1950 created a demand for Japanese goods, notably from orders placed by the United States, and led to an economic boom that curtailed the severe economic downturn that began in late 1949. Trade between Canada and Japan benefited from the relaxation of trade regulations and restrictions along with the demand generated by the Korean War. The benefits of new trade policies in early 1950 were not immediate, but by the end of 1951, Japan was Canada's fourth largest export market.⁴⁰⁵

At the Far Eastern Commission, the Soviet Union withdrew its delegation on 19 January 1950 after a vote failed to remove the Chinese delegation because they still represented the Kuomintang.⁴⁰⁶ The Commission decided that the absence of the Soviet delegation did not

constitute a *de facto* veto, but its activities were still in decline and the Commission began holding its meetings once every two weeks after 6 April 1950. To help break the Commission's deadlock, SCAP issued interim directives on two FEC policy papers in January, "Japanese Official Agents Abroad for Trade Purposes" and "Japanese Official Agents Abroad for Handling Civil Status and Property Matters", and issued another interim directive in February on "Japanese Participation in Technical Agreements and Conference." The first two papers had been vetoed by the Soviets prior to their departure on 19 January, while the third paper had approval in the Steering Committee but had not made it to a vote by the Commission.⁴⁰⁷ Policy papers on agricultural reform, intellectual property, and the cessation of the trial of war criminals were developed by the Commission during its last years, but items 4 through 11 on the agenda were listed as "inactive" after 13 July.⁴⁰⁸ The last meeting of the Far Eastern Commission was held on 20 September 1951. Because the peace treaty would restore Japan's sovereignty, there was no future need for the Commission. Members of the Far Eastern Commission agreed "that the Commission [hold] its next meeting whenever any representative should desire," and the Commission itself was disbanded on 28 April 1952.⁴⁰⁹ Even after the return of the Soviet delegation in October 1950, the work performed by the Commission in its final years two years did not impact the Japanese economy.

The most substantial developments for the Canadian Government's long-term Japanese interests during 1950-1951 occurred outside of the Far Eastern Commission. The Canadian Government considered issues such as Japan's admittance to international bodies like the World Health Organization and the International Labour Organization, but these discussions were not strictly limited to the Far Eastern Commission's activities. More important was that the process

towards a peace treaty with Japan, a matter that had been mostly stalled since August 1947 for governments other than the United States, gained momentum in 1950. The history of how the peace treaty was developed during the final years of the Occupation is beyond the scope of this study, but remarks are necessary on Canada's economic interests in the final peace treaty. Leading up to the peace conference, Canada participated in the Commonwealth Conference of Foreign Ministers held in Colombo, Ceylon (Sri Lanka), in January 1950, and the Associated Commonwealth Working Party on a Japanese peace treaty in May 1950. The Canadian Government was also in close contact with the United States during the negotiations over 1950-1951. As a matter of official policy, security remained the Canadian Government's top priority, but it was the government's specific economic interests that shaped the final peace treaty. First, Canadian views on Japan's fisheries, due in large part to the work of the Department of Fisheries, were instrumental to the final revisions of Article 9 Chapter 4 of the San Francisco Peace Treaty. Secondly, Canada did not want reference to Japan's potential participation in the General Agreements on Tariffs and Trade included, though the government's policy to support Japan's eventual integration into the multilateral systems of the time was maintained. Lastly, going back to 1946, Canadian insurance companies had a vested interest in their Japanese business. The government's persistence that provisions related to insurance companies be included was instrumental in the development of section D of the Protocol to the San Francisco Peace Treaty, "Insurance And Insurance Contracts (Other than Life) Which Had Not Terminated Before The Date At Which The Parties Became Enemies."

Leading up to the peace treaty, the Canadian Liaison Mission underwent its most significant change with the departure of E. H. Norman who was recalled to Ottawa in October

1950 due to the allegations of Norman's alleged communist activities.⁴¹⁰ Pearson, who had the utmost confidence in Norman and his work, defended him publicly against these charges, and Norman was eventually exonerated of the charges of disloyalty. Such was the trust that the Canadian Government had in Norman that he was appointed Head of the American and Far Eastern Division in December, and also the Acting Permanent Representative to the United Nations at the end of May 1951. Norman accompanied Pearson as an advisor to San Francisco for the peace treaty conference. At the Liaison Mission, Norman was replaced by Arthur Menzies as Head of the Mission. Previous to his appointment, Menzies had served as the Head of the American and Far Eastern Division. J. C. Britton continued in his role as the Commercial Representative.

Trade negotiations, as of 1 January 1950, were handled directly by MITI and Japanese import houses and overseas exporters, but the early months of 1950 were confusing for Trade and Commerce since the effects of new regulations were unknown and potential for growth of Canadian exports still seemed low. The two major stumbling blocks towards increasing Canadian-Japanese trade at the beginning of 1950 were the need to balance trade between the two countries, as it was a matter of SCAP policy, and the lack of a bilateral trade arrangement. The value of Japan's total imports in the first nine months of 1950 reflected these early problems: imports were valued at U.S.\$683,392,518, a decrease from the same period in 1949 of U.S.\$739,746,165.⁴¹¹ Japanese exports, though, were up compared to the same period in 1949. Even so, the dwindling trade in the first months of 1950 necessitated SCAP to conserve the limited resources of U.S. dollars available to Japan while pressure was put on the Japanese Government to use supplies of U.S. dollar and Sterling derived from its own exports.⁴¹² For

Canada, this meant that Japan was unlikely to import Canadian goods unless they were unobtainable from other sources.⁴¹³

The shortage of U.S. dollars was a drawback connected to both of the major issues affecting Canadian-Japanese trade in early 1950. Canada's policy regarding bilateral trading agreements had not changed from the previous years. This position was firmly restated by C. M. Isbister, Director, International Trade Relations, in July:

The Canadian market is very freely open to imports from abroad. For this very reason it is not proposed to enter trade agreements by which balanced trade is to be achieved either by the use of discretionary import regulations or by Government guarantees of minimum imports from some other country. It is not possible at the present time for the Canadian Government to contemplate any further loans abroad. In conclusion, the Canadian Government's avoidance of bilateral trade agreements of the type probably contemplated by Japan is based upon our inability to adapt to our economy the techniques by which such agreements are usually implemented.⁴¹⁴

Confidentially, Isbister added that the Canadian public was worried about the reemergence of Japan's prewar trading practices, but that Cabinet had decided in early 1950 to not oppose Japan's participation in the GATT. The government's position was one of neutrality, but Isbister recognized that Canada would eventually be forced to take a public position in favour or in opposition. At the time, the government was content that its own policies of economic liberalization were sufficient and that it did not need to venture into risky agreements. Likewise, it was in no rush to see a substantial return of Japanese exports arriving in Canada. C. F. McGinnis, Director of the Import Division, wrote to Heasman regarding a company looking to facilitate Japanese exports into Canada: "In the case of goods of Japanese origin, I think we will have all we can handle in the way of direct importations and the repercussions that usually follow them, without being flooded with similar commodities through the United States that emanate in Japan."⁴¹⁵

Speaking to the problem of balanced trade, Japan's import requirements in early 1950 remained tightly regulated: items not listed on the Japanese import program required the Japanese Government and SCAP's approval, and it was not expected that calling for offers or tenders would be used except in some instances where the Japanese Government might have imported products for distribution within Japan.⁴¹⁶ Britton communicated in January, "... the value of Canadian exports to this country will still be largely determined by the extent of Canadian purchases of Japanese products."⁴¹⁷ On 17 March John English, Commercial Counsellor at the Canadian Embassy in New York, relayed to Heasman a memorandum he had received as part of a deputation from an American firm, Oriental Exporters Inc. The memorandum presented the issue of balanced trade and how Japan's U.S. dollar deficit in its trade with both the United States and Canada were two of the foremost problems facing Canadian-Japanese trade: "It is evident at present that the total amount of Canada-Japan trade is dependent upon the quality and dollar value of goods that Canada is willing and able to purchase from Japan. ...Her meagre dollar earnings will be spent for dollar commodities ... and other products which cannot be procured from other areas other than the U.S."⁴¹⁸ The memorandum's assessments were, in fact, incisive at the time. When Import Notice No. 10 was released in the spring, no provisions were made for the importation of Canadian wheat for April through June. An anticipated provision for 2,000 tons of sulphite pulp from Canada was also absent; imports for sulphite pulp from Sweden and the Netherlands were listed.

The downbeat prospects for trade eventually proved to be inaccurate, however. Canadian exports to Japan were certainly not aided by the system of controls in place and exports of raw

materials did suffer, but trade between the two countries in the first six months of 1950 improved over the same period the previous year. Importantly, MITI had been making overtures to Britton and Trade and Commerce during the first half of 1950 about increasing the quantity of Japan's Canadian imports. In the same correspondence about Import Notice No. 10, Britton mentioned that Japanese importers were pressing MITI "...to set up some system under which they can import raw materials from Canada on a regularly scheduled basis either by private barter or on straight cash terms."⁴¹⁹ MITI also indicated to Britton in May that "private barter offers on Canadian rayon would be considered," and that a provision for 2,000 tons of sulphite pulp on a barter basis for that quarter was expected in further Import Notices.⁴²⁰ Britton, as stated in the previous section, was assisting a company in its negotiations in December 1949 to export unbleached sulphite pulp during December 1949. In January he was trying to help a Canadian exporter in Tokyo "launch a barter deal based on rayon pulp, sulphite or sulphate pulp and lumber."⁴²¹ Entering into 1950, Canadian wheat exports were approved by the Japanese Government and SCAP on a barter basis. Even though Canadian wheat was not on the list of imports for April through June, wheat exports accounted for 70 per cent of Canada's exports to Japan for the six months of 1950.⁴²² During this time, the value of Canada's exports was over \$10,000,000—up from \$4,500,000 for the first six months of 1949.⁴²³ The value of Japanese exports to Canada also rose in the first six months to \$4,500,000.⁴²⁴ Considering the loss of some of Canada's other commodity exports during this time, the value of wheat exports to Canada's overall trade was staggering. Coal had declined from its initial peak of \$5,079,000 in 1948 to \$23,000 in 1949, and no exports were recorded for the first half 1950. Total value of wood pulp in 1949 was \$2,144,000, up from \$486,000, but then it declined sharply in 1950 to only \$6,000 in the first six months. Wheat was the major source of the rise in Canadian exports

for the first six months of 1950, but as Table 1.3 highlights, new commodities were also exported to Japan.

Table 1.3 Canadian Exports to Japan for the First Six Months of 1950⁴²⁵
U.S.\$ Thousands

Year	1948	1949	1950 (First half)
Total exports	8,000	5,859	11,474
Wheat		772	9,206
Flour of wheat		6	123
Hides, skins		287	16
Wood pulp	486	2,144	6
Aluminum, in bars		16	
Nickel, fine		193	
Zinc, speltor			17
Asbestos			136
Alcoholic Beverages	287	837	913
Flaxseed		1,197	
Meats	348	678	135
Coal	5,079	23	
Fertilizers, manufactured	44		
Milk products		100	19
Sugar			620

Table 1.4 Japanese Exports to Canada for the First Six Months of 1950⁴²⁶
U.S.\$ Thousands

Year	1948	1949	1950 (First half)
Total exports	3,143	5,51	4,987
Oranges	173	503	
Tea	182	198	64
Tuna fish, canned	22	6	38
Cotton fabrics	96	292	1,433
Flax, hemp and jute mfg.	38	175	447
Silk fabrics	223	175	447
Toys	264	276	218
Scrap iron	160	973	479
Gloves, mittens, etc.	1,615	159	13
Sodium glutenate			203

Throughout 1950, the work of the Department of Trade and Commerce, along with that of Britton in Tokyo, remained, in many respects, similar to what it was in the previous years. The system of trade certainly had changed since August 1947 but Canadian and Japanese businesses continued to contact Trade and Commerce and Britton about their trade interests. A few cases of enquiries relating to trade procedure, regulations, or just for general assistance, made during 1950-1951 demonstrate the groundwork that Trade and Commerce and Britton continued to provide for companies. One of the notable examples from 1950-1951 involved Yukie M. Nishidera, a *nisei* who had been relocated to Kelowna, British Columbia, after Pearl Harbour, where she attended the Herbert Business College. After the war she moved to Japan. On 28 January 1950, Gladys D. Herbert (Mrs. Gordon D. Herbert) wrote on behalf of Nishidera and forwarded a letter of hers to C. D. Howe, Minister of Trade and Commerce. Nishidera wanted to embark on a business endeavour in Japan:

I have been wondering about importing goods from The United States or Canada to carry on a business here in Japan, - such critical items as shoes, cosmetics and dresses. We have these articles here now, but not of the quality we Niseis and many other Japanese prefer. Therefore, I have spoken of this matter to a businessman in Fukuoka, and he strongly recommended that I carry out my plans. He has also offered to help me in every way possible.

As the economic status of Japan is very low, I feel that it will be necessary to purchase low-priced goods or old stock. It will sell more readily than the expensive goods.

I have had no experience in business transactions of this kind, and so have turned to you for the necessary information as to whom I should contact, and what procedure I should follow. I would prefer to become an agent for the companies concerned.”⁴²⁷

Newman forwarded a copy of the letter to Britton and informed Mrs. Herbert that it was the Department's practice to have their commercial representatives do the work from their respective areas and that Nishidera could expect to be contacted by Britton.⁴²⁸ Nishidera was not the only Japanese-Canadian who enquired about trade between 1947-1951, but the correspondence

involving her is unique for three reasons. First, of the records examined for this study, hers is the only example when an individual's *nisei* background is made explicitly clear. Secondly, Nishidera's letter highlights some of the personal difficulties experienced by Japanese-Canadians who had grown up and spent their whole lives in Canada and then moved to Japan. According to Mrs. Herbert, Nishidera's move to Japan was not of her choosing. One of the earliest tasks for the Canadian Liaison Mission involved meeting with Canadians who had lived in Japan during the war and it was expected that the Mission would be contacted by some Japanese-Canadians who had moved to Japan. Those who moved back often faced harsh conditions they were not expecting. Finally, Britton's response to Yukie highlights that trade restrictions were still in place on number of imports—in the case of Nishidera, there were restrictions on personal goods seen as "luxuries."⁴²⁹ Both Britton and Trade and Commerce remained open to assisting Nishidera but her business proposal was impractical at the time due to the restrictions on the imports she was enquiring about.

It will be recalled that Trade and Commerce asked the officials from their own respective divisions in September 1948 to provide a list for Kenderdine of exportable commodities along with the names of Canadian companies that could potentially supply these items to Japan. Moore Cosgrave, working in Vancouver as the Western Representative, was visited by Alvin Melnick in September 1950. Melnik, representing A.I. Melnik & Co. whose operations were based in Tokyo, provided Cosgrave with a list of items they could export. Certain items, such as steel oak lumber, chemicals, and pharmaceuticals were brought to the attention of Trade and Commerce, instead of leaving it to importing houses, because there was a shortage of these in items Canada.⁴³⁰ William J. Michaud Co. Limited, Montreal, Harrisons & Crosfield Limited,

Montreal, Canadian Industries Limited, Montreal, Chas. Tennant & Co. (Canada) Ltd., Toronto, McArthur Chemical Col. Ltd., Montreal, and Philip Bros. (Canada) Limited, Montreal, were importing firms suggested by S. G. Barkley, Division Chief for Chemical and Allied Chemicals, as companies that would have had an interest in heavy chemicals.⁴³¹ Barkley also provided the names of several companies, and quick notes about the current status of the products being imported by these companies, who would have more specific interests in litharge and lithopone, dyestuffs, benzene hexachloride, and iodine and camphor; caustic soda, bleaching powder, penicillin were not needed while copper sulphate could be imported only if the “quotations [were] very attractive.”⁴³² G. H. Rochester, Chief, Wood Products Division, suggested J. Fyfe-Smith & Company Limited from Vancouver be informed of the availability of oak lumber; the costs of transportation made it unlikely that companies on Canada’s east coast would have had an interest in lumber imports.⁴³³ Tedford, still the Commodity Officer for Non-Ferrous Metals, stated with some reluctance that the demand for aluminum products had left Canadian firms in short supply.⁴³⁴ He suggested firms such as Metals & Alloys, Canada Metal, and General Smelting and Refining, that had difficulties in the past obtaining enough ingot to handle their orders, be informed of these importable items; the Aluminum Company of Canada was at capacity to fill their orders and it was suggested their corrugated sheet production could benefit from Japanese imports of sheet aluminum.⁴³⁵

Britton was integral to assisting Trade and Commerce in this matter. The information he supplied was unfavourable about A. I. Melnik & Co. and the imports that Trade and Commerce was interested in.⁴³⁶ Concerning A. I. Melnik & Co., Britton admitted that his dealings were only of several months after having been contacted by MITI and SCAP about the company’s

interest in obtaining a contract from Texada for iron ore. Although Britton was convinced of Melnik's own "good character," he questioned his business experience, noted that the business was small with limited capital, was unsure whether Melnik could obtain the "necessary compensatory credits to complete the transactions," and that his ability to fill larger orders was in doubt.⁴³⁷ "The competition for the available export and import business in this country is extremely keen and there are a number of larger established firms with whom I prefer to see Canadian importers and exporters deal."⁴³⁸ Britton's opinion was not entirely negative, however, about Melnik's company. He felt that "[Melnik] could be relied upon to handle any inquiries which reach him expeditiously and that he is as well placed as any of the smaller firms here to handle their purchases."⁴³⁹ Nonetheless, Britton stated that the primary interest of Canadian companies would be in steel, a commodity that was already difficult to obtain not just from Japan, and made all more unlikely for import because of the "prohibitive" rising costs due to the Korean War. Regarding non-ferrous metals, some were available but in most cases the demand in Japan was too great to allow export in addition to the fact that all non-ferrous metals were subject to control.⁴⁴⁰ Prices on aluminum were also high, and Britton suggested that the larger Japanese firms were in a better position to handle inquiries for ferrous metals "of all types." The records examined do not indicate whether any orders were placed with the A.I. Melnick Co. by Canadian companies in 1950 or 1951.

