“A Miracle of Sorts: The Japan Spinners Association and the Recovery of the Cotton Textile Industry, 1945 – 1952”

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In many ways, the recovery of the Japanese cotton textile industry after 1945 makes an extraordinary story. Throughout the early twentieth century Japanese cotton goods manufacturers had steadily expanded and by the 1920s had become a major force in world markets. In the 1930s cotton goods became the leading export for Japan, and Japan exported more of them than any other nation. By the end of the Pacific War, however, the textile sector lay in ruins. Like the rest of the nation, textile leaders then faced a desperate economic situation and occupation by former enemies. Within six years, however, Japan would once again claim its prewar status as the largest exporter of cotton goods in the world.

While this tale has the inherent appeal of an underdog succeeding against seemingly all odds, the experience of the textile sector also pertains to several major interpretive issues regarding the experience of Japan in the twentieth century. Chief among these are the dynamics of Japanese national economic policy, especially in terms of the relationship between the private and public sectors. Chalmers Johnson’s seminal work has emphasized the growth of bureaucratic control of the economy during the

Pacific War and the continued influence of the Ministry of International Trade and Industry (MITI) afterwards in guiding the nation's industrial strategy. Richard Samuels and others have argued that the private sector, usually represented by industrial associations (*gyōkai*), also wielded considerable power.[1] The case of the cotton textile sector after 1945 highlights the vital role of an effectively organized private sector. For example, the Japan Spinners Association successfully met a daunting challenge after Japan's surrender in reconstituting itself and adjusting to an abruptly altered set of circumstances under the rule of foreign occupiers in order to advance the interests of cotton textile industry. That the leaders of the association managed to do so testifies to their flexibility and skill.

This study also illuminates a crucial aspect of the Japanese response to the Allied occupation. The cotton spinners confronted the challenge of dealing with, in effect, two different states. Early on, General Douglas A. MacArthur, as Supreme Commander of the Allied Powers (SCAP), decided to keep the Japanese government intact and to rule through it. Hence, business leaders had to cope with and lobby both Japanese officials and occupation authorities. Trends in recent scholarship on the occupation have shifted from analyzing policy debates among occupation officials to examining the interaction of the Japanese with SCAP officials, with a stress on initiatives by the former to influence policies.[2] The situation of the cotton spinning industry presents an intriguing case of total

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[1] See Johnson, *MITI and the Japanese Miracle*; Samuels, *The Business of the Japanese State*; Calder, *Strategic Capitalism*; Fletcher, *Japanese Business Community;* Schaede, *Cooperative Capitalism;* and Uriu, *Troubled Industries*.

[2] For example, John W. Dower's *Embracing Defeat*, chapter 9, describes how the imperial palace issued invitations to imperial "duck hunts" to curry favor with occupation authorities, while chapter 13 examines ways in which Japanese politicians worked to revise parts of the new constitution drafted by occupation authorities. *Partners in Democracy* by Ray A. Moore and John Robinson examines the intense interaction of American officials and Japanese authorities in the creation of the new constitution.

vulnerability to SCAP's policies combined with business leaders' effective adaptation to the goals of the occupation and constant initiatives to push their priorities.

The recovery of the Japanese cotton textile sector also had international ramifications. Before the Pacific War, the rapid increase of Japanese exports had fomented bitter trade disputes in a number of markets, including the British colony of India and the United States. Spurred by memories of those tensions, the British and American textile sectors tried mightily after 1945 to restrict Allied support for the rehabilitation of the Japanese textile industry. By 1950 American and British executives opened a direct dialogue with their Japanese counterparts to reach a mutual accommodation, in effect, to share markets. The process of the recovery of Japan's textile sector thus illuminates not just important aspects of Japanese economic history, state-business relations, and the Allied occupation, but also a crucial moment in global economic history, as American and British business leaders tried to respond to what would now be called the "globalization" of textile manufacturing. Negotiations moved beyond the bilateral disputes of the 1930s to international conferences. Many of the issues regarding globalization that remain contentious today—the conflict between the interests of advanced economies and those of industrializing nations, between producers and consumers in advanced nations, and between different economic sectors in those countires—emerged in the early efforts of American and British executives to meet the Japanese challenge. Perhaps tellingly, the forces of globalization proved difficult to stop or even slow down.

An Industry Devastated

The experience of total war between 1937 and 1945 nearly destroyed Japan's textile sector. From 1932 to 1937 it had managed impressive growth despite the worldwide Great Depression. Although many nations had erected trade barriers, sometimes specifically aimed at Japanese cotton textiles, exports increased steadily. In 1937, spinning companies had a total of 12,018,192 spindles and reached a peak production of 3,966,201 bales of yarn (1,586,480,000 pounds).[3] The military's quest to conquer China in the summer of 1937, though, set forces in motion for the industry's swift demise. Mobilization for a large war brought unprecedented governmental controls over foreign trade, because the military had to import so many raw materials for munitions—oil, iron ore, and scrap metal. The textile sector also depended on imports of raw cotton, principally from India and the United States. As a "peace industry," its imports suddenly received a low priority. After pointing out the important contribution of textile exports in earning the foreign exchange that the purchase of all imports required, executives were able to work with officials to craft a "link" system that allowed firms to import raw cotton in proportion to their exports. This strategy logically brought severe cuts in the amount of production available for domestic consumption and a contraction of the industry overall. Japan's attack on Pearl Harbor in December 1941 and the decision to wage war against the Anglo-American powers severed all trade with the United States and colonial markets still under Western control. As a consequence, Japanese firms lost their primary sources of raw cotton as well as several major markets, such as the United States and India.

By the early 1940s wartime mobilization had placed the textile industry under severe strain. Pressed by the lack of imports of raw cotton and constricting markets, the

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[3] Seki, *Japan's Cotton Industry*, pp. 311 and 312-313..

Japan Spinners Association (at that time, Dai Nihon Bōseki Rengōkai) tried to adjust by planning an orderly consolidation of the sector. Encompassing all of the 73 cotton spinning companies, the association had governed the sector's affairs for more than a half-century. Late in 1940, the group settled on a plan to create 14 blocs of firms, each with a minimum of 500,000 spindles. In August, 1941, a second reorganization plan, following the government's guidelines, stipulated that only one-half of the spinning mills would continue to operate. Meanwhile, the Spinners Association had to disband, when the cabinet placed the textile sector under direct governmental control. The association in 1942 ceded its authority to the Staple Fiber/Cotton Control Association, one of four new control associations (*tōseikai*) that assumed responsibility for different parts of the industry. Although the government insisted that an outsider head the Staple Fiber/Cotton Control Association, Inoue Kiyoshi of the Kanegafuji Spinning Company (Kanebō) served as the executive director. In October 1943, the four control associations merged into one organization, the Textile Control Association (Sen'i Tōseikai), with Seki Keizō of the Tōyō Spinning Company (Tōyōbō) in charge. Meanwhile, executives formed the East Asian Textile Industry Association (Tōa Sen'i Kōgyō Kai) with the "goal of planning the mutual friendship of those related to the textile industry and cooperating in its development." It had a total of 31 members, including executives from Japanese spinning firms in China and from the silk industry.[4]

After the fourteen remaining cotton textile firms merged into 10 companies in early 1943. production plummeted. During the next few years, these ten firms, later referred to as the "big ten," dismantled over 7,000,000 spindles to help fill the nation's

[4] Daiyamondo Sha, ed., *Daiwa Bōseki,* pp. 226, 237-239, and 242;Kodera Gengo, "Mengyō fukkō," pp. 2-3; Nihon Bōseki Kyōkai, *Bōkyō hyaku nen shi*, pp. 77-81.

desperate need for scrap metal. In this process, many individual mills switched to munitions production. Companies also shipped 750,000 spindles abroad in an attempt to place production closer to new areas of raw cotton cultivation in Asia and to develop industry within the Greater East Asian Co-prosperity Sphere. After mid-1944 Allied bombing raids and resulting fires damaged another 520,000 spindles.[5] As one example of the experiences of individual firms, the Daiwa Spinning Company (Daiwabō) in 1941 had 21 factories and 1,140,000 spindles, but in 1944, only four factories were operating with 341,000 spindles. By the end of the war, only 181,580 of Daiwa's spindles were working.[6] Even this level of production required desperate measures, such as increasing the manufacture of fabric from waste cotton, old fabric, and staple fiber. At Daiwabō two factories specialized in this type of production, as employees resorted to collecting mulberry bark and rushes as raw material for cloth.[7]

While executives at many firms had to transfer facilities to military control for the manufacture of munitions by other companies, some textile firms decided to begin munitions production themselves. In 1943, Daiwabō dedicated a factory to manufacturing airplane parts in a partnership with Mitsubishi Heavy Industries. Executives even discussed creating a chemical company whose products would include materials for chemical weapons and poison gas.[8] The huge Kanegafuji Spinning Company (Kanebō) also branched out into different manufacturing sectors, including chemicals, mining, steel, and airplanes.[9] As Watanabe Junko explains, Tōyōbō, another

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[5] Ōkurashō Rizaikyoku, "Wagakoku sangyō," p. 136. On plans to send equipment abroad, see Daiyamondo Sha, ed., *Daiwa bōseki*, pp. 257-262; *Kanebō hyakunen shi*, pp. 350-354; Watanabe, "Mengyō," pp. 322-323.
[6] Daiyamondo Sha, ed., *Daiwa bōseki*, pp. 226, 235, 244, and 273.
[7] Ibid., p. 251.
[8] Ibid., pp. 263-269.
[9] Kanebō Kabushiki Kaisha Shashi Hensanshitsu, ed., *Kanebō hyakunen shi*, pp. 373-396.

large firm, experienced a similar type of expansion.[10] To a degree, this pattern built on a strategy of diversification launched by some of the larger firms in the early 1930s. The main impetus, though, came from a recognition that these enterprises could not survive by relying on their main business of cotton textile production.

Stirrings of Renewal

Even so, once Japan surrendered in August 1945 executives began immediately to plan for the revival of the textile industry. The next 18 months, however, proved difficult, as even in early 1947 prospects for a substantial recovery remained uncertain. After orders by General MacArthur as the Supreme Commander of the Allied Powers (SCAP) on September 2 effectively stopped all industrial production, the Ministry of Commerce and Industry requested and received permission to use current stocks of raw cotton and cotton cloth for manufacturing. A directive on October 9 stated that Japan could import necessary goods, as long as they were "essential to the support of the minimum living standards of the general populace" and that exports must pay for the imports. In November, SCAP agreed specifically to imports of food, raw cotton, salt, and oil.[11] The main issue then became how the public or private sector could jumpstart the cycle of producing exports to purchase critical imports. As one account assessed the situation, "military production had stopped," but "peaceful reconstruction" had not started.[12] Permission to import and use raw cotton required special measures. In the textile sector Japanese firms had on hand only 44,500 bales of cotton,[13] probably only a month's supply if production resumed at a pace that would minimally meet domestic

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[10] Watanabe, "Senji keizai," p. 85.
[11] Nihon Bōseki Kyōkai, *Sengo bōseki shi*, pp. 8-9.
[12] Keizai Kikaku Chō Sengo Keizai Shi Hensanshitsu, ed., *Sengo keizai shi*, p. 4.
[13] Tsūshō Sangyō Seisaku Shi Hensan Iinkai, ed., *Tsūshō sangyō seisaku shi*, p. 581.

demand and provide some desperately needed exports to pay for imports of food and other essential goods.

Emergency imports of raw cotton presented one obvious option to spur the production and export of cotton goods, but approval for such aid faced serious obstacles. Barely a month after Japan had surrendered, the Textile Export Association of the United States weighed in with a harsh recommendation banning most Japanese exports of textiles. Believing that American mills would have to export two billion square yards of fabric per year in order to maintain current levels of employment, Associate President William C. Planz argued that “this cannot be done if Japan is permitted to retain her textile industry.” He favored removing much of Japan’s remaining machinery to China as reparations and “leaving Japan only sufficient equipment to supply her own needs and those of adjacent non-industrial areas.” Noting that in the 1930s Japan’s textile exports had “accumulated funds for war purposes,” Planz viewed limits on the nation’s exports as necessary to ensure future peace. Pointedly suggesting that plans for the Japanese textile sector were too important to be left to Allied officials now in charge of the occupation, he urged the appointment of a special commission of American executives to judge how much equipment would meet Japan’s needs.[14] According to one newspaper report, American textile exporters on Worth Street, the center of the cotton textile merchant sector in New York City, favored a comprehensive strategy for expanding American exports. This approach included using proposed government loans to Great Britain as leverage to open markets within the sterling bloc and sending a commission of “textile men” to Japan “to determine the exact status of the industry” and determine quotas for the number of spindles and looms as well as the amount of raw cotton to be shipped to

[14] “Fabric Export Ban on Japan Is Urged,” New York *Times* (September 17, 1945), p. 23.

Japan. The executives warned that allowing Japan to regain its prewar level of three billion yards of fabric exports would damage American exports.[15]

In December, SCAP created an international Textile Mission to visit Japan early in the New Year to assess the condition of the Japanese industry and to make recommendations about its development. Meanwhile, planning had begun for shipments of American cotton to Japan. In November, Japanese executives formally asked for permission to import raw cotton from the United States.[16] Officials of the Departments of State, Agriculture, and the Army agreed on a plan in early February,[17] and its feasibility became a central concern of the Textile Mission.[18] Fred Taylor, Agricultural Commissioner for the United States Department of State, headed the mission. Joining him were Stanley Nehmer, also from the Department of State, three American executives, two representatives from China, one from India, and one from the United Kingdom. Arriving on January 21, the group submitted its report in March. It visited 85 factories and held "numerous conferences" with members of the Japan Textile Association, executives, and government officials. The mission had to rely on information provided by Japanese industrialists, and they earned the mission's trust. While conceding that figures provided by Japanese companies may have been "overly optimistic," the report expressed satisfaction with the data.[19]

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[15] "Textile Set-asides for Export Urged," New York *Times* (November 4, 1945), p. F5.
[16] "Japan Looks to U.S. for Raw Cotton Supply; Submits Categories Required by Industry," New York *Times* (November 29, 1945), p. 3.
[17] Tsūshō Sangyō Seisaku Shi Hensan Iinkai, ed., *Tsūshō sangyō seisaku shi*, p. 581.
[18] See "The Textile Mission to Japan," Report to the War Department and to the Department of State. January – March 1946, p. 3 and "Letter of Transmittal to General of the Army Douglas MacArthur from Fred Taylor, Chairman, Textile Mission, on March 31, 1946," p. 9, Archives of the Nihon Bōseki Kyōkai, III-2-55/58, Box # 100.
[19] "The Textile Mission to Japan," "Letter of Transmittal to General of the Army Douglas MacArthur from Fred Taylor, Chairman, Textile Mission, on March 31, 1946," and "The Textile Mission to Japan," p. 2. The formation of the Japan Textile Association is discussed later in this article, on pp. 13-14.

