

NEW ZEALAND AND JAPAN:  
TRADE RELATIONS 1928 - 1958

---

A thesis  
submitted in partial fulfilment  
of the requirements for the Degree

of

Master of Arts in History

in the

University of Canterbury

by

D.W. Horsley

---

University of Canterbury

1990

*To my Mother and Father,*

*and my wife Hiromi*

## CONTENTS

CHAPTER	PAGE
Contents . . . . .	iii
List of Tables . . . . .	vi
List of Graphs . . . . .	vii
Abbreviations . . . . .	viii
Abstract . . . . .	ix
Acknowledgements . . . . .	xi
I. INTRODUCTION . . . . .	1
1. Objectives and themes . . . . .	1
2. Sources . . . . .	7
3. Statistical outline of trade . . . . .	10
II. TRADE TREATY AND DEPRESSION 1928-1931 . . . . .	14
1. Background . . . . .	14
2. Trade with Japan . . . . .	18
3. 1928 Trade Treaty . . . . .	24
4. Walter Nash . . . . .	28
5. Depression . . . . .	32
III. PRE-WAR SHIPPING BETWEEN NEW ZEALAND AND JAPAN . . . . .	35
1. The British cartel . . . . .	35
2. The arrival of Japanese shipping . . . . .	38
3. Australian shipping interests . . . . .	43
IV. OTTAWA AND DEPRESSION, 1932-1935 . . . . .	46
1. The Ottawa Conference . . . . .	46
2. Japanese imports - textiles . . . . .	49
3. Japanese imports - footwear . . . . .	53
4. Australia . . . . .	56
5. The Coalition and trade . . . . .	58
6. 'Goodwill' mission . . . . .	66

V.	<b>LABOUR AND THE SINO-JAPANESE WAR, 1936-1938</b>	68
	1. Labour and trade	68
	2. Japan and trade	74
	3. Trade and foreign policy	77
	4. Sino-Japanese war	81
	5. Japanese 'diplomacy'	89
	6. Balance of payments crisis	91
VI.	<b>EMBARGOES AND INVITATIONS, 1939-1941</b>	95
	1. Tokyo Agreement and appeasement	95
	2. Emergency regulations	99
	3. Invitation to Japan	101
	4. Denunciation of the Trade Treaty	107
	5. The <u>Yamagiku Maru</u>	110
VII.	<b>NEW ZEALAND TRADE AND SCAP, 1946 - SEPTEMBER 1951</b>	113
	1. War and its aftermath	113
	2. Labour and trade	118
	3. Trade Commissioner	123
	4. Private business	127
	5. The Sterling Area and Korean war	129
	6. National and trade	133
VIII.	<b>POST-WAR SHIPPING</b>	137
	1. Background	137
	2. The Australian service	139
	3. The Ken Line	140
	4. The return of Japanese shipping	144
	5. The 'Ham Boats'	147
	6. Crusader	149
	7. The Conference and 'orderly' shipping	151
IX.	<b>THE PEACE TREATY, SEPTEMBER 1951-1953</b>	156
	1. ANZUS and Communists	156
	2. The Peace Treaty	158
	3. Balance of payments crisis	164
	4. Businessmen and wool	165
	5. Challis and diplomacy	168
	6. Post Korean war slump	171
	7. 'Official' policy on trade	175

X.	TRADE AGREEMENT? 1954-1956 . . . . .	179
	1. SEATO and trade . . . . .	179
	2. Trade agreement? . . . . .	181
	3. Failure . . . . .	185
	4. Back to Communism . . . . .	189
	5. Establishment of import businesses . . . . .	192
XI.	TRADE AGREEMENT 1957-1958 . . . . .	199
	1. Background . . . . .	199
	2. Negotiating again . . . . .	204
	3. The need to protect exports . . . . .	209
	4. Trade Agreement . . . . .	214
XII.	SUMMARY . . . . .	219
	1. New Zealand's 'Britishness' . . . . .	219
	BIBLIOGRAPHY . . . . .	224
	APPENDICES . . . . .	234
	1. Notes on statistical sources . . . . .	234

## LIST OF TABLES

TABLE		PAGE
1.	Proportion of Import Trade with Japan 1928-1958 . . . . .	12
2.	Proportion of Export Trade with Japan 1928-1958 . . . . .	12
3.	Retail Prices of Japanese and English Crepe Cloth, 1928-1930 . . . . .	33
4.	Wool Exports to Japan, 1928-1938 . . . . .	34
5.	New Zealand Tariffs on Silk and Artificial Silk, 1926-1936 . . . . .	50
6.	Imports of Japanese Footwear; Numbers of Pairs, 1930-1940 . . . . .	55

## LIST OF GRAPHS

GRAPH	PAGE
1. Proportion of New Zealand's Import and Export Trade with Japan, 1928-1958 . . . . .	13
2. New Zealand Imports of Japanese Textiles, 1928-1941 . . . . .	51

## ABBREVIATIONS

<u>AJHR</u>	<u>Appendices to the Journals of the House of Representatives</u>
EA	(Department of) External Affairs
E. & A.	Eastern and Australia (Steamship Co.)
GG	Governor General
IC	(Department of) Industries and Commerce
IPR	Institute of Pacific Relations
m.s.y.	million square yards
NSK	Nitto Shosen Kaisha (also known as 'Nitto')
NYK	Nippon Yusen Kaisha
<u>NZOY</u>	New Zealand Official Yearbook
<u>NZPD</u>	New Zealand Parliamentary Debates
OSK	Osaka Shosen Kaisha
<u>Press</u>	<u>The Christchurch Press</u>
P. & O.	Pacific and Oriental (Shipping Group)
SCAP	Supreme Commander of the Allied Powers
SSDA	Secretary of State for Dominion Affairs
YKK	Yamashita Kisen Kaisha



**ABSTRACT**

This thesis examines trade between New Zealand and Japan in the period 1928-1958. These are the years in which New Zealand and Japan signed commercial treaties establishing Most Friendly Nation relations. The study is both of the nature of the trade itself, i.e. the commodities and the infrastructure of trade, and of the effect of trade on political relations and issues. Study of the infrastructure deals with Trade Commissioners, shipping, private trading organisations, and the activities of small businesses.

The aim of the thesis is to analyse why New Zealand and Japan did not develop an extensive trading relationship in this period given their complementary economic activity. Very little has been written of this topic and thus much of the thesis, especially dealing with official (and at the time confidential) policy on trade with Japan covers areas dealing with New Zealand history that have not previously been researched. Other areas in which this thesis has attempted to 'cover new ground' are shipping and private business activities between New Zealand and Japan.

The primary method of investigation has been by research on archival material of the Department of Industries and Commerce. Unpublished histories of shipping were also made available to me, and interviews were conducted with businessmen who were involved with

importing/exporting to Japan in the post-war period. Oral history has thus been used to supplement research on archival material.

The thesis, as summarized at the end, details the major impediments that prevented the development of an extensive trading relationship and the importance of New Zealand's commercial relationship with Britain as a determining factor on relations with Japan.

## ACKNOWLEDGEMENTS

This thesis could not have been completed without the co-operation of a great number of people. For advice on where to go and who to see I would like to thank Messrs. Bob Trounce, Ken Forne, Harry Wicks, Martyn Prestidge, John Hughes, Ron Shadford, Bill Whiteside and Peter McClea. Mr. Allen Harbrow and Ms. Dawn Abrahms of the Department of Statistics provided invaluable help on analysing trade statistics. Mr. Chris Adam of National Archives in Christchurch was most helpful. I would also like to thank Messrs. Ian Farquhar, Fred Henderson, Ron McDonald, Bob Owens and Dr. Douglas Kenrick for their correspondence. Mr. Eric Egan and Mrs. Joan Tucker provided interesting information on Japanese textiles prior to World War II.

Mr. E. McDonnell provided information on the Japanese Trade Commissioner on the early 1930's.

I conducted a number of interviews with people involved in business and shipping with Japan. For recollections of their business with Japan I would like to thank Messrs. Peter Blaxall, Gilbert Glausiuss, Harold Albertson, Kevin Sheehan, Ces Stevens, and Mike Shepherd. I would also like to thank the following, who worked for the various Japanese shipping companies in New Zealand, for their recollections: Colin Monro, Arthur Turnbull, Les Booth, and Harry Trusswell. Mr. Turnbull spent a great

deal of time introducing me to various aspects of shipping. Mr. Gil Steven informed me of the activities of the Ken Line. Mr. John Pallot also gave me an interesting interview on the formation of the Japan Society of Canterbury.

The staff of the New Zealand Room, Canterbury Public Library, were always most helpful. Dr. Neville Bennett, my supervisor, provided invaluable advice during the writing stage of the thesis. Mr. Mark Relling diligently assisted with proof-reading duties, and Mrs. Glenys Lamb typed the thesis with equal dedication. I would also like to thank Leon and Jesse for my stay in Wellington. The University of Canterbury supplied financial assistance. I would finally like to thank my wife, Hiromi, for her loving support.

## CHAPTER ONE

### INTRODUCTION

#### OBJECTIVES AND THEMES

The modern relationship between New Zealand and Japan has occasionally been likened to that of both countries looking down opposite ends of a telescope at each other: New Zealand, looking through the eye-piece, sees Japan as an industrial giant and our single largest trading partner. Japan, on the other hand, sees in New Zealand an insignificant economy. New Zealand is considered the home of the All Blacks, a scenic destination for honeymoon tourists, and perhaps also the home of countless sheep. For two Pacific nations that are nearly equal in size and not too far removed from each other, there is an imbalance in mutual perceptions which is founded in economics.

Trade between New Zealand and Japan has played an important role in affecting these mutual perceptions. This is true not only in the quantity of commodities exchanged but also in their nature. New Zealand now sends large quantities of unwrought aluminium to Japan, but this is not generally known there. In contrast Japanese consumer goods such as cars, cameras, stereos, and other electronic

marvels are commonplace in New Zealand. In this at least it is easy to observe the influence that trade does or does not have when nameless commodities are exchanged for brand-name commodities. Thus New Zealanders largely associate Japan with her products, but the reverse is not true: Japanese think of New Zealand as a place, and the trade that is tourism is consumed in New Zealand.

For the period covered in this study, 1928-1958, the analogy of a telescope is not so appropriate despite similarities to the present. The most obvious of these similarities is that wool for silk and cotton, and aluminium for cars and electronics, are both essentially exchanges of raw products for consumer goods. Another similarity is that even at minute levels of trade, Japan occupied higher levels of New Zealand trade statistics than vice versa, i.e. in the early 1930's New Zealand took between 0.1% to 0.2% of Japan's total exports and probably only a little more in the late 1930's.<sup>1</sup> Except for the boom years 1936-37 Japan took an average of about 1% of New Zealand's total exports in the 1930's.<sup>2</sup> Post war figures give New Zealand taking up to 0.6% of Japan's total exports in 1951-1952.<sup>3</sup> Japan took up to nearly 3% of New Zealand's

---

<sup>1</sup> Wright, P.G. Trade and Trade Barriers in the Pacific (Institute of Pacific Relations, Honolulu, 1935) p.203.

<sup>2</sup> See Table 2, p.12.

<sup>3</sup> Calculated from United Nations Yearbook of International Trade Statistics, 1952 (Department of Economic and Social Affairs, Statistical Office, United Nations, New York, 1953) p.207, and United Nations Yearbook of International Trade Statistics, 1955 (Department of Economic and Social Affairs, Statistical Office, United Nations, New York, 1956) p.443.

total exports in 1957.<sup>4</sup> Thus trade levels, though small, have always been measurably larger for Japan's place in New Zealand's trade than vice versa.

The analogy of the telescope has its flaws, however, of which the main one is that the very levels of trade themselves only ranged from non-existent to minute for both countries during this period. The volume of trade between New Zealand and Japan grew to significant levels during the 1960's and 1970's, when the percentage of total exports that Japan took increased in a series of steps from the 1% level up through to 13% in 1980. Two way trade in the 1980's was at about 18%.<sup>5</sup> The period 1928-1958 is thus a 'pre-modern' age of New Zealand-Japan trade relations.

This thesis is an attempt to give an account of how trade took place in this period. The period itself may seem a difficult one: right in the middle of these thirty years war obviously had a devastating effect on trade. The dates themselves, 1928 and 1958, however, mark the signing of two trade treaties between New Zealand and Japan. The first established Most Friendly Nation status in trade relations that lasted up to October 1941. The Trade Agreement of September 1958 re-established this Most Favoured Nation status in trade relations, and is still in effect. Thus 1928 marks a convenient starting point as the Agreement provided an essential basis of trade. 1958 marks

---

<sup>4</sup> See Table 2, p.12.

<sup>5</sup> Compiled from the New Zealand Official Yearbook (NZOY), various years.

the convenient ending point as after this Agreement, which in effect established GATT relations between New Zealand and Japan (later formalized in 1962), trade grew and changed in nature into its present condition. Though trade relations did not change overnight from a 'pre-modern' into a 'modern' period, the few years at the end of the 1950's and beginning of the 1960's largely mark this transformation.

I have not attempted an extensive analysis of the Trade Agreements themselves. The best description of the negotiations in 1928 (which I have largely drawn from) can be found in M.P. Lissington's New Zealand and Japan 1900-1941 in Chapter 8 - 'Commercial Relations'. This description is taken from the files of External Affairs (previously 'P.M.' files). Nothing was located in my search of Industries and Commerce files in the National Archives on the negotiations, but it was noted that many Industries and Commerce files for the 1920's were lost in a fire.<sup>6</sup> Hope for locating a file on the negotiations is probably unwarranted. The 'Agreed Minutes' of the negotiations leading up to the 1958 Trade Agreement can be found in Barry McCaul's unpublished M.A. thesis 'New Zealand and Japan 1952-1969', Appendix three.

This thesis has been more concerned with the background issues and attitudes, often confidential, to trade in an attempt to explain why trade did not develop in

---

<sup>6</sup> Department of Industries and Commerce (IC) Memo. IC 114/1 (pt.1).



the period between 1928 and 1958 as it apparently should have.

Speaking at the end of 1957, the Japanese Minister to New Zealand, H. Shimidzu, commented on the complementary nature of Japan's economy with New Zealand's economy. Japan's economy was, he said, based by necessity on industry while that of New Zealand was based on primary production. This was of course plain for anybody to see, but because of this situation another truism arose in that the products of the two countries were not in competition, but were rather complementary:

Thus it would be to the advantage of both New Zealand and Japan if trade between them could be promoted and expanded, for it could be achieved by fulfilling each other's economic needs.<sup>7</sup>

The question that naturally arises from this is why this symbiosis has been found to be a desirable one only comparatively recently. Why is there a 'pre-modern' age of trade relations at all? This thesis is thus primarily aimed at trying to answer these questions and to investigate the possibility that the relations that are in existence today could have been achieved several decades earlier than they were. As one historian commenting on this proposition and its relation to World War II has succinctly written:

---

<sup>7</sup> Press November 6, 1957.

Forty years later a New Zealander might wonder why all the suffering and loss had had to happen.<sup>8</sup>

In much the same way I have wondered why trade did not develop in the 'pre-modern' period along the lines that it should have given the benefits of this symbiosis which are accepted today.

Several themes are consistent throughout the period 1928 to 1958. The Coalition and then National Government's policies on trade contrast with Labour's policy as reflecting their supporters' interests: farmers and manufacturers were often at odds over cheap Japanese imports. Walter Nash is a central figure in the debate on trade with Japan for the entire thirty years of the study. His attitudes on Japanese imports often reflect Labour's hostility, especially in the post-war period, to trading with Japan at all. Ironically it was Nash who was Prime Minister in 1958, and who signed the Treaty of that year with Japan. Economic realities often modified both Labour's and National's ideals. Another consistent theme is the regular outcry that New Zealand was being 'flooded' with cheap Japanese goods. Although it could still be heard after World War II, an analysis of the major period of the debate, that of the Depression, will be done to investigate whether this was in fact true.

The study will also refer to the policies of the U.S., Australia, and Britain, on trade with Japan where there is

---

<sup>8</sup> Taylor, N.M. The New Zealand People at War: The Home Front (Historical Publications Branch, Department of Internal Affairs, Wellington, 1986) p.1288.

some bearing on New Zealand. The structure of the study is essentially chronological, with one chapter on shipping in both the pre and post-war periods placed where most appropriate. Because shipping is largely different in theme to other aspects of trade it has been treated separately.

## SOURCES

Sources for the study were varied. A large range of secondary works were consulted for which a complete list can be found in the Bibliography.

The six major primary sources were: the files of the Department of Industries and Commerce and Department of External Affairs held in the National Archives in Wellington; a number of personal interviews or correspondence with people directly involved in business with Japan or shipping with Japan during this period; three unpublished private manuscripts on shipping with Japan made available by persons involved in shipping; the newspaper collection of Mr. Ian Farquhar, New Zealand shipping historian, on various aspects of ships and trade with Japan; an unpublished history of F. Kanematsu (N.Z.)Ltd: and finally the annual reports on statistics of trade with Japan.

The files of the Departments of Industries and Commerce and External Affairs that were consulted pertained to policy aspects of trade with Japan. Those files dealing

with very specific commodities, such as wool or timber, were extensive and at a cursory examination found not to be of a nature that would have justified the exhaustive search necessary to view them all. The files were also somewhat haphazardly arranged, being that of the order in which they were received and bearing little relation to their official contents. At the time of writing another set of archival material had just been received by the National Archives from the Department of Industries and Commerce. This was inaccessible, as was one file (114/9/1) which even though available had been misplaced. Almost all files consulted were made up of memos and correspondence between, to, or from various Government Departments.

A number of private interviews were conducted with persons involved with business with Japan, both importers and exporters, during the 1950's. Other interviews were conducted with persons who had worked for Japanese shipping companies during the same period. Fortunately, many of these people now live in Christchurch and were happy to be interviewed in person. Three interviews were conducted by phone. The major points of these interviews relating to the topic were checked by the interviewees and a copy deposited in the New Zealand Room of the Christchurch Public Library. A list of the interviewees can be found in the 'Acknowledgements'.

Correspondence was also received from Mr. Fred Henderson of F. Kanematsu (N.Z.) Ltd., and also from Dr. Douglas Kenrick in Tokyo. Dr. Kenrick owned the first New

Zealand trading and shipping company in Japan after World War II. It was in the area of interviews and correspondence that a major problem, and mystery which remains unresolved, appeared. A crucial participant in the topic is Mr. Reuben Challis, New Zealand Trade Representative in Tokyo from 1947 to 1952. Despite an active search the whereabouts of Mr. Challis, if he is still alive, remains unknown. (Dr. Bennett, my supervisor, also attempted to locate Challis on my behalf.)

Three short unpublished manuscripts were received. These are private histories of the shipping 'Conferences' that operated at this time. Their authors are anonymous but cross-checking reveals a reasonable degree of consistency. These are listed with their titles in the Bibliography but in the text of the study simply as Manuscript No.1 etc. These have been deposited with the interviews.

Shipping historian Ian Farquhar kindly made available copies of many newspaper articles on shipping and trade with Japan. All articles are dated but some are not sourced. Where possible an alternative reference has been established in the Press, but where this has proved impossible the reference is sourced as 'Farquhar Collection' with the date of the article.

An unpublished history of Kanematsu (N.Z.) Ltd., was received, but giving regard to the intention that this will soon be published in its own right only minimal use of it was requested. Nevertheless it establishes some important

facts relating to the activity of this Japanese trading company in New Zealand. It is cited in the text as History of Kanematsu. The author is anonymous.

The final major source of information lay in the annual statistical reports on trade. This is, in fact, the easiest way to establish an historical perspective on trade with Japan. A wealth of official statistics on imports and exports has been published, and Japan features prominently. Dealing with these statistics has, however, revealed a number of problems which are detailed in the section 'Notes on Statistical Sources' (Appendix 1). All statistical notes and tables in the text are derived from these sources unless otherwise stated.

The nature of the wide range of primary sources has led, I believe, to a great part of this thesis being made up of previously unrecorded material. Especially in the area of shipping there are almost no secondary sources. While I hope that I have made a contribution to knowledge, any errors in interpretation remain completely my own.

#### STATISTICAL OUTLINE OF TRADE

The best way to obtain an overall glimpse of the nature of trade between New Zealand and Japan from 1928-1958 is by doing a brief statistical analysis. By doing

this first I hope the reader can gain a preview of the topic before dealing with the details. The statistics of imports and exports reveal that prior to World War II, silk and cotton fabrics (or 'textiles') were the main commodities imported from Japan; wool and casein the main exports. After World War II various types of metal and then textiles were prominent imports; exports were dominated by wool, with hides and skins prominent to the mid 1950's, then frozen meat, timber, and casein became important. Thus, in a nutshell, wool was the major export of this entire period, while textiles were replaced by a range of goods as the major import after World War II.

In the two tables and derived graph below are charted the rises and falls of Japan as a trading partner by the percentage of imports and exports of New Zealand's total trade. It can be seen that levels of imports and exports remained fairly contiguous throughout this period; rising and falling together. The graph also gives a summary picture of trade for the period 1928-1958.

**Table 1** Proportion of Import Trade with Japan  
1928-1958 (%) <sup>9</sup>

1928	1.28	1943	-
1929	1.28	1944	-
1930	1.33	1945	-
1931	1.26	1946	-
1932	1.94	1947	-
1933	2.64	1948	0.05
1934	2.67	1949	0.30
1935	3.03	1950	0.30
1936	3.00	1951	1.18
1937	2.90	1952	1.64
1938	2.18	1953	0.24
1939	2.10	1954	0.50
1940	1.65	1955	1.01
1941	0.44	1956	0.95
1942	0.02	1957	0.85
		1958	1.12

**Table 2** Proportion of Export Trade with Japan  
1928-1958 (%) <sup>10</sup>

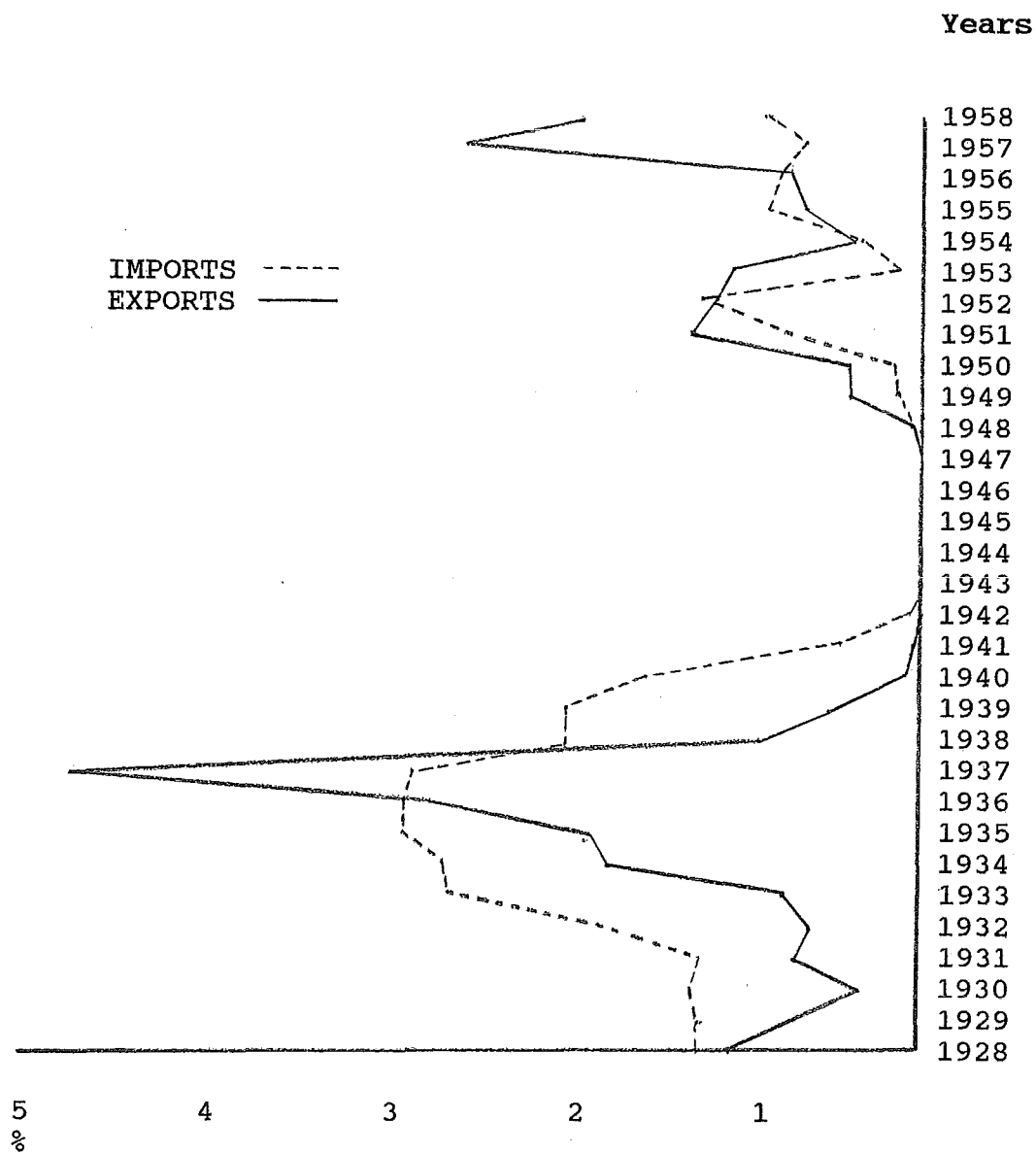
1928	1.18	1943	-
1929	0.78	1944	-
1930	0.34	1945	-
1931	0.76	1946	-
1932	0.67	1947	0.04
1933	0.86	1948	0.03
1934	1.81	1949	0.53
1935	0.93	1950	0.54
1936	2.74	1951	1.55
1937	4.71	1952	1.46
1938	1.02	1953	1.33
1939	0.68	1954	0.52
1940	0.11	1955	0.77
1941	0.07	1956	0.97
1942	-	1957	2.84
		1958	2.21

<sup>9</sup> Compiled from 'Import Trade' section NZOY, various years.

<sup>10</sup> Compiled from 'Export Trade' section NZOY, various years.



GRAPH 1 Proportion of New Zealand's Import and Export Trade with Japan 1928-1958 <sup>11</sup>



<sup>11</sup> Based on above NZOY statistics.

## CHAPTER TWO

### TRADE TREATY AND DEPRESSION, 1928-1931

The Japanese people as a whole know rather little about the British dominions south of the Equator. But their interest in Great Britain is very deep.

Yusuke Tsurumi  
Japanese delegate to 1927  
IPR Conference.<sup>1</sup>

#### BACKGROUND

Japan and New Zealand shared a common interest, Britain, and a common disinterest, each other, for many years prior to the signing of the 1928 Trade Agreement. Although trade levels between the two countries had risen briefly after World War I, they were overall at pitifully small levels. New Zealand looked to Britain for military protection and determination of foreign policy, and equally importantly, as the major market for her primary produce. Japan 'barely penetrated' New Zealand consciousness until 1905 and the Japanese triumph at Mukden.<sup>2</sup> Where it did

---

<sup>1</sup> Condliffe, J.B. ed. Problems of the Pacific, 1927 (University of Chicago Press, Chicago, 1927) p.502.

<sup>2</sup> Lissington, M.P. New Zealand and Japan, 1900-1941 (Government Printer, Wellington, 1972) p.1.

penetrate it was the fear of Asian immigration that was foremost in people's minds. Fear of Japanese immigration prevented the Government becoming a party to the Anglo-Japanese Commercial Treaty of 1894 which established Most Favoured Nation relations. The same fear prompted the Government to again refuse to adhere to the renewed Treaty in 1911, allowing some Australian states, which had secured a modified form the Treaty from Japan, to start gaining the commercial advantage that New Zealand was then ever trying to compete with.<sup>3</sup> New Zealand was almost denying it was even a Pacific country. One historian has written:

New Zealand's aspiration was to be regarded as organically a part of the Empire, an outlier of Britain, not an associated nation. Its defence would be closely integrated with imperial defence with no disturbing nationalistic divisiveness. Even at that time, when the divisiveness of Australian policy was far more theoretical than real, as British acceptance of it showed, the New Zealanders were against it.<sup>4</sup>

New Zealand was part of an Empire - a phrase preferred over 'Commonwealth' until 1935<sup>5</sup> and more importantly as far as Japan was concerned, a 'White' Empire; the 'White-

---

<sup>3</sup> See *ibid*, pp.2-3 for Lissington's sources and a slightly extended description of these events. See also Bennett, N. 'Consultation or Information? Britain, the Dominions and the Renewal of the Anglo-Japanese Alliance, 1911' in The New Zealand Journal of History, Vol.4, No.2, October 1970, pp.178-194.

<sup>4</sup> Grattan, C.H. The Southwest Pacific Since 1900 (University of Michigan Press, Ann Arbor, 1963) p.255.

<sup>5</sup> McIntyre, W.D. New Zealand Prepares for War: Defence Policy 1919-39 (University of Canterbury Press, Christchurch, 1988) p.16.

ordained division of the world'.<sup>6</sup> Trade patterns, trade relations and the goods of trade itself were but a natural reflection of this. Opinions of Japanese varied from admiration for their assimilation of Western ways and defeat of Russia, to coolness as a possible military threat and supposed 'Yellow Peril' (a reason Sir Joseph Ward invited the American fleet to New Zealand in 1908<sup>7</sup>), to outright hatred: Bob Semple publicly referred to 'slit-eyed little yellow dogs'.<sup>8</sup> Parliamentarians, journalists, and cartoonists all at some time gave indications of the contemporary perceptions of Japan, and indeed a great deal has been written on New Zealand's changing foreign policy prior to World War II. But one historian has summed it up thus:

It is an odd thing but before the Second World War New Zealand was moving further away from its Pacific environment rather than closer to it.<sup>9</sup>

It is in this light that trade relations with Japan must be seen of the eve of the 1928 Trade Agreement.<sup>10</sup>

---

<sup>6</sup> Bennett, N. 'Japanese Emigration Policy 1880-1941'. Paper presented to NZASIA Conference, Christchurch, August 1989.

<sup>7</sup> Lissington, New Zealand and Japan, p.8. Sir Joseph Ward - Prime Minister 1906-1912.

<sup>8</sup> Hobbs, L.R. The Thirty Year Wonders (Whitcombe & Tombs, Christchurch, 1967) p.76. Bob Semple - Labour Minister, 1935-1949.

<sup>9</sup> Jackson, W.K. 'New Zealand in the Pacific' in Brown B.M. ed. New Zealand in the Pacific (New Zealand Institute of Public Administration, Wellington, 1970) pp.21-22.

<sup>10</sup> Milner, I.F.G. New Zealand's Interests and Policies in the Far East (Institute of Pacific Relations, New York, 1940) has an excellent chapter on the 'Historical background to 1930.'

Japan's trade relations with New Zealand must be seen in the same context; The Japanese were not unaware of the 'Whiteness' of the British Empire. At the 1929 Institute of Pacific Relations (IPR) Conference a Japanese delegate fully expressed this sentiment:

Peoples other than the Anglo-Saxons arriving later in the world arena found themselves compelled to be content with their own smaller areas of territory. This fact and certain unhappy prejudices which create political barriers to trade and migration are important factors in the present economic depression.

And further:

Japanese opinion is beginning to ask whether the more fortunate nations of the Pacific are going to perpetuate their present narrow economic nationalism which is comfortable for them but exceedingly distressful for a small country like Japan.<sup>11</sup>

The same delegate at the 1931 IPR Conference would have excluded New Zealand and Australia from a 'closed' Pacific Trade Agreement because of their 'Britishness'. The political and trade situation in the Pacific was unacceptable as it had been:

...brought about by European nations coming into the Pacific and closing certain territories economically and politically, to those people who from time immemorial have dwelt in the Pacific.<sup>12</sup>

New Zealand's and Japan's views of trade were dichotomous: New Zealand belonged to, and was moving further toward, the 'White' Empire based in Britain. Japan

---

<sup>11</sup> Quoted in Lasker, B. ed. Problems of the Pacific, 1931 (Chicago University Press, Chicago, 1932) p.34.

<sup>12</sup> Quoted in Lasker, B. ed. Problems of the Pacific, 1931 p.35.

traded with Pacific markets, East Asia, the U.S., and South-East Asia, and was to move towards military aggression to create her own Empire. Trade agreements between these dichotomous movements were bound to be ephemeral, subject to the much wider movements in history that were taking place. But little if any of this could be seen by 1928.

#### **TRADE WITH JAPAN**

New Zealand's trade with Japan was largely carried out prior to World War II as an extension of Japan's trade with Australia. Japan dominated the shipping of the goods and a large part of the trade went through Japanese Trading Companies based in Australia, especially Sydney. The infrastructure of trade was thus almost completely supplied by Japan. Beside the shipping of the goods, which is dealt with separately in the next chapter, the two other infrastructures that illustrate the importance of Australia as an intermediary in New Zealand's trade with Japan are Government representation and the penetration of Japanese trading companies.

New Zealand did not establish an official representative of any kind in Japan prior to World War II. Even though it has been noted that there was a 'transformation of the country's foreign policy' with the

election of Labour in 1935,<sup>13</sup> even when exports to Japan leapt in 1936-1937 no official trade representative was sent there. As early as 1925 a New Zealand businessman in Yokohama, a Mr. W.M. Squire, had offered to be an honorary (unpaid) trade representative for New Zealand interests in Japan.<sup>14</sup> Despite the possible benefits of such a representative, a survey of local firms already trading with Japan by the Secretary of the Department of Industries and Commerce led him to believe that such an appointment would be of 'little practical value'. Trade with Japan was settled at this time with no new markets developing. But the firms consulted had established contacts or agents in either Japan or Sydney. Especially in the case of wool, all purchases by Japan (indeed Japanese buyers often visited wool sales in New Zealand), was done through companies in Sydney.<sup>15</sup> The conclusion that Squire would not benefit these companies was understandable, but the survey did not include any dairy interests, or other interests, who would probably have indicated a trade representative would have helped establish new markets. After the dairy interests moved in another direction, that of receiving a tariff concession by way of the Trade Agreement (as they were probably unaware of Squire's offer) there was even

---

<sup>13</sup> Sinclair, K. A History of New Zealand (Rev.ed. Penguin, Auckland, 1988) p.277.

