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‘A Country in Which I Have Long Had a Close Interest’:

New Zealand’s Relations with Japan in the 1950s

A Thesis presented in partial fulfilment of the requirements for
the degree of Master of Arts in History at Massey University

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List of Abbreviations

AJHR	<i>Appendices to the Journals of the New Zealand House of Representatives</i>
ANZUS	Australia, New Zealand and the United States (Tripartate Security Treaty) 1951
CCEP	Cabinet Committee on Economic Policy
CRO	Commonwealth Relations Office (United Kingdom)
DNZER	<i>Documents on New Zealand Foreign Policy</i>
EA	Department of External Affairs, External Affairs Archives New Zealand series classification
EOL	Exchange of letters
GATT	General Agreement on Trade and Tariffs
IC	Department of Industries and Commerce, Industries and Commerce Archives New Zealand series classification
IMTFE	International Military Tribunal for the Far East
MFA	Ministry of Foreign Affairs (Japan, also known as the Gaimusho)
MFN	Most Favoured Nation treatment (a convention of international trade treaties where a contracting party undertakes to give another contracting nation terms and conditions no less favourable than those applied currently, or to be applied in the future, to other nations).
MITI	Ministry of International Trade and Industry (Japan)
MP	Member of Parliament
NDT	Non-discriminatory treatment
NZ	New Zealand
NZIIA	New Zealand Institute of International Affairs
NZMF	New Zealand Manufacturers' Federation
NZPD	<i>New Zealand Parliamentary Debates</i>
OCEP	Officials' Committee on Economic Policy
PM	Prime Minister
Pt	Part (Archives New Zealand file classification)
SCAP	Supreme Commander of the Allied Powers (Pacific)
SECRO	Secretary of State for Commonwealth Relations (United Kingdom)
UK	United Kingdom
UNRRA	United Nations Relief and Rehabilitation Agency
US/USA	United States of America

Introduction

This thesis examines New Zealand's relations with Japan during the 1950s, and their development from the conditions of war, to a state of relative normalcy. Particular emphasis has been given to developments in the area of trade, and the factors that influenced New Zealand's policy in the area. The wider time frame dates from about 1947, with the establishment of New Zealand's first representation in Tokyo, to New Zealand's acceptance of a full GATT trading relationship with Japan in 1962. Within this frame, the thesis is centred on two sets of trade negotiations between New Zealand and Japan. That in 1954 failed for a variety of reasons. The second, in 1958, succeeded, due to significant changes in the factors that had influenced the 1954 talks.

There is a variety of secondary literature dealing with New Zealand-Japan relations in the twentieth century, and enough division of opinion and variance in argument to warrant further investigation. Tom Larkin was the first author to deal substantively with the topic, and provides an overview of post war relations to 1968, though not dealing with the specific details of the period 1954-1958. Larkin argued that there was a degree of enthusiasm on New Zealand's part to improve relations with Japan, stating there was a 'clear desire on both sides for closer ties',¹ and that each country '...consciously sought to draw near the other...'² Larkin suggested that fear of resurgent Japanese militarism partially determined New Zealand's attitude to the process of making peace with Japan, but that in 1951 the country was '...probably even more sensitive to the possibility of danger of from the communist world...', and the danger of Japan coming into the communist orbit.³ However, after this early preoccupation with the political, Larkin argues that economic growth and trade opportunities were '...principally responsible for the transformation of relations, and the vast expansion of contacts...'⁴ Larkin's argument was that New Zealand's motives for improving relations with Japan in the early 1950s were political, but later

¹ Tom Larkin, *New Zealand and Japan in the Post War World*, Wellington: New Zealand Institute of International Affairs, 1969, p. 8.

² *Ibid.*, p. 13. Larkin later commented that the period 1951-61 was marked '...most of all, by a positive decision on New Zealand's part to commit itself to the pursuit of friendly relations with Japan.' Larkin, 'The Place, Directions and Future Needs of New Zealand Relations with Japan', in *New Zealand & Japan - The Papers of the Sixteenth Foreign Policy School University of Otago 1981*, Dunedin: University of Otago, 1981, p. 90.