The mission's assessment lent crucial support to the import scheme by judging that available production capacity could handle the 225,000 short tons (890,000 bales) of American cotton planned for shipment. Finding no evidence of an "undue clothing shortage in comparison to other nations," members concluded that Japanese companies could manufacture enough goods for export to pay for the cotton without severely depriving domestic consumers. Although only 1,115,000 of the 2,150,000 existing spindles were operating, the mission optimistically predicted that Japan would have a total of 3,285,000 with 2,990,000 working by January 1947. The total number of looms in the large spinning companies would nearly double, while the number operating would almost triple.[20] Members expressed confidence that in order to achieve these goals Japan's textile firms could overcome the many potential obstacles facing their industry, such as a shortage of labor caused by poor working conditions, the need to replace or repair a lot of machinery, shortages of fuel and electricity, and the prospect of having to send large amounts of equipment overseas as reparations to former enemies.[21] The mission's refusal, however, to predict output after 1946 betrayed a hint of uncertainty.[22]

Although American textile producers requested a mission in the hope that it would recommend restraining the recovery of Japanese textile firms, the positive thrust of the Taylor report ended up providing useful political cover for SCAP's decision to ship raw cotton to Japan. Despite the participation of three prominent textile executives, the group raised no objections to the plan. Focusing on the technical issues related to the capability of the Japanese textile sector, the members of the Mission concluded that they "concurred in the urgency of the need for such supplies [of raw cotton]" and emphasized

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[20] "The Textile Mission to Japan," "Summary," pp. 9, and "The Textile Mission to Japan," p. 6.
[21] "The Textile Mission to Japan," pp. 33-39.
[22] *Ibid*., p. 6.

"the serious world shortage of cotton textile products."[23] Their assent to the import program suggested that at this stage, at least, a consensus on stifling potential Japanese competition did not exist among American textile executives.

An essay written by Stanley Nehmer, who served as the executive secretary for the mission, may reveal some insights into the thinking of its members. In brief, Nehmer minimized any immediate threat to American industry from the Japanese cotton sector and seemed sanguine about long-term prospects. He stressed the need for rebuilding the Japanese textile industry as "one of the few industries through which foreign exchange for imports of food and other necessities can be obtained." Although production would increase, in the near future the Allies could control the supply of raw cotton and "levels of capacity" in Japan. The prospect that after the occupation ended Japanese firms might well be able to manufacture "higher quality textiles with which they so successfully competed against the United States and the United Kingdom before the Pacific War" did not bother him.[24]

American officials may also have put pressure on the Mission by conveying their support for the program. As Burton Crane of the New York *Times* observed, the export of raw cotton to Japan would yield several important benefits for the United States. Increased Japanese textile exports would relieve American taxpayers of the burden of paying for massive imports of food to prevent starvation in Japan.[25] Moreover, selling the large stocks of raw cotton purchased by the Commodity Credit Corporation (CCC) since the 1930s created revenue for the government and helped cotton farmers by raising the

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[23] *Ibid*, p. 3 and "The Textile Mission to Japan," "Letter of Transmittal." The executives included Harry L. Bailey of the Wellington-Sears Company, H. Wickliffe Rose of the American Viscose Company, and Frank E. Rose of Riverside and Dan River Cotton Mills
[24] Nehmer, "The Future of Japanese Textiles," pp. 261-264.
[25] "Cotton for Japan Tied to Food Bill," New York *Times* (January 27, 1946), p. 17;

price of domestic cotton. In fact, American officials arranged for a similar program to provide CCC raw cotton for factories in occupied Germany.[26]

Subsequently, the entire manufacturing process for Japanese cotton textiles came under tight governmental supervision. The United States Commercial Corporation (USCC) arranged for the shipment of raw cotton to Japan. The Japan Cotton Import Association of the Trade Bureau then delivered pre-determined amounts of cotton to each factory. The bureau contracted with firms for each separate stage of production—spinning, weaving, and dyeing. After manufacturing their goods for a set fee, the factories would turn over their products to the Japan Cotton Yarn and Cloth Export Association, another arm of the Trade Bureau. It, in turn, would convey those goods to the USCC for sale overseas. At least 60 percent of all such goods had to be exported in order to pay for the cotton with the proceeds going to a common fund to pay for the cotton.[27]

In essence, the cotton spinning companies became mere contractors to the government. The firms had no control over securing supplies of raw cotton; nor could executives travel abroad to market their wares. They could not even sell under individual brands, as all goods bore the mark, "made in occupied Japan."[28] In this framework of what became known as "blind trade" (*mekura bōeki*) , textile firms lost the freedom to compete, to maximize income, and to expand. What they gained was an opportunity to survive, and they took it. Aware of their utter dependence on outside forces and viewing

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[26] "Private Business with Foes Planned," New York *Times* (February 14, 1947), p. 8.
[27] Nihon Bōseki Kyōkai, *Sengo bōseki shi*, pp. 22-23 and 33-35; Li Shi, "Senryōki Nihon mengyō no fukkō," p. 702.
[28] Tsūshō Sangyō Seisaku Shi Hensan Iinkai, ed., *Tsūshō sangyō seisaku shi*, p. 594.

themselves as "pioneers" in rebuilding the national economy, they realized that they had to pass through this humiliating stage in order to achieve a substantial recovery.[29]

After shipments of raw cotton began arriving in June, textile firms struggled over the next few months to meet the optimistic projections of the Taylor Commission. By August 1946 the number of operating factories had increased from 47 to 68, and the output of cotton yarn rose from just 6,299 bales in June to 27,855 in August. The number of new spindles installed, though, declined in absolute terms in July and August and fell well below the previously set goals. Moreover, the percentage of spindles in use reached only 38.8 percent in July and 46.9 percent in August.[30]

In July, concerned about the pace of progress, the Japan Textile Association, which focused its planning on the "big ten" spinning firms, adopted a goal of operating 3,665,366 spindles. The association stressed the need for a large infusion of over 1.3 trillion yen in new capital to reach this goal. The government then convened a Textile Industry Reconstruction Committee with members from various government agencies and the private sector. Its proposed three-year plan in mid-September urged the government to "clarify the treatment of the textile sector as one of the industries with the highest priority" for receiving scarce supplies and capital and set a target of 4,370,000 working spindles by September 1948.[31] Meanwhile, the Japanese cabinet resolved to

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[29] Shibata Shōzō, "Shiren in aru mengyō," p. 7.
[30] Minakawa Jun, "Nihon mengyō," pp. 8-9 and 17.
[31] Minakawa, "Nihon mengyō," pp. 8-11 and 14; Watanabe, "Mengyō," p. 314; Nihon Bōseki Kyōkai, *Sengo bōseki shi*, p. 14; Dyamondo Sha, *Daiwa bōseki 30 nen shi*, p. 278; Kodera, "Mengyō fukkō," p. 3; According to Minakawa, in August 1946 the Japan Textile Association set a slightly higher goal of 3,750,000 spindles by the end of 1947.

treat the textile sector as a "priority industry," and to improve its access to resources.[32] Officials also conveyed the request for a capacity of 4,370,000 spindles to SCAP.

A comprehensive assessment composed by Minakawa Jun and published by the recently re-established Japan Spinners Association (Nihon Bōseki Kyōkai) in November presented a litany of the problems then facing the industry. The report still complained about the government's apathy toward the cotton textile sector by claiming that as a legacy of the "quasi-war and wartime era" the "cotton industry [was] not recognized nationally as an important industry." Accordingly, companies could not obtain the food, coal, and electric power that they needed. Because of inflation, the repair of equipment had become expensive, and the prices of new machinery had tripled in the past year. Although the industry needed a large infusion of capital, many textile firms had received designation as potential targets for deconcentration, a status that made obtaining public or private loans more difficult.[33]

Moreover, a lack of food was driving workers away from the textile mills. A report of the Ministry of Finance in early 1947 noted that the current daily ration of less than 1500 calories per day made sustaining a full 8.5-hour shift difficult. This problem hit large spinning mills severely because they recruited much of their workforce of young women from distant rural areas. These women now preferred to stay at home in their villages, where food was more plentiful. The average period of employment dropped from 36 months in the prewar period and 17 months during the war to eight months for factories that began operating after 1945. Not surprisingly, productivity fell.[34] While

[32] "Sen'i o jūten sangyō,"*Yomiuri shinbun* (August 24, 1946), p. 1, and Dyamondo Sha, *Daiwa bōseki 30 nen shi*, p. 291.
[33] Minakawa, "Nihon mengyō," pp. 9 and 12-17.
[34] Ōkurashō Rizaikyoku, "Wagakoku sangyō keizai," pp. 141-143.

business leaders sought to have the daily ration increased, companies desperately tried patchwork solutions. For instance, Kanebō and Nisshin Spinning responded to this crisis by cultivating empty fields near their factories.[35]

Shortages of other resources thwarted the recovery as well. Most regions of the nation experienced electric power stoppages of one or two hours daily. Because of the heavy reliance on hydroelectric power, these outages could become more severe during the winter dry season.[36] The shortage of coal also hindered operations. In October 1946, for example, the textile industry requested 12,000 tons of coal, was allocated 7,000, and actually received 5,220.[37] Other materials in short supply included carding wire, straw for wrapping finished cotton goods, and even starch for weaving.[38] During the war, when imports of Canadian wheat starch had ended, the Japanese had used potato starch as a substitute, but potatoes now had to augment the meager supplies of food.[39]

Re-establishing a strong trade association to guide the textile sector posed another challenge. Initially occupation policies aided the revival of the Japan Spinners Association by insisting on dismantling the economic controls of the wartime era. After the Japanese government on December 19, 1945 duly abolished the National Mobilization Law, which provided the legal basis for the wartime Control Associations, including the comprehensive Textile Control Association, executives from various textile sectors organized the Japan Textile Association (Nihon Sen'i Kyōkai) on December 20. As discussed above, members of this association met with members of the Taylor

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[35] Kanebō Kabushiki Kaisha Shashi Hensanshitsu, ed., *Kanebō hyakunen shi*, p. 433, and Nisshin Bōseki Kabushiki Kaisha, *Nisshin bōseki rokujū nen shi*, p. 658.
[36] Ōkurashō Rizaikyoku, "Wagakoku sangyō keizai," pp. 142-143, and GHQ/SCAP, "History of the Nonmilitary Activities," p. 33.
[37] Ōkurashō Rizaikyoku, "Wagakoku sangyō keizai," pp. 141-143.
[38] *Ibid*., p. 143.
[39] "The Textile Mission to Japan," pp. 32 and 37.

Mission and lobbied the government on behalf of the textile industry. In May 1946 cotton spinning firms left the East Asia Textile Industry Association, which had begun in 1942, to form the Japan Spinners Trade Association (Nihon Bōseki Dōgyōkai). In April 1947, this group incorporated members of the spinners division of the Japan Textile Association so that the cotton textile sector would speak with one voice.[40] Whereas the Textile Association had embraced all sectors of the industry, the Trade Association represented just the cotton spinning companies.

The group quickly assumed its familiar prewar role as a champion of the cotton textile sector. The association's monthly journal, which resumed publication in November 1946, again became a major platform for exchanging ideas and information and publicizing policy recommendations. But, as the head of the association, Hori Bunpei, remarked in regard to the situation before the war, "conditions [were] different." Whereas previously the spinners had exercised a feisty autonomy, now "[t]he direction of the cooperation of those in the industry (*gyōsha*) had to make their goal cooperation with government policy while democratically following the guiding policies (*shidō hōshin*) of SCAP." Moreover, the association had to work on behalf of the entire cotton textile industry, which would become the "axis of the rebuilding of the Japanese economy."[41] Textile leaders, he thought, had a strong sense of their mission to become the "core industry for rebuilding the economy based on the new economic and social situation of a peaceful Japan," and as an "industry [providing] collateral for the import of daily

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[40] Nihon Bōseki Kyōkai, *Bōkyō hyaku nen shi*, p. 83; Kodera, "Mengyō fukkō," pp. 2-3.
[41] Hori Bunpei, "Nihon bōseki dōgyōkai," p. 2.

necessities for the [Japanese] people and for the mitigation of the lack of clothing in East Asia."[42]

The failure to meet production goals for the last half of 1946 set off alarm bells. Even though the number of spindles in operation and the production of yarn had both increased rapidly,[43] representatives of the textile industry viewed its inability to attain the projected output as hindering the nation's economic recovery. Noting that production in September reached only 70% of the goal for that month, Tawa Yasuo, a long-time official in the Spinners Association, feared that Japan might "invite distrust from the Allied nations." Kodera Gengo of the Greater Japan Spinning Company (Dai Nihonbō) lamented that the poor performance of the textile sector would "betray the valuable good will of the United States, have a great influence on future imports of raw cotton, and bring failure to plans for the rebuilding of our nation's economy."[44] If Minakawa's comprehensive assessment avoided apocalyptic predictions, it did state that after one year the "situation of the recovery is really regrettable."[45] All agreed that the textile sector had to receive greater priority from the government.[46] Tawa argued that "breaking the bottlenecks in production in the cotton industry" would "bring the expansion of other economic sectors."[47]

The continuing desperate condition of Japanese industry in general made setting priorities a central issue late in 1946. Production in mining and manufacturing, which in 1945 was just 10 percent of the level of 1935-1937, continued to lag while inflation

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[42] See Ibid, and Tawa Yasuo, "Menbōsekigyō," p. 4.
[43] See Minakawa, "Nihon mengyō," p. 17.
[44] See Kodera, "Mengyō fukkō," pp. 2-3, and Tawa, "Menbōsekigyō," p. 4.
[45] Minakawa, "Nihon mengyō," p. 8.
[46] For example, see Shibata Shōzō, "Shiren ni aru mengyō," p. 7.
[47] Tawa, "Mengyō fukkō," p. 5.

soared.[48] While insisting on the rapid elimination of many wartime economic controls, SCAP in the spring of 1946 approved the creation of the Economic Stabilization Board (Keizai Antei Honbu) to undertake centralized economic planning. The shortage of coal and steel drew immediate attention. Domestic supplies of steel, for example, could meet only 25.1 percent of the demand in 1946, and nearly one-half came from existing stocks.[49] By December, the Stabilization Board created a "policy of sloping production" (*keisha seisan hōshin*) that gave top priority to the production of coal and steel. Officials reasoned that the availability of more coal would increase the manufacture of steel, which when allocated to coal production would, in turn, raise the output of coal. Eventually, the flow of larger supplies of coal and steel to other industries would enable the economy to expand.[50] Although officials considered the textile sector important, they had assigned it a lower priority than coal and steel. The Spinners Association aimed to change that ranking.