The Korean War was the most important development for Canadian-Japanese trade in the latter part of the Occupation, creating a far greater demand for Canadian products than in the previous year and a half. Prior to the outbreak of the war, MITI wrote a White Paper on Japan's "Trade Conditions and Future Problems." The report gave a gloomy outlook on Japan's economy and economic potential at the time, finding the economy to be in a state of

stagnation.⁴⁴¹ Trade between Japan and East Asia in 1949 was low, only 15-20% of the 1930-1934 volume when, at one point, China had received 50% of Japan's exports and provided it with 35% of its imports; Japan's industrial output had risen but industrial firms were using outdated technologies, methods and raw materials of a lesser quality; and the deflationary effects of the Dodge Line policies in 1949 were tapering demand for domestic goods.⁴⁴² The Korean War created a substantial demand for Japanese commodities, though. In July alone, only one month after the war began, Japanese exports jumped to a value at U.S.\$74,000,000—well above the monthly average of U.S.\$50,000,000 for the first six months of 1950 and a postwar record for Japan up to that point.⁴⁴³ The need for raw materials and essential commodity imports also increased. From the 9 September edition of *Foreign Trade*:

Provision was made in the July-September foreign exchange budget for imports valued at U.S.\$257,340,867, comprised of raw materials amounting to \$138,608,000 and foodstuffs totalling \$69,000,000. The foreign exchange allocation for imports in the present quarter was 80 per cent higher than the total for April-June.

Additional expenditures were being planned on essential imports “such as petroleum, raw rubber, coking coal, iron ore, salt, leather and foodstuffs for stock-piling.”⁴⁴⁴ Japan's U.S. dollar holdings increased rapidly after the outbreak of the war, growing to \$400,000,000 by the end of 1950 and substantially improving Japan's foreign exchange.⁴⁴⁵

The Department of Trade and Commerce expected Canadian-Japanese trade to benefit because of the war. William Frederick Bull, Director of the Commodities Branch, wrote on 8 August to John A. Marsh of the Canadian Exporter's Association:

As a basing point and training centre for a substantial army, it is anticipated that there will be heavy demands on Japanese Industry for supplies. This, in turn, will lead to heavy overseas purchases of raw materials. Japan, at the present time, has been accumulating dollars and certain elements in that country are now pressing for the

liberalization of their dollar purchase programme, in view of the present emergency. ... [We] expected that there will be heavier demands on Canada for exports to Japan.⁴⁴⁶

Four government import systems were operating in Japan by October: “purchases by the Japanese Government; the allocation, or ‘first come, first served,’ system; the automatic approval system; and the long-term contract system.”⁴⁴⁷ The Annual Review for 1950 from the Canadian Liaison Mission stated: “The system of automatic approval and the system for long term contracts introduced during the latter part of the year gave importers more leeway in their negotiations with sellers abroad.” Under the automatic approval system, MITI planned to import \$9,137,700 worth of goods from Canada from January through to March 1951, consisting of \$1,250,00 for sulphite pulp, \$369,000 of asbestos, \$2850,000 of zinc ingot, \$810,000 of iron ore, \$200,000 of hops, \$205,000 of raw wool, and \$132,700 of mica splittings.⁴⁴⁸ Under the long-term contract budget system, MITI planned to import \$30,370,000 worth of Canadian goods: \$3,220,000 worth of rayon pulp; \$1,650,000 of sulphite pulp; and \$25,000,000 of wheat.⁴⁴⁹ Britton was informed that nickel would also be purchased, though he was not provided a figure in November for this. On a private barter basis, MITI intended to import linseed, barley, wool rags and coking coal from Canada.⁴⁵⁰

Moreover, in January 1951, Ryuki Takeuchi, International Trade Administrator, Taiichiro Matsuo, deputy director of the International Trade Bureau, and Masao Katao, chief of the Overseas Market selection (all MITI officials) visited Ottawa for two days to discuss raw materials and essential commodities needed by Japan, as well as “to assess the Canadian market for Japanese products.”⁴⁵¹ Adding to the strength of the Canadian-Japanese economic relationship towards the end of the Occupation, Ottawa approved plans by the Japanese Government Overseas Agency to open an office in Ottawa. The agency and its functions were

approved by the Canadian Government in April 1951 and its permanent office was established by December 1951. Initially the agency and its personnel were not given diplomatic status. The agency was permitted to provide:

- (a) semi-consular functions, including assistance to Japanese nationals residing in Canada in matters of Japanese citizenship and property regulations which may concern them;
- (b) the supplying of trade and travel information to Canadians;
- (c) the promotion of trade between Canada and Japan.⁴⁵²

Despite the economic boost in the latter half of 1950, the Korean War was not a panacea for all of Japan's economic problems. Japan continued to have a shortage of U.S. dollars into May 1951 and was having difficulties importing raw materials. By April 1951, MITI temporarily suspended imports under the automatic approval system because of Japan's shortage in foreign exchange holdings. Although a number of Canadian products at the time were affected, some funds were made available for "programmed commodities, items under the automatic approval system, and miscellaneous items from dollar areas, in the April-June quarter."⁴⁵³ Furthermore, the measures were only temporary and did not halt all imports from Canada. In April, the Japanese Government allocated for imports from the U.S. dollar area such as: asbestos, sulphite pulp, pigment resin colour, fixers and binders.⁴⁵⁴ In May, the Japanese Government also allocated for imports from the U.S. dollar area for: up to \$100,000 of douglas fir, spruce and hemlock; \$500,000 for machinery; \$20,000 for books and periodicals; and \$5,000 for miscellaneous goods.⁴⁵⁵ Most importantly, leading up to the San Francisco Peace Treaty, the basis of Canada and Japan's economic relationship for the following years in the 1950s was firmly established. The Canadian Liaison Mission was staffed by a small number of very competent officials with years of experience who were well-positioned to handle issues related to Canadian-Japanese trade, while the Japanese Government was also branching out globally,

setting up representation in other countries, and increasing its autonomy in creating Japan's trade policy. Japanese exports to Canada in 1951 remained nearly identical to their 1950 value but the value of Canadian exports to Japan climbed to \$72,976,000 for 1951.⁴⁵⁶ Raw materials were established as Canada's principle export to Japan and the trade pattern between the two countries along with the trade imbalance were set for the following years despite the efforts for reciprocal trade.

2 Canada and Japan, 1950-1951: Towards Peace

As Japan's economic fortunes increased, the country expanded its trade with former enemies whom it was technically not at peace with yet. The lack of a peace treaty remained the quintessential loose end that would determine the country's economic future. Over the course of 1950-1951 the final details of the peace treaty were hammered out. For Canada, security had always been the government's primary strategic interest regarding Japan's future; ensuring that Japan no longer had the means to wage war had always factored into the government's economic considerations. Throughout 1950 and leading up to the peace conference, these considerations were determined more by the immediate and tangible benefits of trade than from worries about Japan's ability to remilitarize—United States policies up to then had soundly taken care of that issue. Canadian policies on the final settlement were refined over the course of its participation in the Colombo Conference, the Commonwealth Working Party on a Japanese peace treaty in May 1950, and in its negotiations with the United States, but Canada's strategic interests in the eventual settlement remained mostly the same as they had been in 1946 and 1947. The Canadian Government's interest in fisheries and insurance companies dated back to 1946 and it had been willing to sign onto a peace treaty in 1947.

Following the Colombo Conference in January 1950 and going into the Commonwealth Working Party on the Japanese Treaty, in May 1950, the Secretary of State for External Affairs, Pearson, outlined the "Canadian attitude" for the High Commissioner in London and Ralph Collins, First Secretary at the Embassy in the United States—the latter of whom was familiar with the work of the Far Eastern Commission and had attended the Canberra Conference. Canada's top priority was security with its primary interests being to prevent the reemergence of

an aggressive Japan *and* to ensure Japan's own domestic security. To this end, similar to the Canadian position in late 1945 when the government first defined its role for the Far Eastern Advisory Commission, it was considered inadvisable to press the United States on actions it would consider imprudent given the enormity of the United States' responsibility.⁴⁵⁷ It was deemed unwise to impose any restrictive economic clauses, but it was suggested that Japan possibly be bound to carry out Occupation reforms for a certain period of time such as the continued dissolution of the *zaibatsu*.⁴⁵⁸ From the May conference, it was clear that "reparations from industrial assets, internal security controls, and limits on non military industrial production (with the exception of the aircraft industry) [were] dead issues."⁴⁵⁹ Long-range economic controls were suggested for further study and Canada's interests mostly connected to trade agreements and Japan's fishing industry.

In September 1950, after President Truman's announcement that there was a need for a peace treaty with Japan to be concluded, bilateral meetings were held in New York. One of the American memorandum from these talks outlined potential political and commercial arrangements in the treaty, stipulating that: "Japan would agree to adhere to multilateral treaties dealing with narcotics and fishing. Prewar bilateral treaties could be revived by mutual agreement. Pending the conclusion of new commercial treaties, Japan would extend most favoured nation treatment, subject to normal exceptions."⁴⁶⁰ The latter point about Japan extending most favoured nation treatment is of particular note since a provision very similar to this appeared in the final treaty. Regarding multilateral agreements, the government had no objection to the wording of Article 8, "existing multilateral treaties and agreements designed to promote fair trade practices," so long as it made clear that it was not in reference to the General

Agreement on Tariffs and Trade.⁴⁶¹ Furthermore, the government was of the opinion that references to the GATT, “directly or obliquely,” were inappropriate in the peace treaty unless prior agreement had been reached by the Contracting Parties on Japan’s accession—a proposition that was unlikely to occur.⁴⁶² The government accurately guessed that Japan would likely seek accession to the GATT and to gain most favoured nation treatment regardless of whether such provisions appeared in the final peace treaty.⁴⁶³ The government was more interested in seeing Japan eventually become part of the prevailing multilateral economic and political systems of the time but not by having this mandated in the peace treaty.

Protecting Canada’s fisheries on its west coast and reaching bilateral fishing agreements were the Canadian Government’s paramount commercial interests for the peace treaty. Based on a draft proposed by the United States on 27 March 1951, the Canadian Government again refined its policies. The Department of Fisheries and representatives from Canada’s fishing industries were consulted about the provisions concerning fisheries that were being worked into the final peace treaty. So great was the concern about allowing Japan access to fish in territories of interest to Canada, the government was willing to press for the issue to be dropped from the treaty: “If suitable restrictions along lines indicated here cannot be incorporated in the Peace Treaty, it would seem undesirable to include in the Peace Treaty any provision that would have the appearance of inviting Japan to participate in the fisheries adjacent to our West Coast.”⁴⁶⁴ However, Article 9 of Chapter 4 from the draft treaty circulated in early July 1951 satisfied the Minister of Fisheries and Cabinet that Canadian fishing interests were protected adequately. Specifically, that “...the Japanese government had undertaken that its fishermen would not enter waters in which they had not fished in 1940, pending the conclusion of bilateral and multilateral

agreements providing for the regulation or limitation of fishing and the conservation and development of fisheries on the high seas.”⁴⁶⁵ The role the Department of Fisheries played in securing Canadian interests was noted in a Department of External Affairs memorandum on 27 July: “Our wishes with respect to ensuring that the Japanese not return to their prewar malpractices in fishing on the high seas have been adequately met as a result of action by the Department of Fisheries.”⁴⁶⁶

Finally, a draft of the Protocol attached to the treaty “on contracts, periods of prescription, negotiable instruments, and contracts of insurance” was circulated prior to the peace conference. Only a few countries had an interest in its provisions and the United States could not sign it for constitutional reasons.⁴⁶⁷ The Canadian Government was interested in helping to protect the Sun Life Assurance Company and Manufacturers Life Insurance Company. These two companies had substantial interests in Japan prior to the war and were the first two companies that Canada had assisted with their Japanese commercial interests back in 1946. A revision to the final Protocol was made by 2 August 1951 that was acceptable to the Canadian Government.

Canada received its invitation on 27 July to attend the conference in San Francisco but as the conference approached, it became more apparent to the Canadian Government that the conference was being held solely to get the treaty signed.⁴⁶⁸ The reasons provided from American officials for the conference’s short length of procedure placated the Canadian Government. On 8 September, Lester B. Pearson, Secretary of State of External Affairs, and Robert Mayhew, Minister of Fisheries, signed the San Francisco Peace Treaty. The economic

interests of Canada were realized in Chapter 4, “Political and Economic Clauses”, Articles 9 and 12, and the Protocol to the San Francisco Peace Treaty (see Appendix 4 and 5). Parliament approved the San Francisco Peace Treaty and the Protocol on 2 and 9 April 1952, and authorized the Secretary of State for External Affairs “to sign on behalf of the Government of Canada an instrument of ratification of the Treaty of Peace with Japan, and to provide for the deposit of such instrument in accordance with Article 24 of said Treaty.”⁴⁶⁹ Full diplomatic relations with Canada were restored on 28 April when the San Francisco Peace Treaty came into force. The Canadian Liaison Mission was given status of an embassy and Arthur Menzies became Canada’s first ambassador to Japan in the postwar era, bringing to a close the period when Canada and Japan redeveloped their economic relationship. The restoration of normal diplomatic relations between Canada and Japan heralded the resumption of a political and economic relationship that had been important to both countries prior to 1941.

**Conclusions:
Just the Beginning**

Conclusions: Just the Beginning

The Occupation period of 1945-1951 has been overlooked in most studies that evaluate Canada and Japan's economic relationship in the 20th century. Existing studies that touch on this period have suffered because records and archives were previously unavailable or from the misconception that this was an insignificant period in Canadian-Japanese relations. The oversight of the importance of this period is understandable. In the aftermath of World War II, the strategic importance of Japan paled in comparison to that of Europe for the Canadian Government. Japan, as a defeated country under occupation led by American authorities, did not have its sovereignty restored until the San Francisco Peace Treaty went into effect on 28 April 1952. Canadian-Japanese diplomatic relations were not normalized until the treaty went into effect, thus posing a challenge for the redevelopment of their economic relationship without the availability of normal diplomatic channels. At the same time, trade between Canada and Japan was minimal until 1950. The lack of normalized diplomatic relations and the fact that the low levels of trade increased only late during the Occupation can be easily interpreted to mean that little of consequence was accomplished in the late 1940s that affected Canada and Japan's postwar economic relationship. However, Canada and Japan, trade partners prior to 1941, redeveloped their economic relationship beginning *after* the signing of the Instrument of Surrender in September 1945 and *not* solely in the 1950s. The growth of trade between Canada and Japan in the postwar period of the 1950s was tied to the developments that took place throughout the pivotal years of 1945-1951.

Both Canada and Japan stood to gain from the redevelopment of their economic relationship. Security was the Canadian Government's top priority as a matter of official policy,

but in practice the government was not seriously threatened by Japan. As a result, Japan's economic recovery and the resumption of its international trade were soundly endorsed by the Canadian Government from early on during the Occupation. Canada stood to gain economically by establishing a foothold in the Japanese market and politically if it helped Japan successfully integrate into the multilateral institutions of the time. The Canadian Government's attempts to foster trade between the two countries involved a small number of government officials working in Ottawa, Washington and Tokyo. The principle venues used by the Canadian Government to reengage Japan were the Far Eastern Commission in Washington and the Canadian Liaison Mission in Tokyo. Support came from officials working for the Department of External Affairs and the Department of Trade and Commerce in Ottawa. J. E. Kenderdine, J. C. Britton, E. H. Norman, G. S. Hall, G. R. Heasman, Lester B. Pearson and H. H. Wrong were the foremost Canadian Government officials whose work affected economic relations between Canada and Japan. These officials were connected in the right places to be quickly informed on changing political and economic developments. Bolstered by the government's policies that encouraged economic liberalism and promoted the recovery of Japan's international trade, the Department of Trade and Commerce worked closely with the Canadian Liaison Mission to help Canadian companies conduct trade with Japan, and assisted Japanese parties interested in trade with Canada. The cooperative work between Kenderdine, then Britton, in Tokyo and Hall and Heasman in Ottawa was the lynchpin in the Canadian Government's direct effort to foster trade with Japan. Of course, just as significant (and necessary) for Canada's economic reengagement with Japan were the Canadian companies that attempted to conduct trade with Japan and endured through the difficult phase when Japan was first reopened to limited private trade. Interest from

Canadian companies to conduct trade with Japan was limited for most of the Occupation but the types of trade Canadian companies were interested in varied considerably.