³ *Ibid.*, p. 6.

⁴ *Ibid.*, p. 7.

in the 1950s became economic. Nearly all subsequent work by other authors accepts this 'two periods' argument, albeit with chronological deviations. The idea is also referred to as determining New Zealand's external relations more generally, by two former Secretaries of Foreign Affairs, Sir George Laking, and Graham Ansell.⁵

Ann Trotter also suggested that in the early 1950s New Zealand's attitudes were security centred, based upon fear of resurgent militarism in Japan.⁶ Trade was of little importance during this time, Trotter said, although the building blocks for later improvements were laid.⁷ Trotter agreed with Larkin that the 1950s heralded a phase of new relations after a period of post-war limbo, not without setbacks, but with general enthusiasm on New Zealand's part. She stated, for example, that trade with Japan grew in 1952, '...despite psychological and commercial obstacles'.⁸ Trotter blamed the failure of New Zealand's 1954 trade negotiations with Japan on pressure from Britain, and a looming election that caused the Government to decide 'caution' would prevail.⁹ The eventual success of the 1958 negotiations Trotter ascribed largely to New Zealand's increasingly unstable economic position, both in relation to short-term balance of payments problems, and long-term issues of reliance on the British market.¹⁰ Trotter accepted the division of the 1950s into two periods, and stated that by 1956 '...security from Japan had ceased to be the significant issue', replaced by an emphasis on economics and trade.¹¹

John Singleton disputed Trotter's proposition that New Zealand enthusiastically improved its relations with Japan during the 1950s, arguing instead that the change

⁵ Sir George Laking, 'George Laking', in *An Eye, an Ear, and a Voice*, Malcolm Templeton (ed.), Wellington: Ministry of Foreign Affairs, 1993, p. 51 and Graham Ansell, 'Graham Ansell', in *ibid.*, p. 152. The idea of two distinct 'political' and 'economic' periods, or policies, is also referred to by Keith Jackson, *New Zealand Foreign Policy*, paper delivered at the University of Otago Fourth Residential School on Foreign Policy, May 1969, p. 1.

⁶ Ann Trotter, *New Zealand and Japan 1945-52 – The Occupation and the Peace Treaty*, London: Athlone Press, 1990, p. 3. Malcolm McKinnon makes the same argument, based on Trotter's work, stating that 'Through the post-war years New Zealand's diplomats and politicians sought to ensure that Japan did not return to a position where it could make war in the Pacific.' McKinnon, *Independence and Foreign Policy – New Zealand in the World Since 1935*, Auckland: AUP, 1993, p. 52.

⁷ Trotter, *New Zealand and Japan 1945-52*, p. 183.

⁸ Ann Trotter, 'From Suspicion to Growing Partnership: New Zealand and Japan', in *New Zealand in World Affairs*, Malcolm McKinnon (ed.), Wellington: New Zealand Institute of International Affairs, 1991, p.

⁹ *Ibid.*, p. 202.

¹⁰ *Ibid.*, p. 205-206.

¹¹ *Ibid.*, p. 204.

was a 'regrettable necessity', as 'New Zealand's British market became less accessible. In the short term, balance of payments and specific commodity issues forced a slow approach to Japan in order to be conciliatory to Britain.¹² Thus the 1954 negotiations failed, Singleton said, largely due to New Zealand's desire to protect domestic industry and 'appease' Britain. Caution, Singleton stated, '...would be Wellington's watchword'.¹³ Other obstacles to closer ties were New Zealand's balance of payments problems, and Japanese inflexibility over concessions in agricultural products.¹⁴ In the long term, however, New Zealand had no choice but to diversify her markets, after failing to extract concessions from Britain. Thus the successful 1958 negotiations were, Singleton suggested, due to the Government then being more anxious about the economy.¹⁵

David Horsley accepted the two periods assessment, but argued more strongly than others that domestic political factors, mainly the need to safeguard domestic industry, dominated relations in the early 1950s.¹⁶ Horsley emphasised the other dimension of the security factor, that of the fear of Japan turning communist, and the role this played in driving the Government to consider closer links with Japan.¹⁷ More so than others, Horsley argued that the Government's perception of public opinion played a large role in determining the course of relations over the whole of the period.¹⁸ Horsley assessed the 1954 failure as being due largely to a change of policy by the

