

It was Only Yesterday

– 50 years since the signing of the San Francisco Peace Treaty –

By Kojima Akira

“Whereas the Allied Powers and Japan are resolved that henceforth their relations shall be those of nations which, as sovereign equals, cooperate in friendly association to promote their common welfare and to maintain international peace and security, and are therefore desirous of concluding a Treaty of Peace which will settle questions still outstanding as a result of the existence of a state of war between them; ... The Allied Powers and Japan have therefore determined to conclude the present Treaty of Peace, ...”

This is the preface of the Treaty of Peace with Japan signed between Japan and 48 countries, including the United States, in San Francisco 50 years ago on Sep. 8, 1951.

The peace treaty, which came into effect in April 1952, put an end to the Allied occupation of Japan that lasted for six years and eight months, and enabled Japan to rejoin the international community as a sovereign state. The same day, the Japan-U.S. Security Treaty was also signed, marking the beginning of the cooperative relationship between the two countries.

Commemorating the 50th anniversary of the signing of the San Francisco Peace Treaty, a group of Japanese intellectuals is pushing a project aimed at expressing appreciation for the lenient occupation, that was practically conducted only by the United States, and for the peace treaty that fostered Japan's postwar development and made the next 50 years a period of trustful relationship between the two countries.

The project is called “A 50.” “A” stands for “America” and “Appreciation,” and “50” connotes the 50th anniversary of the signing of the peace treaty, the 50 states of America and the next 50 years. The A 50 project includes the compilation of a 50-year history of Japan-U.S. relations since the San Francisco Peace Treaty, in which

this writer is participating. The 700-page book titled, *Nihon to Amerika: Partnership no 50-nen* (summarized version is available in English under the title of *Japan and the United States: 50 Years of Partnership*), supervised by Hosoya Chihiro, covers wide areas of bilateral relations such as diplomacy, politics, national security, economic conditions and culture. A similar commemorative publication in the United States – *Partnership: The United States and Japan, 1951-2001* – has been edited by Iriye Akira, Professor at Harvard University, and Robert Wampler.

Some people in Japan are taking a dim view of the project. They are particularly negative about expressing “appreciation” for “lenient occupation.” Their argument runs like this: The U.S. occupation of Japan may have been “lenient,” but the occupation policy only reflected U.S. national interest and just resulted in a “lenient” occupation. So, why do we express appreciation for that?

It seems that changes in the economic situations in the two countries over the past 10 years are behind some people's resistance to expressing appreciation to the Americans. The United States was in dire economic straits in the 1980s. In contrast, the Japanese economy expanded during the decade to such an extent that it began to pose a menace to the United States and other countries. But the 1990s witnessed a reversal of fortunes as the U.S. economy staged a dramatic recovery while Japan saw its economy slip into a long stagnation. The economic and social conditions in Japan have remained stagnant even after the advent of the 21st century. Some Japanese describe the country's condition in the 1990s as



Douglas MacArthur, head of the General Headquarters of the Supreme Commander for the Allied Powers, was in charge of the “lenient” occupation policy

“the second defeat.” Under such conditions Japanese may be less willing to express their appreciation to the United States.

Yet, there are few Japanese who openly oppose the “A 50” project. It is taken for granted that national interest is behind every country's foreign policy, so there can be no foreign policy that runs counter to national interest. The U.S. occupation of Japan was no exception. Even so, internationalism, humanism and democratization of the economy and society, which were all incorporated in the U.S. occupation policy, contributed to Japan's economic development and social stability, as well as to the development and stability of the international community. Moreover, from historical viewpoints, there is no doubt the occupation policy

was relatively lenient. Japan was fortunate. The intensification of confrontation between the United States and the Soviet Union, i.e., the Cold War, and especially the outbreak of the Korean War in June 1950 clearly prompted a shift in the U.S. occupation policy: from Japan's economic disarmament to economic restoration. The early termination of the occupation was apparently aimed at aligning Japan in the U.S. Cold War strategy. But Professor Iriye takes exception to excessively focusing on the Cold War as the key factor behind the shift in the U.S. occupation policy. He contends: The postwar international community had versatile and complex factors other than the Cold War. It is wrong to judge the postwar international community solely in terms of the Cold War or relations between superpowers. The direction of Japan's liberation and opening, already clarified during the occupation, was put on a firmer basis with the signing of the San Francisco Peace Treaty and the Japan-U.S. security treaty. This is what it really means for Japan.