In addition to the internal difficulties with supplies, significant outside pressures threatened to slow the recovery of the Japanese textile sector. The destruction of the Japanese empire had meant that textile firms had to absorb the immediate loss of factories overseas, a total of 2,750,000 spindles in China and Manchuria and 210,000 in Korea.[51] The mission of Edwin Pauley, which at the end of 1945 made an interim report regarding Japanese reparations to former enemies in the Pacific War, proposed a draconian domestic limit of 3,000,000 spindles. The Nationalist government of China in November 1946 suggested a limit of 2,500,000 spindles, a level that would not even raise domestic

[48] Keizai Kikaku Chō, Sengo keizai shi hensanshitsu, ed., *Sengo keizai shi*, p. 2.
[49] *Ibid.*, pp. 18-19.
[50] *Ibid.*, pp. 9-13 and 26.
[51] Nisshin Bōseki Kabushiki Kaisha, ed., *Rokujū nen shi*, pp. 322-323; Nihon Bōseki Kyōkai, *Sengo bōseki shi*, p. 10.

consumption to the level of 1937 or permit the export of any cotton products.[52] Because the Pauley Report recommended that Japan for reparations ship abroad a significant amount of industrial machinery, textile firms found some of their factories designated for that potential purpose.[53] Naturally, this sort of action complicated firms' planning for future expansion.

Adding to the atmosphere of uncertainty, early in 1946 the Japanese government, at the prompting of SCAP, designated 18 conglomerates (*zaibatsu)* and 336 companies as "restricted companies" (*seigen kaisha*) targeted for possible dissolution. The companies included nine of the "big ten," all except for Nittō Spinning, and many of their subsidiaries. Restricted firms had to receive permission from the Ministry of Finance in order to dispose of assets, borrow capital, or expand production capacity. Later in the year, the Japanese government categorized all of the "big ten" textile firms as "holding companies," with the requirement that they cut their financial ties to subsidiaries by transferring their stock in their subsidiaries for redistribution by the newly established Holding Company Reorganization Committee.[54]

This confused situation did not daunt textile leaders who continued to push for official approval of realistic goals for expansion. Minakawa noted in November 1946 that the goal of 3,600,000 spindles had become widely accepted as "appropriate."[55] Executives received tangible aid from the Japanese government late in 1946, when it raised the daily food ration for mill workers to five ounces above the standard 12.5

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[52] Sumiya, *Japanese Trade and Industry Policy*, pp. 155 and 211. Pauley's final report was issued in November 1946. See, too, Watanabe Junko, "Mengyō," p. 314.
[53] For example, see Nisshin Bōseki Kabushiki Kaisha, ed., *Rokujū nen shi*, p. 650.
[54] Kanebō Kabushiki Kaisha Shashi Hensanshitsu, ed., *Kanebō hyaku nen shi*, pp. 454-456; Daiyamondo Sha, *Daiwa bōseki 30 nen shi*, pp. 317-318; Watanabe, "Menshi," p. 284.
[55] Minakawa, "Nihon Mengyō," p. 8.

ounces, a rise of 600 calories to 1,750 per day.[56] More welcome news came with SCAP's approval of an initial allocation to textile firms of 600,000,000 yen at the end of 1946 and in February 1947 a decision for an "interim" limit of 4,000,000 spindles. Major Harold S. Tate, head of the Textile Division, explained that the temporary limit would enable Japan to export cotton textile goods while maintaining a standard of living close to that of the period, 1930-1934, as production would permit each citizen to consume 4.2 lbs. of clothing compared to 5.7 lbs. in the early 1930s.[57]

Crucial support came from the Bank of Japan. Unlike other major industries, the Japanese cotton textile sector, especially the established "big ten" firms, did not rely on direct long-term loans from the government. Instead, the Bank of Japan organized a syndicate of banks for each company to provide needed capital. Each group centered on a "managing bank" (*kanji ginkō*). At the start a total of 96 banks participated in the scheme.[58] In addition, the Bank of Japan continued to play a major role in providing operating capital to textile companies by issuing promissory notes to them based on their expected receipt of processing fees from the government's Trade Bureau for goods made for export.[59]

Fighting for Survival and Straining at the Bit

The decisions by the Japanese government and by SCAP in early 1947 initiated a period of transition in economic policy, as both signaled an increased commitment to the recovery of the Japanese textile sector. A fair amount of confusion marked the next two

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[56] GHA/SCAP, "History of the Nonmilitary Activities of the Occupation of Japan," p. 37.
[57] Nihon Bōseki Kyōkai, *Nihon bōsekigyō no fukkō*, pp. 8-9, and Daiyamondo Sha, ed., *Daiwa bōseki 30 nen shi*, pp. 279-280. Later in 1947, SCAP allowed the use of another 700,000 yen in capital for textile equipment.
[58] Nihon Ginkō Chōsakyoku, "Saikin no mengyō kinyū," pp. 38-39.
[59] *Ibid*., pp. 41-42.

years, as textile executives began to chafe under the restraints imposed by SCAP, and among occupation officials the goal of Japan's achieving economic self-sufficiency started to challenge the aim of implementing economic democracy. Within the United States, if textile manufacturers expressed wariness of reviving Japanese rivals, cotton farmers discerned a valuable opportunity to expand their market.

In any event, at the start of 1947 the Japanese cotton textile sector remained subject to outside regulation. In an effort to diversify the industry, for example, SCAP mandated that 154,000 the 4 million spindles approved in early 1947 be reserved for existing companies outside of the "big ten" that had ceased textile production during the war and158,982 for entirely new firms. The Japanese government duly invited proposals from entrepreneurs to revive their spinning enterprises or to create new ones. Officials received 50 applications and selected 25 to participate in the allocation of additional spindles.[60] Moreover, as noted above, textile executives had virtually no room to maneuver to ensure a steady supply of raw cotton or to expand markets abroad.

Some successes for the textile companies in 1947, though, laid the groundwork for advocating a loosening of current constraints. Even though the number of spindles reached only 3,015,852, the production of cotton yarn and fabric more than doubled during the year.[61] Furthermore, the critical role of cotton goods in Japan's foreign trade became manifest. In 1947, they made up 59.4 percent of the dollar value of Japan's exports, far more than any other single item.[62] Without these exports, the nation could

[60] Nihon Bōseki Kyōkai, *Sengo bōseki shi*, pp. 14-17. The nine existing firms outside of the "big ten" ended up with a total of 150,000 spindles.
[61] Nihon Bōseki Kyōkai, *Bōkyō hyaku nen shi*, p. 96, and Seki, *The Cotton Industry of Japan*, p. 312.
[62] Nihon Bōseki Kyōkai, *Bōkyō hyaku nen shi*, p. 86.

not import needed food and raw materials. A mid-year shortage of raw cotton suggested that the sector was outgrowing the cumbersome restrictions imposed by SCAP.

The shortage of raw cotton demanded a swift response. Although producers had ample supplies in March, by May firms realized that because of increased production supplies would run out during the summer and officials had not lined up additional sources. The Spinners Association then found itself in a familiar role of enacting a curtailment of production (*sōgyō tanshuku*/ abbreviated as *sōtan*). The association had frequently enacted *sōtan* in the early twentieth century, usually in periods of soft demand, in order to maintain the market price of cotton goods. In 1947 the cutback in output started at a rate of 20% in June and reached 40% in August. In response, SCAP arranged for a second shipment of 350,000 bales of CCC cotton (CCC II) to begin in October. Underlining the perceived importance of the Japanese market, senators from cotton states in the United States Congress demanded a commitment from the War Department that during the second CCC program at least 70 percent of Japan's raw cotton would come from America. A cotton mission from India, also a major supplier of raw cotton to Japan before the Pacific War, visited Japan in July and concluded an agreement in October to supply the relatively small amount of 120,000 bales.[63] One problem that loomed on the horizon was that the CCC would soon have no cotton available for export.[64]

The spinners took great pride in their accomplishments, especially in the context of the serious difficulties experienced by the overall Japanese economy. By March, the new policies of the "sloping economy" adopted by the Economic Stabilization Board had clearly failed to induce a turnaround, as high inflation persisted and overall production

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[63] Nihon Bōseki Kyōkai, *Sengo bōseki shi*, pp. 23-25, and Stewart, *Japan's Textile Industry*, p. 12.
[64] "Exports of Cotton Gain Importance," New York *Times* (April 13, 1947), p 89.

stagnated. Troubled, General MacArthur took the unusual step of writing to Prime Minister Yoshida Shigeru to advocate dramatic new measures, including a more forceful and comprehensive management of the entire economy.[65] In May, the Spinners Association boasted that "[o]nly the spinning industry has overcome all obstacles and has almost fulfilled its expected production plans." While acknowledging the essential aid of the "Allied army" (*rengō gun*), the association stressed the role of the "spirit" of the Japanese spinning industry in its success.[66] The approach taken to recovery, though, had been "instinctual through solving problems one by one." The sector now had to develop a longer term strategy that would enable it to re-enter the international market within the "worldwide atmosphere of modernizing spinning equipment."

Economic planning within the government began to shift toward an emphasis on foreign trade. Discontent with the state of the economy contributed to the election of a coalition cabinet under the socialist Katayama Sen in June. The Cabinet immediately approved a set of Policies for Strengthening the Economy (*Keizai kinkyū taisaku*),[67] which declared that in foreign trade, Japan should "make contributions to the recovery of Oriental nations the basic line" and "work toward the increase of exports to the United States." While expressing a fear of "paralysis in all industries," the inaugural White Paper on the economy issued by the government in July emphasized the nation's precarious position in international trade. In the previous year large imports of food had helped create a large trade deficit of $108,000,000, and the nation's total foreign trade amounted to just one-tenth of the level of the prewar period. Wada Hiroo, director of the Economic Stabilization Board, explained that the "sloping economy" policy would move

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[65] Keizai Kikaku Chō, *Sengo keizai shi*, pp. 28 and 45-46.
[66] "Saiken mengyō no kōsō," *Nihon bōseki geppō*, No. 6 (May-June 1947), p. 1.
[67] Keizai Kikaku Chō, *Sengo keizai shi*, pp. 49-55.

beyond the restoration of the coal and steel sectors to include a focus on improving transportation and the recovery of exports.

Some aspects of American economic policy toward Japan began to shift as well. The American government asked Clifford S. Strike to lead a mission of seven industrialists in early 1947 to Japan to study once again the issue of reparations. Its conclusions veered considerably away from the punitive recommendations of the previous mission led by Edwin Pauley. In a news conference, Strike explained that his group's report would contain no proposals to reduce the Japanese textile industry because the Japanese economy had to become "self-sustaining" in terms of paying for needed imports of raw materials and food.[68] Later in the year Strike returned to Japan to "set specific levels of industry required for Japanese self-sufficiency from American aid." He specifically rejected Pauley's goal of limiting the standard of living in Japan to the level of 1930-1934, an era that included the era of the Great Depression, and argued for the need for Japan to "reconstruct and use as quickly as possible the bulk of her industrial capacity."[69]

On the other hand, occupation authorities moved to carry through the de-concentration policy initiated in 1945 and 1946. To some officials, the goal of democratizing Japan's economy by diffusing economic power still took precedence over concerns for economic stability and recovery. They wanted not just to peel away non-textile plants but also to break apart the firms' textile operations themselves. By November, SCAP had devised a plan to divide large companies by factory and by region

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[68] "Change in Payment by Japanese Urged," New York *Times* (February 18, 1947), p. 11, and "Plan Would Leave Japanese Textiles," New York *Times* (February 19, 1947), p. 20. Strike issued his first report in February 1947; a year later he again led a mission to Japan to issue a second report on reparations in February 1948.
[69] Borden, *Pacific Alliance*, pp. 79-80.

as well as by sector. Kanebō, for example, would become 11 companies, Tōyōbō five. Under pressure from American officials, the Diet in December 1947 passed an Elimination of Excessive Concentration of Economic Power Law. Two months later, the government included the big ten spinners among the 325 firms listed as targets.[70]

A concern for democratizing the economy also motivated the Anti-Monopoly Law of April 1947 that banned the formation of cartels in the private sector. It prohibited as a general principle "unreasonable restraint of trade," while forbidding specific restrictions by groups of entrepreneurs, such as the "establishment, stabilization or enhancement of prices" and the "restriction of volume of production or of sales."[71] To drive home the point, SCAP encouraged work to begin on a Trade Association Law (Jigyōsha Dantai Hō) in the spring of 1948. Enacted in July, it "limited trade association activities to the areas of exchange of technical information; quality and standard regulation; and negotiation with labor unions." The legislation even sought to curb these groups' political clout by proscribing their "inappropriate influence on government and bureaucrats."[72] Seeing the handwriting on the wall and probably preferring to avoid another coerced dissolution as in 1942, the Spinners Association reconsidered its economic role. Ironically, the Japanese government in September 1947 had affirmed the group's function in implementing economic policy by designating the association as an "organ to assist in allocations" (*wariate hōjō kikan*) for the Economic Stabilization Board. Eight months later, though, the spinners decided to establish a "democratic cooperative organ" without any power to enforce controls on production, such as a *sōtan*. In Japanese,