¹² John Singleton, 'New Zealand's Economic Relations with Japan in the 1950s', *Australian Economic History Review*, March 1997 (37:1), p. 2. Ian McGibbon takes a similar line, stating that 'The Japanese were not to be trusted. No reliance would be placed upon their promises of good faith or peaceful intentions.' McGibbon, *New Zealand and the Korean War Volume I – Politics and Diplomacy*, Auckland: Oxford University Press, in association with the Historical Branch, Department of Internal Affairs, 1992, p. 22. McGibbon also deals with this in relation to the 'two periods' argument – that New Zealand got closer to Japan in the early 1950s out of political fears, and in the later 1950s out of fear of Japan economically. Ian McGibbon, 'New Zealand Perceptions of Japan 1945-1965', in *Japan and New Zealand 150 Years*, Roger Peren (ed.), Palmerston North: The New Zealand Centre for Japanese Studies, Massey University, Palmerston North, on behalf of the Ministry of Foreign Affairs, Tokyo in Association with the Historical Branch, Department of Internal Affairs, 1999, p. 135.

¹³ *Ibid.*, p. 5. Singleton makes the similar arguments about British influence in 'New Zealand, Britain and the Survival of the Ottawa Agreement 1945-77', *Australian Journal of Politics and History*, 43:2, 1997, p. 171.

¹⁴ Singleton, 'New Zealand's Economic Relations with Japan', p. 2.

¹⁵ *Ibid.*, p. 9.

¹⁶ David W. Horsley, 'New Zealand and Japan Trade Relations 1928-1958', MA Thesis in History, University of Canterbury, 1990, p. 178.

¹⁷ *Ibid.*, p. 189.

¹⁸ *Ibid.*, p. 135.

Japanese government, and New Zealand's domestic considerations.¹⁹ By 1958, New Zealand's economic difficulties were such, said Horsley, that a trade agreement with Japan was almost a necessity.²⁰

Barry McCaul argued that fear of resurgent Japanese militarism was central to Government attitudes until the mid-1950s,²¹ and that from 1954 onwards, economics became central to the relationship.²² In this, McCaul followed the two periods line, but took a position between Trotter and Singleton on the issue of 'enthusiasm' for Japan, and stated that the Government changed from a negative policy '...that regarded closer relations and trade with Japan as a duty rather than a worthwhile goal in its own right',²³ to a positive policy that '...recognised that Japan could offer much to the world'.²⁴ McCaul's thesis was written before departmental files were available and thus treats the specifics of 1954 and 1958 superficially. He did assert, however, that 1954 failed because 'Other markets existed for New Zealand, and the then present pattern of trade with Japan was satisfactory.'²⁵ The 1958 success McCaul attributed to the new Labour Government becoming 'convinced Japan was a friend',²⁶ and of the potential value of the Japanese market.²⁷

Sharon Harvey addressed the 'third dimension', or cultural sphere, of New Zealand-Japan post-war relations.²⁸ Harvey's central concern is the failure of New Zealanders to develop the cultural and linguistic skills to deal with the Japanese, despite the increasing importance of the relationship since the 1950s.²⁹ Because New Zealand in the 1950s and afterwards possessed little understanding of the Japanese, when

¹⁹ *Ibid.*, p. 188. Leslie Castle, an officer of the Department of External Affairs at the time, and an important figure in formulating economic policy towards Japan, stated that negotiations failed due to 'bitter opposition from some quarters in New Zealand', referring to the actions of manufacturers opposed to increased trade with Japan. L.V. Castle & I. McDougall, *Japan as a Market for New Zealand Exports of Meat and Dairy Products*, Research Paper No. 14, New Zealand Institute of Economic Research, 1969, p. 8.

²⁰ *Ibid.*, p. 209.