For postwar Japan, a trading country that lost the Chinese market, the United States was a dominant market. The U.S. market was opened to Japanese products under a bilateral trade and commerce treaty signed in April 1953, with Japan granted most-favored-nation treatment and national treatment. The United States not only opened its market to Japan ahead of any other country but also supported Japan's early return to the international community in one way or another. This enabled Japan to become a member of the International Monetary Fund and the World Bank in August 1952, only four months after the peace treaty came into force. Membership in the General Agreement on Tariffs and Trade (GATT), the global trade system, was more important for Japan as a trading country, but was strongly opposed by Britain and other Western European countries. With strong U.S. support, Japan was allowed to participate in the 1952



Prime Minister Yoshida Shigeru signs the San Francisco Peace Treaty in 1951

annual meeting of GATT as an observer and gained membership in September 1955.

But Japan had to wait until December 1956 to achieve its goal of gaining United Nations membership, two months after signing a joint declaration with the Soviet Union that restored diplomatic relations between the two countries.

Japan's postwar diplomacy was often criticized for being "too much committed to the United States" or "just following in the U.S. footsteps." But this policy reflected Japan's postwar position. As already mentioned, the Allied occupation of Japan was practically U.S. singular occupation, and Japan relied on the U.S. market and various forms of U.S. support for its economic rehabilitation. The security umbrella the United States provided for Japan under the bilateral security treaty allowed war-ravaged Japan to concentrate on economic rehabilitation and development. To put it simply, relations with the United States were synonymous with Japan's postwar for-

eign relations.

Apart from the bilateral relations with the United States, Japan's postwar diplomacy centered around the United Nations and was based on multilateralism, because an immediate return to the international community was an absolute necessity for a country internationally isolated since the end of the war.

Full-scale Japan-U.S. educational and cultural exchanges started in 1949 under the Government and Relief in Occupied Areas (GAR-IOA) project managed by the U.S. Department of the Army. After the San Francisco Peace Treaty, another major exchange program, the Fulbright Program, was added. The Fulbright Program, deemed a model of international educational and cultural exchanges, was the brainchild of J. William Fulbright, then a 40-year-old freshman U.S. senator. The program was implemented under the Fulbright Act, which called for the sale of surplus U.S. assets accumulated abroad during the war, and the use of the funds in local currencies for the promotion of international goodwill through the exchange of students and scholars in educational and other fields. (*Japan and the United States: 50 Years of Partnership*)

Japan pursued a policy line focusing on light armament and economic development, and achieved high economic growth in the 1960s. The "income-doubling" policy, launched in fiscal 1961 under the initiative of then Prime Minister Ikeda Hayato, made a great contribution to the phenomenal growth during the decade. In 1967, as the Japanese economy continued to enjoy high growth, influential private figures of the two countries met in Shimoda, Shizuoka Prefecture, to discuss bilateral relations (the so-called Shimoda Conference). The following year, Japanese and American legislators launched an exchange program of their own. These meetings signified the expansion of bilateral exchanges, ranging from goodwill, friendship and mutual understanding to intellectual and policy dialogues. With Japan's

clout in the global economy increasing in the 1970s, the Japan-U.S.-Europe Trilateral Commission was created in 1973 under the initiative of David Rockefeller, the influential American businessman and leader of the American intellectual community, who was then chairman of the Council of Foreign Affairs. Rockefeller suggested that the old Atlantic framework could only play a limited role in solving international problems and a new framework incorporating Japan was necessary.