<sup>14</sup> IC Memo. June 9, 1925. IC 114/9.

<sup>15</sup> IC Memo. December 9, 1925. IC 114/9.

less apparent need for a trade representative in Japan, and this remained the situation until after World War II.

Japan, for her part, only established a Consulate-General in New Zealand (in Wellington) in 1938, when there were still only about forty Japanese subjects resident in New Zealand.<sup>16</sup> Japan did, however, send a Trade Commissioner to Wellington either in 1929 or early in 1930.<sup>17</sup> Very little is known of this man, apparently named Kabudo. What information is known has been gleaned from an informant who boarded with him in the Wellington YMCA in the early 1930's. From this source it has been learned that Kabudo was primarily concerned:

...with getting all or as much as he could of the know-how we enjoyed in manufacturing certain articles.

To do this Kabudo would bring 'squads' of Japanese people to New Zealand and send them out to observe various industries such as 'woollen manufactures' and 'boot-making'.<sup>18</sup> This may not seem so far fetched considering that Professor Belshaw, who visited Japan in 1929, noted that dairy factories had been established in Hokkaido:

...very much on the New Zealand model, following on a visit to New Zealand of Japanese experts a while ago.<sup>19</sup>

---

<sup>16</sup> Gunshi, K. 'Japan's Trade With New Zealand' in The Japan Trade Monthly Vol.5, No.7, July 1940, p.1. Gunshi was the Japanese Consul General in Wellington at the time of writing. This article was located in IC 114/1 (pt.1).

<sup>17</sup> IC Annual Report, 1930, p.12.

<sup>18</sup> Interview: Mr. E. McDonnell, 2/6/90.

<sup>19</sup> Belshaw, H. Report on the Prospects of Extending New Zealand's Trade with Japan, China, and Hong Kong (Department of Industries and Commerce Bulletin No.9, Wellington, 1930) p.8.



The circumstances of Belshaw's visit and his report are dealt with below. Kabudo was thus the first official Japanese representative in New Zealand; the 1928 Trade Agreement itself was negotiated through the Consul-General in Sydney. Kabudo probably contributed little to the development of trade relations, but his very presence highlighted Japan's interest in New Zealand.

The way in which Japanese trading companies came to New Zealand is another example of infrastructure connected to Australia. The penetration of Japanese trading companies into New Zealand prior to World War II was not nearly as extensive as in the case of Australia. Over thirty Japanese companies, including the seven great sogo shosha (general trading companies) were established in Australia by 1941.<sup>20</sup> In New Zealand prior to World War II three Japanese trading companies can definitely be identified; Mitsui & Co. (N.Z.) Ltd, F. Kanematsu (N.Z.) Ltd. and Banno Brothers Ltd. Of the last little is known except it was established in New Zealand after 1934, but even though only Mitsui was associated with a Zaibatsu, all three companies were big sogo shosha, and all three were also established in Australia. Mitsui established a representative in Wellington in 1934,<sup>21</sup> but Mitsui & Co. (N.Z.) Ltd. was controlled from Australia where Mitsui

---

<sup>20</sup> Purcell, W.R. 'The Development of Japan's Trading Company Network in Australia 1890-1941' in Australian Economic History Review, Vol.21, No.2, September 1981, p.114.

<sup>21</sup> Gunshi, 'Japan's Trade With New Zealand' p.1.

Bussan acted as the defacto holding company.<sup>22</sup> F. Kanematsu (N.Z.) Ltd. was also a subsidiary of F. Kanematsu & Co. (Aust.) Ltd. which itself was founded as early as 1890. The latter company held half of the 5,000 shares in F. Kanematsu (N.Z.) Ltd. when it was officially established in 1937. But F. Kanematsu & Co. (Aust.) Ltd. was active in New Zealand even before this date. Bone in quarter beef was purchased from the New Zealand Refrigerating Co. Ltd. in Christchurch in 1932. In 1936 a consignment of butter was purchased from the Kaipara Co-operative Dairy Co. Ltd. in Helensville, and trade in other commodities also took place.<sup>23</sup> Although Mitsubishi Shoji did not establish an office in New Zealand there was still an Australian connection, illustrated by the visit of the Manager of Mitsubishi Shoji Kaisha Ltd., Sydney, in February 1934, when he met with Forbes, and the Secretary of the Department of Industries and Commerce.<sup>24</sup> Undoubtedly the bulk of trade with Japan took place through these Japanese trading companies prior to World War II. The Japanese Consul-General at Wellington acknowledged this as well in 1940:

It appears that our trade with New Zealand came to be developed as a part of our trade with Australia.<sup>25</sup>

---

<sup>22</sup> Purcell, 'The Development of Japan's Trading Company Network in Australia 1890-1941' p.122.

<sup>23</sup> History of Kanematsu.

<sup>24</sup> IC Memo. February 14, 1934. IC 114/1 (pt.1). George Forbes - Prime Minister of Coalition Ministry 1931-1935.

<sup>25</sup> Gunshi, 'Japan's Trade with New Zealand' p.1.

The only New Zealand firm located in Japan was the New Zealand Insurance Co. (Ltd.) established there in 1883.<sup>26</sup> No trading companies established official branches in Japan prior to World War II. Trade with Japan was organised by Japan either by official representation in New Zealand (intermittent until 1938) or as an extension of the trading company network in Australia. Until 1938 when a Consul-General was established in Wellington the trading companies were all-important.

Nor did the Department of Industries and Commerce make any attempts to explore new markets in Asia or Japan. In one of the few instances of a Departmental report on trade possibilities in Asia, that of Horace Belshaw's 1929 'Report on the Prospects of Extending New Zealand's Trade with Japan, China, and Hong Kong', little credit can go to the Department itself. Belshaw did not travel to Asia at the Department's behest; rather he travelled to Japan in 1929 to attend the Institute of Pacific Relations Conference of that year in Kyoto, and was approached to write a report on trade possibilities in Asia while he was abroad.<sup>27</sup> Belshaw's report was also far too ambiguous to be of any real value. In Parliament three years later it was described as showing that there was a 'tremendous potential

---

<sup>26</sup> Letter. New Zealand Insurance Co. (Ltd.) to Secretary of IC. July 11, 1947. IC 114/1/10.

<sup>27</sup> Belshaw, Report on the Prospects of Extending New Zealand's Trade, preface. Lissington, New Zealand and Japan, p.130 gives a slightly different interpretation of the Department's interest in trade with Asia.

market for our manufactured goods and also primary produce'. It was also described as being responsible for Australia's increase in trade with Japan after supposedly falling into 'Australian hands'.<sup>28</sup> A commentator some ten years later considered it had held out 'little promise' for any major expansion of exports.<sup>29</sup> Belshaw had, by both detailing the possibilities and hindrances involved in developing Asian markets (both of which were considerable), written a report which could be used by both the protagonists and antagonists to developing Asian markets. The Department preferred the status quo, an approach which, as will be shown later, was typical of attitudes on trade with Asia at this time.

#### 1928 TRADE TREATY

By the end of the 1920's New Zealand butter exporters had been receiving for 'fully forty year' reports that indicated a 'golden age' was going to dawn for them by changes in the diet of the Chinese and Japanese.<sup>30</sup> Probably unaware of the possibility of establishing a trade representative in Japan, dairy interests were the

---

<sup>28</sup> NZPD Vol.233 p.947.

<sup>29</sup> Milner, New Zealand's Interests, p.25.

<sup>30</sup> Scholefield, G.H. 'Japan and New Zealand' in Ngata, A.P. et al. New Zealand Affairs (L.M. Isitt, Christchurch, 1929) p.215.

motivating force in the first step of the 1928 Trade Treaty. The immediate urge could well have been the crisis of the dairy industry in the 1920's. Negotiations for an agreement with Japan were urged by the New Zealand Co-operative Dairy Company in 1925.<sup>31</sup> As New Zealand used Britain as an essential intermediary in establishing commercial treaties, these negotiations were with reference to the 1911 Anglo-Japanese Commercial Treaty and 1925 Supplementary Convention.<sup>32</sup> New Zealand had declined to accede to these agreements through fear of Asian immigration (see above). A solution seemed to be offered by the Canadian Commercial Agreement with Japan, i.e. a proviso stating that the status quo would continue as far as immigration policy was concerned. Canada benefited by a reduced tariff on her exports of butter to Japan by being a party to the Anglo-Japanese Treaty of 1911. But as the process would take time Japan suggested that negotiations be held directly with the New Zealand Government. The Government at first 'balked' at this suggestion but acquiesced under pressure from dairy interests.<sup>33</sup>

Negotiations were begun toward the end of 1927, and were 'long and complicated'. It was the Government's desire to secure a treaty that established Most Friendly Nation

---

<sup>31</sup> Lissington, New Zealand and Japan, p.127.

<sup>32</sup> NZPD Vol.217 p.663.

<sup>33</sup> The suggestion that it was due to an extension of the Franco-Japanese Treaty (NZPD Vol.217 p.663) seems mistaken. See Lissington New Zealand and Japan p.127.

treatment between New Zealand and Japan without any reference at all to the 1911 Anglo-Japanese Commercial Treaty. This was unacceptable to the Japanese negotiator (the Japanese Consul-General in Sydney) who considered the establishment of Most Friendly Nation status as a modus vivendi until New Zealand acceded to this Treaty. He also demanded that these relations extend to 'commerce, customs and navigation', and also that the period of notification of termination of the Most Favoured Nation Agreement be three months, whereas the Government preferred a one month period.<sup>34</sup> Finally, the Government had entered negotiations with the intention of including a proviso that the Immigration Restriction Act would not be affected, but this as well (not surprisingly) had been unacceptable.

On all four of these problems Iyemasu Tokugawa, the Consul-General, got what he wanted. The Treaty was signed with Tokugawa on July 24th 1928, but he was still making things difficult for the Government. Downie Stewart<sup>35</sup> who had negotiated with Tokugawa for the Government, now found himself under attack in Parliament for the apparent haste with which the Treaty was signed. Tokugawa had insisted that the signing coincide with the visit of HIJMS Idzumo and Yukumo which arrived in Wellington on the 29th, which had left no time for debate in Parliament. He was milking

---

<sup>34</sup> Lissington, New Zealand and Japan, p.129.

<sup>35</sup> W. Downie Stewart - Minister of Customs under Coates' Ministry, 1925 -1928. Also Minister of Industries and Commerce 1925 - 1926.

all possible benefit from the signing of the Trade Treaty for Japan: maximum media coverage would not fail to note that the Trade Agreement materially benefitted New Zealand rather than Japan. Tokugawa had gained compliance with his demands by giving butter exporters ½d per pound reduction on the import duty of butter. Japan had received 'no concession' in the form of duty reductions on imports,<sup>36</sup> so the Government was saved from the barbs of manufacturers while it had apparently aided farmers.

In looking at the way in which this Treaty came about several aspects are prominent: the initial suggestion was provided by dairy interests; the Japanese Government suggested that negotiations take place without Britain; the Government acquiesced to all of Tokugawa's demands; and it was Tokugawa who (inconveniently) rushed the signing of the Treaty. No initiative came from the New Zealand Government at any time. The Government in fact went further than doing nothing by renegeing on its promise to accede to the 1911 Treaty, at least for the short time it was left in power. But no Government after it did accede to the 1911 Treaty, and the temporary Most Favoured Nation status became a permanent arrangement until 1941, even though it was never meant to be so.

Even though it was the first trade agreement concluded without British intervention with any country outside the Commonwealth, it would be a mistake to overemphasise the

---

<sup>36</sup> NZPD Vol.217 p.663. °

significance of this fact. Primarily the Trade Agreement was seen as an answer to an immediate, practical problem to reduce tariffs on New Zealand butter. But the Japanese did not buy more butter; they bought wool instead. The Trade Agreement was a failure in its primary objective, but also as permanent diplomatic relations were not established either the Trade Treaty was more of an enigma in the overall pattern of trading relations than a sign of a change in trade patterns. New Zealand remained a British farm. What the Japanese gained is questionable, but certainly they did not lose anything. It will be shown later that Japan's attempts at diplomacy to try to offset criticism of her military expansion were, at best, clumsy and easily interpreted. The 1928 Trade Treaty could well have been an early example of how Japan was attempting to dent Commonwealth unity. And even though it established a basis for a trading relationship, the trading relationship itself did not develop.

#### **WALTER NASH**

Sitting in the audience at the 1927 Institute of Pacific Relations Conference in Honolulu as leader of the New Zealand delegation, Walter Nash could well have nodded in agreement with the statements of Yusuke Tsurumi (see above). Tsurumi was, after all, describing a world that Nash could approve of. New Zealand had, since the mid-



nineteenth century, regarded the Pacific south of the Equator as an 'exclusively British zone of interest', especially for defence purposes.<sup>37</sup>

Tsurumi was confirming this. Nash too had spoken of New Zealand's relationship with Japan and China. In referring to better communications, transport, and mail he considered that the East was automatically drawing closer to New Zealand.<sup>38</sup> But these were words of tact and diplomacy rather than his own desire as to the development of trade relations with Japan. Nash may have become more conscious of the Pacific and that New Zealand was a Pacific country by his attendance,<sup>39</sup> but this did not fundamentally affect his concept of New Zealand's trade problems. Certainly his view of New Zealand's trade with Japan was one that regarded Britain as an essential intermediary. Direct trade with Japan (which went through Australia anyway) was, as he noted, 'very small', consisting of the exchange of wool for textiles. Nor did Nash lament the absence of a direct shipping line to Japan which was the major impediment to trade at this time. What he did lament was the rapid industrialization of the East. As Japan industrialized there was an adverse effect on Britain's traditional exports to her, and as British workers'

---

<sup>37</sup> McCaul, B. 'New Zealand and Japan, 1952-1969' unpublished MA thesis, Canterbury, 1970, p.3.

<sup>38</sup> Condliffe, Problems of the Pacific, 1927, p.40.

<sup>39</sup> See Sinclair, K. Walter Nash (Auckland University Press, Auckland, 1976) p.83.

purchasing power declined so did New Zealand's ability to export primary products to her traditional market. Nash suggested a 'readjustment of exports' would offer a possible long-term solution, but his vagueness suggests a degree of uncertainty; it is not clear whether he was referring to New Zealand or British exports.<sup>40</sup> But in either case what Nash certainly did not envisage was Japan becoming a major trading partner of New Zealand, and nor did he desire it. This was an opinion that he retained as a major protagonist in the debate over trade with Japan for the next thirty years until as a Prime Minister in the middle of a balance of payments crisis he was found to acknowledge the value (indeed the necessity) of establishing good trading relations with Japan.

Nash was also an archetypal 'Labour' man when discussing trade with Japan. Writing in 1929 he suggested that Asia could actually provide viable markets for New Zealand primary products, but with a catch that was to be echoed by those in the Labour Party and their supporters for many decades:

...exports imply imports....<sup>41</sup>

The necessity to import Japanese manufactured goods which were significantly cheaper than locally made or British ones was seen as an inevitable result of exporting

---

<sup>40</sup> Professor Sinclair in Walter Nash, p.82 suggests he is referring to New Zealand exports.

<sup>41</sup> Nash, 'New Zealand Labour and the Pacific', in Ngata, et al. New Zealand Affairs pp.161-162.

to Japan. Nash, in suggesting that there would be 'much agitation' against imports of manufactured goods in competition with New Zealand factories correctly predicted the debates in Parliament about cheap Japanese imports (many of which had their origins in lobbying by manufacturers' groups) from 1932 onwards. Nash propounded another Labour view of trade with Japan: that Japan should trade with China. He suggested that Japan should sign a reciprocal trade agreement with China, and that New Zealand (despite the fact it had just signed a trade agreement with Japan) should do the same with other countries. Nash's view of the 1928 Trade Treaty was less than enthusiastic.

Writing in the same volume that Nash expressed these ideas Dr. Guy Scholefield gave the contrary view of the 1928 Trade Treaty:

It is scarcely possible to exaggerate the importance of the rapprochement from the point of view of Pacific relations.<sup>42</sup>

Scholefield regarded the Trade Agreement as evidence of assimilation in the Pacific between East and West, but he was being as hopelessly idealistic as Nash was being unimaginative as to the possibilities of trade with Japan. But then this was a trait he shared with most of his fellow countrymen: Nash may not have been an Anglophile,<sup>43</sup> but his concept of trade with Japan was grounded firmly in the

---

<sup>42</sup> Scholefield, 'Japan and New Zealand' in Ngata, et al. New Zealand Affairs p.221.

<sup>43</sup> See Sinclair, Walter Nash, p.83.

traditional economic relations that New Zealand had with Britain.

## DEPRESSION

Of the commodities that were the principal products of the Pacific countries, full three-quarters were severely affected by the onset of the Depression. In Japan's case rice and silk were affected, in New Zealand wool and butter.<sup>44</sup> The decline in Pacific trade specifically was of much greater consequence to Japan than New Zealand. Of Japan's exports to all foreign countries in 1929 nearly 70% were of textiles.<sup>45</sup> About 58% of Japanese imports (by value) in 1929 were of textiles. Thus New Zealand was a fairly typical customer of Japan.

It is unfortunate that a lack of statistical data prevents a comparison of prices with British textiles or an analysis of the effect of the Depression on prices. The only statistical data available for these purposes is found in the series Statistical Report on Prices etc. for the three years 1928-1930 (when the Depression caused the cessation of the compilation of these data) where retail prices of some textiles are given. One example, that of crepe cloth, lends itself well for analysis. Retail prices

---

<sup>44</sup> Lasker, ed. Problems of the Pacific, 1931 p.5

<sup>45</sup> Allen, G.C. Japan's Economic Expansion (Oxford University Press, London, 1965) p.228.

are given for the four main centres, in the table below Christchurch prices are shown as representational of these. Japanese cloth came in 30 inch widths; English cloth in 36 inch widths. Both were measured by the yard.

**Table 3 Retail Prices of Japanese and English Crepe Cloth 1928-1930<sup>46</sup>**

	1928	1929	1930
Japanese crepe cloth	10-10½p	9½-11¼p	10½p
English crepe cloth	1'7¼ - 1'8¼p	1'6¾- 1'7¾ p	1'6¾ p

At least for these three years prices were very stable with only a slight reduction in prices, but more importantly Japanese crepe cloth was about half the price of the English cloth.

In New Zealand's case exports of wool to Japan can be analysed by statistical data. These exports reached their lowest in 1930, though the price per bale reached its lowest in 1932:

<sup>46</sup> Compiled from annual statistical reports on Prices, etc. for these years.

Table 4 Exports of Wool to Japan, 1928-1938<sup>47</sup>

	Bales	Value	Approximate Price per Bale (£)
1928	22,891	558,226	24
1929	16,978	339,126	20
1930	6,972	76,101	11
1931	18,613	179,049	10
1932	22,090	181,246	8
1933	27,305	233,229	9
1934	36,058	689,851	19
1935	24,887	241,697	10
1936	82,800	1,265,836	15
1937	118,569	2,705,946	23
1938	32,207	478,152	15

Exports of wool then recovered in the late 1930's. Even though the prices of Japanese textiles in New Zealand cannot be analysed very well, it can be seen that the Depression severely affected wool exports to Japan.

In September 1931, when the Manchurian incident could perhaps have elicited some kind of reaction to trade with Japan under normal circumstances, the deepening crisis in New Zealand saw the formation of a Coalition Government. Cheap Japanese consumer goods were a common sight in city shops and even if they did not have a good reputation for quality New Zealanders were not about to reject them in a time of widespread financial misery.

<sup>47</sup> Compiled from annual statistical reports on Trade and Shipping for these years.

### CHAPTER THREE

#### PRE-WAR SHIPPING BETWEEN NEW ZEALAND AND JAPAN

There seems to be no doubt but that the principal difficulty that stands in the way of the development of our trade with the East is the lack of adequate shipping facilities. A regular direct shipping service with refrigerated space would enable several of our products to find a remunerative market in for instance, Japan and South China....

Department of Industries and Commerce  
Annual Report - 1930<sup>1</sup>

#### THE BRITISH CARTEL

While pointing out the major impediment to expanding trade in Asia the Report of the Government Department most closely associated with trade could offer no solution. In 1930 the ships that regularly serviced New Zealand's international trade were British. If they did not travel to Japan, nor did New Zealand goods. The trade that was carried out with Japan was by way of Australia, which was serviced by Japan's merchant fleet (see below). Goods had to be transhipped in Australia adding to their freight cost. Part of Australia's massive advantage in trading with Asia was the availability of shipping.

---

<sup>1</sup> IC Annual Report, 1930, p.11.

New Zealand laboured under an inadequate infrastructure to find new markets, and only had herself to blame. Shipping services could have been provided; in the late 1960's the arrival of private companies in competition to the British ones upset the 'stable' nature of shipping (a euphemism shipping companies use to justify the formation of cartels) and started the long overdue debate on the traditional dependence. Even in the 1930's private shipping companies could be cajoled to provide a service along non-traditional routes ('berths'). The Department of Industries and Commerce did just this in 1937 when a service to the Dutch East Indies, Malaya, and other nearby territories was deemed desirable.<sup>2</sup>

New Zealand never did attempt to establish such a service to East Asia, however, and only two token efforts were made. The first was in 1924 when a group of manufacturers and exporters lobbied the Government to start a direct shipping service to Asia. A Dutch shipping company proposed a service which, for reasons unknown, was rejected. Instead, and not surprisingly, the Department approached the Union Steamship Company.<sup>3</sup> Although this attempt soon collapsed due to a lack of cargo it is indicative of the attitude of the Government that it had decided to approach a British controlled company. (The

---

<sup>2</sup> IC Annual Report, 1937, p.14.

<sup>3</sup> Stewart, W.D., New Zealand's Pacific Trade and Tariff, (Institute of Pacific Relations, Wellington, 1931), pp.25-26.



Union Steamship Company was owned by the Pacific and Oriental (P. & O.) Group - a British conglomerate.) Thus while it was possible to establish a private shipping line to the Dutch East Indies, and it was probably a Dutch shipping company anyway, it seems obvious that for trade to East Asia the Government was unwilling to go outside the possible British services.

The British monopoly on shipping services to New Zealand was established by the formation of a cartel of shipping lines, euphemistically called a 'Conference'. Conferences were arranged for different types of services in different directions.<sup>4</sup> The term 'New Zealand Conference Lines' is something of a misnomer in that it refers to the cartel of British shipping companies that serviced New Zealand. It cannot be overemphasised, therefore, that the British shipping companies that New Zealand relied upon had arranged themselves to ward off competition.

The first 'fully fledged' New Zealand Conference was formed in 1921, made up of the New Zealand Shipping Company (owned by P. & O.); the Federal Steam Navigation Company (owned by the New Zealand Steamship Company); the Commonwealth and Dominion Line (from 1936 the Port Line); and the Shaw Savill and Albion Company. In 1932-1933 the inclusion of the Blue Star Line established the Conference which monopolised the New Zealand-Britain 'liner' trade

---

<sup>4</sup> See Commission of Inquiry Into New Zealand Shipping, New Zealand Shipping; Report (Government Printer, Wellington, 1971), p.215 for a full definition.

until the first challenge by the Dutch companies Royal Rotterdam Lloyd and the Nederland Line in 1961.<sup>5</sup> Thus through the period of this study trade to Britain and Europe was dominated by these companies.

The dependence of New Zealand on the British naval fleet for defence prior to World War II had its counterpart in the dependence on Britain's merchant fleet for transport. Whereas the promised fleet never did come to defend New Zealand from Japan, British shipping continued to serve New Zealand during the war and afterwards. And New Zealanders were grateful for it. The service of British shipping to New Zealand tied the pattern of trade as much if not more than the tradition of Britain being the major market for New Zealand commodities.

#### THE ARRIVAL OF JAPANESE SHIPPING

With the onset of the Depression and decline of prices trade between Pacific countries was reduced. This led to a severe decline in Pacific shipping which had already been affected by increased competition.<sup>6</sup> Obviously a period of depression would not have seemed a good time to initiate a

---

<sup>5</sup> Ministry of Transport, Towards a New Zealand Shipping Policy: a Discussion Document (Ministry of Transport, Wellington, 1983), pp.7-8. 'Liner' refers to a regular scheduled service as opposed to a 'tramper' service, which is irregular, unscheduled, and often chartered only for single journeys.

<sup>6</sup> Lasker, ed. Problems of the Pacific, 1931, p.4.

regular shipping service, but it was a time of increased activity of the Japanese merchant fleet, from 1930/1 to 1935/6, due to an expansion of the import trade to Japan during these years.<sup>7</sup> This coincided with the inauguration of a Japanese run service to New Zealand.

On November 1st, 1930, the Osaka Shosen Kaisha Shipping Co. (OSK) started a monthly service to New Zealand via Australia, saving previously unavoidable transshipment costs in Australia. The existence of regulations on fruit in Japan did, however, prevent transshipment there for China and other Asian markets.<sup>8</sup> Perhaps in response to this, but also in an attempt to use the Japanese service to best advantage, in July 1932 the Department of Industries and Commerce asked OSK (unsuccessfully) to expand its service to include China and Hong Kong.<sup>9</sup>

The problems of shipping between New Zealand and Japan were not completely solved however, as a direct service was needed. This was finally provided by the Japanese in January 1936, when the Yamashita Kisen Kaisha (YKK) started a direct service between New Zealand and Japan. (This can be attributed to commercial reasons rather than the outcome of the 1935 elections.) YKK was a subsidiary of the Yamashita Steamship and Mining Co. Ltd. of Kobe. It had

---

<sup>7</sup> Burley, K.H., British Shipping and Australia, 1920-1939 (Cambridge University Press, Cambridge, 1968), p.46.

<sup>8</sup> IC Annual Report, 1932, p.10.

<sup>9</sup> Press July 9, 1932.

started a monthly service in 1921 on a circular route, Japan to the West Coast, to New Zealand and Australia, and then back to Japan.<sup>10</sup> At about the same time it had also offered to put on a direct service between New Zealand and Japan. To this end YKK established a representative in Wellington who travelled through New Zealand trying to promote business. YKK even appointed Wright, Stephenson & Co. Ltd. as their agents but after a year pulled out because of a lack of support.<sup>11</sup> It is not known if any direct sailings actually took place though, intermittent, indirect sailings apparently did. Within a few years YKK was joined by Kawasaki Kisen Kaisha and Kokusai Kisen Kaisha to form the Japan Australia Line.<sup>12</sup> OSK, which had called at New Zealand ports as early as 1920,<sup>13</sup> started a direct service to New Zealand from May 1936. Interestingly, one of the three founders of OSK was F. Kanematsu of F. Kanematsu (N.Z.) Ltd. Kanematsu also had a trading company operating in Australia<sup>14</sup>, indicating a commonality of interests that existed between OSK and these trading companies.

In 1936 the number of bales of wool exported to Japan jumped to 82,800 from 24,887 in 1935 (see Table 4). The

---

<sup>10</sup> Manuscript No.1.

<sup>11</sup> Letter, Wright, Stephenson & Co. Ltd. to Secretary of IC. September 23, 1925. IC 114/9.

<sup>12</sup> Manuscript No.1.

<sup>13</sup> Press February 8, 1954.

<sup>14</sup> Correspondence: Kanematsu-Gosho Ltd. June 13, 1990.

direct service to Japan was short lived, however, as during the 1936 (June-December) Trade Diversion dispute between Australia and Japan the shipping service between those two countries was disrupted. As a consequence the relatively new direct service to New Zealand was diverted to include Australian ports. At the end of the trade dispute direct sailings between New Zealand and Japan recommenced.<sup>15</sup>

The expansion of the Japanese merchant fleet's activities could not keep pace with the demand for shipping and in August 1937 the Japanese Minister for Communications advised a Shipping Federation Conference that the Government wanted to control shipping to deal with the shortage of tonnage. The conference promised compliance.<sup>16</sup> The Mitsubishi Monthly Circular of November 1937 also referred to a shortage of shipping as being a major restriction on Japan's export drive.<sup>17</sup> Earlier, in September 1937, an embargo on the export of scrap metal to Japan by New Zealand watersiders had led to a predictable reaction by the Managing Director of OSK. He was reported as saying:

It is very disappointing considering that we established a special New Zealand line, trying to foster trade as a benefit to both countries.<sup>18</sup>

---

<sup>15</sup> IC Annual Report, 1937, p.19.

<sup>16</sup> Press August 31, 1937.

<sup>17</sup> Shepherd, J., Australia's Interests and Policies in the Far East (International Secretariat; Institute of Pacific Relations, New York, 1939), p.151.

<sup>18</sup> Press October 20, 1937.

The last Japanese ship to travel to New Zealand before World War II was the YKK ship Yamagiku Maru. Its arrival was given some publicity as it was due on Tuesday 29th July 1941.<sup>19</sup> This was only a few days after Nash's announcement on Government restrictions on trade with Japan, and there was some speculation as to whether it might be diverted. After a delay, apparently caused by bad weather, the ship arrived in Auckland on Friday August 1st.<sup>20</sup>

The New Zealand Government's declaration put businesses which had cargo on the ship, or intended to put cargo on the ship, in a difficult position. They were reported as saying they had received no information as to whether they could get the cargo, or how they could pay for it.<sup>21</sup> The cargo was discharged and it then sailed for Wellington and Lyttelton where it unloaded a hundred tons of cargo and loaded 1700 sheep. It then sailed directly for Japan on August 14th.<sup>22</sup> No other Japanese ships visited New Zealand until the Nachisan Maru arrived in Auckland in July 1952.

---

<sup>19</sup> Press July 29, 1941.

<sup>20</sup> Press August 2, 1941.

<sup>21</sup> Press July 29, 1941.

<sup>22</sup> Press August 14, 1941.

## AUSTRALIAN SHIPPING INTERESTS

In all that has been said above, in neither the chronology of events nor apparent motives does there appear to be any difficulty: Japanese ships operated either indirectly or directly to New Zealand from about 1921, and certainly more regularly from 1930 to 1941, and this was in line with an overall expansion of the Japanese merchant fleet's activities vis-a-vis an expansion of trade.

There is, however, a fundamental and difficult problem concerning the influence of shipping Conferences on trade. Writing in 1933, Downie Stewart suggested that some New Zealand exporters had offered very competitively priced goods in some Asian markets only, in their opinion, to be shut out by Australian shipping interests lobbying 'Eastern Commercial houses' to refuse New Zealand agencies.<sup>23</sup> This, of course, does not constitute evidence of such a thing, but there has also been the suggestion in the post World War II shipping arrangements that Australia did more to protect its interests at the expense of New Zealand interests (see Chapter 8). The question arises as to how different the pre-war situation was to the post-war. Of the four shipping lines that ran between Australia and Japan before World War II; namely Nippon Yusen Kaisha

---

<sup>23</sup> Stewart, New Zealand's Pacific Trade and Tariff, p.26. W. Downie Stewart - Minister of Industries and Commerce 1926-1928.

(NYK), OSK, Japan-Australia Line (actually three Japanese Companies), and the Eastern and Australia (E.& A.) Line, only the last was not Japanese owned. The E.& A. Line was in any case owned by the P.& O. Group, i.e. it was British. As such it is difficult to imagine that Australian shipping interests, which were in the 1930's continually facing the expansion of the Japanese fleet and their own weakening position, could have had such influence.<sup>24</sup> The only time this could have been true was much earlier. The Conference in question was formed in the early 1900's or 1890's after NYK started a liner service between Japan and Australia.<sup>25</sup> The first such service had been started in 1872 by the E.& A. Line between Australia, China and Japan. It appears that these two companies then came to an arrangement into which OSK and the Japan-Australia Line entered in 1919 (1920?) and 1925 respectively. Thus the position of the E.& A. line which could have been influenced by Australian shipping interests moved from that of monopoly to minority. Further, any influence that Australian interests could have exerted at the transshipment stage of New Zealand cargo to Japan would have been lost from 1930 (see above). Thus it would seem that even in the initial stages of OSK's service to New Zealand, when it was acting as an extension of the Australia-Japan Conference routes, Australian shipping interests could not have exerted any great detrimental

---

<sup>24</sup> Burley, British Shipping and Australia, 1920-1939, pp.219-221.

<sup>25</sup> Ibid., p.220.



effect. Also, as both OSK and YKK were part of the same Australian Conference, it would seem reasonable to expect that they operated under a mutual arrangement for their direct service to New Zealand.

While it would seem to be difficult to assert that Australian interests could have greatly affected New Zealand's trade with Japan in the 1930's, it is also important to remember that during the 1936 Australian-Japan Trade Diversion dispute, the direct services of OSK and YKK to New Zealand were both disrupted to take in Australian ports.<sup>26</sup> The fact that the state of Australia's shipping arrangements with Japan affected New Zealand cannot be denied.

One of the matters that remains unresolved regarding pre-war shipping is the participation of another shipping company Nippon Yusen Kaisha (NYK) of which Mitsubishi had the controlling interest<sup>27</sup>. Several unofficial sources give this shipping company as operating a large proportion of the New Zealand trade with Japan.<sup>28</sup> It remains to be resolved whether NYK actively participated in its own right, or operated to New Zealand through other shipping Lines such as YKK.

---

<sup>26</sup> IC Annual Report, 1932, p.19.

<sup>27</sup> IC Memo. February 14, 1934. IC 114/1 (pt.1).

<sup>28</sup> Farquhar Collection 3/12/52.

## CHAPTER FOUR

## OTTAWA AND DEPRESSION, 1932-1935

There may be little in the Ottawa Agreements that would give any warrant for Japanese military actions in Manchuria, but the fact that Japanese military leaders could successfully use them as a talking point in defending their policies before Japanese public opinion was something that seemed to demand serious attention.