For Japan, redeveloping its former trade relationship with Canada was not a pressing matter when compared to the enormous task of rebuilding its country. Furthermore, the importance of the Canadian market was overshadowed by that of the United States. Still, there were tangible economic and political benefits for Japan. The *Bōeki-chō* and, later, MITI were the principle Japanese agencies responsible for overseeing trade and, later, trade policy. It is worth repeating, however, that this thesis does not make use of records from the Japanese Government and that Japan was unable to form official diplomatic relations until the San Francisco Peace Treaty went into effect. Even correspondence from Japanese citizens and government officials was quite limited until 1949. Nonetheless, the records that have been used indicate that there was interest from both the *Bōeki-chō* and MITI to develop Japan's trade relations with Canada. Quite notable were MITI's enquiries beginning in late 1949 about importing goods from Canada. Japan depended on exports to grow its economy and to obtain desperately needed raw materials in return. Canada offered a number of the raw materials, commodities and foodstuffs needed by Japan to rebuild its industries and provide for its citizens. This study has also shown that the Department of Trade and Commerce and the Canadian Liaison Mission received enquiries from Japanese companies and boards of trade interested in conducting trade with Canada. Japanese interest in trade relations with Canada was initially low but became increasingly important as the Occupation wore on.

There were four major political factors that shaped Canada and Japan's economic relationship during the Occupation period. First, Canadian-Japanese relations were developed in part through the Canadian Government's balance of its relationship with the United States, United Kingdom, and its participation in the Far Eastern Commission. This was also influenced by the lack of normalized diplomatic relations with Japan. Because of Canada's large military and financial contributions during World War II, the Canadian Government asserted its political independence after the war. Despite belonging to the Commonwealth, Canada wanted to avoid constraints on the political independence it had earned. The government was content, though, with the dominant position of SCAP as the occupying authority and inclined to support or defer to American decisions on Occupation policies when the two countries' political, security or economic interests intersected. At the same time, the Canadian Government supported the multilateral process of the Far Eastern Commission and sought continued American participation in this forum. The government was quite willing to have its representative press Canadian interests even when these did not correspond to those of the United States or the United Kingdom. Because of the lack of normalized diplomatic relations with Japan, Canada had to pursue its political goals through other channels. Ultimately, Canada's independence gave it a more profound voice on international affairs, its relationship with the United States eased Canada's responsibilities connected with the more burdensome aspects of Occupation duties, and the Far Eastern Commission provided the government an opportunity to support multilateral institutions and have a say in East Asian politics.

Secondly, Canadian policy was subject to political developments beyond its control. SCAP was imbued with a sense of duty to help Japan and guided by the legal requirements of the

Potsdam Declaration, Instrument of Surrender, and Basic Initial Post-Surrender Directive. Both SCAP and officials in Washington seriously considered recommendations that emerged from the Far Eastern Commission but the Commission's influence declined over time as the Cold War intensified. Canada's representative to the Far Eastern Commission attempted to mediate when possible, seeking the continued participation of the Soviet Union and encouraging cooperation from the United States. However, the decline of the Commission was beyond Canada's control because of the fundamentally different views between members of the Commission and the later decline of American-Soviet relations. Likewise, SCAP's authority over Japan was sweeping and the United States unilaterally enacted the reverse course. The measures of the reverse course ultimately benefited Canadian-Japanese trade but these measures were beyond the influence or control of the Canadian Government.

Thirdly, Canadian policies, developed largely by the Department of External Affairs in consultation with the Department of Trade and Commerce and the Liaison Mission, consistently supported high levels of economic development for Japan's industries along with Japan's eventual integration into the prevailing multilateral institutions of the time such as the General Agreement on Tariffs and Trade. These policies not only endured after 1951 but Canada was one of the main proponents for Japan's accession into the GATT in the 1950s.

Finally, trade with Japan was of marginal importance for the Canadian Government for most of the Occupation. The number of Canadian political officials involved with developing policy and facilitating trade was small, and the problem of the lack of normalized diplomatic relations between Canada and Japan was compounded by SCAP's control of Occupation

policies. Consequently, trade was facilitated by officials working for the Department of Trade and Commerce, Canada's Commercial Representative at the Canadian Liaison Mission, Japanese officials who reached out to Canada in the final period of the Occupation, and from the efforts of Canadian and Japanese companies that cut through the formidable trade regulations in place during the Occupation. The small number of officials working in Ottawa and Tokyo to facilitate trade between the two countries were highly qualified, talented and dedicated. Their efforts laid the groundwork for Canada and Japan's cordial postwar relations in the 1950s.

There were three distinct periods in the redevelopment of Canada and Japan's economic relationship during the Occupation, and each period presented unique challenges for the development and conduct of trade. The first period began in 1945 with the signing of the Surrender Instrument and lasted through the end of 1947. Japan's ability to trade during this time was limited by SCAP out of security concerns while it enacted the economic demilitarization and deconcentration policies. Until 15 August 1947, trade with Japan was conducted on a government-to-government basis and strictly controlled by SCAP. Canadian exports prior to August 1947 are not indicative of either the Canadian Government or Canadian businesses' interests pertaining to the development of trade with Japan. The Canadian companies that were most direct about their interest in resuming business with Japan were insurance and aluminum companies. More significant for Canada and Japan's long-term economic relationship was that Canada developed its principle economic policies concerning Japan during this period. Likewise, the institutions that affected Canadian-Japanese economic relations the most until 1949 were created during this period: the Far Eastern Commission, the Canadian Liaison Mission, and the *Bōeki-chō*. When limited private trade resumed, Canadian

companies had their first real opportunity to conduct business with Japan since 1941. Japan's international trade suffered from the country's lack of raw materials, its limited foreign exchange and uncertainty over reparations. Canada's reparations claim was small and the government was not heavily invested in receiving reparations from Japan; promoting Japan's international trade was of greater importance for the Canadian Government.

The second period began in 1948 as Canadian-Japanese trade expanded with the resumption of limited private trade and lasted through 1949 when the United States implemented the measures of the reverse course to rehabilitate Japan's economy. The Department of Trade and Commerce and the Canadian Liaison Mission performed their most prolific work during this period to assist Canadian companies looking to conduct trade with Japan. Short-term difficulties that affected trade included the need for companies to adjust to changing trade policies, fluctuating demands for commodities, the short response times for offers on tenders, and competition from American companies. Economic controls in the first two and a half years of private trade and the resistance of General MacArthur to the reverse course in 1948 also impacted Japan's international trade. Other problems such as the lack of a fixed exchange rate, rampant inflation, uncertainty over reparations, and trade restrictions were left unresolved until measures of the reverse course were implemented in 1949. The Canadian Government also refused to conclude any bilateral trade agreements with Japan, arguing its liberal trade policies already allowed for substantial Japanese imports. Japan continued to suffer from a lack of raw materials and limited foreign exchange at the end of 1949. However, despite the diverging types of raw materials and commodities exported to Japan in 1948 and 1949, this was the period when Canadian companies began to firmly establish their business with Japan.

The final period began in 1950 when Japan gained control over its foreign private trade and ended in 1951 with the signing of the San Francisco Peace Treaty. Control over Japan's foreign trade shifted from SCAP to MITI but while trade restrictions were relaxed somewhat in 1950, the Japanese Government retained close oversight of imports into Japan. Consequently, the ability for Canadian companies to export to Japan was not entirely remedied by this shift in oversight. The Korean War coincided with a period when MITI was attempting to bolster Japan's imports from Canada. The timing of the war was fortuitous for the Japanese economy, and Canadian exports to Japan, led by wheat, climbed significantly in the following years. The pattern of Canadian-Japanese trade for the postwar years was firmly established in this final period. Just as Canadian exports to Japan were increasing, progress was being made on the peace settlement for Japan. Japan's fishing industries and the business of Canadian insurance companies had been of particular concern to the Canadian Government in 1946 and 1947. Canadian concerns about Japan's fishing industries and Canada's own insurance companies were raised by the government during the peace settlement negotiations in 1950-1951 and affected the final provisions contained in the San Francisco Peace Treaty and the associated Protocol.

As a vocal proponent of Japan's economic recovery during the Occupation, the Canadian Government endeavoured to form a close trade relationship with Japan in the postwar period. Furthermore, the government continued to advocate for Japan's integration into the global economy and was one of the main supporters of Japan's accession into the GATT. On 31 March 1954 a trade agreement was signed by Pearson, Canada's Trade Minister C. D. Howe, and Japan's Ambassador to Canada, Koto Matsudaira. Langdon writes that Canada differed from

other Commonwealth countries because it conducted tariff negotiations with Japan and that the 1954 agreement was in conformity with GATT regulations.⁴⁷⁰ Trade developed slowly between Canada and Japan in the late 1940s—Canadian exports to Japan actually decreased in 1949, though mostly as a result of the loss of Canadian coal exports to American companies. However, Canada and Japan's postwar economic relationship was the result of more than just the increase of exports in 1950-1951. Considering that limited private trade only resumed in August 1947 and that by the end of 1951 Canada was the fourth largest exporter of goods to Japan, Canada and Japan managed to redevelop their economic relationship in only a few short years. The foundation for the strong economic relationship that developed after the San Francisco Peace Treaty would not have been possible had it not been for the work by government and trade representatives from both Canada and Japan throughout 1945-1951.

This thesis has attempted to provide the first detailed account of Canadian-Japanese economic relations in the Occupation period, yet this subject can still be explored in further studies. Certain records at Library and Archives Canada were unavailable when the research for this thesis was conducted. For instance, only recently were records opened about negotiations between the Canadian Liaison Mission and the Canadian Commercial Corporation. Alternatively, a study that uses archives and records from Japan would expand the understanding of how this relationship developed from a Japanese perspective. There is potential for Canadian-Japanese relations to be understood in greater clarity if this subject is revisited in future studies.

Appendix, Endnotes and Bibliography

Appendix 1
Canadian Articles Exported to Japan: 1946 to the First Four Months of 1949

[Source: LAC. *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250. G. S. Hall, Asia Section, Foreign Trade Service, "Trade with Japan." 3 August 1949.]

		1946		1947		1948		1st Four Months 1949	
		Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values
Gin	P Gal	152	480	11,004	70,291	42,174	273,942	28,675	209,240
Whiskey Potable Spirits NOP	P Gal	8	24					18	160
Rubber Hose			289						
Cigars	Lb	10	51						
Cigarettes	M	10	42						
Books Bound or Unbound			13				66		87
Autos, Passenger over 1000	No.	1	1,086			2	2,627		
Ammonium Sulphate	CWT	40,000	66,000			18,000	44,411		
Fertilizers Manufactured NOP	CWT	354,767	908,009	137,400	355,523				
Wool Outer Garments NOP Men's						76			
Printed Matter NOP						10	18		
Mica Trimmed Sheet or Block	CWT			400	18,500				
Ale Beer and Porter	Gal					7,380	7,988	5,400	5,643
Coal NOP	Ton					481,102	5,079,079	1,570	23,132
Coke NOP	Ton					60	384	56	358

		1946		1947		1948		1st Four Months 1949	
		Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values
Apples Fresh	Brl					18	140		
Jams, Jellies and Preserves	Lb					1,952	452		
Pears Canned	Lb					1,120	318		
Apples Canned	Lb					1,890	311		
Peaches Canned	Lb					3,330	678		
Fruits Frozen NOP	Lb					1,513	378		
Fruits Canned or Preserved NOP	Lb					11,707	3,612	135	33
Cider	Gal					30	44		
Fruit Juices NOP						120	129		
Onions	Bush					420	719		
Potatoes NOP except Seed	Bush					1,676	3,669		
Turnips	Bush					60	83		
Vegetables Fresh NOP							5,759		
Pickles							1,445		
Sauces and Catsups							2,190		
Tomato Paste Pulp Puree Canned	Lb					3,072	592		
Tomato Juice Canned	Lb					1,000	74		
Tomatoes canned NOP	Lb					5,773	609		
Soups NOP	Lb					2,646	521		

		1946		1947		1948		1st Four Months 1949	
		Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values
Peas Canned	Lb					6,040	934	114	16
Vegetables Frozen	Lb					12,864	2,948		
Vegetables Canned NOP	Lb					38,471	6,107	114	12
Beans	Bush					40	250		
Rice	Lb					7,800	1,270	1,000	157
Corn Meal	Brl					44	715		
Oatmeal and Rolled Oats	CWT					13	213		
Flour of Rye	Brl					21	357		
Flour of Wheat	Brl					61	1247	204	2,250
Meal NOP	CWT					30,740	131,567		
Biscuits and Bread	CWT					22	368		
Cereal Foods Prepared							2,257		
Corn Starch	Lb					1,600	235		
Macaroni Spaghetti Canned	Lb					4,440	684	150	19
Macaroni Spaghetti NOP	Lb					6,000	1,080		
Vegetable Cooking Fats Edible	CWT					11	230		
Candy NOP	Lb					128	63		
Jelly Powders							116		
Flavouring Dessert Powders NOP							359		

		1946		1947		1948		1st Four Months 1949	
		Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values
Food							590		
Flavourings and Colouring									
Maple Syrup	Gal					110	825		
Molasses and Syrups NOP	Gal					228	620		
Sugar NOP	Cwt					618	5,271	3,200	22,100
Cocoa Powdered	Lb					4,860	2,214		
Cocoa Chocolate Preps. NOP							278		
Coffee and Imitations of	Lb					300	585		
Spices							1,633		
Tea	Lb					364	200		
Vinegar	Gal					100	104		
Yeast	Lb					500	185		
Vegetable Food Products NOP							4,000	41	41
Rubber Manufactures NOP							71		
Flax Seed NOP	Bush					219,567	1,197,867		
Fillets of Sea Fish NOP Fresh	CWT					15	484		
Oysters Fresh	CWT					7	392		
Shell Fish Fresh NOP	CWT					17	1,374		

		1946		1947		1948		1st Four Months 1949	
		Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values
Lobsters Canned	CWT					31	2,244		
Salmon Canned	CWT					15	864		
Sardines Little Fish in Oil	CWT					5	205		
Sea Fish Canned NOP	CWT					97	4,002		
Boots, Shoes Leather Upper Mens	Pair					1,165	6,163		
Boots Shoes Leather Upper NOP	Pair					741	1,864		
Beef and Veal Fresh	CWT					6,681	319,526	3087	174,344
Mutton and Lamb Fresh	CWT					94	4191	45	2,239
Poultry Dressed or Undressed	Lb					38,309	19,998	13,337	6504
Canned Meats NOP	Lb					5436	2,610	19,745	11,548
Pork Pickled in Barrels	CWT					40	1,174		
Sausage and Bologna	CWT					30	1,343	99	4,020
Milk Powder, Whole Milk	CWT					12	836	132	5,280
Lard	CWT					8	301		
Eggs in the Shell NOP	Doz					3,300	1,727	6,360	3,497
Honey	Lb					818	201		
Animal Products NOP							1,026		

		1946		1947		1948		1st Four Months 1949	
		Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values
Beef Pickled in Barrels	CWT							5	250
Edible Animal Entrails	CWT							2	57
Meats NOP	CWT							13	628
Cotton Outer Garments Womens	CWT						13		
Surgical and Sanitary Cotton							634		
Wool Outer Garments NOP Mens							35		
Artificial Silk Dresses							25		
Rags and Waste NOP	CWT					20	180		
Wool Rags and Waste	CWT							3	37
Pulp Sulphite B1 Dissolving	CWT					46,264	486,039	55,595	564,173
Manufactures of Wood NOP							11,805		
Book Paper	CWT					2,024	14,795		
Newsprint Paper	CWT					3,942	28,579	6,027	40,509
Bags of Paper							28		
Napkins and Towels of Paper							291		
Toilet Paper	CWT					81	1,236		
Machinery and Parts NOP							130		
Telegraph and Telephone App.							105		

		1946		1947		1948		1st Four Months 1949	
		Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values	Quantities	\$ Values
Switches and Wiring Devices							76		
Ores NOP	Ton				1,102	63,780			
Plated Ware Silver	CWT						1180		
Salt							278		
Soap Flakes and Powders	Lb				360	128			
Soap NOP	Lb				700	85		1,200	204
Toilet Soap	Lb							1,394	358
Lye							78		
Baking Powder					7	168			
Polishes Boots and Shoes	CWT						32		
Polishes NOP							88		
Drugs and Chemicals NOP							44		
Candles	Lb				900	445			
Films Motion Picture	Feet				1,199,092	13,047			
Scientific Apparatus NOP							168		
Radio Receiving Sets	No.							1	45
Asbestos Milled Fibres								73	15,508
Hides and Skins Calf	CWT				5	205		17,082	93,594

Appendix 2
Selections from the Draft of the Recommendations with Respect to U.S. Policy toward Japan (NSC 13/2)

[Source: Japan, National Diet Library. *Modern Japan in archives*. “Recommendations with Respect to U.S. Policy toward Japan (NSC13/2).” http://www.ndl.go.jp/modern/e/img_r/M008/M008-001r.html]

The REGIME OF CONTROL

8. Supreme Commander for the Allied Powers. This Government should not at this time propose to any major change in the regime of control. SCAP should accordingly be formally maintained in all its existing rights and powers. However, responsibility should be placed to a steadily increasing degree in the hands of the Japanese Government. To this end the view of the United States Government should be communicated to SCAP that the scope of its operations should be reduced as rapidly as possible, with a corresponding reduction in personnel, to a point where its mission will consist largely of general supervisory observation of the activities of the Japanese Government and of contact with the latter at high levels on questions of broad governmental policy.