Prior to that, the U.S. administration under President Richard Nixon unveiled a new economic policy for the defense of the dollar in August 1971, focusing on the suspension of the dollar's convertibility and the depreciation of its value. The currency adjustment focused on the dollar's substantial devaluation against the Japanese yen and the German mark in response to the remarkable enhancement of the industrial competitive position of the two war-defeated countries as a result of their rapid economic rehabilitation and development. The new U.S. policy was designed to reflect changes in the strength of world economies in exchange rates as a handicap.

Japan took a grave view of the currency adjustment, calling it the "Nixon Shock" or "Dollar Shock," which could put an end to Japan's postwar economic miracle. But this handicap adjustment stopped short of braking Japan's economic expansion, because the average wage level in Japan still remained far below that in the United States in dollar terms even after the yen's appreciation. Incidentally, Japan ranked second in the world, next only to the United States, in terms of gross national product (GNP) in 1968, but its per-capita GNP was still around 20th place.

While Japan was panicking at the Nixon Shock, Paul A. Samuelson, professor at the Massachusetts Institute of Technology (MIT), pointed out in an article carried in the *Nihon Keizai Shimbun* that Japan was dreaming. In Samuelson's view, Japan was dreaming that world export markets were limitless and that Japan could expand

exports without limit with a relatively low exchange rate of the yen.

Japan-U.S. economic relations entered a period of friction in the 1970s. But Joseph S. Nye, Jr. political scholar and Professor at Harvard University, consistently expressed his view even during the period of bilateral friction that Japan's development represented a great success of U.S. postwar Japan policy since the occupation period.

Mike Mansfield, U.S. ambassador to Japan from 1977 to 1988, repeatedly emphasized the importance of U.S.-Japan relations, which he regarded as "the most important bilateral relationship in the world." In his autobiography carried on the *Nihon Keizai Shimbun* after his retirement, Mansfield said:

Surely, the United States has a very close relationship with the United Kingdom. But, U.S. ties with the U.K. have been more or less paternal, going down through the decades. On the other hand, the U.S.-Japan relationship was, and is, based on shared economic and security interests. The U.S. and Japan have different histories, different traditions and different cultures. Also, in recent years, Japan has often served as a "bridge" between Pacific powers like the United States and Asian powers like China. That's why I frequently point to the U.S.-Japan relationship as a good example of how nations can achieve mutual understanding despite differences in culture and way of life. Back then, it was both normal and natural for me to describe the U.S.-Japan partnership as "the most important bilateral relationship in the world, bar none.

The postwar Japan-U.S. relationship, which transformed the victor and the vanquished into allies, may be a miracle. Now, the two countries are moving to form a global partnership to settle various global problems – such as the environment, the digital divide and other North-South problems and a sharp increase in refugees – which even a major power cannot solve alone. It

can be said that Japan-U.S. relations are no longer merely bilateral but are becoming globalized.

Yet, Japan-U.S. relations were strained from time to time by developments which threatened to make their alliance unworthy of the name, most notably during the period from the mid-1980s to the mid-1990s.

The year 1985 became a major threshold in Japan-U.S. relations. That year the United States became a net debtor nation at least in the books, while Japan became the world's leading creditor nation, surpassing the United Kingdom and Germany. This major shift led to a multilateral currency adjustment in September 1985 known as the "Plaza Accord." Earlier in March the same year, the U.S. Senate, known as a grouping of sensible politicians, unanimously approved a resolution criticizing Japan's trade practices. In July, veteran journalist Theodore White contributed a long article to the *New York Times Magazine* under the title of "The Danger from Japan," in which he expressed his extremely anti-Japanese sentiment. He said that 40 years after the end of World War II, Japan was launching a successful commercial offensive against the United States and was about to disarm U.S. industries. The next 10 years would prove whether Japanese have outwitted Americans and which side had won the war.

White's article marked the beginning of a spate of U.S. criticism of Japan. Even economist Peter F. Drucker, known for his pro-Japanese stance, criticized Japanese trade practices in an article contributed to the *Wall Street Journal*, titled, "Japan and Adversarial Trade," saying that Japan only exports and doesn't import.