Report on Institute of Pacific Relations Conference, 1933.<sup>1</sup>

## THE OTTAWA CONFERENCE

The Imperial Economic Conference held at Ottawa from July to August 1932 illustrated how ephemeral the 1928 Trade Agreement with Japan had been. Though the Trade Agreement remained in effect, Ottawa represented the greater forces, the dichotomy, of White versus non-White Empire politics. In 1931 a Japanese delegate at the IPR Conference would have excluded the Dominions from a 'closed' Pacific trade agreement. Now, just a year later, Japan had been excluded from a closed British Empire trade

---

<sup>1</sup> Lasker, B. & Holland, W.L., eds. Problems of the Pacific, 1933 (Oxford University Press, London, 1934) p.203. See also Trotter, A., Britain and East Asia 1933-1937. (Cambridge University Press, London, 1975) pp.16-17 for Japan's reaction to the Ottawa Agreements.

agreement (actually a series of bilateral agreements). The fact that Japanese military leaders now used this situation to defend their own empire-building was of course a cause of concern; the 'Yellow Peril' was striking back, but it was hardly surprising.

Ottawa was about tariffs, and tariffs were (and are) one of the chief methods by which Governments can control trade. Tariffs have the dual function of raising the prices of goods in competition to local products, thus with any hope affording a degree of protection to local industry, and being a source of revenue for Governments. The solutions to the problems of the Depression were seen to lie, for New Zealand, in the condition of the external market. If production was the only way out of the Depression, as the Coalition Government believed, then the key to making this policy work was the prevention of British tariffs (and quotas) on New Zealand exports. But this is just what Britain threatened: a protective tariff effective from November 15th, 1932, unless agreement could be reached at Ottawa. The great discovery that the British market was not bottomless affected not only trade with Asia but with other 'foreign' suppliers as well. Ottawa was as equally directed against Argentina and Denmark as it was against Japan. It was not the industrialization of Japan that had upset New Zealand's trade with Britain, as Nash had predicted, but these other suppliers of commodities in competition with New Zealand. Thus:

The New Zealanders had no fear of a 'closed Empire' with themselves as primary producers in it. Rather they welcomed the idea.<sup>2</sup>

New Zealand even argued (unsuccessfully) for reciprocal treatment above all the other Dominions as her tariffs on British goods were the lowest of any Dominion.

While Ottawa did succeed in setting up a series of bilateral agreements, and Britain did in theory accept the concept of Imperial preference, the Dominions could not absorb all British exports in exchange for lower tariffs. Britain was established in a world-wide trading network, and was forced to trade outside the circle of agreements.<sup>3</sup> Even worse, Britain soon threatened restrictions on imports of meat and then butter to protect farmers, and even though these did not eventuate the British Government soon established various kinds of subsidies to protect farmers; a move which effectively worked against New Zealand by lowering prices on the British market.<sup>4</sup> Ottawa became a 'source of anxiety, not a liberation from cares', and as far as the dichotomy was concerned:

As Ottawa was the culmination of the long dominions campaign to mold United Kingdom trade policy into a shape advantageous to the dominions, so for New Zealand it became a campaign to keep it in a shape advantageous to her. The net immediate effect of the effort was

---

<sup>2</sup> Grattan, C.H., The Southwest Pacific Since 1900 (University of Michigan Press, Chicago, 1960), p.277.

<sup>3</sup> Sinclair, Walter Nash, p.135.

<sup>4</sup> Milner, New Zealand's Interests and Policies in the Far East, p.36.

to mortar New Zealand more firmly than ever before into the Imperial trading system.<sup>5</sup>

#### JAPANESE IMPORTS - TEXTILES

New Zealand reduced tariffs on imported British clothing, hosiery and silk, artificial silk textiles (all of which were in competition with imported Japanese textiles) and other goods.<sup>6</sup> Later, in 1934, the tariff on British textiles was completely removed.<sup>7</sup> The other Dominions, adopting similar changes in their tariffs gave ammunition to the military propagandists of Japan as expressed at the Institute of Pacific Relations Conference held in 1933.

In New Zealand's case, contrary to this Japanese propaganda, the Ottawa Conference did not lead to new discrimination against Japanese goods, especially textiles; it merely returned the tariff situation to what it had been before New Zealand had introduced its revenue raising tariffs in 1930 and 1931. The tariffs on silk and artificial silk, which were Japan's single largest exports to New Zealand are a case in point.

---

<sup>5</sup> Grattan, The Southwest Pacific Since 1900, p.277.

<sup>6</sup> NZOY 1934, p.238.

<sup>7</sup> NZOY 1935, p.227.

**Table 5** New Zealand Tariffs on Silk and Artificial Silk, 1926-1936<sup>8</sup>

	General %	British Preferential %
1926	15	10
1927	15	10
1928	15	Free
1929	15	Free
1930	15	Free
1931	25	10
1932	15	10; Free
1933	15	Free
1934	15	Free
1935	15	Free
1936	15	Free

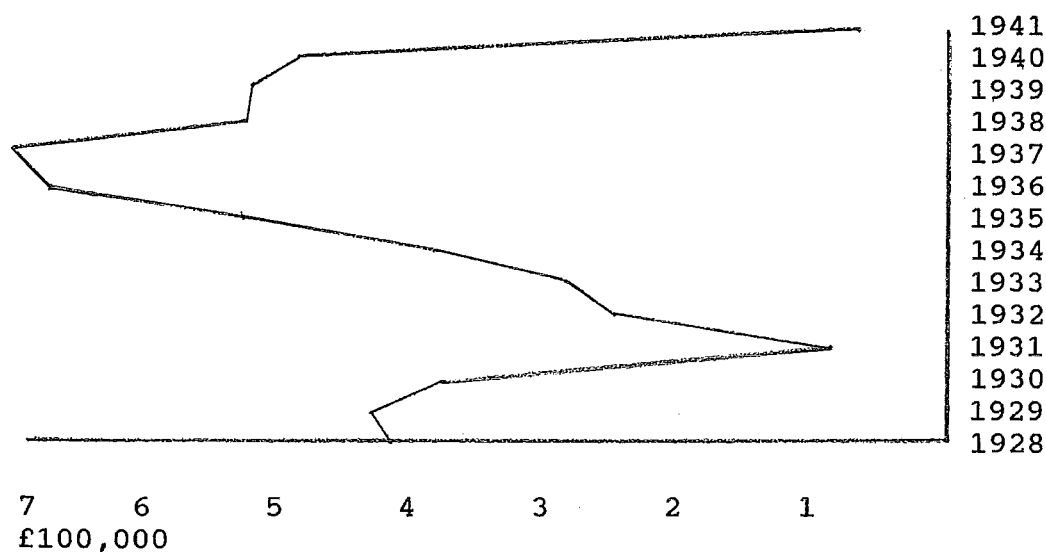
The situation in 1933 was thus the same as in 1930 for imported Japanese silk. Although British imports still had an advantage this was not a new phenomenon, and that Japan was no longer required to overcome the 25% tariff required in 1931 was a quantitative improvement. The most common Japanese silk was 'Fuji Silk', which was sold as cloth or made up garments such as shirts.

Despite the Ottawa Agreements Japanese goods were certainly not being shut out of the New Zealand market. It was more a case of 'having their cake and eating it too', as the tariff barriers about which they complained did not prevent Japan from also increasing exports of textiles. In Australia where, unlike New Zealand, statistics are available for the quantities of textiles imported, Japan increased her share of the market greatly. In the case of

<sup>8</sup> Compiled from annual statistical reports on Trade and Shipping for these years.

cotton textiles, Australia imported a total of 222 million square yards (m.s.y.) in 1926. Of this Japan supplied about 24 m.s.y. or about 11%. In 1932 of a total of 210 m.s.y. Japan supplied 36 m.s.y. or 17%. In 1935 of a total of 210 m.s.y. Japan supplied 87 m.s.y. or 41%. Japan had, in fact, displaced Britain as the largest supplier of textiles to Australia in 1934.<sup>9</sup> It was accompanied, as elsewhere with complaints of Japanese 'dumping' and commercial methods. Although quantitative statistics are not available for New Zealand, statistics based on values show a similar story.

**Graph 2 New Zealand Imports of Japanese Textiles  
1928-1941<sup>10</sup>**



<sup>9</sup> Shepherd, Australia's Interests and Policies in the Far East, pp.27-33. Wigmore, L., The Japanese Thrust Australia in the War of 1939-1945 (Australia War Memorial, Canberra, 1968), p.5. gives it as 1935.

<sup>10</sup> Compiled from annual statistical reports on Trade and Shipping for these years.

This graph shows the value of textiles, as with all other Japanese imports, reaching a low in 1931 and then climbing steadily to a peak in 1937. In 1938 statistics were first collected for the quantities of textiles imported into New Zealand. They show the main source of imports being Britain and Japan. In the cotton, linen and canvas group, (woven), imports from Britain were 18.7 m.s.y.; from Japan 9.5 m.s.y. The British cotton, linen and canvas textiles were valued at £1m; the Japanese at £200,000. The British goods were therefore over twice the price of the Japanese, but the latter had not overtaken British imports in quantity. The story was quite different, however, for silk imports from Japan (700,000 square yards), which had overtaken imports from Britain (500,000 square yards). The Japanese silk was valued at £34,000, the British silk at £46,500. Again the British silk was nearly twice the price of the Japanese. But the biggest difference in prices was in the case of artificial silk, where imports from Britain of 2.1 m.s.y. at £175,000 were in competition to 8.9 m.s.y. from Japan at £273,000. The Japanese had completely overtaken this market with goods at about one third of the price of British ones despite the inequalities in tariff.<sup>11</sup>

Although it is tempting to use these figures as a base to calculate earlier quantities of imports, this requires

---

<sup>11</sup> Annual statistical report on Trade and Shipping, 1938, pp.203-206. See also Trotter, Britain and East Asia 1933-1937, pp.27-31 for Japanese competition.



an assumption that the price of Japanese textiles remained fairly constant over a long period of time, which is unlikely considering Japan devalued in 1930. What can be said with certainty is that at some stage in the early 1930's Japan exported sufficient quantities of textiles to New Zealand to rival Britain and that by 1938 the supply of these Japanese textiles (19.1 m.s.y.) was nearly equal to that of British textiles (21.3 m.s.y.), and in artificial silk had won the lion's share of the market. It is also worthy of note that the supply of Japanese textiles was by 1938 already in decline.

Although it is difficult to quantify Japanese textile imports before 1938, it is apparent that the boom took place after the collapse of the Yen in 1931. Japan enjoyed a world-wide trade boom from 1932 to 1937.<sup>12</sup> The collapse of the yen and New Zealand's reduction of her General tariff on silk and artificial silk from 25% to the usual 15% led, despite the Ottawa Conference, to an increase in Japanese imports of textiles.

#### **JAPANESE IMPORTS - FOOTWEAR**

As with textiles, the importation of Japanese footwear caused consternation as to the affect on British

---

<sup>12</sup> Lockwood, W.W., The Economic Development of Japan: Growth and Structural Change, 1868-1938 (Oxford University Press, London, 1955) p.314. See also Lasker & Holland eds., Problems of the Pacific, 1933, p.2.

manufacturers. The further possibility was, however, that unlike textiles the importation of Japanese boots and shoes was having a direct effect on New Zealand manufacturers. This arose as even though Japanese imported footwear was almost completely rubber or rubber and canvas, the fact that they were cheaper than New Zealand made leather sandals with rubber soles supposedly meant that 'this manufacture will either have to be restricted or abolished altogether'.<sup>13</sup> The (Labour) Minister who contended this also asserted that New Zealand workers were 'forced to buy' Japanese shoes:

I have seen men on relief works wearing these white gymnastic shoes. They did not buy them because they were comfortable or suited to the work, but because they could not afford to buy anything else.<sup>14</sup>

That leather sandals would have been more comfortable or 'suited to the work' seems unlikely. The view that cheap Japanese goods were actually beneficial to poor people was not expressed at all, in contrast to Australia (see below).

If the pressure caused by sales of Japanese shoes was noticeable in 1932, it must have been even more so in 1933 and 1934. Japan exported three types of footwear to New Zealand; children's footwear of all types (though probably not leather), adults gumboots, and adults canvas and rubber goloshes. These were in competition with British made

---

<sup>13</sup> NZPD Vol.233, p.731.

<sup>14</sup> NZPD Vol.233, p.732.

rubber footwear and, supposedly, locally made leather footwear as well. The following table gives the number of pairs of these types of shoes and boots imported into New Zealand for the period 1930-1940:

**Table 6 Imports of Japanese Footwear;  
Numbers of Pairs, 1930-1940<sup>15</sup>**

Year	Japan - Total	All Sources - Total	Per Cent
1930	25,344	1,464,816	2
1931	128,988	906,804	14
1932	487,920	1,740,312	28
1933	1,376,376	2,137,476	64
1934	1,189,320	1,818,768	65
1935	1,982,780	1,822,768	65
1936	1,135,468	1,861,788	61
1937	1,008,528	2,078,208	49
1938	918,480	2,022,936	45
1939	439,152	1,496,556	29
1940	90,804	624,324	15

The above figures show that the rise in imports of Japanese footwear took place from 1930 to 1933; earlier rather than in the middle or late 1930's. This was similar to the trend for textiles too, but in the case of footwear, the peak years were from 1933 to 1936, when nearly two-thirds of imported rubber footwear (and thus also retailed footwear as none was manufactured locally) was of Japanese origin. This truly was an 'influx' at the expense of British and Canadian goods, and undoubtedly these were

<sup>15</sup> Compiled from annual statistical reports on Trade and Shipping for these years.

shoes and boots bought by poor people during the Depression years.

## AUSTRALIA

Attitudes in Australia, both for and against trade with Japan, were more extreme than in New Zealand. When Japan entered Manchuria in 1931, for example, the Unemployed Workers' Movement demonstrated outside the Japanese Embassy and marched every week with the slogan 'Boycott Jap Goods'.<sup>16</sup> There was no such similar action in New Zealand. On the other hand the Australian Labour Party appreciated that cheap Japanese goods helped people on lower incomes.<sup>17</sup>

There were calls to stop 'dumping', but at least it was recognized in Australia that some benefit could accrue socially by having cheap goods available during the Depression. By contrast, New Zealand politicians and especially the Labour Party were obsessed with the danger to trade relations with Britain by importing cheap Japanese goods.

Not only were the benefits of trade with Japan recognized in Australia, the value of trade with Britain

---

<sup>16</sup> Lowenstein, K.W., Weevils in the Flour: An Oral Record of the 1930s Depression in Australia (Hyland House, Melbourne, 1978), pp.211-212.

<sup>17</sup> Wigmore, The Japanese Thrust. Australia in the War of 1939-1945, p.5.

was being questioned. In a Bank of New South Wales report of 1934, the wisdom of trying to maintain the British Empire as a contained economic trade unit was questioned, and the desirability of expanding trade with Japan was described as a difficult conclusion to resist if looking at the 'rational ends of Australia's trade policy'.<sup>18</sup> The following year the Australian Institute of International Affairs published a survey of relations with the Far East with similar conclusions.<sup>19</sup> In New Zealand the British Trade Commissioner said that Japan was not a good market for meat or dairy products.<sup>20</sup> It was repeatedly noted that Australia, in contrast to New Zealand, was actively promoting trade with Japan.<sup>21</sup> A permanent Australian Trade Commissioner was appointed in Japan in 1935, and negotiations initiated for a trade treaty.<sup>22</sup> In many ways opinions on trade with Japan were thus much more clearly defined in Australia than in New Zealand.

---

<sup>18</sup> Ibid. See also Shepherd, Australia's Interests and Policies in the Far East, p.29.

<sup>19</sup> Shepherd, Australia's Interests and Policies in the Far East, pp.28-29.

<sup>20</sup> Press June 15, 1934.

<sup>21</sup> Milner, New Zealand's Interests and Policies in the Far East, p.38.

<sup>22</sup> Shepherd, Australia's Interests and Policies in the Far East, p.39.

## THE COALITION AND TRADE

As with Britain and the United States, the importation of cheap Japanese textiles brought political problems to New Zealand. In Britain and the U.S., manufacturers lobbied against these imports from 1933-4 and 1934-5 respectively.<sup>23</sup> Compared to this New Zealand manufacturers were early starters. Although the Ottawa Conference focused attention on New Zealand's trade problem, it is also clear that a considerable part of the Parliamentary Debates about Japanese imports in 1932 can be attributed to lobbying by manufacturers. A deputation met Forbes to complain about shoes<sup>24</sup>; the United Kingdom manufacturers' and New Zealand Representatives Association sent a letter to Members of Parliament complaining about the effect on British industries, and New Zealand firms were also writing letters to Harry Holland and presumably other M.P.s.<sup>25</sup>

What is remarkable about this is that, in value terms, the importation of Japanese goods remained lower in 1932 than in any of the three years 1928-30. We can only surmise that either the Depression focussed unfair criticism on Japanese imports, or that for the same value a much greater quantity of Japanese goods were being

---

<sup>23</sup> Bisson, T.A., American Policy in the Far East, 1931-1940 (Institute of Pacific Relations, New York, 1940) p.39.

<sup>24</sup> NZPD Vol.233, p.731.

<sup>25</sup> NZPD Vol.233, p.777.

imported compared to before 1931, and they were thus significantly cheaper. The fact that Japan had devalued its currency drastically, and that the Debates in Parliament often contained references to the 'cheap' nature of Japanese imports would suggest the latter.

What is also remarkable is that the debates on Japanese imports coincided so exactly with those on the Ottawa Conference. This was not only a coincidence due to the Japanese currency devaluation, but also that trade with Japan could not now be treated in isolation to the much greater issue that the Conference had made explicit: New Zealand's trade relations with Britain. Since the first debates after the Ottawa Conference it was realized that Britain was no longer the guaranteed market for New Zealand dairy products it had been. The report brought back by the New Zealand representatives at Ottawa was to the effect that New Zealand had 'to look out for other markets'. 'Saturation' would be reached in the 'Old Country'.<sup>26</sup> Labour considered it dismal news, for as Savage said (paraphrasing Nash's comments in 1929) if New Zealand traded with the East (meaning exports), it had to 'take the products of the East, either directly or indirectly'. He also attacked the Ottawa Agreement for continuing New Zealand's dependence on exports of primary products at the expense of developing secondary (manufacturing) industries; in effect making New Zealand 'less dependent on the

---

<sup>26</sup> NZPD Vol.233, p.730.

internal market and more dependent on the external market'. Yet this was completely at odds with his remark a little later that there was 'still further room for development of our trade with Britain'. Either way, trade with Japan did not fit into Labour's scheme, either for imports:

I want British products to come in where it is not possible to produce such goods in New Zealand, and I do not want Japanese products to be substituted for them.

Or exports:

...to the extent that we develop our trade with the Eastern countries (,) to that extent we must weaken our position on the British market.<sup>27</sup>

Thus Labour's attack on Trade with Japan was all embracing, and Savage was quick to point out the apparent inconsistency of the Coalition in urging private enterprise to develop trade with Japan so soon after entering into a system of Imperial preference. It was a valid point insofar as it was obvious that a policy of Imperial preference enacted through tariffs was not an effective means to protect either New Zealand or British Industry. Extremely low wage rates in Japan (which Labour also criticised) meant exports could overcome even high tariffs and still be cheaper than locally made or British manufactured goods. The question was if stronger controls on Japanese imports should be adopted.

Although the Labour Opposition was having a field-day attacking the Ottawa Agreement and the 'dumping' of Japanese imports, they too had to define a policy to repair the

---

<sup>27</sup> NZPD Vol.233, pp.627-628.



situation. This was where they were uncertain, firstly advocating an embargo in imports,<sup>28</sup> later admitting that an embargo would be interpreted in Japan as hostile, and as such was unacceptable.<sup>29</sup> This was the view also taken by the Coalition; an embargo 'might' lead to the 'danger of war'. But given this, the Coalition could only suggest that as 'high a duty as possible' be put on Japanese goods, and a plea made to the patriotism of New Zealanders.<sup>30</sup> In the event, tariffs were not raised against Japanese goods, and a plea to be self-sacrificing would certainly have fallen on deaf ears during some of the worst years of the Depression. Labour reduced its proposed measures to a licensing of Japanese imports.<sup>31</sup>

The fact that the tariff rates were not raised against Japanese goods probably owes a great deal to the pressure that farmers, upon whose support the Coalition depended, brought upon the Government. Farmers enjoyed and benefited from the availability of cheap Japanese goods as much as urban workers.<sup>32</sup> The Coalition Government passed a great many measures to help farmers, whom they considered to be the 'backbone' of the country.<sup>33</sup> The Ottawa Conference was,

---

<sup>28</sup> NZPD Vol.233, p.732.

<sup>29</sup> NZPD Vol.236, pp.295-296.

<sup>30</sup> NZPD Vol.237, p.425.

<sup>31</sup> NZPD Vol.233, p.732.

<sup>32</sup> Milner, New Zealand's Interests and Policies in the Far East, p.30.

<sup>33</sup> Sinclair, Walter Nash, p.101.

after all, as far as the Coalition was concerned an attempt to assure farmers' incomes. But on top of this 'innumerable grants and subsidies' were created to help them.<sup>34</sup> The devaluation in January 1933 was also intended to aid farmers,<sup>35</sup> and even though it raised the price of imports overall, Japanese imports still retained their relative price advantage.

Thus as far as cheap Japanese imports were concerned, the Coalition in effect did nothing. As for exports, the Labour party was already attacking the Government's policy of promoting private enterprise to develop markets in Asia. But there was a big difference between suggesting others do it, and doing it themselves. With no Trade Representatives in Asia, no serious attempt to control the shipping, and no Government involvement with exports to Asia, the Coalition Government could hardly have been accused of actively promoting exports to Japan. Forbes might say that the subject would 'receive further careful consideration by the Government',<sup>36</sup> but it was a politician's answer. A leading article in the Press in April 1933 lamented New Zealand's lack of interest and knowledge about expanding trade with Asia both in private enterprise and Government.<sup>37</sup>

---

<sup>34</sup> Sinclair, A History of New Zealand, p.257.

<sup>35</sup> Milne, R.S., Political Parties in New Zealand (Clarendon Press, Oxford, 1966), p.47. Milne also has a section devoted to farmers as an interest group (pp.114-122).

<sup>36</sup> NZPD Vol.236, p.500.

<sup>37</sup> Press April 19, 1933.

According to one commentator, 1933 was the year that:

...the mutterings of Japan's commercial competitors against the expansion of her trade swelled into clamour.<sup>38</sup>

Although New Zealand was not a commercial competitor, the last months of this year saw renewed debate on Japanese imports. The issues were predictable; the threat to British imports, New Zealand manufacturers, and living standards in general. Nash said of Japan that it was:

...probably creating more controversy throughout the world in regard to trade than any other nation.<sup>39</sup>

Not only for trade, but also for its military aggression, was concern now being voiced over Japan. That a trade war might actually lead to a real war was expressed both by Government and Opposition (see above). Forbes was asked twice about exports of scrap metal to Japan, in March<sup>40</sup> and November.<sup>41</sup> There was also a 'modest' programme of rearmament after the low point of the previous year which was partly a response to Japan's military aggression.<sup>42</sup> But compared to the complaints over the cheapness of Japanese imported goods, very little was said

---

<sup>38</sup> Royal Institute of International Affairs, Survey of World Affairs, 1933 (Oxford University Press, London, 1934), p.98.

<sup>39</sup> NZPD Vol.237, p.246.

<sup>40</sup> NZPD Vol.235, p.882.

<sup>41</sup> NZPD Vol.237, p.146.

<sup>42</sup> McIntyre, W.D., New Zealand Prepares for War: Defence Policy 1919-39 (University of Canterbury Press, Christchurch, 1988) pp.121-122.

of Japan as a military threat.<sup>43</sup> The perceived threat was from Japanese commodities rather than military aggression.

If the Coalition was regularly castigated for doing nothing about trade with Japan, it did at least facilitate the entry of Japanese businessmen into New Zealand in 1932. In this year an arrangement was concluded between Forbes and the Consul-General in Japan which allowed Japanese businessmen to enter, and live permanently in New Zealand without having to comply with the procedure required under the Immigration Restrictions Act, 1920. The Agreement appears to have been concluded to allow Japanese businessmen to live in New Zealand longer than the maximum six months under the 1920 Act - an inconveniently short time. This Agreement, though not opening any door to immigration on a wide scale (permission to live in New Zealand was revoked if the businessmen changed their occupation) is nonetheless notable in view of the previous fear of Japanese immigration both in Seddon's time and supposedly during the negotiations for the 1928 Trade Treaty. The Agreement was revoked in 1941 with New Zealand's denunciation of the Trade Treaty.<sup>44</sup>

Writing in 1940, Professor Wood said of the Ottawa Agreements that they:

...did not entirely remove the main threat to New Zealand's future which had been emphasised by the

---

<sup>43</sup> See Lissington, New Zealand and Japan, 1900-1941, Chapter 5, for the gradual recognition of Japan as a potential threat.

<sup>44</sup> P.M. (acting) to SSDA, July 26, 1941. EA 58/12/2 (pt.1a).

depression: namely, the possibility that the British market for her products might not remain permanently free and unlimited. The possibility of restrictions or taxes on her exports to Britain has remained a nightmare for New Zealand ministers, and a reminder that the old secure (if fluctuating) prosperity within the Empire might be overthrown at a moment's notice.<sup>45</sup>

But the Depression, although illustrating the vulnerability engendered by reliance on a single market, did not stimulate a desire on behalf of the Coalition Government to seek new markets in Asia. The Coalition Government has been described as bordering on 'laissez-faire liberalism' in its economic policies during the Depression.<sup>46</sup> Certainly on trade with Japan, in which they neither attempted to curb imports nor expand exports, this is true. The Coalition was asking others to do the things that it would not: to be patriotic and self sacrificing to reduce imports of Japanese goods (by buying the more expensive locally made or British goods), and to attempt to find new export markets in Japan. New Zealand's trade relations with Japan were being determined by local consumers and entrepreneurs.

---

<sup>45</sup> Wood, F.L.W., New Zealand in the World (Department of Internal Affairs, Wellington, 1940), p.114.

<sup>46</sup> Sinclair, A History of New Zealand, p.260.

## 'GOODWILL' MISSION

In New Zealand, in August 1935, an official 'goodwill' mission from Japan headed by Katsuji Debuchi arrived. Its task was simple: to put as good a view on New Zealand-Japan trade relations as possible. With trade now reaching higher than pre-Depression levels, Debuchi could easily suggest that Japan was becoming a promising market for New Zealand wool, tallow, and meat. In statements utterly contrary to those of Japanese delegates at previous IPR Conferences, he now painted a picture of 'co-prosperity' in the Pacific involving New Zealand. Debuchi referred to:

...the new era of Pacific trade, and expressed the hope that Japan and New Zealand would work hand in hand for peace and prosperity in the future.<sup>47</sup>

This was a far cry from the complaints of British colonialism and tariff barriers usually associated with Japan's view of Pacific Trade. But as a propaganda mission, it met with some success; the Press gave the visit a resounding endorsement.<sup>48</sup> Debuchi himself admitted that he had no proposals for an agreement to facilitate this 'new era of Pacific Trade', and after having praised trade relations to their fullest possibility, left without addressing the real issue of the low cost of Japanese goods. For all the hype, the Japanese visit was merely a sideshow to the main events of the period. New Zealand was

---

<sup>47</sup> Press August 24, 1935.

<sup>48</sup> Press August 21, 1935.

to face an election in November in which more important issues were at stake than trade with Japan.

## CHAPTER FIVE

## LABOUR AND THE SINO-JAPANESE WAR 1936-1938

...the Government will take whatever steps are considered necessary and practicable to assist the development of trade in those markets wherever opportunities for the sale of the Dominion's products are found to exist.

Walter Nash, 1938<sup>1</sup>

## LABOUR AND TRADE

In the December 1935 elections the continuing economic crisis in New Zealand led the Labour Party under Michael Savage to a landslide victory over the Coalition. Part of Labour's economic reforms lay in an attempt to protect manufacturers from overseas competition by introducing new, and supposedly stricter, import controls. The Coalition's exchange rate manipulations and concern with protective tariffs were replaced by exchange control and import licensing.<sup>2</sup> The new measures were not effective, leading to a balance of payments crisis in 1938, but the origins of Labour's reasoning in changing the methods of controlling

---

<sup>1</sup> NZPD Vol.251 p.576.

<sup>2</sup> Sutch, W.B. The Policy of Import Selection (Wellington Co-operative Book Society, Wellington, 1939) p.3.



imports can be found back in the debates on how to control cheap imported goods. This was to a large degree aimed at Japan, though also trade with Asia in general.

When Labour came to power neither Savage nor Nash had any desire to increase imports from Japan, and effectively nor did they have any desire to seek new markets in Japan or Asia. If anything the reverse is true: they were looking for a way to reduce trade with countries that had low standards of living and incomes. Embargoes had been dismissed as too hostile, and protective tariffs and exchange rate fluctuations had been shown to be ineffective. Japanese rubber goods and textiles had come into New Zealand in increasing quantities since the Ottawa Agreements. Labour thus chose the control of exchange funds as its first major act as Government,<sup>3</sup> but the problem remained how to alter the pattern of New Zealand's trade without being seen to be discriminating against trade with Japan in particular. Thus imports from Japan were not immediately reduced. Instead, true to Savage's idea that there was still further room for development of trade with Britain (at the expense of Japan and Asia), Nash soon embarked on a mission to London for a further bilateral trade agreement beyond that already established at Ottawa. It would have given Britain a 'full' or 'complete' market in New Zealand to the extent that New Zealand could pay for.<sup>4</sup> Nash was:

---

<sup>3</sup> Ibid.

<sup>4</sup> Ibid., p.4.

...struggling to achieve a vision of imperial trade which might have provided a high standard of living, but which would have confirmed New Zealand's colonial economic status.<sup>5</sup>

But he met with little support for his radical plan in London.

While Nash was in London a curious exchange took place in the New Zealand Parliament. The previous Coalition Government had done very little to promote trade with Japan. It was not without some irony then that when cast into Opposition Forbes asserted (falsely) that his Government had given an 'undertaking' that after the establishment of a direct shipping service to Japan they would follow up 'by some system of trade representation in the East...'. Osaka Shosen Kaisha had, coincidentally, started a direct service to Japan in May 1936. Forbes then went on to cite the example of Australia which had spent a 'good deal' of money on developing trade in Asia. That his own Government had been widely criticised for not following Australia's example makes these assertions all the more extraordinary. Sullivan, the Labour Minister of Industries and Commerce, was not surprisingly taken aback and Forbes quickly changed his position to state that the Coalition had said they would 'do what [they] could in the promotion of trade'. This was perhaps not an entire untruth, but if this was Forbes' attempt to disguise the Coalition's inaction it was hardly effective, and if it was simply an

---

<sup>5</sup> Sinclair, Walter Nash, p.141.

attempt to get Labour to state their policy on trade with Japan it was completely unsuccessful. Labour's policy on trade with Asia was, said Sullivan, to be settled after Nash's visit to Britain.<sup>6</sup>

Sullivan's statement indicates that the Government was waiting for the outcome of Nash's negotiations in London before moving to drastically alter trade with Japan. It was perfectly clear that action obviously directed solely at Japan would have been provocative. On the other hand a trade agreement with Britain in which trade with Japan, and other 'foreign' countries, suffered as an unavoidable side-effect would foreseeably have met with as much opposition from Japan as the Ottawa Agreements had (as another example of the 'White' Empire shutting Japan out of her 'rightful' trade), but still would have been much less provocative than an immediate restriction on trade. In May 1936 Savage had already been forced to deny that New Zealand had been invited to join an 'anti-Japanese front' with Australia during their trade dispute. Trade relations with Japan would be discussed, as Savage had diplomatically put it, 'on their merits.'<sup>7</sup> But it is also obvious that Nash's failure in London saved New Zealand's trade with Japan, for if he had been successful British textiles and other goods would have been imported in place of Japanese goods even if they were much more expensive.

---

<sup>6</sup> NZPD Vol.247 pp.41-42.

<sup>7</sup> NZPD Vol.247 pp.124-125.

The irony of Nash attempting to extend the Ottawa Agreement was that while he was negotiating in London for a scheme that would have virtually dumped Japan as a trading partner, Japan was greatly increasing her purchases of New Zealand wool. Japan was, in fact, becoming a valuable market. The coming to power of the Labour Government at the end of 1935 had coincided with Japan becoming 100% dependent on imports for her supply of wool. Of the aggregate value of wool imported by Japan prior to the Australian-Japanese trade dispute (May to December, 1936), 94% was Australian, 2% New Zealand, and 1% South African. South America and Korea supplied small quantities, and the Japanese Government had no intention of increasing domestic production, which was tiny.<sup>8</sup> The trade dispute diverted Japanese markets for wool away from an almost sole reliance on Australia. This remained true even after the settlement at the end of 1936. New Zealand supplied about 6% of Japan's wool imports for the first half of 1936, but also over 15% for the first half of 1937.<sup>9</sup> Thus the change of government in New Zealand also largely coincided with increased purchases by Japan of New Zealand wool. In 1937 Japan ranked third as an export market behind Britain and the U.S., but was still only taking

---

<sup>8</sup> Lockwood, The Economic Development of Japan, p.75.

<sup>9</sup> Shepherd, Australia's Interests, pp.134-136. (Quoting Mitsubishi Monthly Circular, No.169, November 1937, p.19).

about 5% of all New Zealand's exports.<sup>10</sup> One commentator states of this period that:

New Zealand, therefore, unlike Australia, had little economic inducement to maintain friendly relations with Japan, a fact not without importance in 1937.<sup>11</sup>

It is tempting to regard this as an overstatement; that Nash's continued frustration in London and Japan's increased wool buying would naturally have led, albeit for a brief time, to the realization that a new market in Japan could substitute for the already saturated British market. Unfortunately there is little evidence to support this. The Japanese market was still by volume too small, and only really interested in wool. Without substantial purchases of New Zealand dairy products there was little likelihood of Japan rivalling Britain seriously as an export market. Trade with Japan was still receiving criticism for the cheapness of Japanese goods,<sup>12</sup> and there were calls for collective sanctions against Japan for her aggression even before the Sino-Japanese war had commenced.<sup>13</sup> Increased imports of Japanese goods in 1937 were accused of being in competition with New Zealand industry,<sup>14</sup> and even greater exports beyond 1937 (which did not take place because of

---

<sup>10</sup> NZOY, 1941, p.207.

<sup>11</sup> Mansergh, N. Survey of British Commonwealth Affairs: Problems of External Policy, 1931-1939 (Oxford University Press, London, 1952) p.191.