²¹ Barry Quentin McCaul, 'New Zealand and Japan 1952 to 1969 – An Assessment of New Zealand Government Attitudes', MA Thesis in Political Science, University of Canterbury, 1970, p. 24.

²² *Ibid.*, p. 158.

²³ *Ibid.*, p. 57.

²⁴ *Ibid.*, p. 157.

²⁵ *Ibid.*, p. 61.

²⁶ *Ibid.*, p. 43.

²⁷ *Ibid.*, p. 69.

²⁸ The first and second dimensions being economics and politics, respectively.

²⁹ Sharon Harvey, 'The Third Dimension – Cultural Relations between New Zealand and Japan in the Post-War Period', MA Thesis in History, University of Auckland, 1988, ii.

problems with Japan arose, New Zealand was poorly equipped to deal with them.³⁰ Harvey endorsed the two periods approach,³¹ and emphasised the role of economics as a motive for improving relations.³² Harvey implied that New Zealand's diplomatic efforts were directed towards a short term interest in economics, rather than in the consideration of long term political and cultural links.³³ Such an attitude intersects with Singleton's argument that any 'enthusiasm' for Japan was illusory. The Government, Harvey said, failed to anticipate the long term importance of Japan to New Zealand economically, and were unwilling to see Japan as 'different' from other trading partners.³⁴ However, Harvey concluded by saying that the lack of cultural understanding did not hinder developments in the late 1950s and early 1960s, as trade was then limited, and political issues were addressed multilaterally rather than bilaterally.³⁵

This research explores a number of issues and questions emerging from these authors. Some earlier conclusions have been borne out here, but others now appear less valid than previously. A key question of this research was New Zealand's motivation for the improving links between 1947 and 1962. The argument that the 1950s can, generally, be divided into two periods, one political and one economic, still seems valid. However, it seems there was rarely any balance between political and economic motives. The political predominated almost completely until about 1956, and the economic came to the fore thereafter.

There is inconsistency in existing work over the extent to which the political motivation centred on security from Japanese militarism, or fear of Japan turning communist. Authors have, for example, been unable to decide whether ANZUS was more the result of fear of Japan militarism, or fear of Communism. McCaul and Trotter lean towards militarism, Singleton and Horsley towards Communism.³⁶

³⁰ Ibid., p. 30.

³¹ Ibid., p. 18.

³² Ibid., p. 2.

³³ Ibid., p. 8 & 18.

³⁴ Ibid., pp. 39-40.

³⁵ Ibid., p. 246.

³⁶ A variety of others take either position, sometimes both. Ian McGibbon argues that Japanese capacity for rearmament, 'perhaps impelled by a desire for revenge was not discounted; and most New Zealanders were unprepared to rely for protection upon geographical isolation alone.' McGibbon, 'The Defence of New Zealand 1945-57', in *New Zealand in World Affairs Vol I*, F.L.W.

Larkin's comment that the movement between the two was a 'smooth and imperceptible shift of position', is apt, given the difficulties in drawing any definitive division.³⁷ But there was an increasing fear that Japan might turn communist, especially under the influence of trade with communist China. A larger Allied policy of ensuring Japanese prosperity through diverting her trade to Western countries developed, and New Zealand felt she ought to do her part by increasing trade with Japan.

Over the whole period, fears of the 'Red Menace' outweighed fears of the 'Yellow Peril', and this communism argument was essentially the Government's sole motivation during the 1954 negotiations. Yet this argument was based on a somewhat shallow rhetoric, and difficulties during the negotiations revealed a fundamental split in the official advice the Government received. Fear of communism was in the end not enough to secure agreement. There were a variety of reasons for this.

This thesis argues that the explanations of British pressure advanced by Trotter, Singleton and Horsley are over-stated. This is not to say such considerations did not influence the Government at all, but that British policy was so inconsistent and so opposed by some high-level officials, that its real influence on the decision may be questioned. Horsley's explanation of a change in Japanese policy only tells part of the story. The suggestion by Trotter and Singleton that 'caution' prevailed obscures the fact that the New Zealand's indecisiveness effectively wrecked the agreement long before the Japanese changed their policy. This thesis maintains that the hesitancy was linked overwhelmingly to government fears of the effects of increased Japanese competition on domestic industry, and a related concern about possible public criticism of agreement with Japan. These factors have not been given the emphasis they warrant.