OCCUPATIONAL POLICY

12. International Political and Economic Changes. Henceforth emphasis should be given to Japanese assimilation of the reform programs. To this end, while SCAP should not stand in the way of reform measures initiated by the Japanese if he finds them consistent with the overall objectives of the occupation, he should be advised not to press upon the Japanese Government any further reform legislation. As for reform measures already taken or in process of preparation by the Japanese authorities, SCAP should be advised to relax pressure steadily but unobtrusively on the Japanese Government in connection with these reforms and should intervene only if the Japanese authorities revoke or compromise the fundamentals of the reforms as they proceed in their own way with the process of implementation and adjustment. If exigencies of the situation permit, SCAP should consult with the U. S. Government before intervention in the event the Japanese should resort to action of such serious import. Definite background guidance embodying the above principles and indicating the United States Government's view as to the nature and extent of the adjustment to be permitted should be provided SCAP in the case of certain reforms.

13. The Purge. Since the purpose of the purge has been largely accomplished, the U. S. should now advise SCAP to inform the Japanese Government informally that no further extension of the purge is contemplated and that the purge should be modified along the following lines: (1) Categories of persons who have been purged or who are subject to the purge by virtue of their having held relatively harmless positions should be made re-eligible for governmental, business and public media positions; (2) certain others who have been barred or who are subject to being barred from public life on the basis of positions occupied should be allowed to have their cases re-examined solely on the basis of personal actions; (3) a minimum age limit should be fixed, under which no screening for public office would be required.

14. Occupation Costs. The occupational costs borne by the Japanese Government should continue to be reduced to the maximum extent consonant with the policy objectives of the pre-treaty period as envisaged in this paper.

15. Economic Recovery. Second only to U. S. security interests, economic recovery should be made the primary objective of United States policy in Japan for the coming period. It should be sought through a combination of United States aid program envisaging shipments and/or credits on a declining scale over a number of years, and by a vigorous and concerted effort by all interested agencies and departments of the United States Government to cut away existing obstacles to the revival of Japanese foreign trade, with provisions for Japanese merchant shipping, and to facilitate restoration and development of Japan's exports. In developing Japan's internal and external trade and industry, private enterprises should be encouraged. Recommendations concerning the implementation of the above points, formulated in the light of Japan's economic relationship with other Far Eastern countries, should be worked out between the State and Army Departments after consultation with the other interested departments and agencies of the Government. We should make it clear to the Japanese Government that the success of the recovery program will in large part depend on Japanese efforts to raise production and to maintain high export levels through hard work, a minimum of work-stoppages, internal austerity measures and the stern combatting of inflationary trends including efforts to achieve a balanced internal budget as rapidly as possible.

19. Control of Japanese Economic War Potential. Production in, importation into, and use within Japan of goods and economic services for bona fide peaceful purposes should be permitted without limitation, except:

- a. Japan's economic war potential should be controlled by restrictions on allowable stockpiling of designated strategic raw materials in Japan.
- b. Japan's industrial disarmament should be limited to the prohibition of the manufacture of weapons of war and civil aircraft and the minimum temporary restrictions on industrial production which can be advocated in the light of commitments already made by the United States regarding the reduction of the industrial war potential.

Appendix 3
G. A. Newman, Acting Director, Export Division, to J. E. Kenderdine, Special Representative, Canadian Liaison Mission, 21 October 1948

[Source: Library and Archives Canada. "TRADE BETWEEN CANADA AND JAPAN." RG20-A-3. Volume 724
File Part 6. File no. (creator) 13250]

Dear Mr. Kenderdine:

With reference to your letter of September 23rd, your file 211, I wish to advise that we would like to have enabled advice as to opportunities for quotation against tenders for the following commodities, of which we have an exportable surplus. Such cabled advice, of course, would only be required when the deadline for submission of quotations is of very short notice:

Foodstuffs and Allied Products

Beef, fresh, frozen or pickled
Mutton or lamb, fresh or frozen
Heavy sow products
Offals
Sausages (beef only)
Canned meats
Fish (particularly canned)
Honey
Poultry
Tobacco (leaf or manufactured)
Animal feeds
Apples
Beans and peas
Potatoes (table and seed), potato starch
Flaxseed
Linseed oil
Rapeseed and oil
Forage crop seeds
Vegetable seeds
Biscuits
Macaroni and spaghetti
Confectionary
Cocoa powder
Canned fruits, soups and vegetables
Jams, jellies and marmalade
Sauces and condiments
Wheat gluten and starch

Automotive and Agricultural Machinery and Equipment

Trucks, automobiles and parts
Lift trucks

Tractor and road equipment
Tires and tubes of all kinds
Agricultural machinery
Agricultural equipment
Poultry equipment
Milking machines
Cream separators

Non-Ferrous Metals and Products

Coal
Barytes
Copper wire and cable (bare and insulated)
Copper and brass sheet and strip, plates
Asphalt roofings and sidings
Aluminum foils
Magnesium and alloys
Calcium
Abrasive cloths and papers
Dead-burned magnesite
Aluminum
Cerium metal for lighter flints
Mica

Chemical and Allied Products

Copper sulphate
D.D.T. and parathion (Insecticides)
Aluminum sulphate or alum
Polystyrene moulding powder
Vinyl moulding powder
Plastic film
Phenol formaldehyde or bakelite moulding powder
Paint products (all types)
Medicinal products and fine chemicals, including penicillin and streptomycin
Drugs, pharmaceuticals
Vitamin products
Paraffin wax
Iron oxide (synthetic)

Leather and Textile Products

Sole and upper leather
Footwear (canvas, rubber and leather)
Army type blankets

Iron and Steel Products

Tool steel

Yours faithfully,
(G.A. Newman),
Acting Director,
Export Division

Appendix 4
Selections from the Treaty of Peace with Japan

[Source: Taiwan Documents Project. "Treaty of Peace with Japan."
[http://www.taiwandocuments.org/sanfrancisco01.htm.](http://www.taiwandocuments.org/sanfrancisco01.htm)]

POLITICAL AND ECONOMIC CLAUSES

Article 9

Japan will enter promptly into negotiations with the Allied Powers so desiring for the conclusion of bilateral and multilateral agreements providing for the regulation or limitation of fishing and the conservation and development of fisheries on the high seas.

Article 12

(a) Japan declares its readiness promptly to enter into negotiations for the conclusion with each of the Allied Powers of treaties or agreements to place their trading, maritime and other commercial relations on a stable and friendly basis.

(b) Pending the conclusion of the relevant treaty or agreement, Japan will, during a period of four years from the first coming into force of the present Treaty

(1) accord to each of the Allied Powers, its nationals, products and vessels

(i) most-favoured-nation treatment with respect to customs duties, charges, restrictions and other regulations on or in connection with the importation and exportation of goods;

(ii) national treatment with respect to shipping, navigation and imported goods, and with respect to natural and juridical persons and their interests—such treatment to include all matters pertaining to the levying and collection of taxes, access to the courts, the making and performance of contracts, rights to property (tangible and intangible), participating in juridical entities constituted under Japanese law, and generally the conduct of all kinds of business and professional activities;

(2) ensure that external purchases and sales of Japanese state trading enterprises shall be based solely on commercial considerations.

(c) In respect to any matter, however, Japan shall be obliged to accord to an Allied Power national treatment, or most-favored-nation treatment, only to the extent that the Allied Power concerned accords Japan national treatment or most-favored-nation treatment, as the case may be, in respect of the same matter. The reciprocity envisaged in the foregoing sentence shall be determined, in the case of products, vessels and juridical entities of, and persons domiciled in, any non-metropolitan territory of an Allied Power, and in the case of juridical entities of, and persons domiciled in, any state or province of an Allied Power having a federal government, by reference to the treatment accorded to Japan in such territory, state or province.

(d) In the application of this Article, a discriminatory measure shall not be considered to derogate from the grant of national or most-favored-nation treatment, as the case may be, if such measure is based on an exception customarily provided for in the commercial treaties of the party applying it, or on the need to safeguard that party's external financial position or balance of payments (except in respect to shipping and navigation), or on the need to maintain its essential security interests, and provided such measure is proportionate to the circumstances and not applied in an arbitrary or unreasonable manner.

(e) Japan's obligations under this Article shall not be affected by the exercise of any Allied rights under Article 14 of the present Treaty; nor shall the provisions of this Article be understood as limiting the undertakings assumed by Japan by virtue of Article 15 of the Treaty.

Appendix 5
Selections from the Protocol to the Treaty of Peace with Japan

[Source: Taiwan Documents Project. "Protocol to the Treaty of Peace with Japan."
[http://www.taiwandocuments.org/sanfrancisco02.htm.](http://www.taiwandocuments.org/sanfrancisco02.htm)]

D. INSURANCE AND REINSURANCE CONTRACTS (OTHER THAN LIFE) WHICH HAD NOT TERMINATED BEFORE THE DATE AT WHICH THE PARTIES BECAME ENEMIES

1. Contracts of Insurance shall be deemed not to have been dissolved by the fact of the parties becoming enemies, provided that the risk had attached before the date at which the parties became enemies, and the Insured had paid, before that date, all moneys owed by way of premium or consideration for effecting or keeping effective the Insurance in accordance with the Contract.
2. Contracts of Insurance other than those remaining in force under the preceding clause shall be deemed not to have come into existence, and any moneys paid thereunder shall be returnable.
3. Treaties and other Contracts of Reinsurance, save as hereinafter expressly provided, shall be deemed to have been determined as at the date the parties became enemies, and all cessions thereunder shall be cancelled with effect from that date. Provided that cessions in respect of voyage policies which had attached under a Treaty of Marine Reinsurance shall be deemed to have remained in full effect until their natural expiry in accordance with the terms and conditions on which the risk had been ceded.
4. Contracts of Facultative Reinsurance, where the risk had attached and all moneys owed by way of premium or consideration for effecting or keeping effective the Reinsurance had been paid or set off in the customary manner, shall, unless the Reinsurance Contract otherwise provides, be deemed to have remained in full effect until the date at which the parties became enemies and to have been determined on that date.
Provided that such Facultative Reinsurances in respect of voyage policies shall be deemed to have remained in full effect until their natural expiry in accordance with the terms and conditions on which the risk had been ceded.
Provided further that Facultative Reinsurances in respect of a Contract of Insurance remaining in force under clause 1 above shall be deemed to have remained in full effect until the expiry of the original Insurance.
5. Contracts of Facultative Reinsurance other than those dealt with in the preceding clause, and all Contracts of Excess of Loss Reinsurance on an "Excess of Loss Ratio" basis and of Hail Reinsurance (whether facultative or not), shall be deemed not to have come into existence, and any moneys paid thereunder shall be returnable.
6. Unless the Treaty or other Contract of Reinsurance otherwise provides, premiums shall be adjusted on a pro rata temporis basis.

7. Contracts of Insurance or Reinsurance (including cessions under Treaties of Reinsurance) shall be deemed not to cover losses or claims caused by belligerent action by either Power of which any of the parties was a national or by the Allies or Associates of such Power.

8. Where an insurance has been transferred during the war from the original to another Insurer, or has been wholly reinsured, the transfer or reinsurance shall, whether effected voluntarily or by administrative or legislative action, be recognized and the liability of the original Insurer shall be deemed to have ceased as from the date of the transfer or reinsurance.

9. Where there was more than one Treaty or other Contract of Reinsurance between the same two parties, there shall be an adjustment of accounts between them, and in order to establish a resulting balance there shall be brought into the accounts all balances (which shall include an agreed reserve for losses still outstanding) and all moneys which may be due from one party to the other under all such contracts or which may be returnable by virtue of any of the foregoing provisions.

10. No interests shall be payable by any of the parties for any delay which, owing to the parties having become enemies, has occurred or may occur in the settlement of premiums or claims or balances of account.

11. Nothing in this part of the present Protocol shall in any way prejudice or affect the rights given by Article 14 of the Treaty of Peace signed this day.

E. LIFE INSURANCE CONTRACTS

Where an insurance has been transferred during the war from the original to another Insurer or has been wholly reinsured, the transfer or reinsurance shall, if effected at the instance of the Japanese administrative or legislative authorities, be recognized, and the liability of the original Insurer shall be deemed to have ceased as from the date of the transfer or reinsurance.

Endnotes

¹ Foreign Affairs Canada, *Canada-Japan Relations*, <http://geo.international.gc.ca/cip-pic/geo/japon-bb-en.aspx> (accessed February 2009). This represents a slight increase in exports to Japan from 2007. See, Ministry of Foreign Affairs of Japan, *MOFA: Japan-Canada Relations*, <http://www.mofa.go.jp/region/n-america/canada/index.html> (accessed February 2009).

² E. H. Norman joined as Third Secretary in 1940.

³ Frank Langdon, *The Politics of Canadian-Japanese Economic Relations, 1952-1983* (Vancouver: British Columbia Press, 1983), 9. Langdon cites the Dominion Bureau of Statistics, General Statistics Branch, *The Canada Year Book* (Ottawa: King's Printer), Various Years; and External Affairs, Policy Planning Secretariat, *Canada's Bilateral Relations: Some Key Statistics*, December 1980. See also Michael G. Fry, "The Development of Canada's Relations with Japan, 1919-1947," in *Canadian Perspectives on Economic Relations with Japan*, ed. Keith A.J. Hay (Montreal: The Institute for Research on Public Policy, 1980), 55.

⁴ Klaus H. Pringsheim, *Neighbours Across the Pacific: Canadian-Japanese Relations 1870-1982* (Oakville, Ontario: Mosaic Press, 1983), 58.

⁵ Keith A. J. Hay has also been involved in writing and editing a number of studies that usually focus on the Canadian-Japanese trade relations in the 1960 and 1970s.

⁶ W. L., Morton "Canada's Far Eastern Policy", in *Pacific Affairs*, 19, no. 3 (Sept. 1946), 244-245.

⁷ *Ibid.*, 246.

⁸ See Nobuya Bamba, "The Postwar Years," trans. Peter Currie, adapted by Okuma Tadayuki, in *Canada and Japan in the Twenty Century*, ed., by John Schultz and Kimitada Miwa (Don Mills, Ontario: Oxford University Press, 1991), 126-136; James Barros, No Sense of Evil, Espionage, The Case of Herbert Norman (Toronto: Deneau, 1986); *E.H. Norman, His Life and Scholarship*, edited by Roger W. Bowen (Toronto: University of Toronto Press, 1984); Roger W. Bowen, *Innocence Is Not Enough* (Vancouver: Douglas & McIntyre, 1986); John Price, "E.H. Norman, Canada and Japan's Postwar Constitution," in *Pacific Affairs*, 74 (Fall, 2001), 383-405; John W. Dower, "E. H. Norman, Japan and the Uses of History," in *Origins of the Modern Japanese State: Selected Writings of E. H. Norman*, edited by John W. Dower (New York: Pantheon, 1975), 3-101; Peyton V. Lyon, "The Loyalties of E. Herbert Norman," in *Labour*, 28 (Fall, 1991), 219-259.

⁹ Pringsheim, *Neighbours Across the Pacific*, 112.

¹⁰ Carin Holroyd and Ken Coates, *Pacific Partners: The Japanese Presence in Canadian Business, Society, and Culture* (Toronto: James Lorimer & Company, Publishers. 1996), 51.

¹¹ The Canada-Japan Trade Council has sponsored a number of small studies. See, Keith A. J. Hay, *Canadian Minerals and the Japanese Market* (Ottawa: Canada-Japan Trade Council, 1970); Keith A. J. Hay, *Canadian Fish For Japan* (Ottawa: Canada-Trade Council, 1979); Edwin Wong, *Canada-Japan Fisheries Trade* (Ottawa: Canada-Japan Trade Council, 1992). Similarly, a number of monographs used in this study are primarily focused on political and economic relations with Japan following the peace settlement. See, Langdon, *The Politics of Canadian-Japanese Economic Relations, 1952-1983*, 20-21.

¹² This is echoed by Robert Bothwell in "Eyes West: Canada and the Cold War in Asia," in *Canada and the Early Cold War, 1943-1957*, ed. Greg Donaghy (Ottawa, Canadian Government Publishing — PWGSC, 1998), 67.