<sup>12</sup> Press October 8, 1936.

<sup>13</sup> Press October 7, 1936.

<sup>14</sup> Milner, New Zealand's Interests p.72.

the outbreak of the Sino-Japanese war) would almost certainly have been equalled by more imports. New Zealand was still very much a colonial economy despite Britain's rebuff.

The mixed blessings of trade with Japan were thus beginning to be illustrated at quantitatively higher levels as a result, primarily, of Nash's failure in London, but also of Japan's increased purchases of wool. Labour's policy on trade with Asia had relied on its policy on trade with Britain. When the latter failed Labour was in a quandary as to establishing a policy on trade with Asia. In 1938 Nash, as Minister of Marketing, was asked in Parliament about Labour's policy on trade with Asia. He gave a reply (see above) worthy of the previous Coalition Government in that he had had no intention of actively seeking new markets in Asia but was now on the defensive as the boom in wool exports had shown that such markets could be profitably exploited. For political reasons Nash had to assert that Labour was interested in markets in Asia, and thus in two short years Labour's plans for changing New Zealand's trade patterns had almost completely backfired.

#### **JAPAN AND TRADE**

At the Institute of Pacific Relations Conference in 1936, Japan was still complaining about the Ottawa Agreements:

In view of the fact that the countries constituting the British Empire have become important markets for Japan's exports, the growing tendency throughout the Empire to apply a preferential tariff in favour of British goods has proved a particularly serious blow to Japan.<sup>15</sup>

The Conference took place during the Australian-Japanese trade dispute, but these comments were not particularly aimed at Australia; both South African and Canadian tariffs earned outspoken criticism too. Though New Zealand had the lowest tariff on British goods, it was not a fact that particularly worried the Japanese. As far as New Zealand's tariff inequalities were concerned, it would have seemed reasonable to expect Japan to complain about the barriers to its main export, textiles, or even shoes and boots. But this was not the case. Of the many countries listed for the imposition of import quotas and tariff increases on Japanese cotton, silk and rayon 'tissues', New Zealand was not mentioned. Technically, it could not have been included either. The tariff on silk and artificial silk for example had remained at 15% since the Ottawa Conference (see above, Table 5). The Japanese delegates were forced to list New Zealand's tariff increase on paper, of which only about \$1000 was being imported annually from Japan. Interestingly, the statistics given by the Japanese at this Conference show an increase of New Zealand imports of Japanese goods, in index figures, of 574.7 for 1935 taking 1931 as a base year (i.e. 1931 =

---

<sup>15</sup> Holland, W.L. & Mitchell, K.L. eds. Problems of the Pacific, 1936 (University of Chicago Press, Chicago, 1937) p.73.

100).<sup>16</sup> This was the highest of all the countries listed as Japan's export markets, but quantitatively New Zealand still took the smallest volume of Japanese exports. It was an ideal situation: Japan could hardly assert that New Zealand was stifling her exports as she was Japan's single fastest growing market. The quantities were so small however that New Zealand was not a focal point in Japan's policies on trade at all. New Zealand was perhaps in the best position to impose further restrictions on Japanese imports without retaliation. Further to this, Japan was itself the target of criticism at the Conference for its policy of seriously undercutting competition in international trade.<sup>17</sup>

But trade was not all tariffs and competition: in 1936 a representative of the Osaka Mainichi Co., a newspaper publishing company, came to New Zealand to organise exhibits for a display of Australian and New Zealand goods which was held in Osaka in September and October.<sup>18</sup> Goodwill, or at least the pretence of goodwill, was still very much in evidence. (It might have been even more so in evidence if the Coalition Government, supported by farmers, had won the 1935 election to remain in office at the time of Japan's increased purchases of wool.) It was still in evidence even in March 1937, when the Osaka

---

<sup>16</sup> Ibid., pp.74-75.

<sup>17</sup> Ibid., p.62 ff.

<sup>18</sup> IC Annual Report, 1936, p.15.



Chamber of Commerce and Industry wrote to Savage requesting him to station a Trade Commissioner in Osaka.<sup>19</sup> The reply from Sullivan was predictably evasive.<sup>20</sup> Imports of cheap Japanese goods were again being accused of harming local industry at about this time, and the prospect of officially sanctioned increases of imports would hardly have made for good relations with local manufacturers. As it was Japan was about to embark down a road that would severely affect both trade and goodwill.

#### TRADE AND FOREIGN POLICY

In the September 1937 issue of 'International Affairs', Dr. Sutch of the Department of Industries and Commerce, gave a brief summary of New Zealand's trade relations with Japan. It was notable for the statements:

Cheap Japanese goods have brought a small amount of inspired anti-Japanese propaganda. But this has not engendered a real fear of aggression by Japan.

And:

There has not been any strain between the Japanese and the New Zealand Governments

---

<sup>19</sup> Letter. President Osaka Chamber of Commerce and Industry to Savage. March 12, 1937. IC 114/9.

<sup>20</sup> Letter. Sullivan to President Osaka Chamber of Commerce and Industry, May 10, 1937. IC 114/9. D.G. Sullivan - Minister of Industries and Commerce 1935-1947.

respectively, and trade has developed quietly to the mutual advantage of each country.<sup>21</sup>

This downplayed the criticism of cheap Japanese textiles and shoes which had been vociferous in 1932 and 1933, and which could still be heard regularly. In the same month as this was published the Dominion Federation of Boot Traders' Associations was actively protesting against 'cheap and shoddy' imported footwear,<sup>22</sup> which was in effect against Japanese shoes and boots. Sutch was probably more accurate with his political observations, as borne out by the regular meetings of the Institute of Pacific Relations. The interesting observation was, however, probably unintended, for by denying fear of military aggression by Japan, Sutch drew the link to the importance of commercial relations. It was a link that had been more explicitly stated during the Parliamentary Debates on the Ottawa Agreement and trade with Japan in the early 1930's, but it had not been forgotten. Savage believed that trade was a way to keep international peace,<sup>23</sup> but the big question was if trade with Japan really gave New Zealanders less to fear from military aggression. Up to the election of Labour trade relations with Japan had virtually been non-existent as far as Government to Government relations existed. (The

---

<sup>21</sup> Sutch, W.B. 'New Zealand and World Affairs' in International Affairs Vol.16 No.5, September 1937, p.723.

<sup>22</sup> Press September 20, 1937.

<sup>23</sup> Gordon, B.K. New Zealand Becomes a Pacific Power (University of Chicago Press, Chicago, 1960) p.91.

Japanese Consulate was established in Wellington only in 1938.) Even Labour only looked at trade relations with Japan as a 'spin-off' effect of securing an extended imperial agreement on trade. But because of that failure and a 'transformation of the country's foreign policy'<sup>24</sup> by way of being elected to the Council of the League of Nations in 1936, New Zealand's trade relations with Japan suddenly became potentially extremely complicated. It was obvious now that trade with Japan would continue and even grow, but Labour differed from the Coalition in that it rejected appeasement as a suitable policy to protect the Commonwealth. In this it differed from Britain as well, and now had the means to express this opinion at the League.<sup>25</sup> For the moment there was no crisis caused by trade relations with Japan, but it was only a moment.

The link between trade and foreign policy was not only exhibited by events at the League: both Savage and Lyons, the Australian Prime Minister, had attended the Imperial Conference of May 1937. Savage had stressed support for the League of Nations against 'any form of aggression'.<sup>26</sup> (Later in September 1938, New Zealand and the Soviet Union would be the only two countries to support China's appeal for embargoes on war materials to Japan at the League.<sup>27</sup>)

---

<sup>24</sup> Sinclair, A History of New Zealand, p.277.

<sup>25</sup> Lissington, New Zealand and Japan, p.92.

<sup>26</sup> Ibid., p.93. Lissington covers many of the political aspects in her chapter 'The Sino-Japanese Conflict'.

<sup>27</sup> McIntyre, New Zealand Prepares for War, p.167.

Lyons at the Imperial Conference had, however, stressed 'economic appeasement and the revival of world trade.'<sup>28</sup> Certainly Australia had more to gain by continuing trade with Japan, and the trade dispute had possibly made the Commonwealth Government aware of the difficulties of interfering with trade. The Australian Government was thus more interested in restoring trade than boycotting it.<sup>29</sup> Unlike New Zealand, the Australian Government broke a watersiders strike on exporting scrap iron to Japan in both May and November 1938. Whether Australia's trade relations with Japan were primarily conducted on principles of appeasement or commerce seems to be a matter of interpretation. It has been suggested that fear of Japan's militarism formed only the 'emotional background' of official and public opinion, and that trade negotiations were not initiated because Japan was viewed as a potential enemy, but rather for 'purely commercial reasons'.<sup>30</sup> Other commentators have laid more emphasis on the political aspects of Australia's trade relations with Japan.<sup>31</sup> One factor that supports the former view was that Australia, as with New Zealand, had attempted and failed in negotiations with Britain in 1938 for a more extensive bilateral trade agreement. Unlike New Zealand, however, Australia already

---

<sup>28</sup> Shepherd, Australia's Interests, p.154.

<sup>29</sup> Ibid., p.79.

<sup>30</sup> Ibid., p.49.

<sup>31</sup> Burley, British Shipping and Australia, p.138.

had an extensive trade with Japan, and the failure of negotiations with Britain served to emphasise to the Commonwealth Government the importance of the Japanese market.<sup>32</sup> New Zealand was in no such similar position. The relaxation of Japan's import restrictions on Australian wool in September 1937 also serves to illustrate that the different position of New Zealand and Australia was also appreciated by Japan.

Thus not only did New Zealand have a foreign policy, it was one that was potentially at odds with the rest of the Commonwealth. Of course the protection of New Zealand had an overriding concern, as it had with the Coalition, and there was no doubt that the Commonwealth would unite in the face of danger. But Labour was now unexpectedly having to deal with the relationship between foreign policy and trade relations with a country which was increasingly exhibiting her militaristic ambitions. This was without precedent.

#### SINO-JAPANESE WAR

The decline of trade between New Zealand and Japan can be traced directly to the outbreak of the Sino-Japanese war in July 1937, which also coincided with a balance of

---

<sup>32</sup> Ibid., pp.144-145. See also Shepherd, Australia's Interests, p.154-155.

payments crisis in Japan.<sup>33</sup> The value of Japanese imports, which had risen consistently from 1931, declined for the first time in 1938. The value of New Zealand exports to Japan also plummeted with the rapid decline of wool sales to Japan.<sup>34</sup> The war and economic crisis affected Japan's trade with New Zealand in two ways. New Zealand, unlike many other countries with which Japan was trading, was not a major supplier of materials useful for military purposes; the only such thing being scrap metal. (Even if Forbes really did have reason to believe that New Zealand's scrap metal was not being used for military purposes in 1932, the fact that Japan's purchases rose sharply in 1937 makes it very unlikely that this was still the case.) The value of scrap metal bought by Japan was very small when compared to that of wool, and was even much less than the value of casein bought by Japan. Under the Foreign Trade Control Law enacted in an emergency session of the Diet in September 1937, four classes of commodities for trade purposes were defined. The importation of goods in class 'A', which included wool and other essentially 'civilian' goods was severely restricted.<sup>35</sup> (It seems, however, that

---

<sup>33</sup> Nakamura, T. The Post-War Japanese Economy - Its Development and Structure (trans. J. Kaminski, University of Tokyo Press, Tokyo, 1981) p.5.

<sup>34</sup> Annual statistical reports on Trade and Shipping for these years.

<sup>35</sup> Farley, M.S. The Problem of Japanese Trade Expansion in the Post-War Situation (Institute of Pacific Relations, New York, 1939) p.12 ff.

Australian wool to some extent escaped these import restrictions.<sup>36</sup>

New Zealand wool, even if it had been used for military uniforms or blankets, was no longer needed now that the fighting had begun. Japanese wool buyers announced in November 1937 they would take less than half of the quantity they had purchased in the 1936-37 season.<sup>37</sup> The value of New Zealand exports to Japan fell in total from £3,124,638 in 1937 to £587,724 in 1938. Although these restrictions were eased somewhat in August 1938, the value of New Zealand exports continued to decline with no wool being exported to Japan in 1940. The abolition of class 'A' restrictions in favour of exchange control to regulate imports was in recognition of the damage being done to Japan's civilian industries and exports. Japan's exports declined by about 15% between 1937 and 1938.<sup>38</sup> It has been said that Japan's military leaders 'probably grossly misunderstood' economic considerations after 1937.<sup>39</sup> Exports to New Zealand declined from £1,560,537 in 1937 to £1,168,183 in 1938, and as with imports from New Zealand, continued to decline.

The other way in which the Sino-Japanese war affected trade with New Zealand was indirect; there was a change in

---

<sup>36</sup> Shepherd, Australia's Interests, pp.134-136.

<sup>37</sup> Milner, New Zealand's Interests p.69.

<sup>38</sup> Farley, The Problem of Japanese Trade Expansion, p.16.

<sup>39</sup> Lockwood, The Economic Development of Japan, p.76.

the geographical distribution of Japan's trading partners that occurred from July 1937. This 'striking' shift saw trade with areas under Japanese domination increase rapidly at the expense of true foreign trade.<sup>40</sup> As such the decline in trade with New Zealand was part of a much wider trend.

The outbreak of the Sino-Japanese war caused the Labour Government its first crisis in dealing with commercial relations with Japan as an aspect of foreign policy; the Waterside Workers, Railwaymen, and Timber Workers announced action against trade with Japan in retaliation for her aggression in China. The major consequence of this was that the export of scrap iron was to be embargoed.<sup>41</sup> The action had started on September 28th with the arrival of two Japanese ships: the Chifuku Maru and Melbourne Maru in Auckland and Dunedin. The possibility of an embargo had been reported, but with confirmation that Watersiders would neither unload nor load the ships there was swift reaction from both importers and exporters. A meeting of importers in Auckland on the 29th sent a message to Savage which not only complained of the financial losses, but also pointed to more strategic issues:

We feel that your Government will not allow these watersiders to jeopardise the present goodwill between New Zealand and Japan.

And more so:

---

<sup>40</sup> Farley, The Problem of Japanese Trade Expansion, p.21.

<sup>41</sup> Press September 30, 1937.



We further feel that you personally know the value of reciprocal trade, which is, after all, the corner-stone of security among nations today.<sup>42</sup>

Just how sincere these 'strategic' concerns were is difficult to say, but in a similar telegram sent by the Canterbury Chamber of Commerce to Savage the motive was very much clearer:

Importers' section of Canterbury Chamber of Commerce views with alarm action of waterside workers in refusing to work Japanese ships in New Zealand ports. Such action calculated to inflict hardship and loss on New Zealand importers and manufacturers. It is urged that suitable steps be taken by the government to prevent a recurrence of such action.<sup>43</sup>

The waterside workers' strike was completely misinterpreted as a vendetta against private enterprise. Exporters' representatives also met in Auckland on the 29th and sent a message to Nash with similar complaints.<sup>44</sup> The Melbourne Maru did finally sail with 40 tons of scrap metal while the Chifuku Maru was held up in Auckland.<sup>45</sup> Although the watersiders' action was taken independently of the Watersiders' Union or Federation, and the Federation of Labour, these did later give their support.

Although press reaction to the watersiders' strike was generally sympathetic to their motives, it was critical of

---

<sup>42</sup> Press October 1, 1937.

<sup>43</sup> Ibid.

<sup>44</sup> Press September 30, 1937.

<sup>45</sup> Press October 1, 1937.

their actions.<sup>46</sup> One example which was probably typical was that of the Press, which was critical in a leading article, suggesting that it was not the place of a non-Government organisation to dictate national policy.<sup>47</sup> Savage's earlier response was along similar lines, and somewhat less restrained:

We are not going to have five or six differing organisations standing up and telling us with which countries we are going to trade.<sup>48</sup>

In Parliament on October 5th Savage was asked if he was aware of the 'serious complications' that could arise from the boycott, to which he answered that he was.<sup>49</sup> But fortunately, it was a dilemma to which there was an easy solution. A Government embargo on the export of all scrap metal was imposed on October 8th; the result of a meeting between the Federation of Labour and Cabinet members. The excuse given by Savage was that the Government wanted to develop the iron industry in New Zealand.<sup>50</sup>

If the excuse had appeared lame then at least Labour had found an easy solution to the crisis. Under the total prohibition of exports of scrap metal the Watersiders could be satisfied that Japan was not getting materials for war purposes from New Zealand. The lost revenue was minor,

---

<sup>46</sup> Lissington, New Zealand and Japan, p.118.

<sup>47</sup> Press October 5, 1937.

<sup>48</sup> Press October 1, 1937.

<sup>49</sup> NZPD Vol.248, p.574.

<sup>50</sup> Milner, New Zealand's Interests, p.104.

wool exports were protected, and there was a hint of industrial development. Although Japan was not the only market for scrap metal as exports had also gone to Britain, Australia, Western Samoa, Belgium, and Germany as well, by far the bulk (213,874 Cwt. of a total 238,534 Cwt. in 1936, or 90%), had been going to Japan. Of New Zealand's total exports to Japan in 1937, the value of scrap metal made up less than 2%, while that of wool was nearly 87%. What the Government probably hoped it had achieved was not only a solution that let waterside workers have their way, but also one that did not appear hostile to Japan and thus protected wool exports. Failure to secure the latter would have invited retaliation - of what sort could only be guessed - and given the farmer supported Coalition 'ammunition' as well. Later, Savage was twice asked in Parliament about the danger to wool sales, to which he could innocently reply that he had no reason to see a connection between wool sales to Japan and the embargoing of scrap metal.<sup>51</sup> In any case, it had already been noted generally that sales of wool to Japan were expected to drop off because of Japanese import restrictions, for which the Government could hardly be blamed.<sup>52</sup>

Labour's solution to the crisis had its counterpart at the League of Nations. In September 1937 China appealed to the League and the divergent attitudes that Savage and

---

<sup>51</sup> NZPD Vol.249 p.500, & NZPD Vol.249 p.1183.

<sup>52</sup> Press September 14, 1937.

Lyons had displayed at the Imperial Conference in May again surfaced. Jordan, New Zealand's representative at the League, took a stance condemning Japan's action but he received support only from China and the Soviet Union. New Zealand was alone in the Commonwealth in denigrating appeasement as a viable foreign policy, and Jordan's position was 'entirely supported by Labour.'<sup>53</sup> But because the Government had ostensibly stopped exports of scrap metal to Japan for the sake of building a steel industry it could not suggest that that it had taken a major action as an illustration of its rejection of appeasement. Nor would this have been true; Labour stopped scrap metal exports to solve a crisis at home, not as an example of its foreign policy. Nevertheless New Zealand was now at odds with Britain and the rest of the Commonwealth, and her attitude soon made her a source of attention by Japan regarding trade relations. The relationship between trade relations and foreign policy was becoming even more complicated, the result of Nash's failure to confirm New Zealand's 'colonial economic status' and Labour's willingness to even openly disagree with British policy.

---

<sup>53</sup> Lissington, New Zealand and Japan, p.98.

## JAPANESE 'DIPLOMACY'

Despite Japan's aggression in China there was little evidence of a widespread consumer boycott of Japanese goods. This was true in Australia as well,<sup>54</sup> despite numerous calls for such a boycott in both countries. Thus New Zealand and Australia were unusual in the Pacific as boycotts in South-East Asian countries and the U.S.A. measurably affected trade with Japan.<sup>55</sup> Yet the embargo on scrap metal and threats of a boycott on Japanese goods were quickly noted in Japan. A Japanese journalist, reported as being managing editor of the Asahi Shimbun, was despatched to New Zealand in October 1937. The mission of Mr. Suzuki was undoubtedly as a propagandist for the Japanese Government. His message was half threat:

Australia and New Zealand must not expect that if they declare a boycott against Japan they will continue to sell their products to Japan.

And half promise of a:

...boundless market in the Far East and especially Japan for New Zealand goods.<sup>56</sup>

Suzuki was careful to mention that it was not only the promise of more wool purchases, but also butter and cheese. This was the promise of a market like Britain on New Zealand's doorstep, but the objective was hardly

---

<sup>54</sup> Shepherd, Australia's Interests pp.74-75.

<sup>55</sup> Farley, The Problem of Japanese Trade Expansion, p.9. See also Bisson, American Policy in the Far East, p.84.

<sup>56</sup> Press October 25, 1937.

sophisticated: to stop criticism of Japanese actions in China. The purpose of Suzuki's visit was quickly recognized, and Savage was quick to distance himself from a personal visit by the journalist. Suzuki probably did not help himself by referring to New Zealand as being 'selfish' for shutting out Japanese.<sup>57</sup> These were comments that were echoes of Japanese attacks on British colonialism at meetings of the Institute of Pacific Relations nearly ten years earlier. Coincidentally (perhaps), a leading article in the Press at the same time as Suzuki's visit was suggesting that New Zealanders were beginning to reassess their place in the world; that:

...there is a growing feeling among New Zealanders that the destiny of their country is intimately bound up with the destinies of other Pacific peoples and that the cultivation of friendly relations with these peoples should be a cardinal point in New Zealand policy.<sup>58</sup>

If this was true, the news had not reached the Federation of Labour, which as well as its embargo on scrap metal for Japan further recommended a personal boycott of Japanese goods by trade unionists.<sup>59</sup> Suzuki had failed to gain support from either the Government or the main instigators of the boycott sentiment.

---

<sup>57</sup> Press October 14, 1937.

<sup>58</sup> Press October 26, 1937.

<sup>59</sup> Press October 29, 1937.

**BALANCE OF PAYMENTS CRISIS**

The problems of trade relations with Japan were overtaken by a financial crisis in New Zealand. From August to October 1938, during the election campaign and just a year after Japan's economic crisis, New Zealand too faced a crisis in her overseas funds. The Labour Government reacted by imposing exchange control and import licensing (the mechanisms for which had been established in 1936) for the first time in December 1938.<sup>60</sup> These controls gave priority to raw materials and equipment for manufacturing and farming, 'with a transfer of import trade to the United Kingdom as far as possible'.<sup>61</sup> Thus, much as the attempt to extend the Ottawa Agreement would have done, the effect was to further reduce imports from Japan, especially of 'fancy goods and toys', i.e. what could be classed as non-essential items. Labour had thus finally achieved the reduction of cheap imports through a 'viable' reason, an economic crisis, but in quantitative terms it was only a small reduction. As a result of the Government's action the New Zealand manager of Mitsui & Co. suggested that there would be retaliation if the cuts in imports were not justified to protect local industry.<sup>62</sup> But considering that

---

<sup>60</sup> Bryan, D.A. New Zealand: Economic and Commercial Conditions in New Zealand (Published for the Board of Trade Commercial Relations and Exports Department by H.M.S.O., London, 1956) p.142.

<sup>61</sup> Sutch, The Policy of Import Selection, pp.5-6.

<sup>62</sup> Milner, New Zealand's Interests, p.78.

Japan's actions had led to a massive decline in trade already it was hardly a serious threat.

The decline in trade between Japan and New Zealand in the period after July 1937 and up to the beginning of the Pacific War can thus be linked to import controls by both Japan and New Zealand. These were themselves the result of military and/or economic crises.

In Japan's case exchange controls had been in place since 1932, but right down to the beginning of 1937 had not hindered trade.<sup>63</sup> In New Zealand's case the Labour Government had taken control of overseas exchange funds through the Reserve Bank in 1936, but only imposed controls towards the end of 1938.

There has been the suggestion that trade with Japan declined at this time due to the Labour Government's policy of encouraging local industry.<sup>64</sup> This seems questionable for two reasons. Firstly, for three years from the election of the Labour Government to the balance of payments crisis there were no effective restriction on imports from Japan. The increased tariffs on some foreign goods imposed by the Labour Government early in 1938 did little to reduce imports from Japan.<sup>65</sup> Secondly, this was a period in which manufacturers themselves were concerned

---

<sup>63</sup> Farley, The Problem of Japanese Trade Expansion, p.12.

<sup>64</sup> Lissington, New Zealand and Japan, p.135.

<sup>65</sup> Milner, New Zealand's Interests, p.67.



at Nash's attempts to extend trade with Britain.<sup>66</sup> This calls into question whether the Labour Government was actually encouraging industrial development at the expense of British trade.

Overall, it is apparent that war and economic problems were the main reasons for the demise of trade between New Zealand and Japan prior to World War II, rather than a policy decision by the Labour Government to sacrifice trade with Japan for the benefit of local industry.

How far Labour would have gone to restrict imports, albeit belatedly, is problematic. Nash's statement in July 1938 to the effect that Labour wanted to expand trade with Asian countries was not traditional Labour policy. Even during the War Nash pointed out the necessity of taking Japanese goods in a post-war world (see Chapter 7), but once the War had finished he returned to a traditional Labour view.

The decline in trade with Japan turned the question of trade relations into a theoretical one. In a sense Labour was saved from developing a significant trading relationship with Japan, albeit reluctantly, by the Sino-Japanese war and economic crises in both countries. Thus on the eve of the Pacific war when the Commonwealth and the U.S. moved to revoke trade agreements with Japan New Zealand's trade with Japan was in severe decline, and

---

<sup>66</sup> Press September 30, 1937.

Labour's actions were therefore more a signal of foreign policy than any attempt to alter trade itself.

## CHAPTER SIX

### EMBARGOES AND INVITATIONS 1939-1941

Should it be decided, therefore, to give notice of denunciation of the Anglo-Japanese Treaty...His Majesty's Government in New Zealand would be prepared simultaneously to give the requisite notice of denunciation of the arrangement concluded by their exchange of notes with Japan on the 24th July, 1928.

Telegram. Governor General to  
Secretary of State, Dominion  
Affairs, August 21, 1939.<sup>1</sup>

### TOKYO AGREEMENT AND APPEASEMENT

Events in 1939 indicated a lack of full consultation by Britain in Imperial relations with Japan, illustrated by the Tokyo Agreement signed between Britain and Japan on July 24th. This cast the New Zealand Government onto the defensive as it was concluded without prior consultation. Indeed the Government found out about it the day after it was signed. The Tokyo Agreement, reluctantly signed by Britain, recognized the right of the Japanese army to safeguard its own security and maintain order in areas of

---

<sup>1</sup> GG to SSDA. August 21, 1939. EA 58/12/2 (pt.1a).

China under its control. All British officials and subjects were also directed not to interfere with Japanese forces in China. The Agreement was, in other words, an act of appeasement which even though distasteful still highlighted the difference of opinion that the New Zealand Government held on this question: the Agreement led to severe criticism by the press and even some Labour Ministers. In the row that followed in Parliament over the Agreement's conciliatory nature to Japan Nordmeyer called it the 'Eastern Munich', and National called Labour disloyal.<sup>2</sup>

But the situation was transformed when the U.S. served notice to Japan on July 26th of her intention to terminate the Treaty of Commerce and Navigation (effective from January 26th 1940). Anxious to align itself with the U.S. in resisting aggression the British Government reconsidered its attitude, and immediately investigated the possibility of denouncing the Anglo-Japanese Commercial Treaty of 1911. Notice of the possibility of this, and the promise of a further telegram outlining what the British Government considered were important points in deciding on this action was cabled to Wellington on August 8th, 1939.<sup>3</sup> This was received in Wellington the following day, and it appears that Fraser (as acting Prime Minister) then requested to

---

<sup>2</sup> See Milner, New Zealand's Interests, pp.90-91, and Lissington, New Zealand and Japan, pp.122-124, for a summary of these events.

<sup>3</sup> SSSA to GG. August 8, 1939. EA 58/12/2 (pt.1a).

see a copy of New Zealand's 1928 Treaty with Japan.<sup>4</sup> This was sent from the Customs Department on the 10th. A further telegram was received on August 16th which now indicated that Britain was likely to denounce the 1911 Treaty.<sup>5</sup> This led to a report being prepared by the Customs Department on Trade with Japan for a meeting of Cabinet Ministers on the 18th.

That the British did not request New Zealand's opinion on denouncing the 1911 Treaty is perhaps not surprising considering that New Zealand had never become a signatory, but the point remained that Britain was not consulting with New Zealand; it was informing the Government of her intention and requesting support. Considering New Zealand's position on Japan's acts in China, Britain had every reason to expect such support, but nevertheless it remains another example of a full lack of consultation.

The Customs report was wide-ranging and practical. The loss of wool exports 'would not be a serious factor' and overall a restriction of imports would not involve 'any very serious difficulty'. But the report also noted:

If action were taken by New Zealand to terminate the agreement of 1928 it would doubtless be construed by Japan as discriminatory and may result immediately in some reduction of our export trade to Japan, some of which may be transferred to Australia unless a similar attitude to that adopted by New Zealand is taken by Australia.

---

<sup>4</sup> Memo. Comptroller of Customs to P.M.'s Department. August 10, 1939. EA 58/12/2 (pt.1a).

<sup>5</sup> According to GG to SSDA. August 21, 1939. EA 58/12/2 (pt.1a).

Thus New Zealand would only agree to a united Commonwealth move that ensured equality of sacrifice.<sup>6</sup> Another real difficulty was apparent in that as New Zealand had not acceded to the 1911 Treaty, there would be a difference in the termination dates even if notice of denunciation was conveyed simultaneously: Britain's 1911 Treaty required twelve months notice, New Zealand's 1928 Treaty only three months. Given the serious decline in trade which reduced the practical effects of this move, and thus made the denunciation a signal of foreign policy (of Commonwealth solidarity), it is not surprising that the New Zealand Government signified on the 21st its willingness to denounce the 1928 Treaty should Britain denounce the 1911 Treaty. After noting that New Zealand's Treaty would effectively terminate nine months earlier than the British one, the Government added the proviso that New Zealand's denunciation was to be contingent upon trade rivals Australia and Canada taking identical action.<sup>7</sup> Both politically and commercially a united front was needed to preserve New Zealand's interests and minimise the threat of retaliation.

There seems little doubt that the New Zealand Government would have been willing to denounce the 1928 Treaty anytime from the end of August 1939 onwards. In the

---

<sup>6</sup> Customs Department Report: 'Trade Relations - New Zealand and Japan'. August 18, 1939. EA 58/12/2 (pt.1a).

<sup>7</sup> GG to SSDA. August 21, 1939. EA 58/12/2 (pt.1a).

event Britain delayed denouncing the 1911 Treaty fearing reprisals from Japan,<sup>8</sup> but the important point is that New Zealand's trading relations with Japan were again being controlled by initiatives from another quarter.

#### EMERGENCY REGULATIONS

In response to the outbreak of the European war early in September Emergency regulations were enacted. The Enemy Trading Emergency Regulation enacted and gazetted (No.91) on September 4th 1939 prohibited trade with Germany or German occupied territories. D.G. Sullivan, who supervised the regulations, could declare either individuals or businesses as 'enemy traders' through the Gazette. The first extensive list of 'enemy traders' appeared in the Gazette of December 7th.<sup>9</sup> On this schedule thirteen Japanese companies were listed, but all were either German or joint German-Japanese companies. The regulations were not, thus, specifically aimed at Japanese firms trading in New Zealand. The latter, including such firms as F. Kanematsu (N.Z.) Ltd., Mitsui (N.Z.) Ltd. and Banno Bros. (N.Z.) Ltd. were not listed. On June 11th 1940 the Regulations were amended and broadened to include 'any state with which His Majesty is for the time being at

---

<sup>8</sup> Gillespie, D.A. The Pacific (Department of Internal Affairs; War History Branch, Wellington, 1952) p.8.

<sup>9</sup> Gazette No.143 December 7, 1939, pp.3459-3465.

war'.<sup>10</sup> Thus a trade embargo could be imposed immediately with any such country. Although the number of these 'enemy traders' listed in the Gazette as being 'Japanese' grew steadily to 153 on the eve of Pearl Harbour, the Japanese trading companies in New Zealand were never listed, perhaps because this action was considered too provocative.<sup>11</sup>

It is doubtful to what extent the Emergency Regulations actually hindered what little trade with Japan existed. Even though many large Japanese firms, such as Yokohama Rubber Co. Ltd. were blacklisted, without control of the trading companies it was still possible for trade to continue. Even when New Zealand declared herself at war with Japan on December 8th 1941, only Mitsui and Co. (N.Z.) Ltd. was blacklisted as an Enemy Trader and a Public Trustee appointed over its affairs (on December 15th<sup>12</sup>). Banno Bros. (N.Z.) Ltd. and F. Kanematsu (N.Z.) Ltd. were not, however, declared as Enemy Traders. The reason for the former company's exclusion remains unclear, but presumably Mr. Banno, or Messrs. Banno, had already left New Zealand and thus effectively already ceased operation. In the case of F. Kanematsu (N.Z.) Ltd. the July 1941 restrictions had already brought the company into loss by December. Immediately after the Pearl Harbour attack, on December 12th, this company held an Extraordinary General

---

<sup>10</sup> Gazette No.56 June 11, 1940, p.1391.

<sup>11</sup> Gillespie, The Pacific, p.11.

<sup>12</sup> Gazette No.104 December 15, 1941, p.3927.



Meeting at which it changed its name to J. Gunton (N.Z.) Ltd.<sup>13</sup> Thus like F. Kanematsu & Co. (Aust.), which was not blacklisted because of its part-Australian equity,<sup>14</sup> the New Zealand company avoided being blacklisted by Mr. Gunton's involvement as a shareholder and its connections to F. Kanematsu & Co. (Aust.). Although J. Gunton (N.Z.) Ltd. continued to operate through the war, early in 1942 its Wellington office was closed. The main form of business came from wool orders from the U.S., and later the importation of some textiles.<sup>15</sup> Thus F. Kanematsu (N.Z.) Ltd. survived in another guise to resurface after World War II.

#### INVITATION TO JAPAN

In May 1940 Japan tried to take another initiative in her trade relations with New Zealand. On May 14th the Japanese Consular-General, Fukuma, sent a confidential invitation to Peter Fraser for New Zealand to send an Economic Mission to Japan. The object of this visit which was to be made up of both Government and private businessmen was to:

---

<sup>13</sup> History of Kanematsu.

<sup>14</sup> Purcell, 'The Development of Japan's Trading Company Network in Australia 1890-1941' p.132.

<sup>15</sup> History of Kanematsu.