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[70] Watanabe, pp. 292-294 and 298.
[71] Quoted in Hadley, *Antitrust in Japan*, pp. 370-371.
[72] Schaede, *Cooperative Capitalism*, pp. 76-78.

the name of the organization changed from the Nihon Bōseki Dōgyōkai to the Nihon Bōseki Kyōkai (abbreviated Bōkyō).[73]

While the policy of the American government toward Japan showed a split between the goals of achieving a self-sustaining recovery and eliminating concentrations of economic power, cotton farmers in the United States expressed increased interest in promoting Japanese purchases of their product. Representatives for the farmers pointed out that the volume of exports of American raw cotton worldwide had fallen by nearly one-half since the late 1930s. In 1938-1939, for example, the United States had shipped six million bales, an amount equal to 52.6 percent of total world exports, and during the past year had exported just 3,557,000 bales for a 39.9 percent share. As discussed previously, the fighting during World War Two had disrupted trade patterns, including the flow of exports to major customers in the 1930s, such as Japan. Moreover, American raw cotton faced competition from both old rivals, such as Egypt, and new ones, such as Russia and Brazil. Cotton exporters wanted to retain subsidies for exports and special programs to promote purchases in overseas markets. In particular, leaders of the raw cotton sector targeted the recovering economies of Germany and Japan.[74] By the late summer, officials had submitted to the Export-Import Bank a proposal for a loan of $20,000,000 to finance German purchases of raw cotton and were considering a similar loan for Japan.[75] Although a $135,000,000 Occupied Japan Export-Import Revolving Fund, using as collateral Japanese holdings of gold and precious metal, began operating

[73] Nihon Bōseki Kyōkai, *Bōkyō hyaku nen shi*, pp. 83-84, and "Nihon bōseki kyōkai no sōritsu," *Nihon bōseki geppō*, No. 15 (May 1948), pp. 2-3. In English, the name changed from the Japan Spinners Trade Association to the Japan Spinners Association.
[74] "Exports of Cotton Gain Importance," New York *Times* (April 3, 1947), p. 89.
[75] "Loan to Japan Discussed," New York *Times* (August 14, 1947), p. 35.

in October,[76] pressure continued to mount for financing specifically directed at purchases of raw cotton.

The attitude of American textile producers reflected a contradictory mix of confidence and anxiety. American textile companies prospered during 1947, as they rushed to fill a worldwide void of yarn and fabric created by the destruction of many nations' productive capacity during the world war and pent-up demand that erupted after the war ended. Manufacturers shipped a record 1,500,000 billion yards of cloth abroad. Still, remembering the bitter textile trade disputes that had erupted with Japan during the mid-1930s, executives groused about the recovery of the Japanese textile sector, especially in the context of the overall policy of the American government to promote free trade. Late in 1947, for example, "New York textile men" grumbled to a newspaper reporter about the recently negotiated tariff cuts for all textile imports, because they would damage the domestic industry "if the cotton textile industry revives in low-cost producing countries, such as Japan."[77]

Meanwhile, the Japanese textile sector strived to improve its position. Observing that the government had finally declared that the textile industry ranked with coal and steel in "bearing responsibility for the rebuilding of the Japanese economy," Bōkyō argued in November 1947 that its members needed top priority in access to capital and materials in order to reach the goal of four million spindles.[78] Severe shortages of steel for parts and machinery still occurred, while the 10-month process of securing loans for purchasing equipment stymied plans to expand, as the high rate of inflation raised prices so quickly and steeply between firms' placements of orders and the deliveries of

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[76] Borden, *Pacific Alliance*, p. 75.
[77] "U.S. Tariff Cuts Are Called Blow to Industry Here," New York *Times* (November 19, 1947), p. 1.
[78] Nihon Bōseki Dōgyōkai, "Bōsekigyō no fukkō ni tsuite," pp. 2-4.

equipment. As of August, during the previous twelve months companies had added only 443,488 spindles for a total of 2,902,600. Of those, 2,786,570 were operable, and, in August only 1,483,669 were actually operating.[79] Competing in the world market also meant raising the level of technology. The spinners suggested that the "Japanese government should take as food for thought the positive attitude of the British government which ha[d] a plan to contribute (*kōfu*) 25 percent of the expense of renovating textile machinery if it was carried out in a set period of time and in a way approved by the government…"

By early 1948 a rapid rise in stocks of unsold fabric prompted the Spinners Association to join three other business groups in requesting a loosening of controls over the textile trade.[80] One major problem centered on the worldwide lack of dollars, because Japanese cotton goods had to earn dollars in order to pay for imported American cotton. Textile leaders contended that Japan should be able to sell in non-dollar markets, such as the sterling block, since sufficient stocks would remain as collateral for bills owed in dollars. Moreover, Japanese firms should expand their imports of raw cotton from non-dollar areas, and Japanese businessmen should be able to go abroad in order to promote exports. Finally, the American government should permit Japanese textile exports to the United States so that the "burden of settling payment for the import of American raw cotton will be lightened." Of course, Japanese firms should limit their exports to "goods that [will not cause] friction with the American cotton industry" and they would "be sold at prices suggested by the United States." Textile leaders envisioned a mutually beneficial triangle trade in Asia and the Pacific between Japan, the "Southern area"

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[79] The low number of spindles actually being used in August reflected the severity of the *sōtan* that began in May. In April, 2,279,801 were operating. See *Ibid*., p. 4.
[80] "Menseihin yushutsu shinkō taisaku ni tsuite," pp. 2-4.

(*nanpō chiiki*), and the United States. According to this scheme, the United States would ship raw cotton to Japan; it would export cotton goods to Southeast Asia; and that region would then provide critical raw materials to the United States.

The Turning Point

Sensing that the cotton textile industry in Japan was reaching a critical point that demanded a new direction in policy, the American government in January 1948 sent another blue-ribbon mission to Japan. Somewhat to the consternation of domestic producers, it added crucial support to policies designed to strengthen Japan's cotton textile sector and prepare Japan once again to become a major exporter. Dr. William P. Jacobs, President of the American Cotton Manufacturers Association (ACMA), headed the small group that included two former presidents of the ACMA--Donald Comer, chairman of the board of Avondale Mills in Birmingham, Alabama, and Frederick Symmes, chairman of Union Buffalo Mills in South Carolina.[81] These three representatives received the charge to assess policies for rebuilding the Japanese textile industry and expanding its exports. Some American executives, angry at SCAP's lobbying for Japanese goods to enter the United States, hoped that the Jacobs commission would recommend blocking all Japanese imports.[82]

Jacobs and his colleagues, in fact, ended up being quite sympathetic with their Japanese counterparts. After arriving on January 18, they spent about nine days in Tokyo and then left for Osaka on the 26th to meet with textile industrialists before departing at the end of the month. Welcoming the guests, Hori Bunpei, as the head of Bōkyō, acknowledged the help of the United States, when he stated that "[t]he recovery of

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[81] William P. Jacobs, "Textile Export Trade Essential," *American Wool and Cotton Reporter*, Vol. LXII, No. 21 (May 20, 1948), p. 99, and Stewart, *Japan's Cotton Industry*, p. 15.
[82] "Japanese Offers Hit Textile Price," New York *Times* (January 13, 1948), p. 42.

Japan's cotton industry depended completely on the kindness of America." He explained, too, the Japanese goal of wanting "to combine our strength and cooperation with the American cotton industry and to strive to be useful to supply cotton cloth to the people of the world."[83] The reference materials that Bōkyō prepared for the mission downplayed any threat posed by Japanese textiles by pointing out the many difficulties that beset the spinning companies, including the continuing shortage of crucial raw materials. In 1947 Japan's production of cotton yarn was only 200 million pounds compared to 1.5 billion pounds ten years before; the estimated production in 1948 would be only 400 million pounds. Moreover, he assured his audience that Japanese exports would center on selling low quality goods in markets that were not important to American manufacturers—the South Pacific, East Africa, South Africa, Egypt, and the Middle East. Japan, he said, had "almost no intention to export to the United States."[84] Noting the large stockpile of unsold fabric, the spinners suggested that to spur exports Japanese firms should gain the right to make their own sales to private customers abroad and to send marketing experts overseas.

Jacobs, Comer, and Symmes quickly drew up a series of 16 recommendations, which Jacobs coyly discussed at a press conference in Tokyo on January 31. He premised his remarks by stressing the various obstacles confronting the Japanese textile sector and judging that its "becoming a powerful competitor nation in the world is probably something in the distant future." He argued that American "textilists" should aid their Japanese counterparts because "[t]he earlier their time of independence comes, [the more] the situation for everyone involved will improve." "We believe," he continued, "that the

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[83] "Beikoku mengyō shisetsudan no rainichi," *Nihon bōseki geppō*, No. 12 (February 1948), p. 2.
[84] *Ibid*., p. 3.

guarantee of the future of American industry is closely connected to the success of rebuilding Japanese industry and the re-establishment of the East and colonies [there]." Apparently he believed that American efforts to improve Japanese marketing techniques would enable them to regain their "normal" markets in Asia. Jacobs indicated that his mission's recommendations related mostly to matters of "finance" and "international pacts." In particular, he underlined the need for providing a means for Japan to purchase American cotton if Japanese exports concentrated on regions lacking dollars. He added that the report made no mention of a "need for placing a limit on the scale of the Japanese textile industry."[85] Several months later, Jacobs explained that the group made a specific recommendation that the United States government create a revolving fund of $150,000,000 to finance Japanese purchases of American raw cotton.[86]

In view of the obvious skittishness of American textile industrialists about potential Japanese competition and their cries of alarm that would soon erupt, one must wonder about the motives behind the report of the Jacobs mission. Why did the three American textile representatives accept the goal of strengthening the Japanese cotton textile sector at some risk to their own industry at home? Most likely, Jacobs and his two colleagues truly believed that Japan would not become a serious competitor for American textile firms. One could argue that as someone who had spent much of his career as the president of a small college in his hometown of Clinton, South Carolina, Jacobs did not have a strong personal stake in the fate of the textile industry, but Comer and Symmes

[85] Ibid., pp. 4-5 and 20, gives a summary of the press conference on January 31, 1948, in Tokyo. An English language account is "Mission Would Aid Textiles of Japan," New York *Times* (February 1, 1948), p. F 1. The quotations are translated from the Japanese account.

[86] William P. Jacobs, "Textile Export Trade Essential," *American Wool and Cotton Reporter*, No. LXII, No. 21 (May 20, 1948), p. 99, and Stewart, *Japanese Textile Industry*, pp. 15-16.

were top executives in manufacturing firms.[87] Comer explained afterwards that SCAP "had no thought of trying to rehabilitate the Japanese industry in any way that would really hurt the American textile industry."[88] Jacobs recalled that his 16-point program "aimed at selling Japanese textile production in markets where it would be least competitive with American goods."[89] Finally, as Jacobs explained in a talk to the ACMA, he took a broad view that welcomed the challenge posed by a "one world philosophy" of free trade.[90] The high-wage American textile industry, he thought, could end up as a sacrifice "on the altar of international trade co-operation," but textile executives could also seize the moment to "assume world leadership in the textile field." The solution lay, in his opinion, in the "grand American cycle of mass production" in which technology and higher productivity enabled American firms to compete in any sector. Jacobs believed that American firms could keep this edge. In brief, he may well have viewed Japanese competition as not particularly threatening and as part of a worldwide challenge that the American textile industry could continue to handle.

Following on the heels of the Jacobs Mission, the Undersecretary of the Army, William R. Draper, visited Japan in March to reassess the occupation's economic policies. The Spinners Association took advantage of this opportunity to submit proposals to aid the textile sector. While cautioning that the anticipated break-up of the "big ten" would

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[87] Information about Jacobs comes from his obituary, "W.P. Jacobs Dies; Cotton Group Head," New York *Times* (July 26, 1948), p. 17. After earning a law degree at Southwestern University, Jacobs had served as president of Presbyterian College in Clinton. He had a passion for sports, as reflected in his service as Southern vice-president of the United States Lawn Tennis Association. His publications included "Problems of the Cotton Manufacturer" and "Tennis: Builder of Citizenship."
[88] Quoted in "American Cotton Mfrs. Meeting," *American Wool and Cotton Reporter* (Vol. LXII, No. 18 (April 29, 1948), p. 34.
[89] Jacobs, "Textile Export Trade Essential," p. 99.
[90] Quoted in "Must Seek World Textile Markets," *American Wool and Cotton Reporter*, Vol. LXII, No. 18 (April 29, 1948), pp. 37-38.

hinder production,[91] this set of recommendations more or less reiterated those publicized in February in focusing on ways to expand exports by permitting sales in non-dollar regions, allowing specialists in the raw cotton trade and in marketing to travel abroad, and allowing a barter trade. A revolving fund would stabilize the supply of imported raw cotton by aiding its purchase from the United States.[92] The spinners added some more general concerns. They pointed out that the officially set prices for cotton goods yielded no profits for companies to invest in equipment and that the current rules for depreciation of equipment at the original price of purchase instead of the cost of replacement deprived firms of capital that they could use for rebuilding. Finally, the executives complained that the proposed "Industrial Organization Law" (The Trade Association Law) would too severely limit the activity of Bōkyō, "thereby causing serious cutbacks in the promotion of export trade as well as in the rehabilitation of the cotton industry."[93]

Bōkyō also submitted a petition opposing the deconcentration program. The spinners argued cogently that their firms differed markedly from the large conglomerates, the well-known *zaibatsu*, which had dominated many industrial sectors (but not textiles). Whereas *zaibatsu* families owned all or most of the stock of their conglomerates, the "big ten" spinning companies reflected a "democratization of capital" with 157,933 shareholders and an average holding of only 150 shares per investor. Rarely did the largest stockholder own more than 1 percent of a firm. Moreover, unlike the *zaibatsu* where members of the founding family controlled the firms, top executives in spinning

[91] The Japanese draft is "Nihon mengyō saiken ni kansuru chinjōsho," Dorēpā shisetsudan teishutsu, 1948, Archives of the Nihon Bōseki Kyōkai, III-2-55/58, Box No. 100. The English version, which adds some introductory comments, is "Measures for the Reconstruction of the Japanese Cotton Industry." It is accompanied by a letter, "To William Drapper [sic] from Bumpei Hori, March 31, 1948, Archives of the Nihon Bōseki Kyōkai, III-2-55/58, Box No. 99.
[92] *Ibid*., pp. 1-2.
[93] *Ibid*., p. 2-3.