Wood (ed.), Wellington: Price Milburn for the New Zealand Institute of International Affairs, 19XX, p. 45. Elsewhere he similarly states that the capacity of Japan to '...rapidly restore its offensive power perhaps impelled by a desire for revenge was not discounted.' McGibbon, *New Zealand and the Korean War Volume*, p. 22. David McIntyre agrees that ANZUS was a 'guarantee' given to New Zealand for its support of a 'soft' peace with Japan, but also that 'the wider context' was provided by the Cold War. McIntyre, *Background to the ANZUS Pact – Policy-Making, Strategy, and Diplomacy, 1945-55*, Christchurch: Canterbury University Press, 1995, p. 1. See also McIntyre, 'From Dual Dependency to Nuclear Free', in *The Oxford History of New Zealand*, 2nd edn, Geoffrey Rice (ed.), Auckland: OUP, 1992, p. 528.

³⁷ Larkin, *New Zealand and Japan in the Post War World*, p. 6.

Several other factors were involved that have received minimal coverage previously. The divide in opinion between departments played a crucial role in causing the Government to hesitate, and there were long-term issues affecting the roles of the departments concerned that have not been explored. The 1954 process was also hindered by the inexperience of both parties in dealing with each other, and to some extent New Zealand's lack of expertise in Japanese methods of operation. This resulted in occasional misunderstandings and confusion that did not help the progress of negotiations.

Additionally, existing literature mentions to differing degrees the influence of other Commonwealth countries on New Zealand's policy. However, this discussion is confined to Australia's influence in 1958. In 1954 New Zealand was influenced to a considerable extent by the actions of not only Australia, then in a similar position to New Zealand, but also Canada, whose successful agreement with Japan made them a more relevant example. Other research has also shown that in the early 1950s Australia was actually influenced by New Zealand's approach to Japan, which supports, at least to some degree, the 'enthusiasm' suggested by Larkin and Trotter.

Many of these factors began to change after 1954. The communism argument was discredited, and ceased to be of much significance. In its place trade for its own sake was now the motive for further links with Japan. Trade between the two countries increased between 1954 and 1958, meaning New Zealand had the incentive of protecting a small but profitable niche, and a potentially greatly expanded market, from Japanese pressure and Australian competition. This became increasingly important as developments in Europe meant that the British market could no longer be taken for granted. Therefore in 1958 New Zealand had a more compelling motive to reach an agreement.

The other factors that had adversely affected the 1954 negotiations had also changed by now. Advice from officials was no longer split, making a cohesive policy much easier to pursue. Britain again pressured New Zealand, but was largely ignored. Concerns over domestic industry and public opinion were again in evidence, but had lessened to the degree where even a Labour government, traditionally suspicious of

increased trade with Japan, moved forward with a trade agreement. Influence from other Commonwealth countries was again prominent, but this time Canada took a back seat as New Zealand observed Australia's successful trade agreement with Japan. Between 1954 and 1958 New Zealand had also developed greater experience in dealing with Japan, helped considerably by visits by Japanese politicians to New Zealand, and vice versa. In 1958 there was no confusion or misunderstandings. As a result of all these factors, the process moved more smoothly towards a successful conclusion.

Various sources have been used in this research. At Archives New Zealand, a number of files from the Departments of External Affairs, (EA) Industries and Commerce, (IC) and others have been used, covering a range of issues from trade negotiations, to state visits and wider political issues. At the Alexander Turnbull Library the personal papers of a number of persons important to the development of relations have been used. The papers of Alister McIntosh, Secretary of External Affairs for the entire period covered, have been useful. Correspondence between McIntosh and officers in New Zealand and abroad, especially those in Japan, was particularly helpful in identifying background issues not recorded in departmental files. Interviews with several people involved in the development of New Zealand-Japan relations, both in Wellington and Tokyo, have been conducted. These have given insights into some of the trends in the paper record, as well as illuminating others.