...find an opportunity to inspect the actual condition economic and otherwise in Japan, thereby to contribute to the development of the trade between the two countries.<sup>16</sup>

As all expenses were to be paid by the Japanese Government it was designed to be a tempting offer. The Japanese Government had no way of knowing, however, that New Zealand had been on the brink of denouncing the 1928 Treaty less than a year earlier. Considering that trade had, for unavoidable reasons in both countries, been severely reduced in the preceding two years, it was apparent that the propaganda value of such a trip was the main motive. Fukuma's move had been badly timed, too. Less than two weeks earlier Savage had notified Britain that if Japan's trade with Germany proved to be assisting their war effort, New Zealand would be willing to support action against Japan. This telegram noted:

If, as His Majesty's Government in the United Kingdom now suggest may be possible, the potential assistance to Germany resulting from a continuation of the trade under consideration may attain such proportions as to outweigh the possible disadvantages of interception, then His Majesty's Government in New Zealand would of course agree that preventive action would be justified.<sup>17</sup>

Besides again showing New Zealand's willingness to follow a British lead, this made an official New Zealand visit to Japan at this time virtually impossible. This telegram is also notable for its reference to the desire

---

<sup>16</sup> Consul-General to P.M. May 14, 1940. EA 58/12/1 (pt.1).

<sup>17</sup> P.M. to P.M. (Australia) April 29, 1940. EA 58/12/2 (pt.1a).

for the 'full knowledge and consent' of the United States Government in any negotiations that might take place between Britain and Japan about trade with Germany.

In reply to Fukuma's invitation Fraser wrote a hasty message for Carl Berendson to draw up as an official response. This handwritten note, as found at National Archives, contains some illegible words:

(or 'willing' to accept.) Friendly reply indicating acceptance but not possible to arrange for Minister or high Government official at the moment to visit Japan and no mission would be adequate without such leadership. Minister of Industries and Commerce to explore possibilities with Industrial, Commercial, Trade Union, and cultural circles. Reference to past missions from Japan to N.Z.

British Government to be consulted before decision to 'accept??' ????? ????<sup>18</sup>

The tenor of the note and apostrophising of the word 'willing' make it clear that nothing was further from Fraser's intentions. Berendson then drew up the confidential reply along these lines, including reference to the New Zealand Government having:

...the happiest recollections of the visit to New Zealand of a Japanese Mission under the distinguished leadership of Ambassador Debuchi, warmly appreciate this suggestion, to which they are giving sympathetic consideration.<sup>19</sup>

The thrust had been parried, but Fukuma was persistent. He visited Fraser on the 23rd of May, apparently not for the first time. On this occasion he left

---

<sup>18</sup> Note. P.M. to Berendson (undated). EA 58/12/1 (pt.1). C. Berendson - Permanent Head Prime Minister's Department, 1932-1943, etc.

<sup>19</sup> P.M. to Consul-General. May 20, 1940. EA 58/12/1 (pt.1).

a short note containing the suggestion that the Mission arrive in Japan in September, and that its members were to be selected from among 'first class New Zealanders'.<sup>20</sup> Perhaps he was hoping that Fraser himself might go.

New Zealand of course consulted Britain about the approach. London naturally consulted its Ambassador in Tokyo, whose reply, in part was then passed through the British High Commissioner in Wellington on June 1st. (The British High Commission had only been established in New Zealand the previous year.<sup>21</sup>) Japan's invitation to New Zealand had been along similar lines as those to a number of South American countries and Spain. The British Ambassador noted that:

...such missions have come and gone, but without important results, and it is difficult to understand what the Japanese expect to gain from this heavy expenditure.

To this the High Commissioner added that the British Government would not object to a mission composed of businessmen, but certainly would to one with an 'official complexion'. It predictably warned:

Japan would hardly be likely to convey an invitation of this nature, unless with some ulterior motive.

This ulterior motive, it was suggested, could be to:

...arouse suspicion in the United States, and embarrass our relations with that country.

---

<sup>20</sup> P.M. to Berendson. May 23, 1940. EA 58/12/1 (pt.1).

<sup>21</sup> Grattan, The Southwest Pacific Since 1900, p.294.

It was because of the importance of cultivating U.S. relations, as well as maintaining the 'status quo in the Pacific', that the New Zealand Government was warned against official involvement. This was especially so as negotiations were then taking place with Japan about trade with Germany.<sup>22</sup>

Ironically, Fukuma's next attempt to persuade Fraser, on June 27th, contained reference to an Economic Mission by Argentina by way of illustrating how such a group was made up. As one of the group was a 'wool expert', perhaps this was an early attempt to add some pressure to the invitation,<sup>23</sup> but the real thrust came with a memo from Fukuma dated July 5th. Fukuma himself had obviously come under pressure from Tokyo, having received a message that the Japanese Government:

...should be greatly obliged if the Government of New Zealand would kindly accept the above suggestion (and accordingly the invitation that follows) and select about ten persons including ladies as members of the Mission in due course of time, because the necessary preparations and arrangements in Japan will require at least one and a half months prior to the arrival of the Mission.<sup>24</sup>

The reference to 'ladies' is undoubtedly to wives of the members. Fukuma also detailed all the travel arrangements to Japan; the Canberra Maru to convey the

---

<sup>22</sup> High Commissioner to P.M. June 1, 1940. EA 58/12/1 (pt.1).

<sup>23</sup> Consul-General to P.M. June 27, 1940. EA 58/12/1 (pt.1).

<sup>24</sup> Consul-General to P.M. July 5, 1940. EA 58/12/1 (pt.1).

Mission to Japan to arrive in Kobe on September 28th. There is more than just a hint of desperation on this message, and although Fraser's reply has not survived, it seems to have been along much the same lines as the initial reply as first set out in the note to Berendson. This was sent to Fukuma on July 22nd, after which he immediately visited Fraser again. Fukuma's official reply on July 27th both speaks of and fairly exudes his own disappointment at finally being turned down.<sup>25</sup>

Whether the ulterior motive in all of this was to embarrass British relations with Japan remains open to speculation. Perhaps the Japanese Government hoped that the New Zealand Parliament would not realize the full consequences of an official visit. It is interesting to observe, anyway, that the real pressure to make Fraser accept the invitation came only days after the U.S. embargoed exports of some war materials to Japan on July 2nd.<sup>26</sup> It is difficult to say if this is coincidence or otherwise but it is certain that there were still some Members of Parliament, such as Eliot Davis, once an honorary Consul to Japan, who were still very much in

---

<sup>25</sup> Consul-General to P.M. July 27, 1940. EA 58/12/1 (pt.1).

<sup>26</sup> Feis, H. The Road to Pearl Harbour; The Coming of the War Between the United States and Japan (Princeton University Press, Princeton, 1950) p.74.

favour of increasing trade with Japan, and who probably would have been happy to head such a Mission.<sup>27</sup>

#### DENUNCIATION OF THE TRADE TREATY

On July 14th, 1941, discussions were held between the U.S. and British Governments about the possibility of a widespread embargo on Japanese goods.<sup>28</sup> On July 26th the U.S. froze all Japanese assets, effectively embargoing trade, notably exports of oil to Japan.<sup>29</sup> The British Government froze all Japanese assets on the same day, and gave notice denouncing the 1911 Trade Treaty. New Zealand followed suit on the 27th, strictly controlling exchange transactions and denouncing the 1928 Trade Treaty. Within a week all trade in the British Empire and Commonwealth with Japan was effectively regulated.<sup>30</sup>

Thus nearly two years after the initial suggestion by Britain that it would terminate its Trade Treaty, and almost exactly two years after the U.S. had denounced her Treaty of Commerce and Navigation, New Zealand had taken action not only to denounce the 1928 Treaty, but also

---

<sup>27</sup> NZPD Vol.259 pp.95-96. E. Davis - Member of the Legislative Council June 1934-June 1941; September 1941-December 1950.

<sup>28</sup> Feis, The Road to Pearl Harbour, p.228.

<sup>29</sup> Gillespie, The Pacific, p.11.

<sup>30</sup> Ibid., p.245.

impose controls on trade. Perhaps not surprisingly, in view of the greater scale of these measures, the New Zealand Government sought (unsuccessfully) through Britain some assurance of U.S. protection should Japan retaliate.<sup>31</sup>

The decision to act on trade had been straightforward enough. The groundwork had already been laid two years earlier and the July 1941 action, being not only of the entire Commonwealth but also the U.S., satisfied New Zealand's only proviso to following the British lead. Britain had been considering since April 1941 some action on trade if Japan moved further southward. After learning that Japan intended to do so early in July, Britain informed New Zealand on about the 12th that it intended to denounce the 1911 Treaty, if supported by the Dominions. The New Zealand Government had replied on the 16th that it would follow suit.<sup>32</sup>

One of the problems that arose from this intention was that of Japanese businessmen in New Zealand. By an arrangement in 1932 with the Consul-General in Sydney, Japanese businessmen could reside permanently in New Zealand without complying to the Immigration Restrictions Act 1920.<sup>33</sup> The Government now wished to terminate this arrangement, and notice was given to the Consul-General in

---

<sup>31</sup> Lissington, New Zealand and Japan, p.162.

<sup>32</sup> See Ibid, pp.161-162 for this and the ensuing political aspects.

<sup>33</sup> P.M. (acting) to SSSA July 26, 1941. EA 58/12/2 (pt.1a).



Wellington of this at the same time as news of the denunciation of the Treaty. This did not affect the continued residence of Japanese businessmen already in New Zealand, but future applications to enter New Zealand were now subject to the Immigration Restriction Act.<sup>34</sup>

Notice denouncing the 1928 Treaty was given to the Japanese Consulate in Wellington on Sunday, the 27th, followed by a press statement from Nash which outlined the reasons behind the Government's support of Britain. It gave an indication that exchange controls would be the primary mechanism by which trade would be regulated. Nash then somewhat confusingly suggested that while exchange transactions would not necessarily cease completely, that the effect 'may be an almost complete stoppage of trade with Japan at least for the time being...'. That the 1928 Treaty had also been denounced was actually of secondary importance. Nash added it to news of the restriction on trade, and then somewhat disarmingly added that the effect would be a period of tension.<sup>35</sup>

The denunciation of the Trade Treaty ended a period of diplomacy involving Japan that had only really begun with the election of the Labour Government. Despite Britain's tardiness in consulting New Zealand the growing hostility in Anglo-Japanese relations and the determination of the U.S. to denounce her Trade Treaty with Japan set Britain on

---

<sup>34</sup> P.M. (acting) to SSSA July 31, 1941. EA 58/12/2 (pt.1a).

<sup>35</sup> Press July 28, 1941.

a path that New Zealand was quite willing to follow. Japan's attempt to dent Commonwealth unity by inviting a New Zealand mission to Japan was an example of her underestimation of Commonwealth solidarity and ultimately clumsy diplomatic tactics. New Zealand, on the other hand, was anxious to support British diplomacy in any way that involved collective sanctions.

#### THE YAMAGIKU MARU

In fact the major problem arising out of the restrictions on trade was not one of militaristic proportions. It arrived in the form of the Yamagiku Maru, a YKK ship with a cargo of timber and general merchandise due in Auckland on the 29th. After being delayed by bad weather it was suggested that the new trade restrictions would lead to a cancellation of its arrival. This was denied by the agents, but nevertheless importers were not sure they would receive the consignment, and even if they did, how they were to pay for it.<sup>36</sup> Nor was Fukuma sure what would become of the Yamagiku Maru's cargo, requesting information from the Government on the 31st of July. Fraser advised him that financial arrangements would follow the procedure of payment for the cargo into a New Zealand account and then remittance to London, with payment for a

---

<sup>36</sup> Press July 29, 1941.

return cargo in sterling. By this arrangement, then, a return cargo was agreed upon, to be paid from the imported cargo's credits.<sup>37</sup> The Yamagiku Maru arrived in Auckland on August 1st, and after two weeks left Lyttelton with 1700 sheep for Japan.<sup>38</sup>

The action against trade also affected the few Japanese trading companies in New Zealand. Even though they had not been blacklisted by Emergency Regulations, and still held import/export licences, control on exchange transactions effectively stopped business. The exit of Japanese businessmen from New Zealand was blamed on the new controls, with the Japanese Consulate denying any other significance, presumably sinister.<sup>39</sup> The Press regarded the new controls in a remarkably detached manner, neither commenting on the effect, nor possible threat, to New Zealand. It instead suggested that Japan's trade with the West would not be cut off completely unless Japan committed further aggression.<sup>40</sup> Trade with New Zealand had, however, all but ceased completely.

The Yamagiku Maru was the last Japanese ship to visit New Zealand before the Pearl Harbour attack. What few items were recorded as being imported from Japan after this time were more than likely held over in Australia. The

---

<sup>37</sup> P.M. (acting) to SSDA. August 6, 1941. EA 58/12/2 (pt.1a).

<sup>38</sup> Press August 14, 1941.

<sup>39</sup> Press August 9, 1941.

<sup>40</sup> Press July 30, 1941.

only exception to the 'general Empire policy to take all possible steps to dispense with imports from Japan' lay in the importation of items which could help New Zealand's war effort. In these cases transactions would be by a 'barter' arrangement and the initiative left with the Japanese to organise them.<sup>41</sup> But without Japanese shipping it was an academic arrangement, soon to be overtaken by the events of December 7th.

---

<sup>41</sup> P.M. to SSDA. September 26, 1941. EA 58/12/2 (pt 1a).

## CHAPTER SEVEN

### NEW ZEALAND TRADE AND SCAP 1946 - SEPTEMBER 1951

...the seeds of another war would most certainly be sown if other nations said they would neither accept the Japanese nor let their goods flow to them.

Walter Nash, 1943.<sup>1</sup>

### WAR AND ITS AFTERMATH

The Pacific war stopped all normal trade, of course, between New Zealand and Japan. The Allied countries moved to blockade trade between Japan and her allies in Europe and between Japan and neutral countries as well. Despite the war the problem of international trade in a post-war world, and even Japan's place in it, had not been forgotten. At a general level the Bretton Woods Conference of July 1944 was an attempt to prevent another depression by international co-operation on monetary policy. This led to the founding of the IMF. Japan's trade situation was considered at an Institute of Pacific Relations Conference

---

<sup>1</sup> Quoted in Sinclair, Walter Nash, pp.232-233.

in 1945, which advocated 'no special case for tariffs against low income nations as they would stimulate exports'.<sup>2</sup> This had been an obvious sore point at pre-war Institute of Pacific Relations Conferences where Japan had attacked tariff barriers. The Conference also considered there was an 'underlying gravity in Japan's trade situation (that) could hardly be denied'.<sup>3</sup>

Despite these attempts to give direction to trade, the immediate post-war situation was one of confusion. This was true of New Zealand as well as war-ravaged Japan. The period from August 1945 to March 1952 was one during which Japan's trade was controlled by the occupying forces; more specifically the Far Eastern Commission in 1946-1947 and then SCAP (Supreme Commander of the Allied Powers) after this period.<sup>4</sup> The occupation authorities had more urgent priorities than considering Japan's long-term economic and trade situation: the trial of war criminals, reparations, 'pacification', and the many political questions of security and Japan's future role in international relations were to the fore.

The Zaibatsu had been an integral part of Japan's war economy, and the program to break them up was initiated by legislation in 1946 and 1947. That there was some concern

---

<sup>2</sup> Institute of Pacific Relations. Security in the Pacific (International Secretariat, Institute of Pacific Relations, New York, 1945) p.67.

<sup>3</sup> Ibid., p.48.

<sup>4</sup> Fearey, R.A. The Occupation of Japan; Second Phase: 1948-50 (Macmillan, New York, 1950) p.7.

over Japan's economic future is illustrated by the tempering of this program by the realization that it might impede Japan's recovery through restricting legitimate business interests.<sup>5</sup> Nevertheless, as a result of initial neglect with the day-to-day economy the lack of almost any exports in 1946 brought no foreign exchange into Japan. The situation deepened into crisis in 1947 and SCAP was forced to reconsider economic priorities.<sup>6</sup>

Japan's trading organisations (sogo sosha) were also dismembered by SCAP and exporters deprived of offices and branches abroad, adding to the problems of low industrial production.<sup>7</sup> Thus SCAP effectively controlled Japan's trade despite the establishment of a Board of Trade by the Japanese Government, and not surprisingly it was to the U.S. that Japan turned for her supplies and new markets. Japan's trade thus through necessity changed patterns after World War II. It was a reversal of the shift brought about by the Sino-Japanese war in 1937 and was marked by a dramatic decline in Asian trade. Interestingly enough New Zealand was a stable element: when trade did resume between Japan and New Zealand it was in proportion and commodities very similar to the 1930's.

New Zealand was, however, suffering from confusion in her political and economic situation as well. The problems

---

<sup>5</sup> Ibid., pp.60-61.

<sup>6</sup> Allen, Japan's Economic Expansion, pp.16-17.

<sup>7</sup> Ibid., p.229.

of New Zealand were of course markedly different to those of Japan, but as there was a pre-occupation in the international arena on political questions concerning Japan, so too was there in New Zealand a pre-occupation with political questions surrounding Japan. These necessarily dominated and influenced the economic ones, but what is more is that New Zealand was shaping her policies to a post-war world 'virtually from scratch'.<sup>8</sup> There were formidable issues that New Zealand had to deal with: 'the first session of the United Nations, the peace treaties with the Axis satellites, the Berlin crisis, the cold war, Korea, and the Palestine problem'.<sup>9</sup> But none of these problems, however:

...could match the problem of Japan in the degree to which it dominated our attention, nor in its consequences for our political outlook and our security arrangements.<sup>10</sup>

The major political issue was security, and the imposition of the 'most rigorous security control upon Japan'.<sup>11</sup> To this end New Zealand was constantly involved with Allied and Commonwealth consultation on policy towards Japan; consultations that were marred during and after the war by resentment of U.S. claims in the Pacific and the

---

<sup>8</sup> Larkin, T. New Zealand and Japan in the Post-War World (New Zealand Institute of International Affairs, Wellington, 1969) p.4.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> 'Report of Department of External Affairs on Canberra Conference', quoted in *ibid.*, p.5.



feeling that New Zealand was not being adequately consulted by Britain.<sup>12</sup> Most apparent were the differences in policy displayed at the Far Eastern Commission (which represented the major powers involved in the war against Japan) between Labour's desired policy and that of the U.S., which was carried out.

The economic problems facing New Zealand did not immediately, and for obvious reasons, involve trade with Japan. But there was still economic confusion caused by wartime problems; the shipping shortages, dollar shortages, and supply shortages continued. The original reasons for the imposition of import controls in 1938 - low overseas funds, a trading imbalance, and fear of unemployment - had been replaced by the need to protect newly established industry and the requirements of the Sterling Area. The supporters and critics of continued import controls were equally vociferous.<sup>13</sup>

Arguments also centred on a White Paper Agreement between New Zealand and Britain by which New Zealand undertook to remove all controls relating to Britain as soon as possible. Britain was obviously keen to re-establish lost markets and importers in New Zealand argued that she was 'morally' bound to help Britain achieve this. They were aided by Britain's promise to accept for the

---

<sup>12</sup> Sinclair, Walter Nash, pp.234 & 247.

<sup>13</sup> Lane, P.A. 'An Examination of the Methods and Effects of Restricting External Trade with Particular Reference to the New Zealand Experience' (Unpublished Ph.D. thesis, Massey University, 1974) p.208.

years 1946-1949 all food exports New Zealand could supply.<sup>14</sup> It was thus in this background of economic confusion and pre-occupation with political issues that the problem of re-establishing a trade relationship with Japan lay.

#### LABOUR AND TRADE

Walter Nash was by now the 'chief architect' of Labour's economic policy.<sup>15</sup> It now fell to Labour and Nash in particular to develop a policy on economic matters in general, and also on Japan specifically as trade gradually began to increase again. But Labour had trouble grasping the significance of the changes that had taken place. The war had made Fraser and Nash 'Commonwealth' men:

...they thought in British Commonwealth terms. After the war they did everything possible to help Great Britain, which was, after all, New Zealand's chief market.<sup>16</sup>

New Zealand was now more Commonwealth minded than other Commonwealth countries.<sup>17</sup> But Labour was unsure of the international trading situation.<sup>18</sup> Nash and Labour apparently did not:

...conceive of the country's general economic position as likely to be fundamentally different

---

<sup>14</sup> Ibid., p.209.

<sup>15</sup> Grattan, The Southwest Pacific Since 1900, p.312.

<sup>16</sup> Sinclair, A History of New Zealand, p.286.

<sup>17</sup> Sinclair, Walter Nash, p.248.

<sup>18</sup> Lane, 'An Examination of the Methods', p.208.

from what it had been prewar, however different postwar it might appear on the surface.<sup>19</sup>

Labour still clung to the necessity for import controls despite building up a surplus (according to Nash) of £250 million because of the shortage of imports.<sup>20</sup> In 1948 Nash revalued the New Zealand pound to parity with sterling, but he feared a run on New Zealand's overseas funds and refused to ease import restrictions; a policy which did not meet with British or U.S. approval as they considered the quantitative restriction of imports unacceptable except during temporary difficulties. The negotiations in Geneva leading to the establishment of GATT in 1947 reduced levels of tariffs but British Commonwealth preferences were excluded from the ban on preferences.<sup>21</sup> Imperial preference, which Japan had so vociferously condemned, thus survived through into the post-war situation. But it was part of a much wider agreement that was not imperialistically based. Japan thus had potential access to GATT, a possibility the Labour Government did not see at the time,<sup>22</sup> which caused increased difficulties in trading relations with New Zealand in the mid 1950's.

The problem of re-establishing trading relations with Japan depended on Labour's policy regarding imports. Nash

---

<sup>19</sup> Grattan, The Southwest Pacific Since 1900, p.312.

<sup>20</sup> Sinclair, A History of New Zealand, p.285.

<sup>21</sup> Sinclair, Walter Nash, pp.249-251.

<sup>22</sup> Peniel, J. 'New Zealand's Trade With Japan', in New Zealand Trade and Industry, August 1957, p.17.

was at first confused: in 1946 he issued a contradictory statement on the Government's intention to ease import licences.<sup>23</sup> Labour did not, however, ease imports of goods, a factor which led to its downfall in 1949. With specific regard to Japan Nash was of course primarily concerned with the political issues, but he could not escape the prospect of renewed trade with Japan. Nash had been more concerned with the problem of migration than trading relations when speaking on the issue in 1943 (see above) but for expounding what seems an obvious truth he was criticised. This criticism was perhaps misdirected. The question that might have been asked was rather if Nash was not being hypocritical after years of criticising the importation of cheap Japanese goods.

As far as barriers to trade with Japan, or indeed any other country, were concerned the perennial issue of protective tariffs was inescapable. Labour continued to use licensing as a direct control but was also on the defensive about lowering tariffs. As with the Australian and New Zealand Coalition Governments of the 1930's, conservative parties were attacking high tariffs as a protection against cheap imports because they raised costs, both directly and indirectly, to farmers. But Labour was keen to protect New Zealand's new industries; a highly unpopular policy to farmers. The Mercantile Gazette, for example, put the case for farmers in 1944:

---

<sup>23</sup> Lane, 'An Examination of the Methods', pp.209-210.

Forcing upon the country protected secondary industries disturbs seriously our agricultural economies by raising the costs to the primary producers.<sup>24</sup>

Thus upon the conclusion of the war Nash and Labour faced a potential dilemma over Japan: how to reconcile the need to accept Japanese goods for Japan's sake with the need to protect New Zealand industry. The *Mercantile Gazette* condemned proposals in the U.S. to reduce Japan to a pastoral economy as 'vicious':

Both Germany and Japan cannot exist without the trade of other countries. Both countries must import, and how are they to import unless they are able to export? Both are highly industrial countries and the other nations want the manufactures of Germany and Japan.<sup>25</sup>

Thus both Nash and National had supposedly reached a political consensus on the need to re-integrate Japan into the international economy; a consensus buttressed by the political need to create a non-Communist, non-Fascist state. The problem that gradually arose for Labour in its policy of import restrictions was how it would affect Japan. It is clear that Labour placed the protection of local industry over strategic consideration of trade as it affected security; indeed the existence of the occupation forces guaranteed security at least in the short-term. Labour continued import control, commonly known as

---

<sup>24</sup> Mercantile Gazette Vol.LXVIII, No.3485. October 25, 1944, p.776-777.

<sup>25</sup> Mercantile Gazette Vol. LXVIII, No.3485. October 25, 1944, p.757.

'selective import control', to protect local industries until it was defeated in 1949.<sup>26</sup>

Part of Labour's downfall in 1949 was its excessive import controls: an 'army' of inspectors was needed to police the regulation on imports, as well as all the other controls (land sales controls, price controls, and building controls), that Labour continued after World War II. But also the Soviet Union's brutality in Eastern Europe and the threat of Communism in New Zealand (indicated by the waterfront disruptions in 1948 and 1949) were contributing factors.<sup>27</sup> Labour went out of office before it could:

...undertake that redefinition of foreign political relations which the postwar power situation ever more urgently required.<sup>28</sup>

By becoming 'Commonwealth men' Fraser and Nash tied New Zealand to a pre-war world in which relations with Japan, despite the rhetoric on her need to trade, were doomed. With the election of National the redefinition of foreign policy towards Japan at last gave some hope to the development of sound trading relations.

---

<sup>26</sup> Bryan, New Zealand, p.142.

<sup>27</sup> Gustafson, B. The First 50 Years: A History of the New Zealand National Party (Reed Methuen, Auckland, 1986) p.54.

<sup>28</sup> Grattan, The Southwest Pacific Since 1900 p.325.

**TRADE COMMISSIONER**

Prior to 1941 New Zealand had never established a Trade Commissioner in Japan despite an open invitation to do so. Now, despite the Labour Government's concerns over developing New Zealand industry, a Trade Commissioner was sent to Japan. The policy probably originated in a suggestion by Brigadier Quilliam, the New Zealand Prosecutor of War Criminals in Tokyo. He urged Prime Minister Fraser in July 1946 to act as:

Australia and India, as well as the United Kingdom and Canada, appear to be well represented, and from all one can hear there are bound to be economic and trade missions to Japan from those countries..<sup>29</sup>

The problem was again, as it had been at the time of the denunciation of the 1928 Trade Treaty, that New Zealand might lose markets in Japan to Allies, such as Australia.

That New Zealand should have a trade representative in Japan was reinforced by J.C. Pollock, Special Returning Officer for Japan. In November 1946, while in Tokyo Pollock met S.F. Lynch, Leader of the Australian Economic Mission to Japan. Reporting this encounter to the Prime Minister's Department the following February, Pollock said of Lynch that:

He considers that after his inspection of the trade position, New Zealand should be represented in that area and that some person competent to discuss the requirements of our country should proceed to Japan for the purpose of reporting to

---

<sup>29</sup> Quoted in memo. P.M.'s Department to Secretary of IC. July 29, 1946. IC 114/9.

the New Zealand Government on this important question.

And that:

He intimated that Australia would have a strong representation there in the future, and no doubt he feels that as New Zealand also is vitally interested in the future of the Pacific area, it should be represented also in order that we may have first hand information on the policy which is being laid down.<sup>30</sup>

There were also suggestions in Parliament that the U.S. appeared to have a monopoly on Japan's trade, which led to questions as to when a permanent Trade Commission would be established there.<sup>31</sup>

Whatever the cause, the Government did appoint a Trade Representative in Tokyo in 1947. Reuben Challis was given several responsibilities; one was reparations but clearly trade was ultimately important. Before private trading with Japan was allowed (from September 1st, 1947) his role regarding trade was to advise the Department of Industries and Commerce:

...on the availability of goods from Japan, on the prospects of sales of New Zealand products to Japan, and on trading procedure.<sup>32</sup>

Nordmeyer, the Minister of Industries and Commerce, was nevertheless sceptical as to the value of having a Trade Commissioner in Tokyo, pointing out that there was little prospect of Japan recovering sufficiently in the

---

<sup>30</sup> Letter. J.C. Pollock to P.M.'s Department. February 7, 1947. IC 114/1 (pt.1).

<sup>31</sup> NZPD Vol.279, p.33.

<sup>32</sup> IC Annual Report, 1947, p.24.



near future (in 1947) to a stage where trade would be worthwhile.<sup>33</sup> This sentiment seems to have been shared by the business community as even when private trade with Japan was reopened from September 1947 there was no rush to renew old business contacts, (see below). Challis was thus mostly occupied with official business.

After the change of Government Challis was ordered to undertake a survey of Asian markets beyond Japan; an indication of National's positive attitude to trade relations with Asia. Challis travelled throughout South-East Asia between February and April 1951. This was the first comprehensive research done on behalf of the Government on trade possibilities in Asia since Belshaw's visit in 1929, and the first directly instigated by the Department of Industries and Commerce. His report on trade possibilities with Japan, the Philippines, Hong Kong, Indo-China, Thailand, Burma, Singapore, and Indonesia was comprehensive. The conclusion was, however, simple: of all these countries the possibilities of trade were greater by far with Japan:

The scope for expansion of New Zealand's trade with Japan is vast, the limits being largely those of Government policy on the subject.<sup>34</sup>

No other country received such an endorsement. In a private report Challis outlined the reasons for his optimism:

---

<sup>33</sup> NZPD Vol.279, p.35.

<sup>34</sup> Quoted in Anonymous, 'New Zealand's Opportunity for Trade with South East Asia' in The New Zealand Manufacturer, August 15, 1951, p.33.

In a disorderly Far East, Japan is perhaps the most stable country both politically and economically, and there seems a good chance that she will remain so, if for no other reason than that the policy of the western democracies is clearly to keep her that way as a counter to the frightening spread of Communism in the East.<sup>35</sup>

At the same time Challis was also indicating that Australian interests were far ahead in cultivating the market for wool in Japan. While acknowledging that shipping was a major problem, he castigated the New Zealand wool industry for not showing greater interest in the Japanese market.<sup>36</sup>

With the recovery of trade between New Zealand and Japan Challis proved to be a tireless worker for New Zealand's interests in Japan (see Chapter 8). Labour, despite its own retrospective economic policies, had despatched to Japan a Trade Representative whose ambitions would have been increasingly at odds with Labour policy had it continued into the 1950's. Labour did National a good service by establishing Challis in Tokyo ready for a Government that was more willing to take trade relations with Japan seriously.

---

<sup>35</sup> Quoted in memo. IC to Cabinet, Annex II. August 15, 1950, IC 114/1 (pt.1).

<sup>36</sup> Ibid.

**PRIVATE BUSINESS**

At the same time as Challis was taking up his appointment in Tokyo legal prohibition to trading with Japan was being removed. This appeared in the Gazette as the Enemy Trading (Japan) notices of May and July 1947.<sup>37</sup> This did not completely free trade with Japan, however, as trade at this time was being conducted on a 'Government to Government' basis. Even when private trade was reopened from September 1947, and SCAP allowed four hundred businesses to enter Japan with Government sponsorship, of New Zealand's quota of six places, only five were taken up by businessmen.<sup>38</sup>

Of the eight initial applications to enter Japan by businesses in New Zealand received in June and July by the Department of Industries and Commerce, most contain the reference to an interest in importing timber, and various timber products, for furniture.<sup>39</sup> Each application was supported by a number of other companies in a 'pooling' of interests so that each businessman who went to Japan actually represented a number of companies. One application was from Distributors Association Ltd., in Wellington which wanted to send the pre-war representative

---

<sup>37</sup> Gazette No.24, May 8, 1947, p.568, and Gazette No.37, July 3, 1947, p.830.

<sup>38</sup> IC Annual Report, 1948, pp.21-22.

<sup>39</sup> 'Application for Sponsorship of Visits to Japan Within New Zealand's Quota of Six Businessmen'. (Undated) IC 114/1/10.

of Banno Bros. (N.Z.) Ltd. to Japan to re-establish contact with the parent company, Banno Bros. Ltd. in Osaka. Another was from Farmers Trading Co. Ltd. in Auckland, which was noted as having 'dealt extensively in Japanese goods pre-war'. Some of these applications were then withdrawn to give the five applications noted above. It is also worth noting that F. Kanematsu (N.Z.) Ltd. in the guise of J. Gunton (N.Z.) Ltd. was still operating at this time.

Statistics of trade indicate that there was no resumption of normal trade, even by private businesses, after September 1st 1947. Trade appears to have genuinely re-started only in 1948, despite Challis's presence in Tokyo and the legality of private trade before this time.

Private businessmen continued to travel to Japan during 1948, as the quota of six businessmen was a 'revolving' one in which after one returned another could go. Contact was established by a new Japanese company, Sanshin Textile Trading Co. Ltd. with Bing Harris & Co. in New Zealand in 1948. The Japanese company was apparently made up of the former staff of the textile department of Mitsui, the now broken up Zaibatsu. This prompted Bing Harris & Co. to send a representative to Japan.<sup>40</sup> What became of this is unknown, but it does show that elements of Mitsui Zaibatsu were still operating as separate

---

<sup>40</sup> Letter (author unknown) to Challis. November 12, 1948. IC 114/1/10.

departments and that contact was made directly from Japan rather than through Australia.

There was one outstanding example of business enterprise at this time, that of Mr Douglas Kenrick. Kenrick went to Japan in November 1947 and set up his own company, Douglas M. Kenrick and Associates in April 1949 which imported and exported a wide range of goods, notably scrap metal from New Zealand in return for cement and metal commodities from Japan.<sup>41</sup> These goods were transported by his own shipping company the Ken Line (see Chapter 7). This was thus the beginning of a determined bid to increase trade between Japan and New Zealand, and will be further examined later on.

#### THE STERLING AREA AND KOREAN WAR

New Zealand operated financially as part of the Sterling Country Area as opposed to the Dollar Area. Until September 1st 1947 all agreements for trade with New Zealand were conducted with SCAP. Negotiations between the New Zealand Government and SCAP to allow some two-way trading extended into 1948,<sup>42</sup> but the problem was payment.

Representatives of the Sterling Country Area and SCAP negotiated on trade with Japan and an Interim Sterling

---

<sup>41</sup> Correspondence: Douglas Kenrick. 12/3/90.

<sup>42</sup> IC Annual Report, 1949, p.19.