¹³ *Ibid.*, 69.

¹⁴ *Ibid.*, 70.

¹⁵ *Ibid.*

¹⁶ Langdon, *The Politics of Canadian-Japanese Economic Relations, 1952-1983*, 20-21.

¹⁷ As far as this thesis has discovered, there is no specific reason for these publications to have all appeared at nearly the same time.

¹⁸ Nobuya Bamba, "Japanese-Canadian Relations: An Overview," working paper (Downsview, Ontario: University of Toronto-York University Joint Centre on Modern East Asia; no. 014), 9.

¹⁹ *Ibid.*, 9-10.

²⁰ *Ibid.*, 13.

²¹ Further information about E.H. Norman's role in Japan can be found in Harry D. Hartootunian, "E.H. Norman and the Task for Japanese History," in *Pacific Affairs*, 14, no. 4 (Winter, 1968-1969), 545-552, and Patricia E. Roy, "Reopening the Door: Japanese Remigration and Immigration, 1945-68," in *Contradictory Impulses: Canada and Japan in the Twentieth Century*, ed. by Greg Donaghy and Patricia E. Roy (Vancouver: UBC Press, 2008), 158-175.

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- ²² Pringsheim, *Neighbours Across the Pacific*, 114.
- ²³ *Ibid.*, 113-114.
- ²⁴ Fry, "The Development of Canada's Relations with Japan, 1919-1947," 47.
- ²⁵ *Ibid.*, 48.
- ²⁶ Michael G. Fry, "Canada and the Changing Economy of the Pacific Basin," working paper, (University of Southern California, 1983; no. 013), 4-5.
- ²⁷ *Ibid.*, 5.
- ²⁸ *Ibid.*
- ²⁹ *Ibid.*, 7-8.
- ³⁰ Keith Stuart Webster, "Canada and the Far Eastern Commission," (Master's thesis, University of Victoria, 2007), 13. Webster cites a number of sources here including C. P. Stacey, Tom Keating, James Eayres, and Robert Bothwell.
- ³¹ *Ibid.*, 14.
- ³² *Ibid.*, 15.
- ³³ *Ibid.*, 18.
- ³⁴ Webster, "Canada and the Far Eastern Commission," 104.
- ³⁵ Hugh Borton, "Preparation for the Occupation of Japan," in *The Journal of Asian Studies*, 25, no. 2 (February 1966), 203.
- ³⁶ *Ibid.*, 204. See also, Philip H. Taylor, "The Administration of Occupied Japan," in *Annals of the American Academy of Political and Social Science*, 267, Military and Government (January 1950), 140. Over 2,000 specially selected Army and Navy officers were trained for duty in Japan by mid-August 1945.
- ³⁷ John Dower, *Embracing Defeat: Japan in the Aftermath of World War II* (New York : W.W. Norton & Co., 1999), 205.
- ³⁸ *Ibid.*, 77-78, 205.
- ³⁹ Taiwan Documents Project, "General Order No. 1," <http://www.taiwandocuments.org/surrender05.htm>. The Taiwan Documents Project cites *Congressional Record*, 6 September 1945.
- ⁴⁰ Japan, National Diet Library, *Birth of the Constitution of Japan*, "U.S. Initial Post-Surrender Policy for Japan (SWNCC150/4/A)," http://www.ndl.go.jp/constitution/e/shiryu/01/022_2/022_2_001r.html. Textual and photographic copies of documents integral to the history of Occupied Japan can be found at the National Diet Library's website.
- ⁴¹ *Ibid.*
- ⁴² George H. Blakeslee, *The Far Eastern Commission: A Study in International Cooperation, 1945 to 1952* (Washington, D.C.: United States Department of State, 1953), 2. Webster also cites Blakeslee's work here in his section about the development of the Far Eastern Advisory Commission.
- ⁴³ *Ibid.*, 3.
- ⁴⁴ *Ibid.*
- ⁴⁵ *Ibid.*, 4.
- ⁴⁶ *Ibid.*, 5, 12-13; Dominions Secretary to Acting Secretary of State for External Affairs, 24 October 1945, Documents on Canadian External Relations (hereafter cited as *DCER*) Vol. 10, 1944-1945 (Ottawa: Department of External Affairs, 1987), 985-987; Webster, "Canada and the Far Eastern Commission," 27. Blakeslee's text is cited here by Webster.
- ⁴⁷ Dominions Secretary to Acting Secretary of State for External Affairs, 24 October 1945, *DCER*, Vol. 10, 986; Blakeslee, *The Far Eastern Commission*, 12.
- ⁴⁸ Blakeslee, *The Far Eastern Commission*, 5, 13.
- ⁴⁹ Dominions Secretary to Acting Secretary of State for External Affairs, 24 October 1945, *DCER*, Vol. 10, 986-987.
- ⁵⁰ Blakeslee, *The Far Eastern Commission*, 14.
- ⁵¹ *Ibid.*, 16.
- ⁵² C.P. Stacey "Canadian-American Permanent Joint Board on Defence, 1940-1945," in *International Journal*, 9, no. 2 (Spring 1954), 108-110. Stacey notes, however, that the two countries drifted during the first months of the European war until the situation worsened in May 1940.
- ⁵³ *Ibid.*, 112, 114.
- ⁵⁴ Extract from Minutes of Cabinet War Committee, 20 January 1944, *DCER*, Vol. 10, 373.
- ⁵⁵ Extract from Minutes of Cabinet War Committee, 12 January 1944, *DCER*, Vol. 10, 368-369.

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- ⁵⁶ Memorandum from Secretary, Cabinet War Committee, to Prime Minister, 14 January 1944, *DCER*, Vol. 10, 372.
- ⁵⁷ The primary issue with the Commonwealth Air Training Plan was the need to reduce the number of pilots being trained. For planning purposes, a 40% reduction in over-all training capacity by March 1945 was agreed upon. See also, Minister of National Defence, 10 February 1944, *DCER*, Vol. 10, 279. The aide-mémoire sent by the Minister of Defence outlines Canada's early policies for the reduction the Commonwealth Air Training Program. See also, Extract from Minutes of Cabinet War Committee, 22 February 1944, *DCER*, Vol. 10, 281-282; Prime Minister to High Commissioner of Great Britain, 25 February, 1944, *DCER*, Vol. 10, 282-283.
- ⁵⁸ Extract from Minutes of Cabinet War Committee, 9 February 1944, *DCER*, Vol. 10, 277.
- ⁵⁹ Minister of National Defence, 10 February 1944, *DCER*, Vol. 10, 279.
- ⁶⁰ Extract from Minutes of Cabinet War Committee, 24 May 1944, *DCER*, Vol. 10, 374.
- ⁶¹ Memorandum from Chiefs of Staff, Under-Secretary of State for External Affairs and Secretary to the Cabinet War Committee, 14 June 1944, *DCER*, Vol. 10, 377.
- ⁶² *Ibid.* 375.
- ⁶³ *Ibid.*, 376. See also Extract from Minutes of Cabinet War Committee, 14 June 1944, *DCER*, Vol. 10, 378-379.
- ⁶⁴ Memorandum by Joint Planning Staff, War Cabinet of Great Britain, 24 July 1944, *DCER*, Vol.11, 384.
- ⁶⁵ Secretary of State for External Affairs to Dominions Secretary, 19 June 1945, *DCER*, Vol. 10, 465.
- ⁶⁶ Cabinet Conclusions, 11 July 1945, *DCER*, Vol. 10, 467.
- ⁶⁷ Secretary of State for External Affairs to Dominions Secretary, 15 August 1945, *DCER*, Vol. 10, 979; Webster, "Canada and the Far Eastern Commission," 27-28.
- ⁶⁸ *Ibid.* See also, Secretary of State for External Affairs to Dominions Secretary, 15 August 1945, *DCER*, Vol. 10, 979; Webster, "Canada and the Far Eastern Commission," 27-28.
- ⁶⁹ 5 and 6 October are the dates given by Blakeslee, while Webster simply states 5 October. Documents from *DCER* state that Canada received its invitation on 8 October. See, Acting Secretary of State for External Affairs to Acting High Commissioner in Great Britain, 8 October 1945, *DCER*, Vol. 10, 982; Extract from Cabinet Conclusions, 10 October 1945, *DCER*, Vol. 10, 983.
- ⁷⁰ Dominions Secretary to Acting Secretary of State for External Affairs, 24 October 1945, *DCER*, Vol. 10, 985-987.
- ⁷¹ Acting Secretary of State for External Affairs to Ambassador in United States, 27 October 1945, *DCER*, Vol. 10, 987.
- ⁷² *Ibid.*, 989.
- ⁷³ *Ibid.* 989; Acting Secretary of State for External Affairs to Ambassador in United States, 27 October 1945, *DCER*, Vol. 10, 990.
- ⁷⁴ Acting Secretary of State for External Affairs to Ambassador in United States, 27 October 1945, *DCER*, Vol. 10, 990.
- ⁷⁵ Blakeslee, *The Far Eastern Commission*, 9.
- ⁷⁶ Webster, "Canada and the Far Eastern Commission," 29.
- ⁷⁷ Dower, *Embracing Defeat*, 45.
- ⁷⁸ *Ibid.* In his endnotes, Dower indicates that SCAP's calculations did not take into the assets lost when Japan lost the territories of its former empire. See also, Mikio Sumiya, *A History of Japanese Trade and Industry Policy* (Oxford: Oxford University Press, 2000), 42.
- ⁷⁹ Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (California: Stanford University Press), 177-178. Johnson cites Kakuma Takashi, *Dokumento Tsūsan-shō, II, Kasumigaseki no yūustu* (Documentary on MITI, II, the melancholy of Kasumigaseki) (Kyoto: P.H.P Kenkyū-jo, 1979b), 14.
- ⁸⁰ See, Dower, *Embracing Defeat*, 45-53.
- ⁸¹ National Diet Library, "Potsdam Declaration," <http://www.ndl.go.jp/constitution/e/etc/c06.html>.
- ⁸² Hollerman, "International Economic Controls in Occupied Japan," in *The Journal of Asian Studies*, 38, no. 4 (August, 1979), 708-709.
- ⁸³ *Ibid.*, 708. A full copy of the text can be obtained through the National Diet Library's website. See, <http://www.ndl.go.jp/constitution/e/shiryō/01/036/036tx.html>
- ⁸⁴ "Political and Legal Organizations," in *International Organization*, 1, no. 2 (June 1947) 377.
- ⁸⁵ "Far Eastern Commission," in *International Organization*, 2, no. 2 (June 1948), 395-396.

⁸⁶ Library and Archives Canada (hereafter LAC), Department of External Affairs Records (hereafter *DEAR*) RG20-A-3, Vol. 724 File Part 6, File 13250, B. C. Butler, Director, Publicity Division, to L. J. Rogers, 26 April 1949.

⁸⁷ Hugh Borton, "American Occupation Policies in Japan," in *Proceedings of the Academy of Political Science*, 22, no. 4, America's New Foreign Policy (January 1948), 42; Chalmers Johnson, "Japan: Who Governs? An essay on Official Bureaucracy," in *Journal of Japanese Studies*, 2, no. 1 (Autumn, 1975), 16; Johnson, *MITI and the Japanese Miracle*, 180-181.

⁸⁸ Johnson, *MITI and the Japanese Miracle*, 181.

⁸⁹ *Ibid.*, 183.

⁹⁰ Hollerman, "International Economic Controls in Occupied Japan," 714; Johnson, *MITI and the Japanese Miracle*, 187; Sumiya, *A History of Japanese Trade and Industry Policy*, 206.

⁹¹ Johnson, *MITI and the Japanese Miracle*, 187-188; Hollerman, "International Economic Controls in Occupied Japan," 714.

⁹² Sumiya, *A History of Japanese Trade and Industry Policy*, 206.

⁹³ Hollerman, "International Economic Controls in Occupied Japan," 714; Sumiya, *A History of Japanese Trade and Industry Policy*, 206.

⁹⁴ Bamba, "The Postwar Years," 127. Bamba also argues that the Far Eastern Commission and the Liaison Mission were Canada's two primary connections to Japan during the Occupation.

⁹⁵ Blakeslee, *The Far Eastern Commission*, 18. The trip lasted three weeks and included cities and areas that had been greatly damaged or had escaped damage.

⁹⁶ Memorandum from Under-Secretary of State for External Affairs to Prime Minister, 6 March 1946, *DCER*, Vol. 12, 279-280.

⁹⁷ John Price, "E.H. Norman, Canada and Japan's Postwar Constitution," in *Pacific Affairs*, 74, no. 3 (Autumn, 2001), 386; Blakeslee, *The Far Eastern Commission*, 31. During the spring 1946, this was the senior-most position of any of the seven sub-committees held by a Canadian.

⁹⁸ Bamba, "The Postwar Years," 127.

⁹⁹ Acting Secretary of State for External Affairs to Ambassador in United States, 27 October 1945, *DCER*, Vol. 10, 989.

¹⁰⁰ Extracts from Ambassador in United States to Secretary of State for External Affairs, 4 June 1946, *DCER*, Vol. 12, 283.

¹⁰¹ *Ibid.*

¹⁰² Blakeslee, *The Far Eastern Commission*, 19, 26.

¹⁰³ Minutes of a Meeting, 18 March 1946, *DCER*, Vol. 12, 304.

¹⁰⁴ *Ibid.*; Secretary of State for External Affairs to Dominions Secretary, 23 March 1946, *DCER*, Vol. 12, 305.

¹⁰⁵ Secretary of State for External Affairs to Ambassador in United States, 23 May 1946, *DCER*, Vol. 12, 307.

¹⁰⁶ Memorandum from First Secretary, Embassy in United States to Alternate Delegate, Far Eastern Commission, 27 May 1946, *DCER*, Vol. 12, 308.

¹⁰⁷ Secretary of State for External Affairs to Ambassador in United States, 23 May 1946, *DCER*, Vol. 12, 307.

¹⁰⁸ Secretary of State for External Affairs to Ambassador in United States, 1 April 1946, *DCER*, Vol. 12, 305.

¹⁰⁹ *Ibid.*, 306.

¹¹⁰ *Ibid.*; Minutes of a Meeting, 18 March 1946, *DCER*, Vol. 12, 303. The claims against Japan were considered to be potentially inflated. The Custodian's Office estimated that claims filed against Japan amounted to eleven million dollars, but these were inflationary figures as most property and assets were held in Japan or Japanese-controlled territories prior to the war and damages could not be assessed.

¹¹¹ 554 Canadians were killed in Hong Kong and 369 wounded. Another 171 were killed at sea and 430 were wounded, while another 5 were killed and 5 wounded in the "Far East-Pacific." See, Pringsheim, *Neighbours Across the Pacific*, 91. Pringsheim cites C. P. Stacey, *Six Years of War: The Army in Canada, Britain and the Pacific* (Ottawa: Queen's Printer, 1967), 525.

¹¹² Secretary of State for External Affairs to Ambassador in United States, 1 April 1946, *DCER*, Vol. 12, 306.

¹¹³ Minutes of a Meeting, 18 March 1946, *DCER*, Vol. 12, 303

¹¹⁴ Secretary of State for External Affairs to Ambassador in United States, 8 August 1946, *DCER*, Vol. 12, 312-313.

¹¹⁵ Deputy Minister of Trade and Commerce to Under-Secretary of State for External Affairs, August 1946, *DCER*, 316.

¹¹⁶ Secretary for External Affairs to Ambassador in United States, 3 December 1946, *DCER*, Vol. 12, 321.

¹¹⁷ Memorandum from Third Political Division to Under-Secretary of State for External Affairs, 10 May 1946, *DCER*, Vol. 12, 280. The Under-Secretary of State for External Affairs had written to Pearson regarding the advantages to such a Mission.

¹¹⁸ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Major Secretary of the Joint Committee on Enemy Science and Technology, Directorate of Operational Research, to J. H. Warren, Department of External Affairs, "Canadian Investigators for Japanese Theatre," 22 January 1946. Included with this document was "Copy of Minutes of a Meeting of the Committee to the Privy Council, approved by His Excellency the Administrator on the 12th October, 1945," Privy Council 6500, 21 October 1945.

¹¹⁹ *Ibid.* Also attached to this document was the 3 December 1945 letter from Colonel W.S. Wood, General Staff Corps (GSC), Chief, WDI Section, G-2 SCAP to Colonel O. M. Solandt, Director of National Research, National Defence Headquarters. Solandt had a prominent career during World War II conducting research. After the war, he served with the British Mission in Japan in 1945 investigating the effects of the atomic bombs at Hiroshima and Nagasaki on casualties and buildings.

¹²⁰ *Ibid.*

¹²¹ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, G. S. Patterson, Department of External Affairs to G. R. Heasman, Department of Trade and Commerce, 7 February 1946.

¹²² LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Lieutenant Colonel McCoy (for Major General Leston) to T. A. Stone, Canadian Embassy, Washington, "CANADIAN INVESTIGATORS—JAPAN," 4 February 1946.