companies came from the ranks of employees. If the policy of deconcentration aimed at helping firms "reorganize themselves along peaceful and democratic lines," the spinning companies were already democratic.[94] The textile leaders also sought to disassociate themselves from the wartime regime by emphasizing that unlike the *zaibatsu* they had not had close ties to the government. Their firms had received no public subsidies, and their main contact with officials had focused on trade issues. During the early 1940s spinning companies had to diversify because of a lack of supplies to manufacture yarn and cloth, but by now they had already given up their holdings in non-textile subsidiaries and wanted to concentrate on their main business of producing textiles. After reconstruction, no single firm would come close to exercising a monopoly in that sector. The largest, Tōyōbō, would have a share of just 13.1 percent.[95]

Following its strategy with the Jacobs Mission, Bōkyō argued that the textile sector was so fragile that it could not withstand any more shocks. Its current production capacity of less than 3 million spindles represented only 23.8 percent of its level in 1937. Because of wartime losses, large firms had become merely ghosts of their former selves. Tōyōbō, for example, had lost 85 percent of its spindles. Whereas spinning companies from 1931 to 1934 had drawn on their own resources for 80 percent of the total funds that they used, in August 1946 their financial self-sufficiency had dropped to 34 percent. Consequently, companies had fallen "heavily in debt." The costs of rehabilitation as well as high production costs because of obsolete equipment, low labor efficiency, and inflationary wage increases meant that prospects were "by no means bright." Breaking

[94] "To William Drapper [sic] from Bumpei Hori," March 31, 1948; "Japanese Cotton Spinning Companies and the Economic Deconcentration Measure," March 30, 1948. Archives of the Nihon Bōseki Kyōkai, III-2-55/58, Box No. 99, pp. 1-2 and 8.
[95] *Ibid*., pp. 2 and 5.

up the large companies would simply add one more burden by reducing their flexibility to adjust production to shifting demand. Smaller enterprises would attract less investment, as heavy debt loads might crush them. The "big ten," with combined assets of 1.6 billion yen, had already borrowed a total of 1.3 billion yen, and they would need two or three billion more to complete their programs of reconstruction. Invoking a medical allegory, Bōkyō opined that "[t]he present Japanese economy may be likened to a patient in critical condition caused by a fatal flow of blood. If he must undergo an operation, unless utmost caution is taken, he is liable to die under the knife." Similarly, a "major operation" would "prove a fatal blow to the [textile] industry." Reflecting a keen awareness of their audience, the spinners concluded with an appeal to the priority that American foreign policy increasingly placed on the goal of containing communism by warning that "destitute conditions would become a hotbed of communism."[96]

Undersecretary Draper did not need much convincing to tone down the deconcentration policy and support the textile sector in its recovery. During the past year he had become increasingly convinced of the need for the economic revival of both Japan and Germany as part of a global containment policy. Shortly after his arrival, he boldly announced a goal to make Japan self-supporting by 1952 or 1953.[97] Draper also knew that by early 1948 MacArthur's drive to break up large companies had stirred angry criticism from some American politicians, business leaders, and journalists who accused him of trying to destroy the capitalist system in Japan.[98] The Tokyo lawyer James Kaufman, *Newsweek* editor Harry Kern, and Senator William Knowland (Republican, California) helped form the American Council on Japan, which campaigned for reducing

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[96] *Ibid.*, pp. 5-8.
[97] "Solvency by 1952 Set as Japan Goal," New York *Times*, March 17, 1948, p. 4.
[98] For example, see "M'Arthur Says Policy Averts 'Blood Bath,'" New York *Times* (March 26, 1948), p. 16.

economic controls in order to attract private investment in Japan.[99] Within the Department of State the architect of the containment policy, George Kennan, became a fervent advocate of Japanese economic recovery. In March he drafted a policy statement that the National Security Council adopted in June as NSC 13/1. It emphasized policies to enhance the recovery of Japan's foreign trade and economic self-sufficiency.[100] This approach would reduce the costs of the occupation and support the goal of nurturing a strong and stable economy that could help stop the spread of communism in Asia.

In May, the visit of the Deconcentration Investigation Committee, appointed by President Harry S. Truman, presented another opportunity for Bōkyō to present its case and for firms to submit their own preemptive plans. Kanebō, for example, proposed to split off its chemical and paper factories.[101] The Committee's final recommendation in March 1949 mandated that only one spinning company, Daiken Industries, take action. Daiken had to separate its core textile operations from two trading firms that the company had absorbed in 1944. A number of firms, such as Kanebō and Daiwabō, spun off many of their non-textile plants anyway in order to focus on their main business.[102]

Gradually, SCAP relaxed its controls on Japanese textile exports. In August 1947, it permitted the Trade Bureau in some cases to negotiate directly with buyers overseas. In October the Ministry of Commerce and Industry and the Trade Bureau established a Textile Goods Overseas Sales Committee, comprised of both officials and executives, to approve negotiations between foreign buyers and Japanese exporters; the Committee

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[99] Borden, *Pacific Alliance*, p. 84.
[100] Borden, *Pacific Alliance*, pp. 85-88.
[101] Watanabe, "Menshi bōsekigyō," p. 304; Kanebō Kabushiki Kaisha Shashi Hensanshitsu, *Kanebō kyaku nen shi*, pp. 459-460; and Nisshin Bōseki Kabushiki Kaisha, *Nisshin bōseki rokujū nen shi*, pp. 670-671.
[102] Watanabe, "Menshi bōsekigyō," pp. 301-304, and Daiyamondo Sha, ed., *Daiwa bōseki 30 nen shi*, p. 318. Daiken split into four companies: Kureha Spinning, Itō Chū Trading, Marubeni, and Amagasaki Seichō (Amagasaki Nail Manufacturing).

began operating in February 1948. In April textile firms received permission to produce goods under their own trademarks. At the same time, American authorities allowed up to one-half of textile exports to go to the pound sterling block. In August companies gained the right to make direct "buyer-supplier" contracts with SCAP setting a "floor price" to prevent dumping. A provision that companies could receive 25 percent of the revenue generated by the sale of goods above the floor price enabled firms to keep some of the profits their goods earned.[103]

In the spring of 1948 legislation to facilitate and stabilize Japanese purchases of raw cotton came before the United States Congress. Drafted by two senators from southern textile states, Burnet R. Maybank (Democrat, South Carolina) and James O. Eastland (Democrat, Mississippi), in consultation with William P. Jacobs, the bill proposed creating a "$150,000,000 revolving fund for the purchase of fibers and hides for processing in occupied countries." Bolstered by predictions that it would ensure the export of 1,000,000 bales of cotton to Japan each year, the law arrived with the endorsement of 30 senators.[104] By the next week when the Agriculture Committee opened hearings, Senator George D. Aiken (Republican, Vermont) had signed on as the bill's sponsor, and it received support from "forty Southern and Western legislators."[105] The measure received final approval in mid-June.

Intriguingly, as Congress considered this form of aid to the Japanese textile industry, signs of public resistance to Japanese exports began to spread among textile producers. In general, they rejected the overall foreign policy of the United States

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[103] Tsūshō Sangyō Seisaku Shi Hensan Iinkai, ed., *Tsūshō sangyō seisaku shi*, pp. 593-596; Li, "Senryōki Nihon mengyō," p. 708; and Daiyamondo Sha, *Daiwa bōseki 30 nen shi*, p. 305.
[104] "Loan Fund Proposed for Cotton to Japan," New York *Times*, (March 21, 1948), p. 31.
[105] "Hearings Opened on Cotton, Hides," New York *Times* (March 26, 1948), p. 33.

government that stressed giving substantial economic aid to both former Allies and enemies while promoting free trade. In January 1948, for example, the lead article for the *American Wool and Cotton Reporter*, an important weekly textile trade publication since 1887, professed to see no reason for the United States to shoulder the expensive responsibility of rebuilding nations and exposing its domestic industries to threats from imports from abroad.[106] From this perspective, the *Reporter* logically opposed the European Recovery Plan, better known now as the Marshall Plan, to rebuild Western Europe.[107] Needless to say, the *Reporter* harshly criticized President Truman's call for a three-year extension of reciprocal tariff agreements, a program begun by Secretary of State Cordell Hull in 1933 that had permitted bilateral pacts that slashed American tariff rates, and the editors recoiled at the American government's support for an International Trade Organization (ITO). The prospect that an international body would determine American tariffs was terrifying. Convinced that "the United States would soon bargain away its entire tariff protection," the *Reporter* predicted the ruin of the entire textile industry. The American government was, in effect, encouraging "England, Japan, Germany, France, and other important foreign textile producing nations to compete and 'wreck' the American industry in a 'chess game of world politics'"—i.e., the contest between the free world and communism. In the opinion of the *Reporter*, the fate of the tariff was "a danger more immediate and pressing even than communism."[108]

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[106] "Financing the World? or Bust?, *American Wool and Cotton Reporter*, Vol. LXII, No. 4 (January 22, 1948), pp. 1, 27, 29, and 31-33.
[107] "Who Wants ERP?," *American Wool and Cotton Reporter*, Vol. LXII, No. 13 (March 25, 1948), pp. 1, 37, and 39.
[108] "Who Is to Set U.S. Tariff Rates?," *American Wool and Cotton Reporter,* Vol. LXII, No. 11 (March 11, 1948), pp. 10 and 12, and "Folly of Low Textile Tariffs," *American Wool and Cotton Reporter*, Vol. LXII, No. 11 (March 11, 1948), pp. 14, 16, and 25. The quotations are on p. 14.

The *Reporter* may not have spoken for all textile manufacturers, but in April a joint conference of British and American textile executives in Manchester expressed clear sentiments against free trade and Japanese competition. On the surface, the British acceptance at the conference of an American proposal that SCAP be allowed to sell Japanese textiles to pound-sterling regions in return for the purchase of raw materials in those areas seemed favorable to Japan. After all, Bōkyō had made a similar request. One of the main motives of the Americans for pushing this measure, though, centered on the need "[t]o 'relieve the danger' that there be 'no other place to sell Japanese textiles than the United States itself,' where such textiles are 'neither needed nor wanted.'" Developing these non-dollar markets might also prevent the desperate dumping of Japanese goods in the United States.[109] A fear of Japanese exports also led the joint conference to suggest limiting the manufacturing capacity of the Japanese industry to 3,500,000 spindles.[110] As William P. Jacobs, who attended the conference and obviously began to trim his sails to the prevailing wind of opinion in the industry, explained later, this ceiling would "permit Japan to derive substantial value from her textile production, while at the same time maintaining the opportunities for world trade which are essential for the United States and the United Kingdom."[111] The *American Wool and Cotton Reporter* described the atmosphere at the conference in more colorful and blunt language: "The leering specter was of a revived, feudally industrialized, coolie-waged, price cutting and militantly merchandizing Japan—which in 1933 wrested century-old world cotton

[109] "The Cotton Mission Ghost," *American Wool and Cotton Reporter*, Vol. LXII, No. 21 (May 20, 1948), P. 63.
[110] "Anglo-U.S. Parley Sets Cotton Aims," New York *Times* (April 13, 1948), p. 39.
[111] William P. Jacobs, "Textile Export Trade Essential," *American Wool and Cotton Reporter*, Volume LXII, No. 21 (May 20, 1948), p. 99.

textile export dominance from Great Britain and slashed viciously into American domestic as well as foreign markets."[112]

The attitudes of American cotton farmers differed markedly. The National Cotton Council, which Oscar Johnson of Scott, Mississippi, had created in the depths of the Great Depression to revive the production of raw cotton, avidly encouraged efforts to develop new markets. Hence, the Council expressed strong support for the ERP, which Secretary of State George C. Marshall claimed would require ten million bales of cotton,[113] and for the revival of the Japanese cotton textile industry. The Council worked with government officials and Congressional Committees to plan the financing of raw cotton exports to occupied Germany and Japan. The passage of the revolving fund for their purchases of American raw cotton demonstrated the Council's clout as a lobby for over 600,000 farmers in at least 17 states in the South, Southwest, and West, stretching from Virginia to California.[114] The Council also backed the privatization of Japanese exports in order "to re-establish the Japanese cotton textile merchants in the sale of their own merchandise to supplant the present government-to-government system of trading."[115]

These stands caused friction with American textile manufacturers. Because producers who directly handled raw cotton—i.e., spinners--could join the Council and by its regulations could veto its resolutions, they could thwart some proposed actions, such as an official endorsement of the ITO. The Council, however, gave scant support for

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[112] "The Cotton Mission Ghost," pp. 62-64.
[113] "Cotton Council O.K.'s Marshall Plan," *American Wool and Cotton Reporter*, Vol. XLII, No. 5 (January 29, 1948), p. 15.
[114] See "Is Nat. Cotton Council Good or Bad?," *American Wool and Cotton Reporter*, Vol, LXII, No. 12 (March 18, 1948), pp. 13-14. For data on the number of cotton farms and the main cotton producing states, see United States Bureau of the Census, *Statistical Abstract of the United States, 1951*, pp. 552 and 617-618.
[115] "Is Nat. Cotton Council Good or Bad?." pp. 15-16.

positions taken by groups representing textile manufacturers. As the *American Wool and Cotton Reporter* observed, the Council would not participate actively "in matters vital to the whole textile industry—such matters as the protective tariff and reciprocal trade, which are of urgent moment to the textile mills of America right now." Edward Lipscomb, the Council's director of public relations remarked forthrightly, "If the mills want an active fight on reciprocal trade, it's up to them to do it themselves."[116] Pointedly, textile manufacturers did not invite representatives from the Council to the conference in Manchester.