The year 1985, when the Plaza Accord was reached, saw Mikhail Gorbachev take over the reins of the Soviet Union, and his *Perestroika* (reform) and *Glasnost* (openness) initiatives took off. U.S. President Ronald Reagan, who branded the Soviet Union as an evil empire when he inaugurated his administration in 1981, welcomed Gorbachev's reform program and the

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Japan's economic power was seen as a threat by many Americans in the late 1980s

two countries moved fast toward rapprochement. In contrast, U.S. public opinion turned against Japan, with an increasing number of Americans regarding Japan's economic menace as more serious than the Soviet military threat.

In May 1989, U.S. President George Bush virtually declared an end to the Cold War with a speech titled, "Beyond Containment." The same month, American journalist James Fallows contributed an article to the *Atlantic Monthly*, of which he was the chief editor, making a case for containment of Japan. In the autumn of that year, various major U.S. properties were purchased by Japanese companies, notably Columbia Motion Pictures by Sony Corp. and some New York assets of the Rockefeller Group by Mitsubishi Estate Co. Japanese acquisitions of symbolic U.S. assets further aroused American alarm against the alleged Japanese menace. The summit talks between Bush and Gorbachev in Malta in December that year, following the collapse of the Berlin Wall the previous month, rang the death knell of the Cold War. At this point, the Soviet Union was removed as a potential threat to the United States. Henceforward, "economy-first" became the catchphrase of

U.S. policy and the U.S. social current.

At this time, the Japanese economy was still expanding, which later turned out to be a mere bubble, while the United States still remained mired in structural economic stagnation.

In 1989, a group of scholars at MIT published a report *Made in America: Regaining the Productive Edge*, that summarized two years of interdisciplinary research on U.S. products. Worrying about the weakening competitiveness of U.S. manufacturing industries, the MIT group, made up of not only economists and business management specialists but also specialists in electrical engineering, computer science, political science and nuclear energy, compared 200 Japanese, European and American companies and offered a recipe for U.S. manufacturing industries to overcome their weak points.

The following year Nippon Hoso Kyokai (NHK), the Japanese public broadcasting network, broadcast a special program based on this report, featuring why U.S. industries declined. It was timed with the peak of the bubble period of the Japanese economy and with the bottom of the U.S. economy.

The Japanese economic bubble, however, began to burst the following year, marking the beginning of a great stagnation lasting more than 10 years. On the other hand, the U.S. economy bottomed out the same year, succeeded by a boom period that lasted for more than 10 years, the longest in its history.

But, until the mid-1990s, both Japanese and Americans viewed each other's economy in more or less the same way as they did in the 1980s.

Japanese began to feel frustration about the condition of their country in the late 1990s, while the "New Economy" gave Americans confidence in the strength of their economy. Not surprisingly, Americans no longer spoke of the "Japanese menace." Criticism of Japan or Japan bashing receded, and once-rampant revisionism vanished. Not a few Americans regarded Japan as a country of the past and their interest shifted from Japan to China and other Asian countries. It

represented a shift from "Japan bashing" to "Japan passing."

What Japan experienced in the decade of the 1990s is described as the "second defeat" or the "lost decade." The government has had frequent changes of administration under short-lived prime ministers since 1993. The past 10 years witnessed drastic changes in the conditions of the two countries. NHK broadcast last year a special program featuring the secret of U.S. strength, as if it had forgotten its special feature about the decline of U.S. industries 10 years before.

The 50th anniversary of the signing of the San Francisco Peace Treaty came against such a background. The half century witnessed drastic and rapid changes of the times, fluctuations in Japanese and American people's perception of themselves and each other, and occasional confusing changes of friends and foes.

While the two countries are increasingly under pressure to strengthen their global partnership, there are tendencies in both countries to look inward. This is a matter of concern in bilateral relations in the 21st century. Prime Minister Koizumi Jun'ichiro's initiative for drastic reform of various systems in the country under the "No reform, No growth" slogan is essential. Koizumi's reform line is supported by the United States and major countries of the world as a necessity for the health of the Japanese economy, which is essential for the stabilization of the world economy. However, the absence of reform of diplomacy in Koizumi's reform package is a matter of concern. Reform of diplomacy must go hand in hand with domestic reforms. **UJI**

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