¹²³ *Ibid.*

¹²⁴ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, J. H. Warren, Department of External Affairs, to [presumed] R. M. Macdonnell, Head, Third Political Division, Department of External Affairs, "MEMORANDUM FOR MR. MACDONNELL," 15 February 1946. The attached memorandum is missing. At the bottom of the note, Macdonnell wrote, "I spoke to Heasman about this. Reconstruction, T+C, + Fisheries are in touch with each other. Finn, who is on the west coast, has been asked whether I or more experts should be sent and he will be back in a week. The discussion is really up to Fisheries. RM. Feb. 16"

¹²⁵ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, G. R. Heasman, Department of Trade and Commerce, to G. S. Patterson, Department of External Affairs, 11 February 1946.

¹²⁶ *Ibid.* See also, LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, R. M. Macdonnell, Department of External Affairs, to the Canadian Ambassador to the United States, 18 February 1949.

¹²⁷ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, G. R. Heasman, Department of Trade and Commerce, to G. S. Patterson, Department of External Affairs, 23 February 1946.

¹²⁸ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Thomas A. Stone (for the Ambassador to the United States) to the Secretary of State for External Affairs, 9 February 1946.

¹²⁹ *Ibid.*

¹³⁰ *Ibid.*; LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, "ARMY MESSAGE (INCOMING)," 1 March 1946.

¹³¹ "LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, "ARMY MESSAGE (OUTGOING)," 2 March 1946.

¹³² LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, G. S. Patterson, Department of External Affairs to G. R. Heasman, Department of Trade and Commerce, 7 February 1946.

¹³³ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Canadian Ambassador to the United States to Secretary of State for External Affairs, 28 January 1946. The message from Colonel Cosgrave was relayed from the British Admiralty to the Canadian Embassy in Washington with a request to also send to R. M. Macdonnell.

¹³⁴ *Ibid.*

¹³⁵ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, G. S. Patterson, Department of External Affairs to G. R. Heasman, Department of Trade and Commerce, 7 February 1946. The document attached to Patterson's letter was entitled "COMMERCIAL AND FINANCIAL RELATIONS WITH JAPAN".

¹³⁶ *Ibid.*

¹³⁷ *Ibid.*

¹³⁸ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Canadian Ambassador to the United States to Secretary of State for External Affairs, 28 January 1946.

¹³⁹ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Thomas A. Stone (for the Ambassador to the United States) to the Secretary of State for External Affairs, 9 February 1946.

¹⁴⁰ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, G. R. Heasman, Department of Trade and Commerce, to G. S. Patterson, Department of External Affairs, 11 February 1946; LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, R. M. Macdonnell, Department of External Affairs, to the Canadian Ambassador to the United States, 18 February 1949. Norman's opinion was conveyed by Macdonnell to Pearson.

¹⁴¹ Memorandum from Third Political Division [G.S. Patterson] to Under-Secretary of State for External Affairs, 10 May 1946, *DCER*, Vol. 12, 281.

¹⁴² LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Canadian Ambassador to United States to Under-Secretary for External Affairs, 2 April 1946.

¹⁴³ *Ibid.*

¹⁴⁴ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Under-Secretary of State for External Affairs to Canadian Ambassador to United States, 16 April 1945.

¹⁴⁵ *Ibid.*

¹⁴⁶ *Ibid.*; LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, E. H. Norman to S. D. Hemsley, Administrative Officer, Department of External Affairs, 14 May 1946.

¹⁴⁷ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, "NOTE FOR FILE," 22 May 1946. This was likely written by the Secretary of State for External Affairs as a letter from Pearson to him is affixed to the document. See, LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Canadian Ambassador to United States to Secretary of State for External Affairs, 24 May, 1946.

¹⁴⁸ Memorandum from Third Political Division [G. S. Patterson] to Under-Secretary of State for External Affairs, 10 May 1946, *DCER*, Vol. 12, 281.

¹⁴⁹ *Ibid.*

¹⁵⁰ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Canadian Ambassador to United States to Secretary of State for External Affairs, 24 May, 1946.

¹⁵¹ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Norman Robertson, Under-Secretary of State for External Affairs, to Secretary of State for External Affairs, 16 July 1946.

¹⁵² LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, "Memorandum for Mr. Wrong: Canadian Liaison Mission: Entry of Personnel in Japan," 24 July 1946. A fifth person, Miss Browne, was identified as needing a certificate for entry into Japan, although her function as part of the Liaison Mission is not expressed in this memorandum.

¹⁵³ A. D. P. Heeney, 9 July 1946, *DCER*, Vol. 12, 285. The editor notes that the submission was approved as Order in Council P.C. 2826. See also, "Re. Canadian Liaison Mission in Japan," 28 June 1946 (RG25-A-3-b, Vol. 3651, File 8690-40C). A note at the bottom says "Mr. Pelletier says the Order-in-Council was passed on July 9th, G.S.P."

¹⁵⁴ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, "Memorandum for Mr. Robertson," 10 July 1948.

¹⁵⁵ *Ibid.*

¹⁵⁶ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, E. H. Norman, Chargé D'Affairs, to the Secretary of State for External Affairs, 28 August 1946.

¹⁵⁷ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, E. H. Norman, Chargé D'Affairs, to the Secretary of State for External Affairs, 23 August 1946.

¹⁵⁸ *Ibid.*

¹⁵⁹ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Ambassador to the United States, Pearson, to John C. Vincent, State Department, 23 May 1946.

¹⁶⁰ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Secretary of State for External Affairs to the Canadian Liaison Mission, 21 November 1946.

¹⁶¹ LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, E. H. Norman, Head of Mission, Canadian Liaison Mission, to R. M. Macdonnell, Third Political Division, Department of External Affairs, 21 October 1946; LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, E. H. Norman, Head of Mission, Canadian Liaison Mission, to S. D. Helmsley, Administrative Officer, Department of External Affairs, 14 November.

¹⁶² LAC, *DEAR*, RG25-A-3-b, Vol. 3651, File 8690-40C, Memorandum for the Economic Division, "CANADIAN LIAISON MISSION TO JAPAN," 14 June 1946.

¹⁶³ Sumiya, *A History of Japanese Trade and Industry Policy*, 29.

¹⁶⁴ The Acting Political Adviser in Japan, to the Secretary of State, *Foreign Relations of the United States* (hereafter *FRUS*): Vol. VI: *The Far East* (Washington D.C.: U.S. Government Printing Office, 1971), 16 September 1947, 291.

¹⁶⁵ *Ibid.*

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- ¹⁶⁶ George C. Atcheson, Political Adviser in Japan, to President Truman, 19 June 1947, *FRUS*, Vol. VI, 231, 232.
- ¹⁶⁷ William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 16 September 1947, *FRUS*, Vol. VI, 290.
- ¹⁶⁸ Memorandum by Department of External Affairs, "JAPANESE PEACE SETTLEMENT; ECONOMIC DEMILITARIZATION AND ECONOMIC CONTROL," 21 July 1947, *DCER*, Vol. 13, 236.
- ¹⁶⁹ William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 16 September 1947, *FRUS*, Vol. VI, 291.
- ¹⁷⁰ Ambassador in United States to Secretary of State for External Affairs, "CANADA AND THE FAR EASTERN COMMISSION," 22 July 1947, *DCER*, Vol. 13, 197. See also, General McCoy, United States Member of the Far Eastern Commission, to the Assistant Secretary of State, 11 August 1947, *FRUS*, Vol. VI, 273. The Far Eastern Commission passed a policy decision, "Assured Production Capacity Levels for Japan", on 20 February 1947, but it was not implemented as of August 1947.
- ¹⁷¹ Hollerman, "International Economic Controls in Occupied Japan," 712-713. For the complete details of the OJEIRF see, Chargé in the United Kingdom to the Secretary of State, "Establishment of Occupied Japan Export-Import Revolving Fund," 15 August 1947, *FRUS*, Vol. VI, 275-279. The details of OJEIRF are complex and contained in Circular No. 9. The description used here is Hollerman's whereas Circular No. 9 states: "The Fund is established as a means of financing, primarily on a self-liquidating basis, Japanese imports and exports of commodities and services which are required for the establishment of the objectives and policies of the Occupation and for the mutual benefit of the United Nations and Japan."
- ¹⁷² William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 16 September 1947, *FRUS*, Vol. VI, 293.
- ¹⁷³ Secretary of State to the Political Advisor in Japan, 9 June 1947, *FRUS*, Vol. VI, 224.
- ¹⁷⁴ Secretary of State to Diplomatic and Consular Offices, "I. Opening of Limited Private Trade in Japan," 22 July 1947, *FRUS*, Vol. VI, 257-260.
- ¹⁷⁵ *Ibid.*
- ¹⁷⁶ *Ibid.*, 257.
- ¹⁷⁷ *Ibid.*
- ¹⁷⁸ William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 16 September 1947, *FRUS*, Vol. VI, 291-292.
- ¹⁷⁹ Secretary of State to Diplomatic and Consular Offices, "Opening of Limited Private Trade in Japan," 22 July 1947, *FRUS*, Vol. VI, 259-260.
- ¹⁸⁰ *Ibid.*, 259; William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 16 September 1947, *FRUS*, Vol. VI, 292.
- ¹⁸¹ *Ibid.*, 259.
- ¹⁸² William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 16 September 1947, *FRUS*, Vol. VI, 259.
- ¹⁸³ Asia Section, Foreign Trade Service, "Foreign Trade Bureau in Japan Facilitates Transactions," in *Foreign Trade*, 3, no. 58 (7 February 1948), 258.
- ¹⁸⁴ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade Service, to E. Kagetsu, 6 July 1948; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, 11 July 1949.
- ¹⁸⁵ Memorandum by Mr. Charles E. Saltzman, Special Assistant to the Secretary of State, to the United States member of the Far Eastern Commission, General McCoy, 20 August 1947, *FRUS*, Vol. VI, 281.
- ¹⁸⁶ William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 16 September 1947, *FRUS*, Vol. VI, 293-294.
- ¹⁸⁷ Sumiya, *A History of Japanese Trade and Industry Policy*, 215.
- ¹⁸⁸ *Ibid.*
- ¹⁸⁹ William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 16 September 1947, *FRUS*, Vol. VI, 293; William J. Sebald, Acting Political Advisor in Japan, to the Secretary of State, 29 September 1947, *FRUS*, Vol. VI, 296-300.
- ¹⁹⁰ Igarashi Takeshi, "MacArthur's Proposal for an Early Peace with Japan and the Redirection of Occupation Policy toward Japan," in *The Japanese Journal of American Studies*, no. 1 (1981), 56-57. Igarashi's article thoroughly details the efforts of American policy-makers in Washington and Tokyo that led to the San Francisco

Peace Treaty. Igarashi argues that MacArthur's speech was the impetus that led to a gradual shift away from SCAP to officials in Washington over control of policy creation for Japan.

¹⁹¹ Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs, 20 January 1947, *DCER*, Vol. 13, 248-249. "United States Government is at present contemplating directives which will cover the removal of only 15 or 20% of the estimated reparations pool this draft reply should therefore not prejudice our position if at a later date the United States decides to go ahead with directives covering the final reparations settlement."

¹⁹² Order in Council, 14 January 1947, *DCER*, Vol. 13, 245.

¹⁹³ *Ibid.*

¹⁹⁴ *Ibid.*, 246-247; Pringsheim, *Neighbours Across the Pacific*, 99.

¹⁹⁵ *Ibid.*

¹⁹⁶ *Ibid.*; Secretary of State for External Affairs to Liaison Mission in Japan, 4 February 1947, *DCER*, Vol. 13, 253. Writing to Norman, Pearson expressed the following concerns: "We will endeavour to impress upon Mr. Dobson and Mr. Ruthven their responsibilities as Canadian Government officials in Japan. We are particularly anxious that no expression of Canada's interest in either reparations or restitution matters be made by anyone other than Mr. Kenderdine and yourself."

¹⁹⁷ Memorandum by Department of External Affairs, "JAPANESE SETTLEMENT; ECONOMIC DEMILITARIZATION AND ECONOMIC CONTROL," 21 July 1947, *DCER*, Vol. 13, 237.

¹⁹⁸ Extract from Report by Head of Delegates to Commonwealth Conference, 2 September 1947, *DCER*, Vol. 13, 232.

¹⁹⁹ Memorandum by Department of External Affairs, "JAPANESE SETTLEMENT; ECONOMIC DEMILITARIZATION AND ECONOMIC CONTROL," 21 July 1947, *DCER*, Vol. 13, 236; United States Member of the Far Eastern Commission (McCoy) to the Assistant Secretary of State (Hilldring), 11 August 1947, *FRUS*, Vol. VI, 273.

²⁰⁰ Webster, "Canada and the Far Eastern Commission," 54.

²⁰¹ Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs, 23 May 1947, *DCER*, Vol. 13, 204-205.

²⁰² Extract from Memorandum by Department of External Affairs, [Undated] August 1947, *DCER*, Vol. 13, 216.

²⁰³ Acting Secretary, Chiefs of Staff Committee to Under-Secretary of State for External Affairs, 7 August 1947, *DCER*, Vol. 13, 212.

²⁰⁴ Memorandum by Department of External Affairs, "JAPANESE SETTLEMENT; ECONOMIC DEMILITARIZATION AND ECONOMIC CONTROL," 21 July 1947, *DCER*, Vol. 13, 240.

²⁰⁵ *Ibid.*, 241.

²⁰⁶ *Ibid.*, 238-239.

²⁰⁷ *Ibid.*, 239.

²⁰⁸ *Ibid.*, 239-240.

²⁰⁹ Deputy Minister of Trade and Commerce to Under-Secretary of State for External Affairs, 30 July 1947, *DCER*, Vol. 13, 243-244.

²¹⁰ Extract from Letter from Secretary of State for External Affairs to Minister of National Defence, 13 August 1947, *DCER*, Vol. 13, 215.

²¹¹ Acting Secretary, Chiefs of Staff Committee to Under-Secretary of State for External Affairs, 7 August 1947, *DCER*, Vol. 13, 213; Extract from Letter from Secretary of State for External Affairs to Minister of National Defence, 13 August 1947, *DCER*, Vol. 13, 213.

²¹² Extract from Report by Head of Delegates to Commonwealth Conference, 2 September 1947, *DCER*, Vol. 13, 232; High Commissioner in Australia to Secretary of State for External Affairs, 26 August 1947, *DCER*, Vol. 13, 226.

²¹³ Webster, "Canada and the Far Eastern Commission," 57.

²¹⁴ Pringsheim, *Neighbours Across the Pacific*, 100.

²¹⁵ Extract from Report by Head of Delegates to Commonwealth Conference, 2 September 1947, *DCER*, Vol. 13, 232.

²¹⁶ Webster, "Canada and the Far Eastern Commission," 57.

²¹⁷ *Ibid.*, 228.

²¹⁸ Fry, "The Development of Canada's Relations with Japan, 1919-1947", 47. Fry, however, does not say what these policies were.