Payments Agreement was signed in November 1947. SCAP could not, however, finance initial purchases from Sterling Area countries and an exchange rate of the yen had yet to be fixed. Furthermore, this agreement only applied to private traders, not Government, until an Overall Sterling Payments Agreement became effective from May 31st, 1948, which covered Government transactions as well.<sup>43</sup> Thus direct Government to Government trade was delayed.

Negotiations still continued from May to November 9th, 1948, about Japan's trade and payments problem. SCAP and the Sterling Area countries negotiated expanding Japan's trade.<sup>44</sup> The first Trade Arrangement, for the period July 1st 1948 to June 30th 1949, covered both Government and private trading. It was agreed that Japan was to export mainly textiles and import essential raw materials. A level of stg£30 million was set on imports to Japan with exports to match this value. It was also agreed that trade would be conducted in Sterling with settlement every six months in U.S. dollars, called 'dollar convertibility'. Though these were not bilateral arrangements with individual countries but rather with the Sterling Area Countries as a whole, New Zealand proposed to import some essential items such as furniture timber and some types of textiles, and to export wool, hides, casein, and seeds. This was essentially the same as pre-war trade.

---

<sup>43</sup> Nicholson, D.F. Australia's Trade Relations (F.W. Cheshire, Melbourne, 1955) pp.245-253.

<sup>44</sup> Ibid. See also IC Annual Report, 1949.

In New Zealand the apparatus of trade with Japan had two key elements: the Reserve Bank sanctioned exchange in conjunction with the Customs Department. All applications for exchange transactions had to be made to the Customs Department, of which Walter Nash was Minister. Thus Nash played another vital role in New Zealand-Japan trade relations. After asserting that the world must take Japanese goods in 1943, he was now in a position to let New Zealand take more Japanese goods. This he did, but they were only essential goods that could not be supplied from anywhere else.

In New Zealand's import restrictions 'soft' and 'hard' currency countries were differentiated. Though Japan dealt in Sterling it did not fall into the Sterling Area, and hence it was a 'hard' currency country; Japan was a 'scheduled' country and did not, therefore, get the benefit of import licences to the extent of non-scheduled currencies until 1951 when restrictions on hard currency sources for imports were eased.<sup>45</sup>

These problems, and Japan's shattered state, somewhat tempered the need to accept unessential Japanese goods. Imports from Japan totalled £60,000 in 1948, exports about £46,000. In 1949 control of foreign exchange dealings was transferred from SCAP to the Foreign Exchange Control

---

<sup>45</sup> Bryan, New Zealand, pp.142-143.

Board, established by the Japanese Government, followed by an easing of controls over private trading in 1950.<sup>46</sup>

Starting in June 1950 the Korean war transformed the Japanese economy, with new implications for New Zealand. Exports of wool to Japan increased greatly; by 1951 over £3m of wool was exported, the price itself having risen over 250% of that in 1948.<sup>47</sup> Japan's ability to export also improved,<sup>48</sup> much to the alarm of Dr. Sutch who towed the Labour line and revived the supposed threat to local manufacturers.<sup>49</sup> By 1951 trade had significantly improved, but was largely sustained by the Korean war and proved to be only temporary.

The Korean war by no means solved the problems of trade. The problem of payments was exacerbated from September 1951 when a new Sterling Payments Agreement came into force which cancelled the dollar-convertibility clause of the 1948 Agreement. Because an accumulation of Sterling could now not be converted into U.S. dollars every six months it was essential to maintain a balance of payments, which almost immediately went in Japan's favour. New Zealand along with other Sterling Area countries had to restrict imports to essential goods; in New Zealand's case

---

<sup>46</sup> Allen, Japan's Economic Expansion, pp.229-230.

<sup>47</sup> Bryan, New Zealand, p.135.

<sup>48</sup> Allen, Japan's Economic Expansion, p.230.

<sup>49</sup> Sutch, W.B. Recent Developments in New Zealand Manufacturing (Department of Industries and Commerce, Wellington, 1958) p.7.



it was steel. Nevertheless imports increased in value between 1951 and 1952 although exports dropped slightly. Trade figures were now at the £4m level, much higher than at any time pre-World War II, but the percentage of New Zealand's trade that Japan held was still only about 1.5% at the peak of the Korean war boom.

The problem of payment obviously played the underlying role in trade in the immediate post-war period. Neither Government policy nor private enterprise were immune to the constraints, sometimes severe, that were placed on them by payment difficulties. Nor could a change of Government materially alter this premise. It was only when order was again obtained in the international economy, which did not occur until much later, could Government policy be said to be again playing the underlying role in trade relations. Meanwhile this was only the beginning of the booms and slumps that trade with Japan went through in the 1950's.

#### **NATIONAL AND TRADE**

Events in 1949 had begun to focus attention on trade with Japan once more. Imports of Japanese goods, though not yet large, had once again caused murmurings in Parliament. National, unusually, noted that the availability of cheap Japanese goods was beneficial to the

public.<sup>50</sup> (Usual arguments had rested on the benefit to primary producers only.) But events in China, the formation of a Central People's Government in Peking in September (i.e. the loss to Communism), also focused attention on strategic issues concerning Japan.

It has been said of National that compared to the previous Labour Government they:

...in fact showed no disposition to develop any strong particularistic line of their own.<sup>51</sup>

National did, however, significantly differ <sup>from</sup> to Labour on its policy of imports and in general on its attitudes to trade with Japan. In 1950 it began to dismantle import controls because of the high price of wool brought about by the Korean war. At the beginning of the year about 950 types of goods required import licences, but during 1950 about 420 were released; mostly machinery and raw materials.<sup>52</sup> In fact the Government went too far in easing imports, and had to re-introduce restrictions later in 1952.

Imports from Japan increased, but National, despite its rhetoric on freer trade, was cautious of adverse public reaction to trade with Japan. In a draft policy statement of August 1950 the Department of External Affairs noted that trade:

---

<sup>50</sup> NZPD Vol.288, p.2713.

<sup>51</sup> Grattan, The Southwest Pacific Since 1900, p.325.

<sup>52</sup> Sutch, Recent Developments in New Zealand Manufacturing, p.15.

...may receive some further publicity leading to the stirring up of controversy amongst those who may not be fully in agreement with the Government's policy. For example, watersiders might decide to take a hand in the matter, or manufacturers might start getting alarmed that the eventual result of this policy will be increased imports from Japan.

It was also noted that the Government should be aware of the consequences of adopting a policy that promoted exports, however sensible, as:

...it must lead eventually to pressure from the Japanese or American end for sending more imports into New Zealand. At the moment we have sound enough arguments to support the present import restriction, but the situation may change, e.g. if Japan becomes entitled to be treated as a soft currency source and, in this case, our restrictive policy on imports might take a bit of explaining.<sup>53</sup>

The Minister of Industries and Commerce, C.M. Bowden, was also alive to the potential controversy:

...any public statements should not give undue prominence to Japan as a market for our produce.<sup>54</sup>

In fact there was very little public controversy over trade with Japan at this time as attention centred on political issues; the signing of the Peace Treaty and the formation of ANZUS. There was probably more reported about Australian trade with Japan than New Zealand's trade with Japan.<sup>55</sup> Nevertheless, it appears that Labour, and Nash himself, were again trying to make political gain out of

---

<sup>53</sup> Letter (author unknown) EA to IC. August 7, 1950. IC 114/1 (pt.1).

<sup>54</sup> Memo. IC to Cabinet. August 15, 1950. IC 114/1 (pt.1). C.M. Bowden - Minister of Industries and Commerce 1949-1954.

<sup>55</sup> Press July 18, 1951, August 24, 1951.

Japanese imports. But levels of imports, though they had increased, were still relatively low and were of raw materials. Labour, trying to make an issue of a non-issue, had to exaggerate the situation and were rightly taken to task for the inaccuracies of their statements both by the Government and business journals.<sup>56</sup>

The constraints imposed by payments affected National policy as much as it had Labour, and National had yet to show that it was genuinely more sympathetic to trade with Japan than its predecessor. By all indications National would be more sympathetic, as long as there was not a public reaction to such a policy. But the need to formulate a definite policy, and then the test of whether it could be implemented, largely depended on the political issues, and specifically, the San Francisco Peace Treaty.

---

<sup>56</sup> Anonymous, 'Trade with Japan', in New Zealand Economist and Taxpayer, September 26, 1951, p.131. See also Press August 29, 1951, and NZPD Vol.295, p.245.

## CHAPTER EIGHT

### POST-WAR SHIPPING

Shipping between New Zealand and the East is by no means satisfactory at present, and this is a most important factor preventing an expansion of trade with that area.

Department of Industries and  
Commerce Annual Report,  
1951.<sup>1</sup>

#### BACKGROUND

When the Yamaqiku Maru left New Zealand in August 1941 there began a ten year period that illustrated how New Zealand was insuperably tied to British markets by shipping. It was a situation that completely reinforced Labour's (and Nash's) concept of New Zealand's ideal trading patterns. The Conference Lines serviced New Zealand during the War, and despite shortages of tonnage that continued after the War, their service was appreciated. Few people (if any) questioned the suitability of this arrangement; there was little alternative even if they did. The Department of Industries and Commerce might

---

<sup>1</sup> IC Annual Report, 1951, p.15.

lament the problem of shipping to Asia much as it had over twenty years earlier, but the question was whether it would do anything this time, or wait for others to fill the gap as it had done before.

Inevitably, the Department did nothing. New Zealand's concept of the Pacific, and the political aspects of security in a post-war world may have changed, but the concept of trade was reinforced by the War. Trade with Asia remained an 'aside' until regular services resumed with the return of Japanese shipping, which was signalled by the arrival of the Nachisan Maru at the end of July 1952.<sup>2</sup>

At the outset of World War II, Japan's mercantile fleet had a gross tonnage of over 6 million, but what survived the War was unsuitable for ocean-going commerce. Japan had thus lost her enterprise in shipping. SCAP restricted Japan's shipbuilding industry and only in 1950 could work be started freely on re-establishing a mercantile fleet. At this time Japan still possessed very few ocean-going vessels, but the number quickly grew as previous routes, such as Australia and New Zealand, were re-established. Despite this rapid growth, a much higher proportion of Japan's trade was now carried by foreign ships (including those chartered by Japan), than before World War II.<sup>3</sup> Unlike the original establishment of these

---

<sup>2</sup> Press August 13, 1952.

<sup>3</sup> Allen, Japan's Economic Expansion, pp.224-225.

services, sailings to Australia and New Zealand started again at approximately the same time. It would seem reasonable to expect then that unlike the 1930's when Japanese shipping to New Zealand grew out of, and continued to be influenced by, the Australian service, that there would now be a new independence in the shipping service to New Zealand. This however, does not appear to be the case, as will be shown below.

#### THE AUSTRALIAN SERVICE

In the period after the War to the beginning of the Japanese shipping service to New Zealand only tramp ships operated for the bulk of goods traded with Japan. New Zealand's exports to Japan were mainly of wool until 1952, and imports of metal. For these, large bulk carrying trampers were ideal. The ships used were mostly, however, those of the Eastern and Australian Steamship Co., for which the Union Steamship Co. were agents in New Zealand. The Palikonda sailed for Sydney and Japan in March 1947 carrying clothing and other goods.<sup>4</sup> In 1948 the Eastern and the Nankin carried the first real cargoes.<sup>5</sup> Late in 1948 the Westralia also apparently sailed for Japan. In 1949 the Nellore, Nankin, and Eastern operated. These were all

---

<sup>4</sup> Shipping Gazette March 29, 1947.

<sup>5</sup> Shipping Gazette March 10, 1948.

Eastern and Australian Steamship Co. vessels, plus occasionally the Yunnan of the Australian and Oriental Line. These two companies, the Eastern and Australian Steamship Co., and the Australian and Oriental Line operated in conjunction with a third company, the Indo-China Steam Navigation Co. to service Australia's Asian routes. It was these companies that were also servicing New Zealand's trade with Japan when there was a demand.<sup>6</sup> They also apparently started a regular service between New Zealand and Japan soon after World War II which was cancelled after a year because of a lack of cargo. In any event, before Japan again started a service to New Zealand the only competition lay in the 'Ken Line', a shipping company formed by Douglas Kenrick in Tokyo to provide a service to New Zealand.<sup>7</sup>

#### THE KEN LINE

Kenrick started Ken Line as the Conference lines that serviced New Zealand's trade with Britain were not operating to Japan. The Ken Line was, of course, run in association with Douglas M. Kenrick and Associates. Kenrick chartered ships from all over the world through a Japanese company located in the same office building in

---

<sup>6</sup> Farquhar Collection 14/6/52 & 9/7/49.

<sup>7</sup> Correspondence: Douglas Kenrick, 12/3/90.



Tokyo.<sup>8</sup> Some of these ships were actually Japanese, such as the Yuho Maru,<sup>9</sup> many were China Union Line ships, such as the Union Mariner and Union Trader.<sup>10</sup> These were run as direct tramper services between New Zealand and Japan carrying scrap metal and cement. These ships had to carry at least 10,000 tons of cement to be profitable and for the most part were sent to New Zealand and then released from the charter. Only occasionally did the same ship return with scrap metal.<sup>11</sup> Much of this scrap metal was supplied by R.C. MacDonald Ltd. which had been exporting scrap to Japan prior to World War II on the Japanese Liner services. After World War II ships were also chartered by R.C. MacDonald Ltd. itself, but exports to Japan increased after 1952 when Nitto commenced a regular service.<sup>12</sup> Whether exports of scrap metal, although transported on ships of companies that operated regular services, were actually loaded onto ships that were scheduled seems doubtful though. OSK and Nitto (which commenced advertised services to New Zealand in 1952) also operated tramper ships at the same time. Scrap metal, which included tramlines, old farm equipment, cut up boilers, and once a whole shipment of horseshoes etc. was slow to load onto ships, especially

---

<sup>8</sup> Interview: Gil Steven, 27/4/90.

<sup>9</sup> Farquhar Collection: 5/12/52.

<sup>10</sup> Farquhar Collection: 7/7/52.

<sup>11</sup> Interview: Gil Steven, 27/4/90.

<sup>12</sup> Correspondence: Ron MacDonald, 25/5/90.

ships that had to run to a schedule.<sup>13</sup> Ships that took scrap metal to Japan, and often then returned with steel, were tramper ships operated either by Douglas M. Kenrick and Associates, companies exporting scrap metal that chartered ships themselves, or by the Japanese operating tramper ships to supplement their scheduled sailings.

Kenrick started off with exports of New Zealand butter, then cheese, skim milk powder, linseed, grass seeds, coal, scrap iron, manganese ore, hides, cattle, horses, barley, and tallow. He exported to New Zealand cement, timber, canned salmon, smoked oysters, textiles, cameras, binoculars, scientific equipment, sporting goods, household goods, and a multitude of other sundry goods. Kenrick also had his own subsidiary in New Zealand, Douglas Kenrick (N.Z.) Ltd., but also dealt directly with Amalgamated Dairies, and such companies as Fletchers and various cement importers.<sup>14</sup> One of these was the Tasman Steamship Co., formed by ex-servicemen, which acted as agents for Kenrick's consignments of cement.<sup>15</sup> Kenrick, as well as operating a fleet of chartered ships also bought his own ship, the Ken Waihi. None of these Ken Line ships were operating in a shipping conference. Ken Line was independent but could survive, at least temporarily, by the lack of other available shipping and even after 1952 from

---

<sup>13</sup> Interview: Colin Monro, 6/5/90.

<sup>14</sup> Correspondence: Douglas Kenrick, 12/3/90.

<sup>15</sup> Farquhar Collection: 11/4/51.

the abundance of scrap metal. Nitto, for example, did not care if Ken Line took a share of this trade in competition because there was still a surplus.<sup>16</sup> Kenrick did, however, have to overcome some prejudice against Japanese goods until early shipments of cement and steel were proven to be of high quality.<sup>17</sup>

As the operator of New Zealand's only trading concern in Japan, Kenrick was a staunch advocate of expanding imports of Japanese goods into New Zealand and held the view that many of these goods were not in competition with New Zealand manufactured goods. This was obviously very much along the lines of National's arguments for expanding imports. Kenrick cited binoculars, cameras, and microscopes as examples of excessive import controls. The situation was often so bad that some ships came 'in ballast' (i.e. empty) to New Zealand in order to take New Zealand exports.<sup>18</sup> This would have been the case in 1953 especially, when trade was severely unbalanced. The Ken Line, however, ultimately succumbed to competition from Australian shipping, thus ending the only 'independent' shipping enterprise in the field of established shipping companies.<sup>19</sup>

---

<sup>16</sup> Interview: Colin Monro, 6/5/90.

<sup>17</sup> Correspondence: Douglas Kenrick 12/3/90.

<sup>18</sup> Farquhar Collection: 20/2/53.

<sup>19</sup> Correspondence: Gil Steven, 3/9/90.

Although Kenrick had close contact with Reuben Challis over business matters,<sup>20</sup> it appears that this did not extend to shipping.<sup>21</sup> While it is easy to point to a lack of interest by the Government (justifiably), it must also be remembered that the Department of Industries and Commerce considered a regular service to be essential to build up exports. Chartered ships operating irregularly and usually only for bulk cargoes such as scrap metal and logs were no substitute. Wool, traditionally the major export to Japan, was a liner cargo. The development of a satisfactory shipping service between New Zealand and Japan depended on a regular service, and the best hope for that actually lay again with the Japanese.

#### THE RETURN OF JAPANESE SHIPPING

Of the three Japanese companies that operated to New Zealand before World War II, i.e. NYK, OSK, and YKK, only OSK returned with Nitto in 1952 to run a regular service. NYK did send the occasional ship, such as the Mantetsu Maru III.<sup>22</sup> Representatives of both NYK and OSK had been among the first Japanese businessmen to be given visas to enter New Zealand. That these two representatives had

---

<sup>20</sup> Correspondence: Douglas Kenrick 12/3/90.

<sup>21</sup> Interview: Gil Steven 3/9/90.

<sup>22</sup> Farquhar Collection: 3/12/52.

consecutive passport numbers and had applied on the same day must indicate a degree of collusion between the shipping companies.<sup>23</sup> Even though NYK did not reinstate a service, that there was a 'friendly' competition between Nitto and OSK has been indicated.<sup>24</sup> The first Japanese ship to arrive after World War II, the Nachisan Maru, was actually a Taiyo Kogyo Kisen ship.<sup>25</sup> Nitto then started a semi-regular service with the Chowa Maru.<sup>26</sup> OSK followed with the Osaka Maru, which had also started their service to Australia.<sup>27</sup> Neither Nitto nor OSK were keen on coming to New Zealand until trade picked up; Nitto considered cancelling its service but when trade later recovered profits picked up for both companies.<sup>28</sup>

For the establishment of Nitto in New Zealand there was a personal input as well in the form of Captain Geoff Hardy. Hardy was apparently very keen on developing Nitto in New Zealand and to this end helped Nitto. He was also Managing Director of Northern Steamship Co., and not surprisingly Nitto appointed Northern Steamship as its agents in New Zealand. Hardy became an honorary Consul to

---

<sup>23</sup> 'Consular Register of People Wishing to Enter New Zealand' (Undated) IC 114/9.

<sup>24</sup> Interview: Les Booth, 2/5/90.

<sup>25</sup> Farquhar Collection: 7/7/52.

<sup>26</sup> Manuscript No.3.

<sup>27</sup> Farquhar Collection: 5/8/53.

<sup>28</sup> Interviews: Harry Trusswell 26/4/90; Arthur Turnbull 18/4/90.

Japan.<sup>29</sup> OSK had no such advantage, and in fact the agency was transferred from the New Zealand Shipping Co. to G.H. Scales because of a conflict with Pacific and Oriental.<sup>30</sup> Nitto started advertising in the Shipping Gazette in March 1953 and OSK quickly followed suit in July.<sup>31</sup> It was not until September 1955, however, that Nitto applied to the Japanese Transport Ministry to open a regular service to New Zealand.<sup>32</sup> Thus while 1952 appears as a crucial date for the return of a normalized Japanese service to New Zealand, no such clear distinction can be made; Nitto seems to have operated as an 'advertised' tramper service; goods were still being transhipped in Australia,<sup>33</sup> and arriving in Japan the worse for it; and even Ken Line was only listed in the Shipping Gazette from July 1953 to September 1954.<sup>34</sup> While the state of shipping did become more regular and orderly after 1952, it did not happen immediately.

One of the most haphazard ways in which shipping developed can be seen in the export of meat to Japan. The first exports of frozen meat were recorded in 1954.<sup>35</sup> Meat

---

<sup>29</sup> Interviews: Les Booth 2/5/90; Arthur Turnbull 7/5/90.

<sup>30</sup> Interview: Harry Trusswell, 26/4/90.

<sup>31</sup> Shipping Gazette March 21, 1953; also Shipping Gazette July 4, 1953.

<sup>32</sup> Farquhar Collection: 29/9/55.

<sup>33</sup> NZPD Vol.300 p.1801.

<sup>34</sup> See Shipping Gazette, for these dates.

<sup>35</sup> Annual report on External Trade Statistics, 1955-6.

was sent to Japan in a variety of boats. Nitto fitted refrigerated lockers into some of its ships to carry meat but as each locker could only carry about 40 tons they were still insufficient to carry the quantity demanded.<sup>36</sup> Nitto also had two refrigerated ships, the Chowa Maru and Takuwa Maru<sup>37</sup> which came down 'in ballast' to New Zealand to take back meat, almost all of which was supplied by C.S. Stevens and Co. Ltd.<sup>38</sup>

#### THE 'HAM BOATS'

Despite the availability of these ships there was still insufficient space for meat. Stevens overcame this by chartering refrigerated vessels that serviced the Japanese whaling vessels in the Ross Sea. The whaling season ceased when the killing season for sheep began so he could charter these vessels in their off-season; i.e. from September to March. Another way in which meat went to Japan was by the boats owned or chartered by the big Japanese ham manufacturers such as Nippon Ham, Snow Brand, and Ito Ham. The last company, for example, used the Ito Ham Maru No.1 which was actually chartered.

---

<sup>36</sup> Interview: Colin Monro 6/5/90.

<sup>37</sup> 'Notes for P.M.'s Visit' (Nash to Japan in 1959). IC (2006) 114/1/4 (pt.1).

<sup>38</sup> Interview: Colin Monro 6/5/90.

These vessels were variously known as 'Ham boats'. The Ham boats were known by this name from the ultimate destination of their product - Japanese ham. The export of beef to Japan, first tried in 1957 with a shipment on the Timaru Star, had failed. The meat was suitable for hamburgers, but was not in demand in Japan. Even worse, it angered Japanese beef farmers and imports were then restricted.<sup>39</sup> At this time New Zealand was faced with the possibility of Britain entering the EEC, and, as Mr. Stevens puts it, 'the heat was on' to find an alternative market for mutton to the extent of about 100,000 tons annually.<sup>40</sup> From the beginning of World War II to October 1, 1954, all meat for export from New Zealand had been sold by the Government by way of the Bulk Purchase Contracts. As early as 1950 the Departments of Industries and Commerce had considered these Contracts to be a limiting factor on the expansion of exports of meat to Japan.<sup>41</sup> In 1954 the prospects of major exports to Japan still seemed unlikely,

---

<sup>39</sup> Evening Post April 2, 1958. A confidential letter from the New Zealand Legation in Tokyo suggests that the Ministry of Foreign Affairs was under pressure from the Ministry of Agriculture and Forestry to restrict meat imports. It also suggests that the latter Ministry was itself under pressure from the Japan Meat Importers' Association, which contained many ex-employees of the Ministry of Agriculture and Fisheries. Letter. New Zealand Legation, Tokyo to Secretary, IC - 'Trade Talks with Japan'. March 19, 1958. IC (2006) 114/1.

<sup>40</sup> Interview: Ces Stevens & Mike Shepherd, 14/5/90.

<sup>41</sup> IC Annual Report, 1950, p.22.



however, as far as the Meat Producers Board was concerned.<sup>42</sup> This was soon to change, not only because of the EEC but also because increased Westernization in Japan had (finally) led to a change in diet. This was no 'golden-age' as envisaged in pre-war days but Westernization had led many manufacturers of traditional processed fish foods to change to the processing of ham and sausage.<sup>43</sup> Some sample carcasses were sent to Ito Ham in 1958, which (secretly) experimented with them to de-bone and de-odourize the meat, then blend it with other ingredients such as pork fat, whale and rabbit meat, to turn it into 'pressed hams'.<sup>44</sup>

#### CRUSADER

Another way in which meat was sent to Japan was by the newly formed Crusader Shipping Co. Ltd. In November 1957 the Conference Lines (i.e. the four British shipping companies Shaw Savill and Albion Co. Ltd., the New Zealand Shipping Co. Ltd., the Port Line Ltd., and the Blue Star Line (N.Z.) Ltd.) formed a subsidiary company, the Crusader Shipping Co. Ltd. to run between New Zealand and Japan.

---

<sup>42</sup> New Zealand Meat Producers Board Annual Report, 1954, p.48.

<sup>43</sup> Shimadzu, H. 'Modern Japanese Economy and Trade with New Zealand', in Trade Winds, September 1957, p.37.

<sup>44</sup> Interview: Ces Stevens & Mike Shepherd, 14/5/90.

Two ships, the Crusader and the Saracen were purchased from a Swedish shipyard. The Crusader arrived in New Zealand in January 1958, sailing with the first shipment of refrigerated meat for Yokohama and Kobe in February. The Saracen sailed later in 1958.<sup>45</sup> The Crusader had some 200,000 cubic feet of refrigerated space, as opposed to 7,000 and 5,700 for the Chowa Maru and Takuwa Maru. In addition to all the above ships, the Indo China Steam Navigation Co. had two refrigerated ships with some 16,000 cubic feet capacity, the Eastern Argosy and Eastern Star, which operated occasionally to New Zealand. OSK did not have any refrigerated space.<sup>46</sup>

The major shipping endeavour was, then, the Crusader Shipping Co. Ltd. which was actually British owned. The company was set up to run a regular service, and in fact was set up in competition to the charter of Japanese whaling vessels by C.S. Stevens. Butterfield and Swire Ltd., the agents for Crusader in New Zealand, were not interested with the Nitto ships, but were 'concerned' about the charter of the Japanese whaling vessels.<sup>47</sup> This was their major competition in a form that liner companies distrust anyway, a rival charter service. The establishment of 'orderly shipping' meant doing away with

---

<sup>45</sup> Waters, S.O. Shaw Savill Line; One Hundred Years of Trading (Whitcombe and Tombs, Christchurch, 1961) pp.146-147.

<sup>46</sup> 'Notes for P.M.'s Visit'. IC (2006) 114/1/4 (pt.1).

<sup>47</sup> Ibid.

the tramper ships, and the answer to this problem came in the form of the Meat Board. Unlike the Wool Board, the Meat Board took on the responsibility of negotiating shipping freight contracts and the regulation and inspection of meat shipments at the conclusion of the Bulk Purchase Contracts.<sup>48</sup> Thus the Meat Board became involved in the problem of shipping meat to Japan. It was the Meat Board that 'goaded' and 'exhorted' Stevens to find a market for New Zealand meat in Japan originally, but now they were being 'pressurized' by the traditional shipping companies of New Zealand's trade with Britain to organise an 'orderly' (i.e. liner) shipping service. Stevens reduced the freight rates, which he at that time controlled, but ultimately the Meat Board moved to restrict chartered ships.<sup>49</sup>

#### THE CONFERENCE AND 'ORDERLY' SHIPPING

The development of 'orderly' shipping had thus once again fallen to the New Zealand Conference Lines. While this happened at the expense of New Zealand entrepreneurship, Crusader's later entry to the Australian and Eastern Shipping Conference at least put it into a position to challenge the much larger threat to New Zealand

---

<sup>48</sup> New Zealand Meat Producers Board Annual Report, 1954, p.49.

<sup>49</sup> Interview: Ces Stevens & Mike Shepherd, 14/5/90.

shipping, that of Australian interests. Prior to World War II Japanese shipping lines dominated the Conference that operated sailings between Australia and Japan, out of which the services of OSK and Yamashita (and supposedly NYK as well) for the trade between New Zealand and Japan had grown.

It has therefore been suggested (above, Chapter 2) that Australia was in a weak position to influence New Zealand's interests in the 1930's, even if perhaps this had not been the case earlier. After World War II, however, from 1945 to 1951, no Japanese lines were in a position to resume this trade, and thus the pre-war Conference was reorganized based in Sydney.<sup>50</sup> Of the old Conference members, only the E. & A. Line had not been Japanese, and now it along with the Australian & Orient Line, the Indo-China Steam Navigation Co., and the Australia-West Pacific Line, reorganized the Conference as the Australia and Eastern Shipping Conference. It was the first three of these four Conference members that were operating the service for New Zealand to Japan. Unlike the 1930's, Australia shipping interests were now in a dominant position in the Conference.

NYK and OSK re-entered the Conference in 1952 and the Japan Australia Line, now composed of Yamashita (YKK),

---

<sup>50</sup> Manuscript No.3.

Kawasaki, and Mitsui (instead of Kokusai), re-entered in 1954.<sup>51</sup> Nitto rejoined in 1957, and Crusader in 1958.<sup>52</sup> The position of Nitto and Crusader, however, was different to the seven members who had joined by 1954, as in this year they adopted a 'Conference Constitution' which was not disclosed to subsequent members.<sup>53</sup> This is apparently still having ramifications in the claims of NYK and YKK to having 'latent rights to operate to New Zealand.'<sup>54</sup>

The Japanese shipping lines thus once again came to dominate the Conference and in 1962 it ceased to be based in Sydney. The Conference instead moved to Tokyo and was renamed the Australia and New Zealand/Eastern Shipping Conference.<sup>55</sup> It was shortly after this that at the Miyanoshita Meeting in February 1964 that Crusader and Nitto were at last able to expound the interests of the New Zealand trade despite their 'junior' status in the Conference. Both lines were restricted to twelve sailings per year between Japan and New Zealand.<sup>56</sup> Nitto was, therefore, not a serious rival to Crusader in the meat trade. Nor did Crusader have rights to trade to

---

<sup>51</sup> Ibid.

<sup>52</sup> Manuscript No.3.

<sup>53</sup> Ibid.

<sup>54</sup> Interview: Arthur Turnbull, 18/4/90.

<sup>55</sup> Manuscript No.3.

<sup>56</sup> Ibid.

Australia,<sup>57</sup> and it seems this was the case with Nitto ships servicing New Zealand too.<sup>58</sup> This was not uncommon as even OSK did not call at Australian ports after 1954 in return for being given a 'free hand' in the New Zealand trade.<sup>59</sup> This 'free hand', though perhaps not a serious rival to Crusader, illustrates the different standings within the Conference of these shipping lines. Crusader and Nitto, then, had every reason to champion New Zealand's interests independently of those to Australia. This they successfully did in 1964:

The history also reveals that the main route in this Conference has been Japan/East Australia v.v. trade served by Australian Principals, who for their unlimited membership had also decided all matters for all other trades, including New Zealand, irrespective of whether they were operating the services between particular areas concerned. It was quite logical that under such system Australian interests have always precedence over New Zealand interests. We are impressed that New Zealand ports were outports to East Australian ports at least Conference-wise and thus even matters proper to New Zealand had been handled on the premise to protect the interests of the Australian interests first. This had been the situation at least till Miyanoshita Meeting in February 1964 when the independency of the New Zealand trade and the interests of New Zealand Principals were expounded by Nitto and Crusader. This is the first time through the long history of this Conference that New Zealand was spotlighted at the Conference level.<sup>60</sup>

---

<sup>57</sup> Interview: Arthur Turnbull, 18/4/90.

<sup>58</sup> Manuscript No.2.

<sup>59</sup> Press February 18, 1954.

<sup>60</sup> Manuscript No.3.

The Crusader enterprise had at least, then, contributed to New Zealand's standing in shipping if even at the expense of C.S. Stevens and Co. Ltd. In the final analysis it is indicative of the nature of shipping between New Zealand and Japan that it took an amalgam of British shipping companies co-operating with a Japanese shipping company to protect New Zealand shipping interests against those of Australia. The New Zealand Government had not only done nothing to establish a shipping service to Asia, it had also done nothing to help protect the service supplied by others.

## CHAPTER NINE

### THE PEACE TREATY SEPTEMBER 1951-1953

The period of grace for those who must prepare to meet Japanese competition is almost over. Japan will not in future be content with mere dumping of trinkets in Colonial markets.

The New Zealand Manufacturer, 1951.<sup>1</sup>

### ANZUS AND COMMUNISTS

The signing of the San Francisco Peace Treaty set the stage for political and trade relations between New Zealand and Japan for the rest of the 1950's. Not surprisingly it was the political aspect of the Peace Treaty that dominated over the economic, but there were other political distractions as well: ANZUS and the Communist threat. The latter threat to New Zealand security also led to the signing of SEATO in September 1954, but Communism was a phenomenon that seemed to be exerting itself within New Zealand as well in the form of the 1951 Waterfront Strike. All of these political issues, both external and internal,

---

<sup>1</sup> Anonymous. 'Threat from Japan' in The New Zealand Manufacturer October 15, 1951, p.41.



in some ways affected New Zealand's trading relations with Japan.

The signing of ANZUS illustrated how reluctant many New Zealanders were to enter an alliance without Britain. Fraser and Nash were not the only 'Commonwealth' men in politics; National's Sydney Holland was also very much a 'Commonwealth' man. This led to problems over the signing of ANZUS as a tripartite agreement as the U.S. desired; the lack of British involvement was an obstacle not only to Labour but also Holland and some of his colleagues. It was Thomas Webb, who became Minister of External Affairs in September 1951, who convinced the doubters in National to agree to a tripartite agreement. Webb himself was concerned at the possibility of Japanese resurgence and Communism in China.<sup>2</sup>

Thus both ANZUS and later SEATO were a response to the threat of Communism, and the link to trade with Japan was direct: if Japan could not trade with the West it would have to trade with Communist China, and become politically influenced by this relationship. This was at the core of National's attitudes to economic relations with Japan. But not only was a good trading relationship necessary to prevent Communist influence, it was also necessary to prevent the circumstance arising that Japan had to again embark on an expansionist policy for economic reasons.