The Manchester conference prompted a frosty reaction in Japan on all sides. While probably glad to learn that British executives favored allowing Japanese exports to their colonies, SCAP officials dismissed the suggestion to curb Japanese textile production as "without official standing" and as "merely a propaganda effort designed to influence Allied policy." They reiterated Undersecretary Draper's recent announcement that SCAP would not impose a new ceiling on Japan's peacetime industry. Moreover, a Japanese trade mission would soon travel abroad for the first time since 1945, as four businessmen would accompany W. R. Eaton, the head of SCAP's Cotton Branch, to India.[117] Nor were the Japanese about to back down. Industry leaders seemed to mock the proposed limit of 3.5 spindles by contending that it must refer either to just the number of machines to be used for exports or to just the number that would be in operation. To bolster the latter case, the Japanese cited statements by conference participants that Japanese firms currently had two million spindles, whereas the companies actually had three million, of which two million were operating. Both

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[116] Ibid., p. 16.

[117] "CCC Terms Tie Up Textiles in Japan, New York *Times* (April 19, 1948), p. 33.

interpretations, of course, supported Japanese firms installing many more than a total of 3.5 million spindles.[118] Japanese textile leaders clearly intended to pay little attention to the views of their British and American counterparts.

Within the space of three years, the Japanese textile industry had thus recovered from a state of nearly total paralysis in the fall of 1945 to the cusp of recovery. Significantly, the Japan Spinners Association decided in June 1948 to publish an account of the past few years entitled *The Recovery of the Japanese Spinning Industry [Nihon bōsekigyō no fukkō].* Bōkyō's director, Hori Bunpei, expressed the strain demanded by this effort when he wrote in his introduction, "To say that the most recent two years and ten months is equivalent to ten years [of activity] during the prewar period is not necessarily an exaggeration."[119] Success, however, spurred new problems at the international level, as Western competitors' fears of Japanese competition turned into tangible alarm.

The Perils of the Global Economy

The next few years saw the Japanese cotton textile sector fulfill the worst nightmares of American and British rivals by re-emerging as a major exporter. SCAP backed this development by easing controls to end the role of Japanese textile firms as *de facto* subcontractors to the government and giving them the autonomy to make their own decisions. Instead of allocating raw cotton to firms, the Textile Trade Public Corporation of the government's Trade Bureau could now sell imported raw cotton to individual spinning companies at a set price. Firms could arrange for export contracts through the newly formed Textile Goods Overseas Sales Committee. Officials also removed the

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[118] Asahi Shinbunsha, *Asahi keizai nen shi*, 1948, p. 94.
[119] Hori Bunpei, "*Nihon bōsekigyō no fukkō* kōkan ni atatte," in Nihon Bōseki Kyōkai, ed., *Nihon bōsekigyō no fukkō* (Osaka: Nihon Bōseki Kyōkai, June 1948), pp. 1-2.

official "floor price," but a "check price" was supposed to serve as a guideline for minimum prices. In April, as part of a general program backed by SCAP to enhance economic stability, the Japanese government eliminated the existing system of multiple exchange rates for different products and set a uniform rate at 360 yen to one U.S. dollar. Because the previous rate for cotton cloth had been 250 yen per dollar, the new rate represented a *de facto* devaluation that favored exports of cloth. In January 1950, private imports of raw cotton from sources other than the United States were allowed. By July, private entrepreneurs gained the right to handle all such imports, as well as textile exports. Moreover, SCAP permitted the government to establish trade offices overseas.[120]

In response, exports of cotton fabrics soared by 76.8 percent in 1949 after a meager gain of just 11.9 percent the year before.[121] Asian markets—principally Indonesia, Thailand, Singapore, Pakistan, India, and Aden—absorbed the largest share, over 52 percent, and Europe took 28.74 percent. Despite the outcries of American executives about a tidal wave of Japanese imports, the shipment of Japanese cotton cloth to the United States, which had begun in 1947, actually fell to the point that the United States absorbed less than 1 percent of Japanese exports of fabric.[122] Britain became a major purchaser of unbleached Japanese cloth, which British manufacturers processed for export. These purchases accounted for 23 percent of Japanese exports of cotton fabric in 1949.[123]

The surge in Japanese exports combined with a general decline in overall British and American exports to generate serious concern among textile leaders in both Britain

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[120] Li, "Senryōki," pp. 707-708 and 711, and Nihon Bōseki Kyōkai, *Sengo Nihon Bōseki shi*, pp. 36-37.
[121] These calculations are based on data given in Seki, *Cotton Industry of Japan*, pp. 392-397.
[122] Ibid.
[123] *Ibid*, and Nihon Bōseki Kyōkai, ed., *Nihon bōsekigyō no fukkō*, pp. 154-155.

and the United States. Stunned by a sharp fall in American exports of cotton fabric, from almost 1.5 billion yards in 1947 to 980 million yards in 1948, four major textile groups in early 1949 formed The Textile Industry Committee on Foreign Trade, under the direction of William C. Planz, vice-president of Neuss, Hesslein & Co. and, as noted previously, an early skeptic toward the revival of the Japanese textile sector. As summarized in the New York *Times*, he defined one "major problem" as "policies in occupied areas of Germany and Japan which divert cotton goods from those areas to the U.S. or traditional foreign markets for the American industry to get dollar exchange."[124] The Chairman of the British Cotton Board, Sir Raymond Streat, proposed in February a joint British-American mission to Japan to deal with the problem of Japanese goods that "may flood world markets." Planz helpfully replied that such a conference could help "maintain a stable world market."[125]

Sensitivity to the plight of domestic cotton farmers tempered somewhat the views of American textile industrialists toward the threat of overseas competitors, including both Europeans and Japanese. For example, even the often rabidly pro-manufacturer *American Wool and Cotton Reporter* recognized the benefits that the European Cooperation Act (ECA, the Marshall Plan) brought to cotton growers, even if American textile industrialists loathed it: "And if ECA is building up a certain amount of competition for American cotton goods from ERP countries, ECA at the same time is providing the mainstay of American raw cotton exports." The *Reporter* estimated that the ECA and "special credits," presumably including the Revolving Fund for occupied territories, would probably account for three-quarters of raw cotton exports in the next

[124] "4 Cotton Groups Act to Aid Export," New York *Times* (January 12, 1949), p. 46.
[125] "Japanese Fabrics Feared," New York *Times* (February 10, 1949), p. 43, and "Anglo-U.S. Mission to Japan Is Favored," New York *Times* (February 22, 1949), p. 36.

year. Without this help, cotton exports would amount to only one million or so bales, the "lowest figure since the Civil War!"[126] The *Reporter* explained that although the industry hoped to "lick" the ITO industrialists were resigned to the extension of Reciprocal Trade Agreements (RTA), because "cotton growers" accepted them.

In spite of this ambivalence, protectionist sentiment increased. Dr. Claudius T. Murchison, president of the Cotton Textile Institute, emphasized at the meeting of the American Cotton Manufacturers Association that the United States had to protect producers against imports as well as remain competitive in textile exports in order to maintain its current production capacity.[127] Accordingly, the convention approved a resolution against supplying foreign textile industries with more efficient equipment. Later in 1949, the decision of the British government to cease purchasing Japanese goods with pounds sterling and to devalue the British pound by 30 percent raised the prospect of more Japanese goods being diverted into the American market. Moreover, the Senate's extension of the RTA act without the current "peril points" provisions enabled critics to charge that textile producers had no chance to halt a "possible flood of foreign imports."[128]

The rhetoric of American textile leaders escalated. Robert T. Stevens, chairman of the Board of J. P. Stevens and Company, lamented the new "open door for cotton goods." "Those tinkering with tariffs through the Reciprocal Trade Agreements," he declared, "have had relatively little regard for the future of the textile industry in the

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[126] "What is the Outlook on Foreign Textile Competition," *American Wool and Cotton Reporter*, Vol. 63, No. 24 (June 16, 1949), p. 55.
[127] "Foreign Trade Policy Needed," *American Wool and Cotton Reporter*, Vol. 63, No. 14 (April 7, 1949), p. 23.
[128] "Devaluation to Hit Fine Goods Section," *American Wool and Cotton Reporter*, Vol. 63, No. 39 (September 29, 1949), pp. 11-12.

United States." He added perceptively if cynically, "The negotiators have in mind that we can ship out typewriters, automobiles and mechanical products in abundance, which very few other countries know how to make, and do not seem particularly concerned over a prospective flood of soft goods imports to balance out the exports of these durable products."[129] Planz complained about Japanese competition underselling American goods. He implicitly rejected William P. Jacobs's belief that increased American productivity could meet any challenges from abroad. Emphasizing that the monthly wage in Japanese mills was only $14.73 compared to $174.00 in the U.S., he contended that "[a]ll of the technical improvements and technological skill available to our industry cannot begin to overcome this wage handicap." Moreover, he claimed that Japan aimed at a total capacity of 8.5 million spindles.[130] The editors of the *American Wool and Cotton Reporter* predicted that Japanese firms would export 600 million yards of cotton fabric in 1949 and 800-900 million yards in 1950. In other words, Japanese exports would soon exceed those of the United States.[131]

As American textile exports continued to decline, the campaign for a joint British-American textile mission to Japan gathered force. As mentioned above, American exports in 1948 fell by 42 percent, from 1.47 billion yards to 980 million yards; in 1949 the trend continued as exports reached only 880 million yards; and the first quarter results in 1950 suggested a precipitous drop to less than 500 million yards for the year.[132] At the second Anglo-American Textile conference, this time held in December 1949 at the

[129] "Tariff Tinkering Threat to American Textiles," *American Wool and Cotton Reporter*, Vol. 63, No. 41 (October 13, 1949), p. 9.
[130] Quoted in "Japan's Textile Threat," *American Wool and Cotton Reporter*, Vol. 63, Vo. 48 (December 1, 1949), p. 13.
[131] "Japan's Threat to U.S. Textiles," *American Wool and Textile Reporter*, Vol. 63, No. 44 (November 3, 1949), p. 27.
[132] "Textile Export Trade under Severe Readustment, "*American Wool and Cotton Reporter*, Vol. 64, No. 24 (June 15, 1950), p. 35.

Waldorf-Astoria Hotel in New York City, Sir Raymond Streat urged the United States and Britain to "assure markets for surplus output" by sending a mission to Japan "to study the conditions for orderly progress" in the textile trade.[133] Planz added that the Japanese "must be induced to sell their products [at prices] closer to world levels."[134] Plans for the mission progressed in late March at the first annual convention of the American Cotton Manufacturers Institute (ACMI) in Palm Beach, Florida, which Streat also attended. Ellison S. McKissick, president of the ACMI, complained about the attitude of American government officials that the "American textile industry can or should bear the brunt of th[e] effort to have dollars in exchange for the production of Japanese workers if our nation is to be relieved of the burden of supporting the Japanese economy."[135] If the United States government would not look after the interests of the domestic textile industry, executives would have to take matters into their own hands.

The American and British delegations of six and eight members respectively arrived in Osaka in mid-May 1950. The Japan Spinners Association hosted the conference, and a total of 28 Japanese participated in the proceedings. Although SCAP personnel attended some of the discussions, none of the delegations had official support from their respective governments.[136] Beforehand, Japanese executives were apprehensive, because the purpose of the conference was not clear. Preparing for the worst scenario, they braced themselves for British and American demands that Japanese

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[133] "Anglo-U.S. Action on Textiles Urged," New York *Times* (December 1, 1949), p. 49.
[134] Quoted in "Japan's Textile Threat," p. 13.
[135] "Cotton Institute Sees Export Loss," New York *Times* (March 31, 1950), p. 55.
[136] SCAP personnel are not included in the Japan Spinners Association's overall roster of all participants, but the records of Sub-committee Number Two, which took up the topic of exports, does indicate the participation of a representative from SCAP, Roy Campbell. For the overall list of participants, see "Mengyō kaidan shussekisha," *Nihon bōseki geppō*, No. 41, special edition (June 1950), p. 18. For the list of participants in Sub-Committee No. 2, see *Ibid*, and "Minutes of Subcommittee Number Two: Discussions on Japanese Exports and Export Price Policy—May 12 and 13, 1950," p. 1, in the Archives of the Nihon Bōseki Kyōkai, III-2-13/18 (Box 89).

textile firms limit their production capacity and their exports.[137] Accordingly, Hori Bunpei's welcoming remarks as the head of Bōkyō underscored the economic weakness of Japan, its lack of autonomy to make national policy, and the struggle of the Japanese for economic survival. Noting the extensive physical damage that the recent "reckless war" had brought to Japan, he pointed out that "we are still under the rule of occupation and are not given the capability to solve problems…" He explained that Japan had to export in order to regain "economic independence." Because cotton textiles provided 37.7 percent of the value of Japanese exports, "the prosperity and decline of the cotton sector is a large problem pertaining to the existence of the Japanese people."[138] Speaking for the American and British side, Robert C. Jackson sought to explain the reason for the mission by observing that the demise of "healthy competition" had "brought various problems to our industry," and venturing that "we hope to find a constructive conclusion." Alluding to the trade disputes of the 1930s, he acknowledged that the Japanese cotton sector had to export much of its output, but he insisted that Japanese companies had to take into account the declining volume of world trade in cotton goods. Hence, discussing Japanese plans for the growth of the textile industry and the expansion of exports assumed special importance for prevention the eruption of trade tensions again.[139]

The American and British participants concentrated on criticizing the low prices of Japanese textiles. In the meeting of Subcommittee Number Two on exports, Gordon

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[137] Abe Kōjirō, "Mengyō kaidan o kaerimite," *Nihon bōseki geppō*, special edition, #41 (June 1950), p. 32 and Katō Matsuo, "Kaidan yōroku," *Nihon bōseki geppō*, No. 41, special edition (June 1950), pp. 40-41.
[138] Hori Bunpei, "Sankoku kyōdō no rieki no tame ni—Nihongawa kangei no aisatsu," *Nihon bōseki geppō*, No. 41, Special Edition (June 1950), pp. 2-3.
[139] Robert C. Jackson, "Seishin Sei'i kyōryoku o nozomu--BeiEigawa sutētomento--," *Nihon bōseki geppō*, No. 41, Special Edition (June 1950), pp. 4-5.