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- ²¹⁹ Ambassador in United States to Secretary of State for External Affairs, 22 July 1947, *DCER*, Vol. 13, 197.
- ²²⁰ *Ibid.*, 196.
- ²²¹ Pringsheim, *Neighbours Across the Pacific*, 100.
- ²²² Fry, “The Development of Canada’s Relations with Japan, 1919-1947”, 48.
- ²²³ *Ibid.*
- ²²⁴ *Ibid.*
- ²²⁵ Webster, “Canada and the Far Eastern Commission,” 57.
- ²²⁶ Asia Section, Foreign Trade Service, “Wide Variety of Japanese Goods Available But Volume Small,” in *Foreign Trade*, 2, no. 33 (16 August 1946), 301.
- ²²⁷ J. E. Kenderdine, “Japan Needs Foreign Foodstuffs For Ever-Growing Population,” in *Foreign Trade*, 5 (15 January 1949), 108.
- ²²⁸ *Ibid.*, 297-301.
- ²²⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, T. M. Burns, Asia Section, Foreign Trade, to T. N. Beaupre, 15 March 1949.
- ²³⁰ *Ibid.*
- ²³¹ Asia Section, Foreign Trade Service, “Canadian Exports, by Areas (January-October, 1947),” in *Foreign Trade*, 2, no. 49 (6 December 1947), 1121-1123.
- ²³² Memorandum by the Assistant Secretary of State for Occupied Areas (Saltzman), to the United States Representative on the Far Eastern Commission (McCoy), 6 May 1946, *FRUS*, Vol. VIII, 750-751.
- ²³³ Sumiya, *A History of Japanese Trade and Industry Policy*, 215.
- ²³⁴ Howard Schonberger, “The Japan Lobby in American Diplomacy, 1946-1952,” in *The Pacific Historical Review*, 46, no. 3 (August 1977), 332; Sumiya, *A History of Japanese Trade and Industry Policy*, 167.
- ²³⁵ *Ibid.*
- ²³⁶ Taylor, “The Administration of Occupied Japan,” 149; Sumiya, *A History of Japanese Trade and Industry Policy*, 167.
- ²³⁷ Sumiya, *A History of Japanese Trade and Industry Policy*, 167; Memorandum by the Assistant Secretary of State for Occupied Areas (Saltzman), to the United States Representative on the Far Eastern Commission (McCoy), 6 May 1946, *FRUS*, 751.
- ²³⁸ Taylor, “The Administration of Occupied Japan,” 149; Sumiya, *A History of Japanese Trade and Industry Policy*, 167. Strike also argued that removal of Japan’s industries cost American taxpayers since it would hamper Japan’s ability to be self-sufficient.
- ²³⁹ Frank G. Wisner, Deputy to the Assistant Secretary of State for Occupied Areas, to the United States Representative on the Far Eastern Commission, 27 February 1948, *FRUS*, Vol. VI, 667.
- ²⁴⁰ William J. Sebald, Acting Political Advisor in Japan to the Secretary of State, 23 March 1948, *FRUS*, Vol. VI, 689-690.
- ²⁴¹ Howard Schonberger, “The Japan Lobby in American Diplomacy, 1946-1952,” 337. Schonberger cites, Report by the George Kennan, Director of the Policy Planning Staff, “Recommendations With Respect to U.S. Policy Toward Japan,” 25 March 1948, *FRUS*, Vol. VI, 694-700.
- ²⁴² *Ibid.*
- ²⁴³ Sumiya, *A History of Japanese Trade and Industry Policy*, 214-215.
- ²⁴⁴ *Ibid.*, 168, 214-215.
- ²⁴⁵ *Ibid.*, 215.
- ²⁴⁶ Report by the National Security Council, “Recommendations With Respect to United States Policy Toward Japan,” 7 October 1948, *FRUS*, Vol. VI, 861.
- ²⁴⁷ Sumiya, *A History of Japanese Trade and Industry Policy*, 214-215.
- ²⁴⁸ Jerome B. Cohen, “Fiscal Policy in Japan,” in *The Journal of Finance*, 5, no. 1 (March 1950), 113-114; Sumiya, *A History of Japanese Trade and Industry Policy*, 217.
- ²⁴⁹ Hollerman, “International Economic Controls in Occupied Japan,” 715.
- ²⁵⁰ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, F. B. Clark, Asia Section, Foreign Trade, to J. E. Kenderdine, Special Representative, Canadian Liaison Mission, 11 March 1949.
- ²⁵¹ Kenderdine, “Japan Needs Foreign Foodstuffs For Ever-Growing Population,” 106.
- ²⁵² United States Department of Commerce, “Economic Review of Japan 1948,” in *International Reference Service*, 6, no. 41 (June 1949), 11. Obtained as part of LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 7-512.
- ²⁵³ Foreign Trade Service, “Commonwealth Countries Sign Trade Agreement With Japan,” in *Foreign Trade*, 4, no. 100 (27 December 1948), 1069.

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- ²⁵⁴ Ibid.
- ²⁵⁵ United States Department of Commerce, "Economic Review of Japan 1948," in *International Reference Service*, 6, no. 41 (June 1949), 11.
- ²⁵⁶ Hollerman, "International Economic Controls in Occupied Japan," 716.
- ²⁵⁷ Ibid.
- ²⁵⁸ Memorandum from Assistant Under-Secretary of State for External Affairs to Secretary of State of External Affairs, "RECENT DEVELOPMENTS IN UNITED STATES AND SOVIET POLICY IN THE FAR EASTERN COMMISSION," 10 May 1948, *DCER*, Vol. 14, 80.
- ²⁵⁹ Ibid., 81.
- ²⁶⁰ American and Far Eastern Division to High Commissioner in New Zealand, 31 March 1948, *DCER*, Vol. 14, 68. Canada's alternate delegate to the Far Eastern Commission, Ralph Collins, Second Secretary, Embassy in United States, and E. H. Norman were also sent copies of this letter.
- ²⁶¹ Ibid., 69.
- ²⁶² Ibid.
- ²⁶³ Ibid., 77.
- ²⁶⁴ Ibid., 78.
- ²⁶⁵ Ibid., 79-80.
- ²⁶⁶ Memorandum from Under-Secretary of State for External Affairs, 23 July 1948, *DCER*, Vol. 14, 70-71.
- ²⁶⁷ Ibid.
- ²⁶⁸ Ibid., 70-72.
- ²⁶⁹ Under-Secretary of State for External Affairs to Deputy Minister of Finance, 3 April 1948, *DCER*, Vol. 14, 86. It was Pearson's contention that Canada had supported higher levels of Japanese industry than other member of the Far Eastern Commission.
- ²⁷⁰ Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs, 23 August 1948, *DCER*, Vol. 14, 88.
- ²⁷¹ Ibid.
- ²⁷² Ibid.
- ²⁷³ Ibid., 88-89.
- ²⁷⁴ Under-Secretary of State for External Affairs to Deputy Minister of Finance, 3 April 1946, *DCER*, Vol. 12, 87.
- ²⁷⁵ Deputy Minister of Finance to Under-Secretary of State for External Affairs, 16 April 1948, *DCER*, Vol. 14, 87-88.
- ²⁷⁶ G. S. Hall, Asia Section, Foreign Trade, to A. B. Wilson, Canadian Refractories Limited, Montreal, 13 July 1948 (RG20-A-3, Vol. 724 File Part 6, File 13250). A follow up letter was sent on 23 July to clarify that Kenderdine was not stationed in San Francisco, rather that mail was routed through San Francisco to Kenderdine.
- ²⁷⁷ Ibid. The reports that Hall refers to were not enclosed with the copy obtained from Library and Archives Canada.
- ²⁷⁸ Ibid.
- ²⁷⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, A. B. Wilson, Canadian Refractories Limited, Montreal, to Department of Trade and Commerce, Foreign Trade Service, 16 July 1948.
- ²⁸⁰ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade, to K. Hori, Toronto, 24 September 1948.
- ²⁸¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade, to Canada Far East Commerce Limited, Toronto, 23 July 1948.
- ²⁸² LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Thomas Flynn, Lancashire & Yorkshire Timber Company, Vancouver, to Minister of Finance, D. C. Abbot, 16 July 1948.
- ²⁸³ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade, to Thomas Flynn, Lancashire & Yorkshire Timber Company, Vancouver, 6 August 1948.
- ²⁸⁴ LAC, *DEAR*, RG20-A-3, Vol. 724, part 6, file 13250 G. A. Newman, Acting Director, Export Division, to Kenderdine, Special Representative, Canadian Liaison Mission, "Import Requirements - Japan," 5 August 1948.
- ²⁸⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, J. E. Kenderdine, Special Representative, Canadian Liaison Mission, to G. A. Newman, Acting Director, Export Division, "Import Requirements - Japan," 2 September 1946. Written in pencil beside the last three types of seeds on the list, someone from Trade and Commerce had marked "no." The request for red clover had nothing marked beside it, while "very short crop" was marked beside timothy.

²⁸⁶ Ibid. The letter regarding starches was not amongst these records.

²⁸⁷ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Kenneth McDonald to G. F. Clingan, Food Section, Plant Products, Export Division, "Reference 13250 - Seeds for Japan," 30 September 1948.

²⁸⁸ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Hogg & Lytle, Limited, to J. E. Kenderdine, Special Representative, Canadian Liaison Mission, 4 October 1948.

²⁸⁹ Ibid.

²⁹⁰ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, J. E. Kenderdine, Special Representative, Canadian Liaison Mission, to G. A. Newman, Acting Director, Export Division, 23 September 1948. The prewar activities of the East Asiatic Co., Limited, and Cameron & Co., Limited, were noted by Kenderdine as having been largely confined to Manchuria.

²⁹¹ Ibid.

²⁹² LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. A. Newman, Acting Director, Export Division, to Section Chiefs, 8 October 1948.

²⁹³ LAC, *DEAR*, RG20-A-3, Vol. 724, part 6, file 13250 J. D. Moorman to G. A. Newman, Acting Director, Export Division, "Commodities Available for Japan," 18 October 1948.

²⁹⁴ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, S. G. Barkley, Commodity Officer, Chemicals and Allied Products, to G. A. Newman, Acting Director, Export Division, "Commodities Available for Japan," 18 October 1948.

²⁹⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, J. D. Moorman to G. A. Newman, Acting Director, Export Division, "Commodities Available for Japan," 18 October 1948.

²⁹⁶ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, A. M. Tedford, Commodity Officer, Non-Ferrous Metals and Non-Metallic Minerals, to G. A. Newman, Acting Director, Export Division, "Commodities Available for Japan," 18 October 1948.

²⁹⁷ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, L. G. Dornan, Department of Trade and Commerce, to G. A. Newman, Acting Director, Export Division, "Commodities Available for Japan," 18 October 1948.

²⁹⁸ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Allister S. MacRae, Commodity Officer, Electrical & Electronic Equipment, "Re. Commodities Available for Japan - Cabling of Information," 19 October 1948.

²⁹⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. A. Newman, Acting Director, Export Division, to J. E. Kenderdine, Special Representative, Canadian Liaison Mission, 21 October 1948.

³⁰⁰ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Roy Taylor, General Manager, Canada Talc Limited, to A. M. Tedford, Commodity Officer, Non-Ferrous Metals and Non-Metallic Minerals, 16 December 1948.

³⁰¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, A. B. Wilson, General Manager, Canadian Refractories Limited, to A. M. Tedford, Foreign Trade Service, 20 December 1948.

³⁰² Ibid.

³⁰³ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade, to J. E. Kenderdine, "Markings for Japanese Imports into Canada," 8 October 1948.

³⁰⁴ Ibid.

³⁰⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, W. M. Berry, Canadian Woolen & Knit Goods Manufacturers Association, to H. R. Kemp, Commercial Relations & Foreign Tariffs Division, 15 December 1948.

³⁰⁶ Ibid.

³⁰⁷ Ibid.

³⁰⁸ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, R. S. O'Meara, Office of Trade Commissioner, Department of Trade and Industry, to G. S. Hall, Director, Trade Commissioner Service, "Attention: Mr. G. S. Hall, Asia Section," 9 August 1948.

³⁰⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Paul Sykes, Canadian Government Trade Commissioner, to G. R. Heasman, Director, Trade Commissioner Service, "Mr. H. S. McCarty," 8 November 1948.

³¹⁰ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Kenneth F. Noble, Canadian Government Trade Commissioner, to J. E. Kenderdine, Special Representative, Canadian Liaison Mission, "RE: ENQUIRY OF CANADIAN SOURCES OF SUPPLY," 22 September 1948.

³¹¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File T-293, J. E. Kenderdine, Special Representative, Canadian Liaison Mission, to G. S. Hall, 30 June 1948.

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- ³¹² *Ibid.*; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. R. Heasman, Director, Trade Commissioner Service, to R. Douglas Roe, Commercial Secretary for Canada (Timber Specialist), 14 July 1948.
- ³¹³ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, E. Kagetsu to Export Division, Department of Trade and Commerce, 28 June 1948; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade, to E. Kagetsu, 6 July 1948.
- ³¹⁴ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, E. Kagetsu to Export Division, Department of Trade and Commerce, 14 July 1948.
- ³¹⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade, to E. Kagetsu, 6 July 1948.
- ³¹⁶ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade, to E. Kagetsu, "Trade with Japan," 19 July 1948.
- ³¹⁷ *Ibid.*
- ³¹⁸ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, D. C. Stevens, Purchasing Agent, Fisher Scientific Company Limited, Montreal, to Foreign Trade Service, 15 November 1948.
- ³¹⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, J. H. Stone, Asia Section, Foreign Trade, to Fisher Scientific Company Limited, Montreal, 17 November 1948.
- ³²⁰ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, F. B. Clark, Asia Section, Foreign Trade, to D. C. Stevens, Purchasing Agent, Fisher Scientific Company Limited, Montreal, 10 January 1948.
- ³²¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Nomura Trading Co., Tokyo, to Foreign Trade Service, 13 July 1948.
- ³²² *Ibid.*
- ³²³ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. R. Heasman, Director, Trade Commissioner Service, to Nomura Trading Co., Tokyo, 18 August 1948.
- ³²⁴ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, Osaka Asaito Co., Ltd., to Chamber of Commerce and Industry, Windsor, (Undated) July 1946.
- ³²⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. S. Hall, Asia Section, Foreign Trade, to H. J. Lassaline Secretary-Manager, Windsor Chamber of Commerce, 29 July 1948. Hall sent a similar letter on 31 August in response to a letter of enquiry received from the Tokyo Chamber of Commerce. This response was also forwarded to the Department of Economic Development of the Canadian Chamber of Commerce.
- ³²⁶ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, J. E. Kenderdine, Special Representative, Canadian Liaison Mission, to G. S. Hall, Asia Section, Foreign Trade Service, 2 July 1948.
- ³²⁷ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, F. B. Clark, Asia Section, Foreign Trade, to G. R. Heasman, Director, Trade Commissioner Service, 12 March 1949.
- ³²⁸ J. E. Kenderdine, "Japan Needs Foreign Foodstuffs For Ever-Growing Population," 106.
- ³²⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, F. B. Clark, Asia Section, Foreign Trade, to G. R. Heasman, Director, Trade Commissioner Service, 12 March 1949.
- ³³⁰ *Ibid.*
- ³³¹ Sumiya, *A History of Japanese Trade and Industry Policy*, 218-219.
- ³³² *Ibid.*, 219; Cohen, "Fiscal Policy in Japan," 115-116.
- ³³³ *Ibid.*
- ³³⁴ Cohen, "Fiscal Policy in Japan," 115.
- ³³⁵ Hollerman, "International Economic Controls in Occupied Japan," 715-716.
- ³³⁶ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Foreign Trade Developments - Japan," 20 September 1949.
- ³³⁷ Johnson, *MITI and the Japanese Miracle*, 194.
- ³³⁸ Blakeslee, *The Far Eastern Commission*, 223-232. Blakeslee identifies three periods in the Far Eastern Commission's work, arguing that the third period, "Decline and Termination," began in late 1949 and was marked by the resignation of General McCoy as the U.S. representative and chairman of the Commission on 30 November 1949.
- ³³⁹ Foreign Trade Service, "J. C. Britton Appointed Special Representative to Japan," in *Foreign Trade*, 4, no. 89 (11 September 1948), 524.
- ³⁴⁰ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Secretary of State for Commonwealth Relations to the Secretary of State for External Affairs, 13 April 1949.

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- ³⁴¹ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, J. T. Stirrett, General Manager, Canadian Manufacturer's Association, to Secretary of State for External Affairs, 23 December 1948.
- ³⁴² *Ibid.*
- ³⁴³ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, J. T. Stirrett, General Manager, Canadian Manufacturer's Association, to Secretary of State for External Affairs, 3 March 1949.
- ³⁴⁴ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Canadian Ambassador to the United States to the Secretary of State for External Affairs, 7 March 1949.
- ³⁴⁵ *Ibid.*
- ³⁴⁶ *Ibid.*
- ³⁴⁷ Secretary of State for External Affairs to Head of Mission, Canadian Liaison Mission, 9 March 1949 (RG2-B-2, vol. 193, file T-50-J).
- ³⁴⁸ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Canadian Liaison Mission to the Secretary of State for External Affairs, 14 March 1949.
- ³⁴⁹ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Secretary of State for External Affairs to Canadian High Commissioner, London, 12 March 1949.
- ³⁵⁰ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Canadian Liaison Mission to the Secretary of State for External Affairs, 14 March 1949.
- ³⁵¹ *Ibid.*
- ³⁵² *Ibid.*
- ³⁵³ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, High Commissioner in Canada in Great Britain to the Secretary of State for External Affairs, 10 March 1949.
- ³⁵⁴ *Ibid.*
- ³⁵⁵ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Secretary of State for External Affairs to Canadian High Commissioner, London, 12 March 1949.
- ³⁵⁶ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, High Commissioner in Canada in Great Britain to the Secretary of State for External Affairs, 10 March 1949; LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, G. B. Shannon to A. F. N. Plumptre, Department of External Affairs, "Most Favoured Nation Treatment for the Trade of Japanese Territory Under Military Occupation," 12 March 1949.
- ³⁵⁷ *Ibid.*; LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, G. B. Shannon to A. F. N. Plumptre, Department of External Affairs, 12 March 1949.
- ³⁵⁸ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Minister for External Affairs and Commonwealth Relations, India, to High Commissioner for Canada in India, 23 March 1949.
- ³⁵⁹ *Ibid.*
- ³⁶⁰ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Secretary of State for External Affairs to Canadian High Commissioner, London, 12 March 1949.
- ³⁶¹ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Secretary of State for External Affairs, "Press Release - Most-Favoured-Nation Treatment for Japan," (Undated) March 1949.
- ³⁶² *Ibid.*
- ³⁶³ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Department of External Affairs, "Most-Favoured-Nation Treatment for Japan," (Undated) March 1949.
- ³⁶⁴ LAC, *DEAR*, RG 2-B-2, Vol. 193, File T-50-J, Secretary of State for Commonwealth Relations to Secretary of State for External Affairs, 13 April 1949.
- ³⁶⁵ *Ibid.*
- ³⁶⁶ Memorandum from Secretary of State for External Affairs to Cabinet, "UNITED STATES PROPOSAL TO INVITE JAPAN TO ENTER INTO TARIFF NEGOTIATIONS WITH A VIEW TO ACCEDING TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE," 26 September 1949, *DCER*, Vol. 16, 105.
- ³⁶⁷ *Ibid.*, 106.
- ³⁶⁸ *Ibid.*
- ³⁶⁹ *Ibid.*, 107.
- ³⁷⁰ LAC, *DEAR*, RG25-A-3-b, Vol. 4131 File Part 1, File 4606-F-40, E. H. Norman, Head of Mission, Canadian Liaison Mission, to the Secretary of State for External Affairs, "Annual Report for 1949," 17 February 1950. The economic section was prepared by Britton, and these figures were preliminary.
- ³⁷¹ J. C. Britton, "Japanese Exports to Canada Were Substantially Higher Last Year," in *Foreign Trade*, 7, no. 168 (18 March 1950), 461.
- ³⁷² Fry, *The Politics of Canadian-Japanese Economic Relations, 1952-1983*, 18.