---

<sup>2</sup> Gustafson, The First 50 Years, p.66. See also Sinclair, A History of New Zealand, pp.304-306, on ANZUS and SEATO. T.C. Webb - Minister of External Affairs 1951-1954.

Thus whether it was to help defend Japan, or help in the defence against a possibly resurgent Japan, the necessity to trade with her seemed undeniable.

This was not a prospect that pleased New Zealand manufacturers, but at the time of the signing of the Peace Treaty and ANZUS New Zealand was again heading into a balance of payments crisis. In 1952 the Government had to again reduce imports after its spree in 1950 and 1951. It introduced exchange allocation; as effective as import licensing. Restrictions were only eased again in 1954 - an election year. Thus whatever the Government might consider politically and strategically desirable, and whatever effect political alliances might have on economic relations, local economic problems still remained an overriding factor in determining foreign economic relations.

#### **THE PEACE TREATY**

In the preamble to the San Francisco Peace Treaty, signed on September 8th, 1951, Japan undertook to follow generally accepted practices on fair trading and labelling of goods. Pre-war Japanese trade practices, which had also been criticised in New Zealand, had thus found their sequel in the Peace Treaty. Article 12 of the Treaty covered trading, maritime, and other commercial activities. Permanent trade relations were to be settled between Japan

and other nations individually in bilateral trade agreements, but as a temporary measure (for four years) Japan undertook to extend Most Favoured Nation treatment to any country on the basis of reciprocity.<sup>3</sup> But New Zealand did not take up this offer.

As in 1932 when the Ottawa Conference sparked debate about trade with Japan in Parliament, so now in 1951 the signing of the Peace Treaty did the same. In 1932 the issue had been the importation of cheap Japanese goods. Now, nearly twenty years later, this was still a major concern. The real issue, however, in 1951 was Japan's place in a post-war world and the possible affiliation with Communism. It was this problem that now concerned both National and Labour politicians rather than the possibility of military expansion again by Japan, and around this problem arose the question of trade. Even though it had been Nash who had pointed out in 1943 the necessity of accepting Japanese goods after the war had concluded, it was now the National Government that advocated trade with Japan for strategic reasons and Labour led by Nash himself (having returned to a traditional Labour hostility towards trade with Japan) that criticised cheap Japanese imports. National's Minister of Industries and Commerce put his party's case in Parliament:

The economic state of Japan and the economic necessities of that country were the major causes of war there.

If Japan could not trade with the West then:

---

<sup>3</sup> AJHR 1951, A13 - 'Japanese Peace Settlement', pp.21-22.

...there is only one alternative, and that is that she must trade with Communist China and the Soviet Union. If she is forced to do that her economy will be tied to that of the Soviet countries, and by force of economic circumstances, she will become a satellite of the countries allied to the Soviet Union.

This was not a consequence divorced from the affairs of the South Pacific either:

We can only keep peace in the Pacific by trade with Japan and by placing her in a sound economic position.<sup>4</sup>

But National was still very much aware of public sentiment over trade with Japan. John Marshall, then Minister of Publicity and Information, had weekly meetings at which he was submitted collected press cuttings on the subject. After these became notably adverse towards trade with Japan in November 1951 (which he partially attributed to a Communist plan to 'drive a wedge between British countries and the U.S.A.') he suggested to Watts a campaign to somehow counteract this criticism.<sup>5</sup> Watts pointed out the difficulties of giving good publicity to raw materials which the public never saw in their final state. He did suggest, however:

An interview with a farmer doing fencing with Japanese wire,  
A story on silk stockings, made in New Zealand from Japanese silk,  
Progress on a building job, using Japanese cement.

---

<sup>4</sup> NZPD Vol.295, p.244.

<sup>5</sup> Memo. Minister of Publicity and Information to Minister of IC. November 13, 1951. IC 114/1 (pt.1). J.R. Marshall - Minister of Publicity and Information 1951-1957, etc.

All of which gave employment to New Zealanders. Watts, however, also cited the widely publicised case of an importation of Japanese salmon which was 'snapped up very quickly, and few shoppers appeared to know or care if it was Japanese', to suggest that perhaps it was not such a big problem after all.<sup>6</sup>

Labour was in a difficult position. It could not be seen to be outwardly advocating a ban on trade with Japan, but in the political aspects of relations with Japan it was definitely hostile. Japan, Labour politicians said, had won a 'soft peace'<sup>7</sup> and the Peace Treaty a 'colossal mistake'.<sup>8</sup> As far as trade was concerned Labour was asking:

...the worrying question: with whom is Japan going to trade in order to survive?<sup>9</sup>

With any hope, it was not going to be New Zealand. Labour predicted an 'inundation' of cheap Japanese goods after the signing of the Treaty.<sup>10</sup> Allegations that absurdly cheap Japanese goods were already available were repeated much as twenty years before. Labour had thus found itself once again championing the need to protect local manufacturers, but it was indeed a weak position. It would have been foolish to hope that Japan would not trade

---

<sup>6</sup> Memo. Minister of IC to Minister of Publicity and Information. December 10, 1951. IC 114/1 (pt.1).

<sup>7</sup> See e.g. NZPD Vol.295, p.250.

<sup>8</sup> NZPD Vol.295, p.254.

<sup>9</sup> NZPD Vol.295, p.289.

<sup>10</sup> NZPD Vol.295, pp.288-289.

with New Zealand again, and Labour admitted that Japan needed to trade to survive. In playing this unlikely game Labour actually strengthened National's defence of the need to trade with Japan. Although Watts admitted that the National Government did not yet have an official policy on trade with Japan,<sup>11</sup> it was obvious that the Government was taking a more realistic approach to the problem. Moreover, the Government did have an unofficial policy document from which to work. This undated, unsigned document, as found at the National Archives, gives indications of being prepared by the Department of External Affairs soon after the signing of the Peace Treaty. The document, entitled 'New Zealand's Trading Relationship with Japan' starts off with the observation that since the signing of the Peace Treaty:

...many interested parties have expressed alarm at the prospect of a resumption of the flow of cheap Japanese industrial products on to the world's markets.

In discussing the attitude that the New Zealand Government should take to the resumption of Japanese Trade, it goes on to say:

In formulating its policy on this matter, the Government has given, and will continue to give, full weight to the need to protect both New Zealand's industries and the interests of other regular exporters to the New Zealand market, especially United Kingdom exporters. It is, of course, a primary objective of this Government's policy to uphold our own vital economic interests, to maintain full employment and to pay close attention to the interests of our main market and source of imports. Consequently, the Government has no intention of entering into any

---

<sup>11</sup> NZPD Vol.295, p.240.

agreement with Japan which will tie our hands in pursuing this policy.

This could equally have been a leaf from the policy of the Labour Party, so far, but now came the consideration of trade as a strategic problem:

Of course, if we refuse to trade with Japan or if we impose such severe restrictions as to make impossible a high level of industrial and trading activity, she has the alternative of seeking closer economic relations with the Communist countries.

With its political implications:

...the balance of power in the world would be completely changed.

After pointing out that Japan was already a valuable customer for wool, and that there were many commercial transactions which would not harm either New Zealand industry or other (British) interests, the Document concluded with the summary:

We cannot base our commercial policy towards Japan on prejudice. We cannot refuse to trade with Japan on principle.

This was a direct attack on Labour Party policy. Finally included was a quotation from John Foster Dulles, who had been one of the main architects of the Treaty, to the effect that the Treaty was to bring the Japanese people to live with the West as good neighbours on the basis of trust. National's policy was following the ideological footsteps of the U.S.<sup>12</sup>

---

<sup>12</sup> 'New Zealand's Trading Relations with Japan'. EA(?) report. (Undated) IC 114/1 (pt.1).

## BALANCE OF PAYMENTS CRISIS

One of the 'what if' questions that arises from this period is the degree to which National would have sacrificed British, or even New Zealand interests, to help keep Japan in the 'Western Camp' if the Communist threat had been perceived to be increasing. This went untested for the moment, however, as the bogey of Communism was one that was soon overtaken in importance by an economic crisis closer to home: the crisis of the Sterling Area's balance of payments. Despite National's good intentions, recent changes in dollar convertibility of Sterling surpluses put the focus of attention once more onto economic matters, with Holland attending a Commonwealth Finance Ministers' Conference in January 1952 to discuss the problem.

The problem of imports was one that affected the whole Sterling Area, and it was not only Japanese imported goods that were affected. Speculation was rife in New Zealand that import licensing would be re-imposed, but Watts denied this.<sup>13</sup> Nevertheless Holland soon announced restrictions on imports from all scheduled countries, with all import licences being cancelled and new ones issued.<sup>14</sup> Holland regarded this as the third and worst financial crisis for New Zealand since the end of the war.<sup>15</sup> Thus despite the

---

<sup>13</sup> Press, February 26, 1952.

<sup>14</sup> Press, March 12, 1952.

<sup>15</sup> Press, February 25, 1952.



fact that import licensing for goods from Japan generally eased from 1950 onwards, and that the Government at least still professed the need to trade with Japan, exports to Japan continued to decline in 1952, and although imports nearly reached £4m in 1952, they fell to about a tenth of this in 1953.<sup>16</sup>

#### **BUSINESSMEN AND WOOL**

Despite the economic difficulties of this period, the signing of the Peace Treaty did at least signal a normalisation of trade for Japanese businessmen. Between the beginning of October 1951 and the end of February 1952, nineteen Japanese businessmen applied for visas to enter New Zealand. Almost all of these were woolbuyers; two were representatives of shipping companies.<sup>17</sup> One of the only two people definitely refused entry was the first to apply, Yasunobu Banno, who ran Banno Bros (N.Z.) Ltd. before World War II. The reasons why Challis was instructed to refuse Banno a visa remain unclear, but seem connected to the activities of his pre-war company in New Zealand. These may not have been sinister activities, but nevertheless it was noted there were 'special circumstances' as to the refusal to grant him a visa. The other businessman refused

---

<sup>16</sup> Annual report on External Trade Statistics, 1954.

<sup>17</sup> 'Consular Register of Persons Wishing to Enter New Zealand'. (Undated) IC 114/9.

entry was the Managing Director of East Japan Kaiser Frazer Ltd. He wished to survey the market for Kaiser Frazer cars, but was refused entry simply because New Zealand's balance of payments problems were such that the possibility of import licences being granted for them was slight.<sup>18</sup>

In granting visas there was a clear discrimination in favour of woolbuyers, who were allowed entry 'more or less automatically'. Applications for other reasons were always considered carefully.<sup>19</sup> The obvious desire was to increase Japan's purchases of wool, which had started again in 1948 and had increased to over £3m in 1951.<sup>20</sup> This was before a regular shipping service had been established. These sales had been conducted by business companies such as Kreglinger (actually a Belgian trading corporation), in New Zealand. Up to November 1946 the sale of wool had been controlled by the 'U.K.-Dominion Wool Disposals Ltd', commonly referred to the Joint Organisation or simply J.O. Although the Joint Organisation and its New Zealand subsidiary, the New Zealand Wool Disposal Commission, were not wound up until January 22, 1952, and December 31, 1951 respectively, auction sales of wool commenced in November 1946 allowing Kreglinger to sell directly to Japan. Kreglinger sold wool to Japan in the 1948/49 season and thereafter to the Japan Cotton and General Trading Co. Ltd. This company was

---

<sup>18</sup> Memo for Secretary of IC. February 14, 1952. IC 114/1/10 (pt.1).

<sup>19</sup> Ibid.

<sup>20</sup> Annual report on External Trade Statistics, 1953.

Kreglinger's selling agent for wool in Japan and is now 'Nichinan'.<sup>21</sup>

The New Zealand Wool Board, unlike other Producer Boards was not actively involved in selling activities. Even the promotion of wool sales in Japan in general was left to the International Wool Secretariat, founded in 1937 by Australian, New Zealand, and South African wool-growers. A branch of the International Wool Secretariat was opened in Tokyo in 1953,<sup>22</sup> with promotion sometimes done in conjunction with wholesalers' organisations in Tokyo.<sup>23</sup> The result of this was that up to 1953 there was very little promotion of New Zealand wool in Japan and the 'more or less automatic' granting of visas to Japanese wool-buyers was seen as the only way to re-establish a permanent market for New Zealand wool in Japan. As the Wool Board did not oversee wool sales to Japan, Kreglinger and other firms were free to sell to whom they wished. In Japan, however, buyers of wool had to have the approval of the Ministry of International Trade and Industry (MITI), which gave an import number guaranteeing payment.

Despite the open invitation to Japanese wool-buyers and subsequent founding of a branch of the International Wool Secretariat, sales of New Zealand wool to Japan

---

<sup>21</sup> Interview: Harold Albertson, 15/5/90.

<sup>22</sup> New Zealand Wool Board Annual Report, 1959, p.5.

<sup>23</sup> See e.g. New Zealand Wool Board Annual Report, 1956, p.38.

generally fell from 1952 to 1954.<sup>24</sup> The only good news was that Japanese wool-buyers reported to Challis that they had found the atmosphere in New Zealand 'rather easier' than in Australia after returning from the 1951-1952 selling season. Despite this Japan's increasing economic problems and high stocks of wool meant the open invitation to wool-buyers had little result.<sup>25</sup>

#### CHALLIS AND DIPLOMACY

Along with the wool-buyers, a visa was also given to a Japanese livestock attendant early in 1952 to take care of a shipment of horses from New Zealand.<sup>26</sup> This venture was the result of Challis' effort to interest Japanese businessmen and Government officials in purchasing New Zealand livestock. The purchases were made through D.M. Kenrick and Associates, which gives an example of the contact that Kenrick as a businessmen, and Challis as Government Trade Representative, had with each other. Challis thus acted as a focal point for trade relations with Japan at this time and was, by all indications, a very genial and clever man. He not only operated as an official

---

<sup>24</sup> Annual report on External Trade Statistics for these years.

<sup>25</sup> Memo. Challis to EA. April 18, 1952. IC 114/1/10 (pt.1).

<sup>26</sup> 'Consular Register of Persons Wishing to Enter New Zealand'. (Undated) IC 114/9.

go-between for the Government in its dealing with SCAP and then the Japanese Government, but also as a source of information for private businessmen in New Zealand and Japan. Challis thus covered the whole range of trade problems, from visas for businessmen, to who dealt in Bridgestone tyres in Japan, (it was Daiichi Trading Co. Ltd. since the dissolution of Mitsui Bussan<sup>27</sup>), and even to who had rights to sell Japanese chicken-sexing machines in New Zealand (it was D.M. Kenrick (N.Z.) Ltd.<sup>28</sup>). Challis fielded all these queries as well as continuing to write reports, invariably optimistic, on the prospects of trade. The Government had, therefore, not only the urgent need to expand exports to Japan to ease the balance of payments situation, it also had Challis in Tokyo to assist in the establishment of new markets, and even Kenrick to help on the business side.

With the signing of the Peace Treaty, however, came the problem of re-establishing diplomatic relations with the Japanese Government. The New Zealand Legation in Japan was given diplomatic status in January 1952,<sup>29</sup> and with the technical cessation of the state of war with Japan that accompanied the ratification of the Peace Treaty on April

---

<sup>27</sup> Letter. Challis to Ashby, Bergh & Co. Ltd. February 4, 1952. IC (2006) 114/1/4 (pt.1).

<sup>28</sup> Letter. Challis to O.V. Garland Ltd. October 8, 1953. IC (2006) 114/1/4 (pt.1).

<sup>29</sup> Wevers, M. Japan, Its Future and New Zealand (Victoria University Press for the Institute of Policy Studies, Wellington, 1988) p.114.

28th, 1952, Challis became the Consul-General and Charge d-Affaires.<sup>30</sup> Japan was thus the first country of non-European people in which New Zealand established a full diplomatic mission. With the normalization of relations it was noted that the continuation of a policy of discrimination against certain types of Japanese businessmen 'could hardly be justified'.<sup>31</sup> This did not, however, present any great problem as import licensing still enabled the Government to control the flow of Japanese goods without being observed to be discriminatory. The status quo regarding trade would effectively continue but with New Zealand in a safe diplomatic position:

If we maintain a restrictive policy against entry of Japanese businessmen to New Zealand, they, for their part, may make it difficult for New Zealanders to go to Japan on business visits which would be advantageous to New Zealand.<sup>32</sup>

It can thus be seen that the Government was eager not to take any risks in developing an export market in Japan. This extended even to considering that Japanese businessmen should be allowed into New Zealand even if they were on an obviously 'fruitless' mission (much as the Managing Director of East Japan Kaiser Frazer Ltd. would have been) in the hope they might become interested in some New

---

<sup>30</sup> Kay, ed. The ANZUS Pact and the Treaty of Peace with Japan (Historical Publications Branch, Department of Internal Affairs, Wellington, 1985) pp.1237-1238.

<sup>31</sup> Memo (draft). Secretary of EA to Secretary to Labour and Director of Employment. May 1952. IC 114/1/10 (pt.1).

<sup>32</sup> Ibid.

Zealand product.<sup>33</sup> Every opportunity, no matter how unlikely, was to be taken to increase Japanese purchases of New Zealand goods.

#### POST KOREAN WAR SLUMP

Despite the Government's desire to increase exports of wool and other goods to Japan, the boom created by the Korean war was now passing. Japan's reserves of Sterling reached a peak in June, 1952, and then declined steadily.<sup>34</sup> At the same time traditional sources of steel for New Zealand improved and imports of steel from Japan (which had raised the ire of some local Communists<sup>35</sup>) began to fall.<sup>36</sup> Japan's position was now looking increasingly worse and for the next two years, 1953 and 1954, there was a recession. The causes of this recession were found by the Economic Counsel Board of the Japanese Government to lie in the non-conclusion of trade and navigation treaties, exclusion from GATT, import restrictions, and the intensification of international competition. These problems, as well as the lack of overseas branches of Japanese trading companies (160 in 1953 compared to 1600 before World War II), and the

---

<sup>33</sup> Ibid.

<sup>34</sup> Nicholson, Australia's Trade Relations p.252.

<sup>35</sup> NZPD Vol.297, p.335.

<sup>36</sup> IC Annual Report, 1956 p.33.

dissolution of Mitsui and Mitsubishi, were observed to be hindering Japan's exports.<sup>37</sup> This was in reference to Japan's trading relations in general, but there were some common factors to trade with New Zealand.

The decline in the number of overseas branches of trading companies and the demise of Mitsui and Mitsubishi had little effect on trade with New Zealand. Contact had already been made with several of the now separate departments of Mitsui (e.g. Sanshin Textile Trading Co. Ltd.<sup>38</sup> and Ocean Trading Co. Ltd.<sup>39</sup>), and Mitsubishi did not have a pre-war branch in New Zealand anyway.<sup>40</sup> In some respects there had even been an improvement in trading relations over the 1930's, as witnessed by the Diplomatic Mission and the existence of a New Zealand trading company in Japan. With the resumption of Japanese shipping to New Zealand in 1952 transport was no longer a major problem either. There were, however, major concerns in New Zealand as to the conclusion of a trade agreement with Japan, Japan's entry into GATT, and the restrictions (or lack of them) on Japanese goods. These were the problems that concerned the Economic Counsel Board, though obviously from

---

<sup>37</sup> Japan Times Economic Survey of Japan, 1952-1953. (Japan Times for the Economic Planning Agency, Japanese Government, Tokyo, 1953) pp.24-25.

<sup>38</sup> Letter. Author unknown to Challis. November 12, 1948. IC 114/1/10.

<sup>39</sup> Letter. J.R. Hallam Ltd. to IC. February 1, 1951. IC 114/1 (pt.1.).

<sup>40</sup> Purcell, 'The Development of Japan's Trading Company Network in Australia 1890-1941', p.120.



a rather different point of view. These were also issues that became manifest in 1953 and 1954.

The simplest and most apparent factor controlling levels of trade was import restrictions. Although the National Government had increased the number of import licences available for Japanese goods in 1950, even in June 1952 it was defending the policy of allowing imports of these goods on the basis that they were things for which New Zealand was 'in dire need'.<sup>41</sup> Trade was still being conducted by New Zealand on the basis of necessity and convenience. This had been mutually beneficial in 1952 when exports had balanced imports at about £4m, but during 1953 the massive reduction in imports of Japanese steel could be seen to be leading to an imbalance in New Zealand's favour. Under ordinary circumstances a surplus of a few million pounds would not have been worthy of comment, much as in 1937, but obviously this surplus for New Zealand meant a deficit for Japan and it was a situation common throughout the Sterling Area.

In March 1953 the British Government offered Japan the chance to export 20% more to Colonial Governments than 1952 levels.<sup>42</sup> In July Australia eased import restrictions in order to help Japan increase its earnings of Sterling.<sup>43</sup> In New Zealand the Government policy on trade with Japan was

---

<sup>41</sup> NZPD Vol.297, p.27.

<sup>42</sup> Memo. EA. March 17, 1953. IC (2006) 114/1/4 (pt.1).

<sup>43</sup> Nicholson, Australia's Trade Relations, p.252.

already being reviewed when a representative of the British High Commission's Office, a Miss Haydon, called at the Department of External Affairs. Regarding Britain's offer to Japan, Haydon:

...had been instructed to say that the United Kingdom Government hoped that, if New Zealand decided to liberalise their import policies, they would have regard to the needs of U.K. industries for developing export markets.<sup>44</sup>

We can only wonder if the irony escaped the British that after turning down New Zealand's requests for assurances of protection in British markets in the past they were now requesting the same from New Zealand. In any event, Haydon was hardly a high ranking official of the British Government, and not surprisingly met with little success. After being told that it was necessary to maintain a reasonable level of trade with Japan on 'political and strategic grounds', she was sent away with a quote by the British Chancellor of the Exchequer, R.A. Butler, to the effect that Britain 'could meet Japanese competition provided they had fair tariff and trading conditions'.<sup>45</sup> This was definitely a rebuke, but it would be unwarranted to place too much significance on this single incident. Britain was still, in the 1950's, New Zealand's single largest trading partner. Nor is it clear with whom Haydon met, and most significantly, when the Cabinet did meet on March 17th, apparently only a few days

---

<sup>44</sup> Memo. EA. March 17, 1953. IC (2006) 114/1/4 (pt.1).

<sup>45</sup> Ibid.

after Haydon's visit, in order to decide an official policy on economic relations with Japan, the policy statement belied the notion that New Zealand would take significantly more Japanese imports at Britain's expense.

#### 'OFFICIAL' POLICY ON TRADE

Though the decisions of the Cabinet, which formed a one page document entitled 'Japan - Trade and Economic Policy', started off promisingly in that it declared:

That restrictions on imports from Japan be eased sufficiently to allow Japan a greater share of New Zealand's import trade.

Yet following this was the conditioning clause that:

This should be done within the existing sterling area policy of confining purchases to essentials and near-essentials.

This was really only prescribing a continuation of the status quo: from 1950 to 1952 import controls had been eased but the importation of non-essential goods was very rare. Though the Government was now to give consideration to easing restrictions on some less essential consumer goods, it was obviously being extremely cautious. Furthermore, the possibility that these restrictions would now be eased seems (from this document) to have been partly due to the influence of the British Government, which makes Haydon's visit something of an enigma.

As far as an 'overall' policy was concerned, the Cabinet decided:

That New Zealand's trade policy towards Japan should aim at the broad policy of assisting Japan to live and trade on reasonable terms with the free world.

But there was the condition:

That in carrying out this policy the interests of New Zealand industries be protected.<sup>46</sup>

This, then, was the 'bottom-line'. If it came to a choice between helping Japan at the expense of local industries, or watching Japan become Communist influenced but with local industries protected, the latter would prevail. There were also indications that this protection might even extend to Commonwealth suppliers.<sup>47</sup>

Though the National Government had not returned to the 'Laissez-faire liberalism' of the Coalition Government, it had not lived up to the rhetoric of two years earlier on the need to re-establish trade relations at the very moment of recession in Japan. In some respects the Government was retreating even further from its earlier statements:

...we must consider the feelings of those who had personal experiences of the Japanese in the last war and those who remember Japan's trading practices of earlier years. Japan is a country with Eastern Continental standards, and widespread importation from her could be embarrassing to those nations which now supply similar goods to us.<sup>48</sup>

---

<sup>46</sup> Memo. 'Japan - Trade and Economic Policy C.M. (53) 11'. P.M.'s Office to Minister of IC. March 19, 1953. IC (2006) 114/1/4 (pt.1).

<sup>47</sup> Memo. 'Trade with Japan'. Minister of IC to Chairman, Board of Trade. March 27, 1953. IC (2006) 114/1/4 (pt.1).

<sup>48</sup> NZPD Vol.299, p.183.

The same step backwards can also be seen on the question of Japan's accession to GATT, which the Economic Counsel Board had listed as a contributing factor to the 1953-54 recession. The policy statement of the Cabinet deferred the problem:

Cabinet observed that the question of Japan's accession to GATT would require further examination when more information had been received. They invited the Cabinet Committee on Economic Policy to report to them later on this general question.<sup>49</sup>

Even though some countries conducted trade relations with Japan in terms of GATT in 1953, despite the fact that she was not yet a member, it is obvious that the Government had not even briefly considered this possibility at the time of the Cabinet meeting. Even as late as October, just before a special meeting in Geneva to decide on Japan's application, there were calls in New Zealand for the Government to disclose its policy and indicate which way it would be voting.<sup>50</sup> As it turned out, New Zealand and the Commonwealth followed Britain, which had opposed Japan's entry, and abstained from voting. Japan was, however, admitted as an associate member of GATT. The Japan Charge d'Affaires in New Zealand expressed his regret at the Government's decision and hoped trade talks would soon start.<sup>51</sup> The reason for the mass abstention by the

---

<sup>49</sup> Memo. 'Japan - Trade and Economic Policy C.M. (53) 11'. P.M.'s Office to Minister of IC. March 19, 1953. IC (2006) 114/1/4 (pt.1).

<sup>50</sup> Press October 23, 1953.

<sup>51</sup> Press October 26, 1953.

Commonwealth Governments was the fear of an inundation of cheap Japanese goods.<sup>52</sup>

National could not live up to its rhetoric on trade with Japan. Though there were some aspects to Japan's economic problems that the Government could do little about, such as the dissolution of the Zaibatsu and reduction in branches of trading companies, for at least two of the factors contributing to the recession the Government obviously had other priorities. For easing import restrictions there was local opposition by manufacturers to contend with, and for Japan's accession to GATT there was the desire to keep in step with Britain and the Commonwealth. Only one final possibility remained, that of a bilateral trade agreement, that would have gone some way to helping Japan stay in the 'Western Camp' and fulfil some of the rhetoric. This is dealt with in the next chapter.

---

<sup>52</sup>

Press October 27, 1953.

## CHAPTER TEN

### TRADE AGREEMENT? 1954-1956

The importance of keeping Japan aligned with the West cannot be overemphasised. If the difficulties being experienced by the Japanese, especially in the field of trade are not successfully overcome, it is inevitable that the Japanese will be forced to come closer to the Communists. New Zealand has attempted to do what she can to help this situation by easing trade restrictions.

Department of External Affairs  
Annual Report, 1955.<sup>1</sup>

### SEATO AND TRADE

The mid 1950's was an important period for New Zealand foreign policy. The formation of SEATO in 1954 signalled the continuing fear of Communism. Though only a continuation of a theme established by ANZUS it did at least include Britain. Focus was shifted, however, to the Middle East until 1955 when New Zealand gave up her interest there and turned instead to Malaya. New Zealand's:

---

<sup>1</sup> EA Annual Report, 1955, pp.15-16.

...treaty and defence commitments now were all related to South-East Asia. There followed a period of South-East Asia mania.<sup>2</sup>

Yet of all Asian countries Japan was the one foremost in the issues of trade. Most of the official information and public debate about trade with Japan in the mid 1950's continued to be on cheap imported goods and the restrictions on them. The National Government began to ease impose licensing in 1954 again, even allowing an increase in textile and garment imports though not to a level that worried local manufacturers.<sup>3</sup> When Watts announced the intention to ease import restrictions in October 1953, it was already obvious that for a year Japan's purchases of wool, hides and skins, and other New Zealand goods had been far greater than exports to New Zealand.<sup>4</sup> Japan had been in recession in 1953 and her reserves of Sterling had dropped while the Sterling Area's reserves of gold and dollar funds had improved.<sup>5</sup>

By the beginning of 1954 Japan was reported to be putting diplomatic pressure on Australia to balance trade further,<sup>6</sup> and to be eager to do the same to New Zealand

---

<sup>2</sup> Sinclair, A History of New Zealand, p.306.

<sup>3</sup> Press January 14, 1955.

<sup>4</sup> External Affairs Review Vol.3, No.11. November 1953, p.2.

<sup>5</sup> External Affairs Review Vol.4, Nos.1 & 2. January/February 1954 (one volume) p.3.

<sup>6</sup> Press January 21, 1954.



after completing negotiations with Britain.<sup>7</sup> As it was the Government was planning on easing import restrictions anyway, but the Agreement reached between Britain and Japan on January 29th 1954, which allowed Japan to further increase her exports to the British Empire,<sup>8</sup> did have another kind of effect in New Zealand; it suggested the idea of a trade agreement with Japan.

#### TRADE AGREEMENT?

The initiative for a trade treaty came from the New Zealand Government. It was prompted, partially, by a desire to mitigate feelings over GATT,<sup>9</sup> but more directly by the agreement between Japan and Britain.<sup>10</sup> It was perhaps, also, a move to forestall added diplomatic pressure from Japan, as the Government soon announced, on February 3rd that it was willing to discuss trade relations with Japan.<sup>11</sup> It was a move which National was later to regret through the circumstances of its outcome, but at the same time one which was a natural continuation of its policy to cultivate trade relations as much as possible while staying within a

---

<sup>7</sup> Press January 28, 1954.

<sup>8</sup> Press February 1, 1954.

<sup>9</sup> Press February 3, 1954.

<sup>10</sup> External Affairs Review Vol.4 Nos. 1 & 2. January/February 1954 (one volume) pp.3-4.

<sup>11</sup> Press February 3, 1954.

Commonwealth framework. National also had every incentive to initiate talks with Japan over trade. Not only did Watts accept the need to balance trade to a certain degree to put it on a 'sound basis',<sup>12</sup> the bogey of Communism had not gone away even if debates in Parliament had thrashed the topic nearly to death. Japan was still seen to be 'standing like a bastion against the forces of Communism'.<sup>13</sup> As long as National could show that imports from Japan were not competing with local manufacturers, even if Labour and Nash himself often asserted otherwise, it was on safe ground. The allocation of import licences meant the Government could defend the policy of importing from Japan secure in the knowledge that it had a good idea of what was being brought into the country. Even more important, however, was Labour's apparent support of a reciprocal trade agreement with Japan, albeit one that protected local industries.<sup>14</sup> Even this was a move away from the previous, vitriolic, hostility of the Labour party towards Japan. Unlike Britain, where the Agreement of January 1954 to allow an increase of Japanese imports into the British Empire had met with a great deal of opposition,<sup>15</sup> the New Zealand Labour Party would not have been hostile to an

---

<sup>12</sup> External Affairs Review Vol.4, Nos. 1 & 2. January/February 1954 (one volume) pp.3-4.

<sup>13</sup> NZPD Vol.303, p.144.

<sup>14</sup> NZPD Vol.303, p.225.

<sup>15</sup> Press February 8, 1954.

agreement that had little effect on the Government's policy of restricting imports, which was an obvious priority.

Negotiations between New Zealand and Japanese officials took place in February/March and June/July 1954. Unfortunately there is little record of the discussion that took place. Neither the press nor the Labour Opposition were given much indication of the nature of the talks. Even when Labour pressed the Government for some indication of the likely outcome nothing was given.<sup>16</sup> No immediate agreement was reached and the discussions lapsed with the only official announcement being that a decision would be forthcoming after both the Commonwealth meeting in October and GATT Assembly talks had finished.<sup>17</sup> The same pronouncement indicated the talks had been about 'tariff and general conditions' of trade, which was not giving much away. Only a little more was revealed afterwards when Halstead said the Japanese were keen on establishing Most Friendly Nation status, supposedly on all commodities, but had 'never...suggested that New Zealand should forego its right to exercise import control over goods from Japan'.<sup>18</sup> A later, confidential, Industries and Commerce Paper does however include a reference to this 'Draft Trade Agreement'

---

<sup>16</sup> NZPD Vol.303, p.972.

<sup>17</sup> External Affairs Review Vol.4, No.8. August 1954, p.6.

<sup>18</sup> NZPD Vol.314 p.2730. October 1, 1957. E.H. Halstead - Minister of Industries and Commerce 1954-1957.

of 1954 which states that Most Favoured Nation treatment was agreed upon for selected Japanese commodities only.<sup>19</sup>

Given the lack of detail revealed about the trade negotiations it is not surprising that the true situation remained unclear; the Japanese press reported that a trade agreement had been concluded and the local press then reported likewise. Labour, too, expected the Government to soon announce the terms of an agreement.<sup>20</sup> But the agreement that existed was not a final one, and the Government remained silent with the result that the whole event became something of a mystery. National later attributed the forthcoming elections in Japan and her lack of Sterling as reasons for the collapse in talks.<sup>21</sup> The latter reason was an obvious invention; Japan's lack of Sterling had been an incentive to negotiate an arrangement that balanced trade better. Nor were these the reasons given for the delay during the negotiations in 1954, which had only concerned New Zealand. It appears that from the Japanese side an agreement had been signed but not ratified by the New Zealand Government for 'political reasons'.<sup>22</sup> Other indications that the Government had had a change in

---

<sup>19</sup> Draft Cabinet Paper, 'Proposal for Trade and Payments Agreement with Japan'. May 15, 1958. IC (2006) 114/1/1 (pt.2).

<sup>20</sup> NZPD Vol.304, p.1370.

<sup>21</sup> NZPD Vol.313, p.1886.

<sup>22</sup> Ministry of International Trade and Industry. Foreign Trade of Japan: 1959 (Japan Export Trade Promotion Agency, Tokyo, 1959; reprint, The Yushodu Booksellers Ltd., Tokyo, 1972), p.167.

policy were given when National was later accused of renegeing on the agreement with Japan and virtually acknowledged this with the statement that it was a 'change in tactics'.<sup>23</sup> That it was due to New Zealand's action that nothing came of the 1954 talks was also later suggested by the Commercial Secretary of the New Zealand Legation in Tokyo.<sup>24</sup> This then, was the common interpretation.