Rule and William C. Planz from the American delegation lost little time in launching their attack. Rule called the drop in Japanese prices in early 1949, after the elimination of the floor price, "unnecessary." Not only, he argued, should the Japanese avoid stirring up protectionist sentiment in the American Congress, but they also should want the highest prices possible in order to gain the most income from exports. Pointing out that American textile exports had fallen by 75 percent since 1947, "due mainly to the growth of Japanese competition in world markets," Planz wondered where Japan could sell more products. He reasoned that Japan could gain as much foreign exchange "by pricing her present production around world levels as against expanding production to sell under world levels."[140]

Hara Kippei of the Dai Nihon Spinning Company blamed unscrupulous "buyers" for low prices. Japanese firms were "trying to sell high, but we are in the hands of buyers" who "get together and they aim for prices at too low a level." Hara also professed that Japanese executives lacked accurate information about textile prices on the world market. Somewhat in disbelief, Frank S. Winterbottom from the British delegation explained that the *Manchester Guardian* provided price information on a regular basis, while Planz pointed out that the *Daily News Record* in New York published the prices of "standard grey qualities daily." When Hara contended that even if the large spinning firms could easily investigate world prices, small "independent weavers [were] always susceptible to bids," Roy Campbell of SCAP responded by suggesting that if spinners charged higher prices for cotton yarn, the price of fabric would rise too. When Hara asked to be notified of cases of sales of Japanese textiles abroad at excessively low prices,

[140] "Minutes of Subcommittee Number Two," pp. 10-13.

Planz replied testily that if Japanese executives simply checked the *Daily News Record* on a regular basis they would prevent such problems.[141]

American and British executives also tried to impress upon the Japanese their view of the limited capacity of the world market in textiles. Despite the push of the American government to liberalize world trade, Rule and Planz emphasized various barriers to textile exports appearing around the globe, such as policies of various nations that required the licensing of imports. When Hara mentioned that Japanese firms planned a modest increase in exports of 10 percent in 1950, Planz quickly queried where those shipments would go. After Toyoshima Kyūshichi, an exporter, answered a bit too frankly, "We have to sell exports and we have to sell in any way we can," Rule countered, "Mr. Toyoshima's philosophy is what concerns us." Hara elaborated with more tact that the Japanese, who depended on international trade for so many goods, had to believe in the growth of world trade. If trade restrictions in overseas markets continued, "our population of 80 million will not survive."[142]

The Japanese voiced some complaints too. Early on, they raised the issue of imperial preferences which granted lower tariffs for goods produced and sold within the British Empire. After Streat replied that the "intrusion into world trade of too many goods at too cheap prices" would prevent the elimination of imperial preferences, Hara explained that Japanese firms could not compete if they had to sell goods at world prices in markets with imperial preferences. Moreover, he noted—perhaps with a wry sense of

[141] *Ibid*., pp. 13-18 and 28. Winterbottom had participated in the Taylor Mission to Japan in 1946.
[142] *Ibid*., pp. 19-23.

irony—that new anti-monopoly legislation backed by SCAP now prevented business groups from collaborating to control the prices and quantities of goods for exports.[143]

The report of the Sub-committee, which the British and Americans insisted that the Japanese delegation compose, concluded that "Japan must reform present sales practices of Japanese goods."[144] The "proceedings" of the Subcommittee explained that three options existed for price control: regulation through private business associations, supervision by the government, and the availability of more information about world prices. Because the first option was now illegal and the second was distasteful, only the third remained.[145] In his concluding remarks, Hori affirmed a commitment to sell at fair prices. He pledged that "the Japanese cotton industry is the axis of Japan's economic autonomy. It is an important problem related to the right of the Japanese people to exist." "However," he continued, "[we] want to advance with the spirit of co-prosperity in which the development of Japan's cotton industry is always based on international cooperation….[we] want to abandon reckless competition in the [foreign] trade of Japan's cotton industry."[146]

The Production Subcommittee, where discussions evidently went more smoothly,[147] appeared to accept the possibility of the expansion of Japan's productive capacity. Its report anticipated that Japan would reach the target of four million spindles by the end of the year and observed that the textile industry had to exceed that capacity to

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[143] *Ibid*., pp. 2, 9 and 25.
[144] "Report of the Export Sub-Committee," *Nihon bōseki geppō*, No. 41, special edition (June 1950), p. 8.
[145] "Proceedings of the Export Sub-Committee, *Nihon bōseki geppō*, No. 41, special edition (June 1950), p. 13.
[146] Hori Bunpei, "Kokusai kyōchō ni yoru kyōzon kyōei o moku shite," *Nihon bōseki geppō*, No. 41, special edition (June 1950), p. 14.
[147] Abe Kōjirō, president of Tōyō Spinning and a member of the Production Subcommittee, noted in a brief retrospective essay that the only topic that caused "active debate" was that of low prices, as discussed above in regard to the Export Subcommittee. See Abe Kōjirō, "Mengyō kaidan o kaerimite," p. 32.

"contribute greatly to exports to achieve an overall balance of payments for the nation."[148] Perhaps in a spirit of compromise, Sir Raymond Streat's final statement left open the question of the expansion of Japan's cotton textile sector by urging that the number of spindles at a particular time should be decided by three conditions--the level of domestic consumption, trends in overseas markets, and the availability of capital to purchase raw cotton.[149]

The gathering of cotton textile executives in Osaka represented an early effort by American and British businessmen to restrain Japanese competition through persuasion. Robert C. Jackson afterwards described the aim of the mission as "convincing [the Japanese] that they must conduct themselves in world trade in a more orderly manner than before the war," when they had "violated all the ethics of foreign trade by price cutting, dumping, and other devices." Members of the mission realized that Japan had to rebuild its textile industry and export much of its output, but hopefully the Japanese now recognized "the need to rehabilitate their industry on the basis of mutual understanding."[150] A few weeks later, he elaborated by explaining that the American-British mission was "able to impress the leaders of the Japanese cotton industry with the importance of a more adequate pricing policy and a more orderly pattern for world trade."[151] The British and American strategy lay in hinting at the rise of trade tensions and implicitly threatening retaliation if Japanese exports expanded too quickly. Such threats, though, had to be oblique, because the American government was pursuing a

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[148] "Report of the Production Sub-Committee," *Nihon bōseki geppō*, No. 41, special edition (June 1950), p. 7.
[149] Sir Raymond Streat, "Ryōshiki to kyōgi kyōryoku o motte," *Nihon bōseki geppō*, No. 41, special edition (June 1950), p. 16.
[150] "Textiles 'Liaison' with Japan Urged," New York *Times* (June 7, 1950), p. 42.
[151] "STA Members Hear of Textile Industry in Europe and Japan," *American Wool and Cotton Reporter*, Vol. 64, No. 25 (June 22, 1950), p. 44.

policy of overall trade liberalization, even to the extent of pressuring the British to end their system of imperial preferences.[152] Aware that neither the British nor the American delegation had received official support from their respective governments, Japanese participants knew they could avoid specific commitments.

If the Anglo-American mission to Japan aimed to curb Japanese exports, it oddly provided a pretext for Congress to consider the issue of raising the limit on Japan's production capacity. Moreover, the vague endorsement of doing so by the Production Subcommittee may have emboldened the United States Congress to take action. In June the Judiciary Subcommittee of the Senate began an investigation supposedly of "monopolistic aspects of the recent Anglo-American textile trade commission to Japan." Senator James O. Eastland of Mississippi, who had championed the revolving fund for cotton purchases in 1948, chaired the proceedings. After two days of hearings, the Subcommittee dropped the topic of possible anti-trust violations and sent to the Department of State and to SCAP a recommendation for an increase of 800,000 spindles for Japan beyond its current limit of four million. The senators asserted that this action would strengthen Japan's economic self-sufficiency and expand the market for American cotton. In Japan, General MacArthur quickly obliged their wishes.[153] The major textile organizations voiced no protest.

If the Anglo/American mission to Japan aimed to blunt Japanese competition, one can wonder why British and American textile leaders accepted an expansion of the

[152] See the comment by Sir Raymond Streat, "Minutes of Subcommittee Number 2," p. 9.
[153] "Increase Favored in Japan's Textiles," New York *Times* (June 24, 1950), p. 22, and "Korean and Jap Cotton," *American Wool and Cotton Reporter*, Vol. 64, No. 27 (July 6, 1950), p. 36.

Japanese industry beyond the limit set in 1947.[154] Did the graciousness of Japanese hospitality induce Western executives in Osaka to overlook their own interests by endorsing a production capacity over four million spindles? Why did American textile associations not protest the recommendation of the Judicial Sub-committee in June 1950? Perhaps at the Osaka conference American and British delegates believed that if their Japanese counterparts sold their goods at world prices, as they pledged to do, Japanese products would no longer pose a major problem. In this perspective, the increased capacity for Japan would be a reward for good behavior. Upon returning home, American textile leaders may have come under heavy political pressure from the American government and the National Cotton Council not to complain about SCAP lifting the limit of 4 million spindles.

Representing another perspective, the feisty *American Wool and Cotton Reporter* scoffed at the Japanese promises to "sell no goods at 'unnecessarily low prices'" and to increase exports "by only ten percent." Cheap Japanese goods, the *Reporter* observed, were already hitting the shelves in American stores. While the United States lost one billion dollars of cotton textile exports between 1947 and 1950, imports of textiles into the domestic market from Japan and elsewhere were soaring.[155] While industry leaders kept a discreet silence, the *Reporter* lamented that the decision to allow Japan's production capacity to expand was "just one more aid to cotton farmers at the expense of manufacturers."[156]

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[154] Some previous accounts have noted the relationship of the Osaka conference and the decision by the American government to lift the 4 million spindle limit, but they have not examined the issue in much detail. See Li, "Senryōki no Nihon," p. 712 and Tsūshō Sangyō Seiskaushi Hensan Iinkai, ed., *Tsūshō sangyō seisakushi*, pp. 597-598.

[155] "Japanese Sincerity," *American Wool and Cotton Reporter*, Vol. 64, No. 26 (June 29, 1950), p. 26, and "Korean and Jap Cotton," p. 40.

[156] "Korean and Jap Cotton," p. 40.

If nothing else, the joint British-American mission to Japan had a psychological impact on Japanese textile leaders. In October 1950, Hara Kippei, the president of the Dai Nihon Spinning Company and the head of the Japanese delegation that participated in the Export Subcommittee at the May conference,[157] felt compelled to write to Sir Raymond Streat to explain the reasons for the surge of Japanese cotton textile exports well beyond the 10 percent growth that he had predicted to an estimated 35 percent increase by the end of the year. He noted the "special demand" caused by the unexpected eruption of war on the Korean Peninsula in June and vaguely mentioned the efforts of "nations to cover their own lack of cloth." Japan definitely had not dumped goods on the world market, because the prices of cotton fabric and the wages of textile workers had risen significantly.[158] Streat's reply acknowledged the higher prices for Japanese goods, but expressed puzzlement at the lack of a specific explanation for the huge increase in exports. He wondered whether Japanese firms were following a strategy of supplying the domestic market with synthetic textiles in order to free up cotton cloth for export.[159] In response Hara stressed that the strong demand overseas for cotton goods was causing synthetic textiles to fill the gap for such goods at home. In other words, far from spurring the sharp increase in exports of cotton products, the growing consumption of synthetic textiles at home resulted from those exports. Moreover, taking a dig at continuing government regulations, he observed that price controls on cotton goods at home made selling in the domestic market unattractive.[160]

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[157] "Minutes," p. 1.
[158] "Eikoku mengyō iinkai iincho Sā Reimondo Sutorīto ate," Hara shachō shokan (October 13, 1950), pp. 1-4, in the Archives of the Nihon Bōseki Kyōkai, III-2-52 (Box 98).
[159] Koton bōdo iinchō Sā Reimondo Sutorīto yori Hara shachō ate shokan no naiyō," (November 23, 1950), p. 2, in the Archives of the Nihon Bōseki Kyōkai, III-2-52 (Box 98).
[160] "Sutorīto gō ni taisuru henji," (January 16, 1951), pp. 7-8. in the Archives of the Nihon Bōseki Kyōkai, III-2-52 (Box 98).

Although Hara felt the need to seek Streat's understanding and approval for developments in Japan's textile sector, the exchange ended up manifesting the two business leaders' markedly different perspectives on the international market. Claiming to take a broad view, Streat imagined a planned sharing of a stagnant international market. Although he hoped that world trade in cotton textiles would expand, he forecast a "limit to a degree in the absolute amount as a whole." "The problem remains," he wrote, "as to which share it is good for each nation to take without inviting harsh competition among nations participating in world trade or strengthening every type of restrictive measures."[161] He thought that a nation should pursue a "gradual reasonable expansion based on attainable possibilities."[162] Hara, on the other hand, professed optimism about the growth of the world market. He could not take a patient approach, because the goals of Japan's economic recovery and the self-sufficiency of industry mandated a priority on exports. As a palliative, Hara insisted that Japanese firms were now playing by the rules. Japanese goods "were sold at prices above the level of world prices," and "today's growth in the export of Japanese goods is occurring based on fair methods."[163]

Coping with Globalization

Japanese textile production grew quickly over the next two years. The number of spindles, as predicted, reached 4 million by the end of 1950, and then jumped to 6.3 million in 1951, and, remarkably, over 7.4 million in 1952. The output of yarn grew by approximately 49.75 percent in 1950 and 37.2 percent the next year. The production of cloth rose by 54.6% in 1950 and by 36.8 percent in 1951. After exports of cloth

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[161] "Koton bōdo," p. 4.
[162] "Letter to Mr. Hara, March 7, 1951, from Sir Raymond Street," p. 4, in the Archives of the Nihon Bōseki Kyōkai, III-2-52 (Box 98).
[163] "Sutorīto gō," pp. 3-4 and 6.

increased by 47.8% in 1950, Japan became the world's leading exporter of cotton goods. A report by the Bank of Japan remarked that "for those industries related to textiles, [this] was the reappearance of a golden age."[164]

As the price of yarn fell in the latter part of 1951, probably as a result of the start of diplomatic efforts to end the Korean War, the Japanese government imposed temporary controls on the textile industry. The Ministry of International Trade and Industry (MITI) first began to curb the expansion of the spinners' capacity. After exports showed signs of weakening, MITI in Februrary 1952 recommended a 40 percent cutback in the monthly production of yarn, a curtailment that lasted until May 1953.[165] Although MITI enacted and enforced this *sōtan*, Japanese textile leaders had realized its necessity several months beforehand because of trends in worldwide demand, the rapid expansion of domestic production capacity, and the difficulty in obtaining sufficient foreign exchange to purchase raw cotton. In September 1951, for example, Bōkyō had forecast a modest surplus in production for the current year and for 1952. While anti-monopoly legislation prohibited the Spinners Association from implementing limits on production, or even appearing to urge them, newspapers reported that the "industry" (*gyōkai*) agreed on the need for companies to trim output in order to calm criticism abroad about the "rapid expansion of the Japanese cotton sector." Even after the cutback rate rose to 40%, executives remained supportive.[166]

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[164] These calculations are based on data given in Seki, *Japan's Cotton Industry*, .p. 312-313. For the quotation, see Nihon Ginkō Chōsakyoku, "Saikin no mengyō kinyū," p. 45.
[165] Nihon Ginkō Chōsakyoku, "Saikin no mengyō kinyū," p. 48, and Tsūshō Sangyō Seisakushi Hensan Iinkai, ed., *Tsūshō sangyō seisakushi*, Vol. 3 (Tsūshō sangyō Chōsakai, 1992), pp. 600-603.
[166] "Menbō no sōtan wa hisshi," *Yomiuri shinbun* (September 8, 1951), p. 2, and "Setsubi seigen to chōki sōtan," *Yomiuri shinbun* (October 11, 1952), p. 2. Uriu, *Troubled Industries*, pp. 47-53, views the Spinners Association as the instigator of the production cutback.