³⁷³ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, F. B. Clark, Asia Section, Foreign Trade, to G. R. Heasman, Director, Trade Commissioner Service, "Canadian Trade with Japan," 12 March 1949; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, J. C. Britton, Commercial Representative, Canadian Liaison Mission to G. R. Heasman, Director, Trade Commissioner Service, "Re: Japanese Import Requirements and Export Merchandise Catalog," 11 July 1949.

³⁷⁴ *Ibid.*

³⁷⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, T. M. Burns, Asia Section, Foreign Trade, to T. N. Beaupre, 15 March 1949.

³⁷⁶ *Ibid.*

³⁷⁷ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, T. M. Burns, Asia Section, Foreign Trade, to G. R. Heasman, Director, Trade Commissioner Service, "Canadian Trade with Japan," 14 March 1949. Burns relayed Kenderdine's views in this letter.

³⁷⁸ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, G. A. Newman, Acting Director, Export Division, to Edmond Truscotte, "Re. Iron and Coal for Japan," 23 February 1949; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, T. M. Burns, Asia Section, Foreign Trade, to G. R. Heasman, Director, Trade Commissioner Service, "Canadian Trade with Japan," 15 March 1949. Burns also noted Canada's short supply of iron ore.

³⁷⁹ *Ibid.*

³⁸⁰ *Ibid.*

³⁸¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, F. B. Clark, Asia Section, Foreign Trade, to G. R. Heasman, Director, Trade Commissioner Service, "Canadian Trade with Japan," 12 March 1949.

³⁸² *Ibid.*

³⁸³ *Ibid.* See also LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Foreign Trade Developments - Japan," 20 September 1949. Canadian companies had lost out on contracts for large coal orders in April to American firms, although it was rumoured that SCAP was considering cancelling these contracts in September.

³⁸⁴ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, J. B. Lawrie to J. C. Britton, Commercial Representative, Canadian Liaison Mission, 29 January 1949; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, John H. English, Commercial Counsellor, to G. R. Heasman, Director, Trade Commissioner Service, "Canada-Japan Trade; and Canadian Representative for Oriental Exporters, Inc., of New York," 28 July 1949. English's letter contained a forward of a memorandum by the Oriental Exporters Inc.

³⁸⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Foreign Trade Developments - Japan," 20 September 1949.

³⁸⁶ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, R. J. Killam, Company Representative, to Hubert R. Kemp, Director of Foreign Trade Relations, 11 March 1949.

³⁸⁷ *Ibid.*

³⁸⁸ J. C. Britton, "Canadian Importers Buying Goods From Japan at Regular Intervals," in *Foreign Trade*, vol. 5, no. 128 (11 June 1949), 1250. Britton's article was originally written on 14 April 1949. The Canadian magazine *Saturday Night* was interested in a piece about the revival of trade with Japan because the House of Commons was discussing the issue at the time. B. C. Butler, Director of the Department of Trade and Commerce's Publicity Division, sent L. J. Rogers at *Saturday Night* a duplicate copy of Britton's article that later appeared in *Foreign Trade*, along with other issues and *Foreign Trade*'s precursor, *Commercial Intelligence Journal*. See, LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, L. J. Rogers to Publicity Division, Department of Trade and Commerce, 4 April 1949; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, B. C. Butler, Director, Publicity Division, to L. J. Rogers, 26 April 1949.

³⁸⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Foreign Trade Developments - Japan," 20 September 1949.

³⁹⁰ J. C. Britton, "Japanese Exports to Canada Were Substantially Higher Last Year," 460.

³⁹¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, F. B. Clark, Asia Section, Foreign Trade, to G. R. Heasman, Director, Trade Commissioner Service, "Canadian Trade with Japan," 12 March 1949.

³⁹² *Ibid.*; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, T. M. Burns, Asia Section, Foreign Trade, to G. R. Heasman, Director, Trade Commissioner Service, "Canadian Trade with Japan," 15 March 1949.

³⁹³ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, John H. McDonald to Export Division, Department of Trade and Commerce, "Re: Shriro (Canada) Limited," 28 July 1949. There was continued interest in asbestos, pulp, wheat, and exporting/importing houses. John H. McDonald, of McDonald and Jennison Barristers, Solicitors, Etc., contacted Trade and Commerce about obtaining information on Canadian exports to Japan since 1946 for their client, Shriro (Canada) Limited. The company was interested in reactivating its prewar business in Japan.

³⁹⁴ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, Torao Okimi to T. M. Burns, Asia Section, Foreign Trade Service, 15 August 1949.

³⁹⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Re. Japan's Trade Procedures," 13 December 1949.

³⁹⁶ *Ibid.*

³⁹⁷ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, T. L. Sturgess, Administrative Assistant, Office of Trade Commissioner, to Officer in Charge, Asia Section, Trade Commissioner Service, 12 February 1949.

³⁹⁸ The Department of Trade and Commerce supplied a more detailed reply for The Board of Trade of the City of Toronto.

³⁹⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 6, File 13250, I. A. Davis to G. R. Heasman, Director, Trade Commissioner Service, 16 February 1949.

⁴⁰⁰ J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Foreign Trade Developments - Japan," 20 September 1949 (RG20-A-3, vol. 724, part 7, file 13250).

⁴⁰¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Re: Japan's Trade Procedures," 13 December 1949. Britton, however, was incorrect with his assessment that the functions of MITI would eventually be assumed by the Economic Stabilization Board; the inverse occurred in 1952.

⁴⁰² Blakeslee, *The Far Eastern Commission*, 192. This did not terminate all reparations, though. FEC continued to work on the policy, Restitution of Looted Property, until 13 February 1952 when the United States Government ordered SCAP to distribute the Secured Fund to the claimant group covered by this policy.

⁴⁰³ Johnson, *MITI and the Japanese Miracle*, 200.

⁴⁰⁴ *Ibid.*

⁴⁰⁵ Langdon, *The Politics of Canadian-Japanese Economic Relations 1952-1983*, 18.

⁴⁰⁶ Webster, "Canada and the Far Eastern Commission," 61-62. Webster also provides a similar synopsis of the Far Eastern Commission's final years.

⁴⁰⁷ Blakeslee, *The Far Eastern Commission*, 234.

⁴⁰⁸ *Ibid.*; Webster, "Canada and the Far Eastern Commission," 61. Regarding the subjects that the Commission developed policy papers on in its final years, Webster cites Far Eastern Commission, *The Far Eastern Commission: Third Report by the Secretary General, December 24, 1948 - June 30, 1950* (Washington, D.C.: Department of State, 1950), 4-11.

⁴⁰⁹ *Ibid.*; Webster, "Canada and the Far Eastern Commission," 62.

⁴¹⁰ As noted in the historiography, there are a number of biographies and articles on E. H. Norman's life and work. The University of Victoria maintains a digital archive about Norman. A short biography covering the major events of his life can be found at: <http://web.uvic.ca/ehnorman/Pages/Biography.html> (accessed March 2010).

⁴¹¹ J. C. Britton, "Economic Conditions in Japan Improved in the Past Year," in *Foreign Trade*, 9, no. 217 (24 February 1951), 299.

⁴¹² *Ibid.*

⁴¹³ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Re. Japan's Trade Procedure," 10 January 1950.

⁴¹⁴ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, C. M. Isbister, Director, International Trade Relations, to J. C. Britton, Commercial Representative, Canadian Liaison Mission, 3 July 1950.

⁴¹⁵ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, C. F. McGinnis, Director, Import Division, to C. R. Gallow, Asia Section, "Re: Canada - Japan Trade," 24 March 1950.

⁴¹⁶ Britton, "Economic Conditions in Japan Improved in the Past Year," 298.

⁴¹⁷ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Re. Japan's Trade Procedure," 10 January 1949.

⁴¹⁸ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, John H. English, Commercial Counsellor, Canadian Embassy, New York, to G. R. Heasman, Director, Trade Commissioner Service, "Canadian-Japan Trade; and Canadian Representative for Oriental Exporters, Inc., of New York," 17 May 1950.

⁴¹⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Re. Canada-Japan Trade," 16 May 1950. One of the suggestions flouted by Japan was an arrangement made with Sweden in 1948. Britton attached a copy of this agreement in his letter to Heasman. In this letter and one from 16 May, Ibister made clear Canadian policy regarding bilateral trade arrangements.

⁴²⁰ *Ibid.*

⁴²¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Re. Japan's Trade Procedure," 10 January 1949.

⁴²² J. C. Britton, "Conflict in Korea Creates Large Demand For Japanese Products," in *Foreign Trade*, 8, no. 183 (9 September 1950), 416.

⁴²³ *Ibid.*

⁴²⁴ *Ibid.*

⁴²⁵ Foreign Trade Service, "Three Japanese Officials Visit Ottawa on Tour of World," in *Foreign Trade*, 23 January 1951, 9, no. 211 (13 January 1951), 55.

⁴²⁶ *Ibid.*

⁴²⁷ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, Mrs. Gordon D. Herbert, to C. D. Howe, Minister of Trade and Commerce, 28 January 1950.

⁴²⁸ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, G. A. Newman, Acting Director, Export Division, to Mrs. Gordon D. Herbert, 4 February 1950.

⁴²⁹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to Miss Yukie May Nishidera, "Re: Imports into Japan from Canada," 2 March 1950.

⁴³⁰ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, Moore Cosgrave, Western Representative, Department of Trade and Commerce, to G. R. Heasman, Director, Trade Commissioner Service, "Exportable Japanese Products," 22 September 1950.

⁴³¹ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, S. G. Barkley, Chemicals and Allied Products, Export Division, to L. M. Cosgrave, Vancouver Representative, "Re: Chemical Trade with Japan," 6 October 1950.

⁴³² *Ibid.*

⁴³³ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, G. H. Rochester, Chief, Wood Products Division, 5 October 1950.

⁴³⁴ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, A. M. Tedford, Commodity Officer, Non-Ferrous Metals, Commodities Branch, "Re. Non-Ferrous Metals," 28 October 1950.

⁴³⁵ *Ibid.* Tedford noted that if sheet metal prices were reasonable, Canadian firms in Ontario and Quebec might make some purchases.

⁴³⁶ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to Colonel Moore Cosgrave, Western Representative, Department of Trade and Commerce, "Re: Exportable Japanese Products," 20 October 1950; LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton to Colonel Moore Cosgrave, "Re. Non-Ferrous Metals - Japan," 16 November 1950.

⁴³⁷ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to Colonel Moore Cosgrave "Re: Exportable Japanese Products," 20 October 1950.

⁴³⁸ *Ibid.*

⁴³⁹ *Ibid.*

⁴⁴⁰ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to Colonel Moore Cosgrave, "Re. Non-Ferrous Metals - Japan," 16 November 1950.

⁴⁴¹ RG20-A-3, Vol. 724 File Part 6, File 7-512 LAC, *DEAR*, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, 21 June 1950.

⁴⁴² *Ibid.*

⁴⁴³ Britton, "Conflict in Korea Creates Large Demand For Japanese Products," 414. See also, LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to

G. R. Heasman, Director, Trade Commissioner Service, "Re. Economic Report - Japan," 21 June 1950. This average fluctuated between U.S.\$40,000,000 and \$50,000,000 and was below the anticipated \$55,000,000.

⁴⁴⁴ *Ibid.*, 415.

⁴⁴⁵ RG25-A-3-b, Vol. 4131 File Part 1, File 4606-F-40, A. R. Menzies, Head of Mission, Canadian Liaison Mission, "Annual Review for 1950," 17 February 1951. The economic section of the annual review was prepared by Britton.

⁴⁴⁶ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, William Frederick Bull, Director, Commodities Branch, to John A. Marsh, General Manager, Canadian Exporter's Association, 8 August 1950 (RG20-A-3, vol. 724 file part 7, file 7-250). The statement quoted by Bull was provided in confidence to Marsh.

⁴⁴⁷ J. C. Britton, "Japanese Industry Enabled to Procure Essential Materials," in *Foreign Trade*, 8, no. 203 (18 November 1950), 867.

⁴⁴⁸ LAC, *DEAR*, RG20-A-3, Vol. 724 File Part 7, File 7-250, J. C. Britton, Commercial Representative, Canadian Liaison Mission, to G. R. Heasman, Director, Trade Commissioner Service, "Re: Import Trade - Japan," 23 November 1950.

⁴⁴⁹ *Ibid.* The long-term contracts system was strictly controlled by SCAP and budgets needed to be provided months in advance. The automatic approval system worked on a quarterly basis, thus it was easier for MITI to place an order for sulphite pulp under both systems.

⁴⁵⁰ *Ibid.* Britton acknowledged that these were only plans and were subject to the approval of SCAP, but that Canada was also a competitive supplier of these goods. Japan eventually allocated foreign exchange for "Canadian wheat, barley, tallow, flour, linseed, soya bean meal, coking coal, iron ore, nickel, asbestos, hops, newsprint, special steels, wool rags, graphite, mica, lumber, cobalt, zinc, hides and skins, pyrites, rayon pulp, sulphate pulp and pulpwood." See, J. C. Britton, "Japan Temporarily Suspends Imports Under Automatic Approval System," in *Foreign Trade*, vol. 9, no. 227 (5 May 1951), 731.

⁴⁵¹ Foreign Trade Service, "Three Japanese Officials Visit Ottawa on Tour of World," 52.

⁴⁵² Foreign Trade Service, "Japanese Overseas Agency to be Established in Canada," in *Foreign Trade*, 9, no. 225 (21 April 1951), 663.

⁴⁵³ *Ibid.*

⁴⁵⁴ Foreign Trade Service, "Japan Provides for Imports from Canada," in *Foreign Trade*, 9, no. 229 (19 May 1951), 879.

⁴⁵⁵ Foreign Trade Service, "Japan Provides for Imports from Canada," in *Foreign Trade*, 9, no. 233 (26 June 1951), 1090.

⁴⁵⁶ Langdon, *The Politics of Canadian-Japanese Economic Relations*, 18.

⁴⁵⁷ Secretary of State for External Affairs to High Commission in United Kingdom, 22 April 1950, *DCER*, Vol. 16, 1815-1816.

⁴⁵⁸ *Ibid.*

⁴⁵⁹ High Commissioner in United Kingdom to Secretary of State for External Affairs, 19 May 1950, *DCER*, Vol. 16, 1822.

⁴⁶⁰ Ambassador in United States to Secretary of State for External Affairs, 25 September 1950, *DCER*, Vol. 16, 1825. John M. Allison, Assistant Secretary of State for Far Eastern Affairs, concluded that the "long list" of multilateral agreements "boiled down to narcotics and fishing." See, Permanent Representative to United Nations, 6 October 1950, *DCER*, Vol. 16, 1833.

⁴⁶¹ Department of External Affairs, "Memorandum," 18 May 1951, *DCER*, Vol. 17, 1810.

⁴⁶² *Ibid.*

⁴⁶³ *Ibid.*

⁴⁶⁴ Deputy Minister of Fisheries to Under-Secretary of State for External Affairs, "RE PEACE TREATY WITH JAPAN AND PACIFIC COAST FISHERIES," 17 May 1951, *DCER*, Vol. 17, 1807.

⁴⁶⁵ Privy Council Office, "Extract from Cabinet Conclusions," 10 July 1951, *DCER*, Vol. 17, 1821.

⁴⁶⁶ Memorandum from Secretary of State for External Affairs to Cabinet, "JAPANESE PEACE TREATY," 27 July 1951, *DCER*, Vol. 17, 1824.

⁴⁶⁷ *Ibid.*

⁴⁶⁸ Memorandum from Under-Secretary of State for External Affairs to Secretary of State for External Affairs, 13 August 1951, *DCER*, Vol. 17, 1831. See also, Memorandum from Secretary of State for External Affairs to Cabinet, "JAPANESE PEACE TREATY," 21 August 1951, *DCER*, Vol. 17, 1832-1833.

⁴⁶⁹ Order-in-Council, P.C. 2280, 17 April 1952, *DCER*, Vol. 18, 1561.

⁴⁷⁰ Langdon, *The Politics of Canadian-Japanese Economic Relations, 1952-1983*, 25.

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