Japanese textile leaders worried about foreign criticism, because they knew that Sir Raymond Streat was making one more attempt to bring his cherished vision of order to the world textile market through a multinational conference at Buxton in September 1952. It included delegations from Britain, the United States, Japan, India, and Western Europe. Compared to the tripartite meeting two years before in Osaka, this one ignored the issue of prices and concentrated on the strategy of market sharing. At Streat's request, each nation estimated its necessary fabric production in the near future. Then, he and the British delegation hammered home their main point that the global market for cotton textiles would grow slowly, if at all, and that existing capacity already sufficed to meet demand.[167] Aggressive efforts to expand any nation's share would surely prompt retaliation. Underlining the excessive competition of the 1930s, a position paper submitted by the British delegation argued that "the danger of a recurrence…is one of the chief problems of the cotton industry everywhere at the present time" and that "projects for self-restraint, if not of official regulation, will have to be considered."[168]

Despite their expressed desire to strengthen international cooperation, the Japanese representatives showed no enthusiasm for a general policy of "self-restraint." Led by Abe Kōjirō, the head of the Japan Spinners Association, they once again painted a picture of economic weakness and a national struggle for survival. Admitting that domestic consumption of cotton products in Japan had thus far attained a level only one-half that of 1937, Japanese delegates emphasized that Japan had to export in order to

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167 "Opening Statement Submitted by the United Kingdom Delegation," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, pp. 30-35.
168 *Ibid*., p. 35.

import essential goods, including $450 million worth of food each year.[169] Even so, Japanese exports attained only 35% of the level achieved in 1934-1936. Most likely addressing the American government's preoccupation with the containment of communism in Asia, the Japanese added that a strong economy would enable Japan to play a larger role as a member of the group of "free nations" and to maintain "peace and order at home (especially against the infiltration of communism into all aspects of national life) and to take a minimum measure of self-defense."[170] Finally, the Japanese professed optimism about the growth of the world market in cotton goods because of a probable widespread rise in population and income. In a telling statement, a Japanese memorandum stated that accepting as inevitable a decline in the international trade in cotton goods would be "tantamount to our submission to defeatism." As one way to expand overseas demand, they urged efforts to raise the income of developing nations whose consumption of cotton goods had dropped in recent years.[171]

This time, the American delegation, headed by Robert T. Stevens and including Edward Lipscomb, a high-ranking official from the National Cotton Council, seemed to agree more with the Japanese than with the British. Recognizing that since 1947 American exports of cotton goods had dropped by two-thirds and that imports of cotton goods into the United States had doubled, Stevens nonetheless concluded that

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[169] Abe Kōjirō, "Japan," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, p. 25.

[170] *Ibid*., pp. 25-26, and "Supplementary Memorandmum Submitted by the Japanese Delegation during Meeting of Committee No. 2," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, p. 79.

[171] "Possibilities of Expansion of Consumption of Cotton Textiles and International Trade Therein for the Benefit of All Participating Countries, A Memorandum Submitted by the Japanese Delegation," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, pp. 76-78.

"…increased consumption offers the only certain solution to our overall problem."[172] A memorandum submitted by the American delegation highlighted the success of domestic campaigns by the National Cotton Council since the 1930s to boost the consumption of cotton goods. In addition, the Americans contended that aggressive marketing for any product could spur demand, as the expansion of the Sears-Roebuck department store chain had demonstrated in Latin America. Lower prices, resulting from higher productivity, would help, too. The Americans concluded that "…the market for cotton textiles is not 'fixed' but is quite 'elastic.'"[173]

Although the Indian delegation expressed a willingness to help dampen worldwide competition in cotton textiles,[174] the stance of the American delegation ruined any chance of bringing substantial pressure to bear on Japan. The American profession of faith in the magical effects of entrepreneurship and increasing productivity resonated with long-standing ideals of American business culture, but practical influences may well have determined the American position. The American delegates may have wondered, even if the conference somehow managed to attain Streat's apparent goal of an informal multilateral understanding on restraining production, how such an agreement would be enforced. It would also violate anti-trust laws in the United States, and, as the Japanese helpfully pointed out, recent American-mandated anti-monopoly legislation in Japan. In the end, the conference participants simply endorsed vague statements that the "volume of trade is not likely to increase in the near future" and that the "existing production

[172] Robert T. Stevens, "America," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, pp. 18-23.
[173] "Increasing the World's Cotton Textile Consumption, A Memorandum Submitted by the American Delegation," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, pp. 69-75. The quotation is on page 75.
[174] Kasturbhai Lalbhai, "India," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, pp. 24-25.

potential" of participating nations could meet domestic and export demands, along with a recommendation that the participating nations should strive to expand the consumption of cotton goods.[175]

If Streat hoped that a heightened awareness of the probable saturation of the worldwide market for cotton goods would induce caution and prudence on the part of participants, the Japanese delegation had a different reaction. First, one must note that Abe Kōjirō was so surprised and elated by the lack of pressure at Buxton to make a formal commitment to restrict exports that he immediately afterwards forwarded the news to the Japan Spinners Association by telegram. The predictions of increased competition abroad and lower prices, though, so disturbed him that he cut short a planned tour of Europe to rush home to consider new policies.[176] Discussions within the "cotton sector" yielded a consensus on the need for the "stabilization of the management of enterprises" through aid for exports as well as funds to help companies deal with bad debts and drastic changes in prices. In addition, the government should adopt legislation, an "Important Industry Stabilization Law," that would permit the enactment of long-term cutbacks in production. Meanwhile the current one should continue at a rate of 40 percent.[177] Later reflecting on the conference, Abe accepted the probability that the international market would grow slowly, if at all. While proclaiming the need for a "spirit of 'coexistence and co-prosperity' and 'fair competition,'" however, he predicted that competition in exports would increase. "I strongly believe that we Japanese cotton industrialists must respond with a 'renewed awareness' to the harsh competition that is

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[175] "Report of the International Cotton Textile Industry Conference, London, Manchester, Buxton, 17th-25th September, 1952," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, pp. 4-5.
[176] "Setsubi seigen to chōki sōtan," *Yomiuri shinbun* (October 11, 1952), p. 2.
[177] *Ibid*.

sure to come in world cotton goods trade; for that goal I have been promoting a positive policy of promoting exports since my return."[178] In other words, textile firms had to mobilize to confront even fiercer competition in overseas markets.

In many ways, the situation in 1952 resembled that twenty years earlier, when the Japanese cotton textile sector started to emerge from the Great Depression. As in the early 1930s, the industry was expanding rapidly. Furthermore, Japan resumed its place as the leading exporter of cotton goods in the world. Once again, Japanese producers were upsetting American and British competitors by taking their markets away. Meanwhile, at home, firms operated under a lengthy curtailment of production.

Conclusion

The rapid recovery of the Japanese cotton textile sector represented a remarkable feat. The industry encountered an array of formidable obstacles in the wake of Japan's surrender in 1945: the loss of substantial overseas assets, the destruction of much of its physical plant, a shortage of critical materials from potato starch to food for workers, foreign occupation, nearly complete dependence on one former enemy for supplies of raw cotton, the threat of former foes to make Japan pay reparations, American efforts to break up large Japanese firms, and a lack of capital. In addition, the Allied occupation initially placed textile exports under suffocating government control. The recovery of the textile sector reflects impressive determination, persistence, and patience on the part of everyone involved, especially Japanese textile leaders.

The Japan Spinners Association played a crucial role in this process. Banned during wartime, Bōkyō had to reconstitute itself in 1946 and then alter its mission to

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[178] Abe Kōjirō, "Kyōzon kyōei to kōsei na kyōsō seishin (kokusai mengyō kaidan kara kaette)," *Nihon bōseki geppō*, No. 72 (December 1952), Kokusai mengyō kaidan tokushū go, pp. 4-5.

accord with new laws imposed by the occupation in 1948. Fueled by a belief that the recovery of the entire Japanese economy depended on the success of textile exports, the leaders of the association lobbied tirelessly to gain a higher priority from government officials in the allocation of resources and to fend off efforts to decimate companies through the policy of deconcentration. Meanwhile, textile leaders continued efforts to chip away at the tight governmental regulation of both imports and exports. Bōkyō followed a finely calibrated and effective strategy of advocating incremental steps in relaxing those controls. Textile leaders had an astute sense of judgment about which type of requests would receive a favorable reception at a particular point in time. In person, they must have been quite impressive and persuasive. The recommendations of the two textile missions that visited Japan and interacted intensively with Japanese textile leaders proved crucial to the fate of the industry: the Taylor Mission in early 1946 and the Jacobs Mission in early 1948. The first paved the way for the import of American cotton to Japan, and the second led to Congressional action to help Japanese firms purchase large amounts of American cotton on a regular basis.

Of course, the Japanese cotton textile industry and these missions did not operate in a global vacuum. In the late nineteenth and early twentieth centuries, international developments and connections had exerted a crucial influence on the growth of Japanese firms through technology transfer in manufacturing and opportunities for foreign trade that supplied raw cotton to Japanese textile companies and provided overseas markets for their products. In the late 1940s and early 1950s global influences similarly shaped Japan's cotton sector. If British and American textile executives feared the resurgence of their Japanese competitors, American cotton farmers welcomed the revival of Japanese firms as good customers, as they had been before 1941. The program to restart exports of raw cotton to Japan helped the United States government to reduce its stockpiles of surplus cotton, and support from the National Cotton Council secured passage of the revolving fund for Japanese and German purchases of American raw cotton in 1948. Just as the American emphasis on fair economic competition as a lynchpin of democracy spurred the program of deconcentration that aimed to break up textile firms, the resolve of American officials to make Japan an economically self-sufficient anti-communist base in East Asia helped to curb that campaign. Similarly, the determination of United States officials to implement the ideal of international free trade helped to open up markets, including the American market, for Japanese firms.

In the early 1950s initiatives by British and American textile executives led to two extraordinary international conferences that tried to prevent trade disputes with Japanese counterparts through an informal understanding, what one might call a "gentlemen's agreement,"[179] about sharing the global market. Although Japanese officials and textile executives had participated in bilateral trade negotiations in the 1930s, the Osaka Conference of 1950 and the Buxton Conference of 1952 became the first multilateral conferences that Japanese business leaders attended. If these conferences reflected a growing trend toward the globalization of the textile industry by emphasizing the need to plan for its future on a worldwide basis, they reflected as well the limits of globalization at that time. No practical means existed to enforce a multilateral

[179] The term refers to the "Gentlemen's Agreement" that ended a diplomatic crisis between the American government and the Japanese government in 1907 over the issue of Japanese immigrants to the West Coast of the United States. Japanese officials agreed to limit emigration to the United States, while schools in San Francisco, California, agreed not to discriminate against students of Japanese descent. Because the agreement was not a formal treaty, it did not require official ratification, but both sides abided by it.

agreement. Besides, the national delegations showed few signs of being willing to sacrifice their interests through meaningful compromises.

In retrospect, these conferences organized by Sir Raymond Streat may seem to be pathetic attempts to preserve the venerable British cotton textile industry, which would in any event vanish within several decades. His basic impulse, though, to plan a sharing of the world market in textiles soon became a common concern. As he warned, trade disputes over exports of Japanese textiles erupted within a few years.[180] Not too long afterwards, trade tensions worldwide would lead to a "multifiber" agreement in 1974 to maintain some stability in the international market. The end of multifiber agreements in 2005 has prompted frantic efforts by the United States and the nations of the European Union to protect their textile industries by enacting temporary quotas, especially on Chinese goods.

Significantly, the basic issue of how to respond to the economic damage caused by the globalization of textile production in the early 1950s remains pressing and unresolved. Then, the established textile sectors in more developed economies argued for the virtues of the orderly expansion of world production and trade, while Japan, a brash entrant into the international market after a hiatus of almost a decade, rejected attempts to restrict their opportunities for prosperity. Textile executives in the United States clamored for protection by emphasizing the loss of well-paying jobs for ordinary citizens, but they encountered substantial opposition from several quarters, even at home. Cotton farmers benefited from exports to Japan. Retailers, who asserted that cheaper goods would benefit consumers, welcomed Japanese imports. In vain, American textile

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[180] For an examination of the major textile trade dispute with the United States in the mid-1950s, see Aaron Forsberg, *America and the Japanese Miracle*, Chapter 8.

manufacturers countered with the seemingly poignant argument that being able to purchase a shirt for 50 cents rather than a dollar would not benefit workers who had no money to spend because they had lost their jobs. Still, these producers received little sympathy from government officials pursuing a broader vision of implementing the ideal of free trade in the hope of ensuring worldwide prosperity as a means of preventing future world wars. The developments described above present an early demonstration of the difficulty of stopping the globalization of production in any economic sector, even when it inflicts substantial economic pain, because it creates winners and proponents as well as losers and opponents. [181]

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