#### **FAILURE**

The reasons that the 1954 talks failed can be attributed to both Japanese and New Zealand actions. Though there had been an obvious delay in the negotiations in 1954, the Government was still willing to conclude a Trade Treaty in April 1955. At a Cabinet meeting on April 18th the Cabinet Committee on Economic Policy submitted a report on the possibilities of a 'Tariff Agreement' and 'Exchange of Letters in respect of import licensing' with Japan. This report was obviously in favour of an agreement as a memo on the results of the meeting records:

In view of the importance of establishing trade relations with Japan on a sound basis and the value of an arrangement of the kind proposed to the relations between Japan and New Zealand,  
Cabinet -

(a) approved the draft Tariff Agreement and Exchange of Letters on import licensing;

---

<sup>23</sup> NZPD Vol.316, p.783, also NZPD Vol.316, p.789.

<sup>24</sup> Letter. J.S. Scott to IC 'Trade Talks with Japan'. March 19, 1958. IC (2006) 114/1.

(b) invited the Minister of External Affairs to communicate this decision to the Japanese Government, but before doing so to first ascertain whether they are willing now to extend more liberal treatment in respect of New Zealand exports to Japan than was envisaged would be the case immediately upon the exchange of the letters, the terms of which were settled in August, 1954.

(If, however, the Japanese Government are unwilling to extend more liberal treatment immediately, the decision at (a) should nevertheless be communicated to them.)<sup>25</sup>

Thus even as late as April 1955 the New Zealand Government was actually still in favour of signing a trade agreement, but now the Japanese Government decided to delay ratification. This, it seems, was in the hope that New Zealand would grant 'full GATT treatment',<sup>26</sup> even though the Government had already indicated it would not.<sup>27</sup> This was not an unreasonable hope, however, as the New Zealand Government had voted in favour of Japan's request to start tariff negotiations which would have ultimately led to Japan's full accession to GATT late in 1954.<sup>28</sup> To Japan it would have seemed anomalous for New Zealand to do this while still intending to invoke Article 35 of GATT to withhold GATT relations on a bilateral basis being established. The negotiations for Japan to enter GATT were

---

<sup>25</sup> Memo. P.M.'s Office to Minister of Customs. April 19, 1955. IC (2006) 114/1/1 (pt.2).

<sup>26</sup> Draft Cabinet Paper, 'Proposal for Trade and Payments Agreement with Japan'. May 15, 1958. IC (2006) 114/1/1 (pt.2).

<sup>27</sup> Note Verbale. New Zealand Legation to Japanese Ministry of Foreign Affairs. August 18, 1955. IC (2006) 114/1/1 (pt.2).

<sup>28</sup> Press November 4, 1954.

not concluded until September 10, 1955, and it was during the interim period, after Cabinet's approval of a trade agreement, that relations between New Zealand and Japan soured.

The direct cause of the non-ratification of the Treaty, besides Japan's delaying tactics, was a report in the Nihon Keizai (Japan's Economy) in July or early August that the Japanese Government intended to discriminate against the countries which invoked Article 35 of GATT. This included New Zealand, of course, which created an anomalous situation regarding the ratification of the Trade Treaty, as Challis reported:

Since the Japanese Government attach importance to Japan's entry into GATT, they will be grateful to those countries who support Japan's accession to GATT membership. But to those countries who invoke Article 35, Japan will not only take counter-measures in the field of tariff rates, but also assume a less friendly attitude in negotiating with such countries for settlement of various pending problems in their trade relations.<sup>29</sup>

Challis then presented a Note Verbale to the Japanese Ministry of Foreign Affairs on August 18 which pointed out the contradiction between Japan's intention to discriminate against countries invoking Article 35 and supposed intention to ratify the Trade Treaty. The note clearly put the onus on Japan to come up with an answer or take the responsibility for the failure of the Agreement:

The New Zealand Government has already taken considerable steps towards implementing the

---

<sup>29</sup> Memo. Challis to Secretary of EA, 'Proposed Japan-New Zealand Trade Agreement'. August 18, 1955. IC (2006) 114/1/1 (pt.2).

intent of the draft agreement, and has the matter of its early formalization under active consideration.

As for Japan's apparent new policy:

In this connection the New Zealand Government desires to point out that at the time the agreement was drafted the Japanese representatives were fully aware that the New Zealand Government intended to invoke Article 35 of GATT on the admission of Japan and that the agreement was drawn up in recognition of this fact and the consequent need to place trade relations between Japan and New Zealand on as mutually advantageous basis as possible.<sup>30</sup>

The note finally requested an indication of the Japanese Government's intentions. If there was a reply its contents are as yet unknown, but obviously it was at this point that the chances of an agreement being concluded declined dramatically. A problem remains, however, as to why the National Government did not reveal that it was largely through Japan's actions that the 'Agreement' had failed. When it later transpired that the new Labour Government was going to conclude a trade agreement with Japan, despite its years of hostility to trading with her, National's accusations of hypocrisy were severely weakened by the accepted interpretation that it, not Japan, had reneged on the Agreement. The fact that there was a common acceptance, both in the National Party and at a diplomatic level that the National Government had had a change of policy must raise this possibility. Later, in

---

<sup>30</sup> Note Verbale. New Zealand Legation to Japanese Ministry of Foreign Affairs. August 18, 1955. IC (2006) 114/1/1 (pt.2).



1958, when new proposals for a trade agreement with Japan were being conducted, it was noted:

New Zealand also considered in the light of a great improvement in Japan's balance of payments position, that the draft agreement with the exchange of letters granted Japan concessions too great in relation to those received by New Zealand.<sup>31</sup>

Evidence of this can be found in Cabinet's proposals of April 18th, but this may also indicate that the Government had now gone beyond this to actually scuttle the possibility of Japan's ratification. If this were so then there is the possibility that the objection to Japan's apparent threat of discrimination was largely theatrical, and taken because of her improved economic conditions. But without further knowledge of the nature of the 1954 talks or the seriousness of the apparent threat from Japan, this problem remains unresolved.

#### **BACK TO COMMUNISM**

Thus instead of taking a step forward in establishing trade relations on a friendlier basis, the whole public debate about trade with Japan reverted in 1955 to that concerning Communism. Almost word for word with those arguments in 1951, Labour again reverted to a hostile position concerning Japan. National again emphasised the

---

<sup>31</sup> Draft Cabinet Paper; 'Proposal For Trade and Payments Agreement with Japan'. May 15, 1958. IC (2006) 114/1/1 (pt.2).

need to trade to protect Japan from Communism. Perhaps part of the reason for the resurgence of this familiar controversy can be found in the re-organization of pre-war Zaibatsu; Mitsubishi, for example, had re-established itself in 1954 to become the largest trading company in Japan.<sup>32</sup> The major factor, however, seems to be Japan's signalled intention to resume trade with China and change her policy on re-armament.<sup>33</sup> In May 1955 Japan and China signed a bilateral trade agreement in Tokyo for the exchange of goods to the value of £30 million.<sup>34</sup> Much of the Parliamentary debate about trade with Japan in this year concerned Labour's acceptance, even support, of Japan's plan to resume trade with China. In its simplest form a renewed Japan-China trade would lessen Japan's need to trade with New Zealand. This suited Japan's most vehement critics in the Labour Party who would have liked to rid New Zealand of Japanese imports altogether. More realistically, however, Labour was pointing out the futility of trying to isolate Japan from one of her biggest pre-war suppliers of raw materials. Japan's plan to resume this trade vindicated this argument, but it also added fuel

---

<sup>32</sup> Hirschmeier, J., & Yui, T. The Development of Japanese Business, 1600-1973 (Allen & Unwin, London, 1981), p.265.

<sup>33</sup> NZPD Vol.305, p.88.

<sup>34</sup> Japan Times. Economic Survey of Japan, 1957-1958. (Japan Times for the Economic Planning Agency, Japanese Government, Tokyo, 1958) p.17 ff.

to National's desire to expand trade with Japan in order to prevent China being a major source of influence.

Politically, the debates about trade with Japan were stagnant, caught in the continuing problem of a Communist threat. The break in this pattern was made by Japan herself finally increasing overall trade levels from 1955 onwards. In this year Japan experienced a boom after the recession of 1953-1954.<sup>35</sup> Although balance of trade inequalities still brought economic problems, 1955 marked the beginning of the recovery of Japanese exports. The previous year, when the National Government had eased import restrictions to help rectify the trade imbalance with Japan, the export trade of that country was still less than half that of the mid-1930's. By 1957 this figure had risen to 90%.<sup>36</sup> The nature of Japan's exports also changed. Spurred on by steel shortages Japanese production had greatly increased. Exports of textiles increased by volume but made up a lesser proportion of total exports as other goods began to be produced and exported.<sup>37</sup> Many of these changes were reflected in the types of imports that New Zealand took during this period.<sup>38</sup> This marked the break in

---

<sup>35</sup> Japan Times. Economic Survey of Japan, 1957-1958. (Japan Times for the Economic Planning Agency, Japanese Government, Tokyo, 1958), p.17 ff.

<sup>36</sup> Allen, G.C. A Short Economic History of Japan (Macmillan, London, 1981) p.191.

<sup>37</sup> Allen, Japan's Economic Expansion, p.235.

<sup>38</sup> See annual reports on External Trade Statistics for these years.

the pattern of trade between New Zealand and Japan that had existed since the end of the War, even though exports of Dairy products to Japan remained restricted by continuing surpluses of U.S. stocks. In 1954 this amounted to \$100,000,000 and continued into 1955 and 1956,<sup>39</sup> and it was widely reported that the U.S. was ruining any chance of increasing sales of Dairy products to Japan in the mid-1950's. Despite this the period of Japan's recovery in exports coincided with New Zealand's easing of import restrictions from hard currency sources. Until 1955 imports of anything other than certain machinery, chemicals, and raw materials had needed individual import licences. In 1956 restrictions were eased not only on raw materials but also a range of machinery, and medical and scientific equipment.<sup>40</sup> Although most consumer goods were still highly restricted, textiles began to make up a decreasing percentage of imports from Japan with a subsequent increase in the availability of other items.

#### **ESTABLISHMENT OF IMPORT BUSINESSES**

The relaxation of import restrictions allowed the establishment of several small businesses largely devoted to the importation of Japanese goods. An example is that

---

<sup>39</sup> Press November 17, 1954. See also IC Annual Report, 1956, p.32.

<sup>40</sup> Bryan, New Zealand, pp.142-143.

of Mr. Peter Blaxall. Blaxall had answered an advertisement by Kenrick in a local newspaper which read 'Wanted - New Zealand's Most Able Young Men' to join his company in Japan. He worked for Kenrick in Tokyo in 1954 and returned to New Zealand in 1955. Upon returning to Christchurch he was soon joined by Mr. Gil Steven who had also worked for Kenrick in Tokyo from 1951 to 1953.<sup>41</sup> Their company, Blaxall and Steven Ltd., started importing from Japan in 1955, although not in association with Kenrick. The first imported lines in 1955 and 1956 were microscopes (as 'scientific equipment') and imitation Ronson lighters, which both met with a 'bad reception'. Being one of the very early importers of Japanese goods, they established their 'right' to receive import licences which were then renewed by the Government on the basis of the previous years' allocations. It was thus harder for other importers to later try to break into this business. Blaxall & Steven also imported other goods for which import licences were being granted as changes in policy took place. This gave them a flexibility that other importers who specialized in one area of imports, such as electronics, did not have. Blaxall had to go to Japan once a year as they were dealing in the new 'consumer' products which changed style annually. Chinaware and woodware were purchased from Nagoya, and almost everything else (metal goods, glassware, binoculars, etc.) from Tokyo. One example of how the

---

<sup>41</sup> Interview: Gil Steven 27/4/90.

National Government was being true to its promise to protect local manufacturers was in chinaware. The local manufacturers of tableware were Crown Lynn, and in order to protect this company Blaxall could not import Japanese tableware.<sup>42</sup>

Another importer in Christchurch at that time was Mr. Kevin Sheehan, who also imported goods from Japan for which import licences tended to be more available. He received a sample set of tableware from Nagoya Boeki (Nagoya Trading Co.) which Ballantynes wished to retail, but again as that range of goods was restricted no other importations were allowed.<sup>43</sup> For both Blaxall & Steven and Kevin Sheehan there was, however, another type of chinaware that could be imported from Japan. Crown Lynn did not make small figurines and other decorative chinaware, and thus import licences for this range of goods were readily available. Another example of this type of distinction was glassware, which was made in New Zealand and so protected, and crystal, which was not made locally and so could be imported. The testimony of several importers during this period gives weight to National's claim of being highly selective of imports from Japan in order to protect local manufacturers. They also give testimony to the bad reception that these new Japanese 'consumer' items received. Sheehan, for example, imported a Brother sewing

---

<sup>42</sup> Interview: Peter Blaxall 21/2/90.

<sup>43</sup> Interview: Kevin Sheehan 1/5/90.

machine, but such was the opinion that it would not work that he was unable to sell it. He also brought back a sample range of Citizen watches from Japan, but after taking them around the country ended up by giving them away as nobody would buy them.<sup>44</sup>

Another importer who started business with Japan in 1955 was Mr. Gilbert Glausiuss who, unlike Blaxall & Steven and Sheehan, chose to specialize in electronic goods and other more expensive items. He obtained the agencies for several Japanese brands, such as National, and Akai, and also imported a range of photographic equipment which was sold to Kerridges (later of Kerridge-Odeon) which had a chain of camera shops throughout New Zealand. Glausiuss also recalls being 'kicked out of many places' as his Japanese goods were accused of being junk or copies of other brand names. But in the case of electronics there was a bigger problem; the protection of a local industry. Television sets, radios, and speakers were being assembled in New Zealand (from imported parts), and thus could not be imported already assembled. Glausiuss estimates he could have sold imported Japanese televisions for up to a third of the price of locally assembled ones. Such were the restrictions, however, that he even had to re-export samples sent from Japan. Glausiuss was also typical of

---

<sup>44</sup> Interview: Kevin Sheehan 1/5/90.

many importers who had to travel to Wellington to argue his case for more import licences with the Government.<sup>45</sup>

There seems little doubt that the Government's protection of local industry was enforced in the mid-1950's, but despite this the increase in the number of goods for which licences were granted enabled the establishment of private businesses to carry out this trade. This marked the beginning of a real normalization in trade between New Zealand and Japan in that the importation of consumer goods rather than bulk quantities of raw materials was a return to the pre-war situation and also the start of the pattern that is still prevalent today. The New Zealand Legation in Tokyo, and more particularly Challis, ceased to be the only focus of trading relations at a practical level. By the mid-1950's businessmen other than Kenrick, who remained in Tokyo, were conducting the business of trade with Japan and indeed some of them still are. With the establishment of C.S. Stevens & Co. in 1956 the side of exports to Japan began to improve too.

After the failure of the Trade Agreement negotiations in 1954 and 1955, 1956 marked a quiet period diplomatically and politically in New Zealand-Japan trade relations. Holland travelled to Japan from May 30th to June 6th on his way to a Conference of Commonwealth Prime Ministers in London and spoke about the need to protect New Zealand

---

<sup>45</sup> Interview: Gilbert Glausiuss 28/3/90.



industries. Japanese Ministers put the case for establishing GATT relations, which was all fairly predictable.<sup>46</sup> The Government was still having to defend its policy of helping to rehabilitate Japan by friendly means; a policy that was summarized in Parliament:

If we trade with Japan there is this justification for being friendly: that we can hardly conduct trade and hate each other. It is better to trade with people who can be friendly with us than have them trade with people who are unfriendly towards us.<sup>47</sup>

Nevertheless, Holland was severely criticised for even visiting Japan as Labour poured on the vitriol over trade with her.<sup>48</sup> What is apparent, however, is that Labour was no longer so unified in its attack, with some Labour M.P.s admitting the need to have some trade with Japan.<sup>49</sup> Not surprisingly National was quick to point this out,<sup>50</sup> but there were still those in the Labour Party who carried their arguments to an extraordinary degree in citing the cause of the 1930's Depression as being that of cheap Japanese goods.<sup>51</sup> Nordmeyer, ever an outspoken critic of Japan, suggested the best way to build up goodwill in New

---

<sup>46</sup> NZPD Vol.309 pp.893-894.

<sup>47</sup> NZPD Vol.308 p.675.

<sup>48</sup> NZPD Vol.309 p.1171.

<sup>49</sup> NZPD Vol.309 p.945. See also NZPD Vol.309 p.1389.

<sup>50</sup> NZPD Vol.309, p.1139. See also NZPD Vol.309, p.1393.

<sup>51</sup> NZPD Vol.309 p.1388.

Zealand towards Japan was by restricting trade with her;<sup>52</sup> Nash had little to say on the subject at all.

1954 had started out as a year that was leading to an improvement in trade relations between New Zealand and Japan. 1956 had become the year in which relations had reached their post-Peace Treaty nadir redeemed only by the improvement of private sector activities.

---

<sup>52</sup> NZPD Vol.309 p.919.

## CHAPTER ELEVEN

### TRADE AGREEMENT 1957-1958

The Labour Government will not be interested in a trade agreement with Japan.

Walter Nash, December 1957.<sup>1</sup>

#### BACKGROUND

In the period immediately before the signing of the Trade Agreement in September 1958 two lucrative markets for New Zealand commodities appeared in Japan. The first of these was meat, in 1957, which was largely the enterprise of Ces Stevens (see Chapter 7). The second was timber exports, again established through the enterprise of a businessman, Mr. Rainger. These new markets illustrated to both the National and Labour Governments that more than just token opportunities for commodities other than wool existed in Japan. Both new markets also illustrated some of the effects that a trade agreement would have.

---

<sup>1</sup> Quoted in NZPD Vol.316 p.393. See also Press December 6, 1957.

In March 1958 J.S. Scott, the Commercial Secretary in Tokyo, reported that the Japanese Government was under considerable pressure from the Ministry of Agriculture and Forestry to remove all meat (not just beef) from the Automatic Approval system. Scott wrote of hearing that the Ministry of Agriculture and Forestry was being pressurised by the Japan Meat Importers' Association, many of whose officials were formerly employed by that Ministry.<sup>2</sup> Soon after Scott reported this possibility the Japanese Government placed beef on the list of commodities requiring allocation of foreign exchange, effectively ending any prospects of the greater development of this market in Japan.<sup>3</sup> This move was reportedly to protect local beef production from increased competition, but for whatever reason it was apparent that without some agreement on trade, any other commodity, including lamb or even wool, could be easily restricted by Japan.

After the development of meat exports to Japan in 1957 a market started to appear for timber exports in 1958. This trade was initiated by the efforts of a Mr. Rainger of Snow Rainger & Co. Ltd., who normally dealt in imported Japanese textiles. Rainger worked in association with Toyo Menka Ltd. in Japan, and organised the buying of timber, stevedoring and port facilities in Tauranga. Shipping was originally supplied by chartered (tramper) Nitto ships but

---

<sup>2</sup> Letter. J.S. Scott to Secretary of IC. March 19, 1958. IC (2006) 114/1 (pt.1).

<sup>3</sup> Evening Post April 2, 1958.

almost immediately the other shipping companies, OSK, NYK, Mitsui, and Daiichi, formed a cartel - the 'Radiata Pine Transporting Association' - to 'regulate' shipping and put pressure on Nitto to join. Snow Rainger & Co. Ltd. was soon joined by other firms, including Kenrick (who organised the first shipment of pulp logs through Nelson), Kanematsu & Co. Ltd., Banno & Co., and Marubeni-lida, as well as many other smaller firms in New Zealand.<sup>4</sup>

In July 1958 Messrs. J. Gunton (N.Z.) Ltd. reverted to its original name, F. Kanematsu (N.Z.) Ltd., and it was through this company that the parent company in Japan placed the order for timber.<sup>5</sup> It was also late in 1957 or early in 1958 that Marubeni-lida established a representative in Auckland, marking the beginning of the re-establishment (other than Kanematsu) of Japanese trading companies in New Zealand.<sup>6</sup> Later in 1959 some of these firms in Japan joined to form the New Zealand Timber Importers' Association to help improve sales.<sup>7</sup>

Though this enterprise initially received help from the New Zealand Legation in Tokyo, official opinion was that the export of logs to Japan was a 'marginal' business. Timber exports under the initial arrangement with Snow

---

<sup>4</sup> Notes for P.M.'s Visit. IC (2006) 114/1/4 (pt.1).

<sup>5</sup> History of Kanematsu.

<sup>6</sup> Memo. New Zealand Legation to Secretary of IC. February 2, 1959. IC (2006) 114/1/4 (pt.1).

<sup>7</sup> Sutch, W.B. Selling New Zealand's Exports (Department of Industries and Commerce, Wellington, 1962) p.85.

Rainger & Co. Ltd. were assisted by the New Zealand Government granting import licences for textiles to the extent of 50% of log exports. Toyo Menka Kaisha, which also supplied the textiles, hiked the price of these textiles to offset some of the costs of the log business, and thus make it more competitive with the importation of Russian logs.

The signing of the Trade Agreement in September 1958, which itself was the product of the desire to protect New Zealand's exports (see below), put the trade with Toyo Menka Kaisha at a disadvantage. This arose as the Trade Agreement allowed more imports of textiles in competition to those of Toyo Menka Kaisha, leading to an increase in log prices in Japan. On top of this, other problems such as freight costs, the lack of stevedoring, and poor port facilities, led to Nash being advised before his trip to Japan in February 1959 that there was 'little possibility' of establishing a long term trade,<sup>8</sup> (which of course proved to be incorrect).

Thus both the meat and log trades illustrated how a trade agreement might or might not be beneficial, but it was very apparent that the protection of exports such as lamb and wool was of much more importance than the anomalous situation that arose with timber exports.

On top of the benefits of protecting exports to Japan which were currently booming (exports were just under £8m

---

<sup>8</sup> Notes for P.M.'s Visit. IC (2006) 114/1/4 (pt.1).

in 1957; the highest of any 'pre-modern' year<sup>9</sup>), New Zealand had also suffered a rebuff from Britain regarding trade. The proportion of total exports going to Britain had fallen from 65.7% in 1955 to 58.8% in 1957; due in part to increased exports to Japan but equally as much to an increase in other markets.<sup>10</sup> In April and May 1957 Holyoake had travelled to Britain to ask for revised quotas on foreign meats. After being turned down he asked for a revision of the Ottawa tariff preferences, only to be turned down again.<sup>11</sup> An agreement was reached whereby consultation was ensured in November every year and the British Government undertook not to restrict imports of some New Zealand commodities for ten years,<sup>12</sup> but it was not what Holyoake had wanted.

New Zealand was also heading into a balance of payments crisis during 1957, hidden by National, leading to the 'Black Budget' of Nordmeyer in June 1958. The deregulation of import licences had continued until the beginning of 1958 when the Labour Government re-imposed import controls. By this time only about eighty commodities were highly restricted and another 133 under limited import

---

<sup>9</sup> Annual statistical reports on External Trade Statistics, 1959.

<sup>10</sup> See NZOY for these years.

<sup>11</sup> Sinclair, Walter Nash, p.313.

<sup>12</sup> See IC Annual Report, 1958, p.33 ff.

controls.<sup>13</sup> Nordmeyer's 'Black Budget' announced a reduction of £82m of imports. The Labour Government also had to sell £5m of assets in London, and borrow some £45m within a year.<sup>14</sup> The previous National Government had been aware of this problem as well, and thus it was against this backdrop of a balance of payments crisis that negotiations for a trade agreement with Japan were carried out with the aim of protecting an increasingly valuable market.

#### NEGOTIATING AGAIN

In June 1957 Japan initiated talks with the National Government aimed at concluding a trade treaty. The Japanese Minister Ushida, who had just negotiated a trade treaty establishing Most Friendly Nation relations with Australia, visited New Zealand and with two members of the Japanese Legation held informal talks with the Government. Ushida pressed hard for full Most Favoured Nation rights under GATT. The Government, however, held to the draft 1954 agreement which gave Japan only partial Most Favoured Nation treatment (a condition the Japanese Government later

---

<sup>13</sup> Sutch, W.B. Recent Developments in New Zealand Manufacturing (Department of Industries and Commerce, Wellington, 1958) p.15.

<sup>14</sup> Sinclair, Walter Nash, p.308.



agreed to<sup>15</sup>), and the assurance that purchases from Japan would be regular rather than sporadic depending on her reserves of foreign exchange.<sup>16</sup> Along these lines the Government could have concluded an agreement, but as John Marshall, who became deputy Prime Minister in 1957, later recalled an agreement was delayed because it was a 'sensitive political issue' in an election year.<sup>17</sup>

Indeed it is difficult to see why the Government delayed signing the Agreement in 1957 by pressing for only partial Most Favoured Nation rights unless there was an ulterior motive, such as avoiding public criticism. There was no suggestion that an agreement would lead to a flood of cheap Japanese goods. Public reaction to the announcement in June of trade negotiations had been predictable enough. Support came from importers, naturally, and farmers.<sup>18</sup> Opposition came from manufacturers, as it had in Australia in reaction to that country's Trade Agreement with Japan.<sup>19</sup> The New Zealand Textile & Garment Manufacturers Federation, for example, wrote a firm letter to Halstead, the Minister of Industries

---

<sup>15</sup> Draft Cabinet Paper. 'Proposal for Trade and Payments Agreement with Japan'. May 15 1958. IC (2006) 114/1/1 (pt.2).

<sup>16</sup> Press June 22, 1952.

<sup>17</sup> Marshall, J. Memoirs - Volume One 1912-1960 (Collins, Auckland, 1983) p.283.

<sup>18</sup> Evening Post June 22, 1957.

<sup>19</sup> Press September 24, 1957.

and Commerce, calling for a restrictive trade agreement.<sup>20</sup> This kind of activity was obviously having an effect as a letter to the New Zealand Trade Commissioner in Montreal indicates:

The Minister has recently made a statement in the Press concerning the re-opening of trade talks with Japan late this year or early next year and, in view of the fact that reports from Australia seem to indicate quite considerable opposition to the recent Australia/Japan Trade Agreement from some sections of the community, this has given rise to some disquiet in New Zealand.<sup>21</sup>

That possible adverse public reaction to the settlement of a trade agreement was the overriding concern of the Government is also indicated in a telegram to the Tokyo Legation instructing the delay of talks until after January 1958 (assuming the Government was re-elected) which noted that:

...press reports from Australia [are] highly critical of their agreement....<sup>22</sup>

The delay worked, however, as when Japan did agree to the terms of the 1954 draft agreement, it was already too close to the election; the Government could legitimately delay further because of the demands that the election was causing to Ministers.<sup>23</sup> The threat of Communism and the

---

<sup>20</sup> Letter. New Zealand Textile & Garment Manufacturers' Federation to Minister of IC. October 14, 1957. IC (2006) 114/1/1 (pt.2).

<sup>21</sup> Letter. G.R.J. Hope to New Zealand Trade Commissioner, Montreal. October 9, 1957. IC (2006) 114/1/1 (pt.2).

<sup>22</sup> Minister of EA to New Zealand Minister, Tokyo. November 19, 1957. IC (2006) 114/1/1 (pt.2).

<sup>23</sup> Ibid.

looming economic crisis had taken a back seat to the election.

Japan's change of policy at the last minute was probably intended to aid the visit of the Prime Minister, Kishi, to New Zealand. Not surprisingly Kishi's visit early in December was part of a trip that included Australia. A timely announcement that a trade agreement similar to the one signed with Australia had been negotiated with New Zealand would have been of great public relations value. Unfortunately, not only did Kishi's visit coincide with the General Election, it also coincided with the change of Government as Labour regained power.

Both Holyoake and Nash met Kishi and exchanged pleasantries, but Nash's view on a trade agreement (above) was widely reported and it was generally understood, not least by the Japanese, that he had given them the 'brush-off'.<sup>24</sup> Kishi tried to reassure the (next) Government that Japan had no intention of 'flooding' New Zealand with cheap goods, and also proposed an expansion of trade to £8m, but clearly the change of Government was for the worse as far as Japan was concerned.

Nash had been quiet on trade with Japan in 1956, but by August 1957 he was again criticizing trade with Japan in words he had used thirty years earlier:

To the extent that New Zealand bought from Japan goods which this country had to import, then the

---

<sup>24</sup> NZPD Vol.316 p.393.

Dominion would have to buy less from the United Kingdom.<sup>25</sup>

Tinged with a little hostility:

Japan bought in New Zealand because it paid her to do so, not because she wanted to be good to New Zealand.<sup>26</sup>

Thus it was no surprise that Nash was not interested in a trade agreement immediately upon taking power, but nor was he fully aware of the balance of payments problem that New Zealand would face in the next year. Nash was still very much towing the Labour line, a mixture of protectionism and underlying hostility to Japan. World War II was still occasionally mentioned by Labour M.P.s in Parliamentary debates on trade with Japan.<sup>27</sup>

Besides the public reaction to the announcement that negotiations were under way with Japan, there was also a fairly predictable reply from the British. Much as in 1953 the British Government was keen on defending its interests in New Zealand. Instead of sending a representative this time (on the previous occasion the representative had had a lukewarm response), the High Commissioner in Wellington wrote to Halstead:

I know you will understand and appreciate the interest of the United Kingdom, as New Zealand's chief supplier and principal customer, in the outcome of the forthcoming negotiations with Japan....My Government recognise that New Zealand is anxious to develop her export trade and is interested in the Japanese market, and we are not questioning her sovereign freedom to decide this

---

<sup>25</sup> NZPD Vol.312, p.1495.

<sup>26</sup> NZPD Vol.313, p.1885.

<sup>27</sup> NZPD Vol.313, p.2224. See also NZPD Vol.314, p.2739.

matter in whatever way she may choose. But we are particularly concerned that no abrupt changes should be introduced which might expose our trade to disruptive competition.

I am sure that you will share this concern and that in your negotiations you will have due regard for our interests.<sup>28</sup>

At least on this occasion the reply was sympathetic, with Halstead assuring that 'every effort' was being made to 'secure the least possible disturbance to traditional trade'.<sup>29</sup> But British interests seemed secure anyway on Labour's election.

#### THE NEED TO PROTECT EXPORTS

If the events of 1957 were fairly predictable, those of 1958 finally marked the break with tradition. With the country's balance of payments problem, and the rise of Japan from tenth to sixth place as an export market, during the early days of Labour's tenure the need to rethink their traditional antipathy, even hostility, to trade with Japan became apparent.

The first indication that such a reversal was necessary came in March, from the Commercial Secretary in Tokyo. Scott reported that the Japanese Government wanted

---

<sup>28</sup> Letter. Office of United Kingdom High Commissioner to Minister of IC. September 24, 1957. IC (2006) 114/1/1 (pt.2).

<sup>29</sup> Letter. Minister of IC, to United Kingdom High Commissioner. October 16 (?) 1957. IC (2006) 114/1/1 (pt.2).

to send two officials on a trade mission to New Zealand.

Scott's assessment was that:

...such talks between officials could be as valuable, or more valuable to New Zealand as to Japan. It is most important that our expanded export trade should be protected, and we believe even a verbal understanding would assist in this direction. If we show no interest in such talks, the Ministry of Foreign Affairs may well be unable to withstand pressure from the Ministry of International Trade and Industry, the Ministry of Agriculture and Forestry and the Ministry of Finance to limit imports from New Zealand. Australia now has its interests protected but we remain quite vulnerable to Japanese actions on import licensing - actions we would find it difficult to protest successfully.<sup>30</sup>

At the time that Scott sent this report (dated March 19th), Nash was on an extensive tour of Asia; a tour that did not include Japan. The reaction to this omission in Tokyo was reported to be 'definitely cool'. The local press also noted the restrictions on meat imports to Japan for the financial year April 1958 to May 1959 in such a way as to definitely hint at a connection to this omission.<sup>31</sup>

The press also had another weapon with which it could attack Labour's apparent disregard for Japan. In April a trade Mission (without Nash) went to London to discuss a revision of the Ottawa Agreement, and the Deputy Prime Minister, Jerry Skinner went also to discuss butter imports. In June Skinner came home having been rebuffed by the British.<sup>32</sup> The press soon noted a failure in the butter

---

<sup>30</sup> Letter. J.S. Scott to Secretary of IC. March 19, 1958. IC (2006) 114/1 (pt.1).

<sup>31</sup> Press June 19, 1958.

<sup>32</sup> Sinclair, Walter Nash, p.316.

talks and an apparent change of heart by Nash who now called for a diversification of primary produce for the expansion of new markets, and that trade with the most promising Asian market, Japan, was now being considered.<sup>33</sup>

The complicating issue for the Mission discussing the revision of Ottawa, whose negotiations dragged on for months, was that the Government was by June seriously considering a trade agreement with Japan. British demands, however, would have 'completely' prevented New Zealand negotiating any other bilateral agreements, such as the one it was now considering with Japan, in order to establish new markets. For this, and other British demands, the negotiations failed. Nash sent a message in July to Harold Macmillan threatening to terminate Ottawa.<sup>34</sup> It was a potentially serious rift just before the Commonwealth Trade and Economic Conference scheduled for September in Montreal. At the same time, however, the Government had decided to negotiate a trade agreement with Japan.

The decision to reverse its policy on a trade agreement with Japan had occurred for a specific number of reasons. Not only had Scott pointed out that Australia had again taken the advantage, negotiations with Britain for an improved access to New Zealand's traditional market, the one on which she was most dependent, had failed. Now in the back-drop of a payments crisis another immediate crisis

---

<sup>33</sup> Press June 19, 1958.

<sup>34</sup> Sinclair, Walter Nash, p.316.

occurred. This was in May when falling profits from sales of milk powder in Britain (which were only just covering manufacture costs), led the Dairy Products Marketing Commission to ask the Government to 'assist urgently in selling milk powder to Japan'.<sup>35</sup> A week later a confidential draft Cabinet Paper outlining a proposal for a trade and payments agreement with Japan was circulated to members of the Cabinet Committee on Economic and Financial Policy. It is clear from this draft Paper, dated May 15th, that protecting exports to Japan now had an overwhelming priority:

In order to safeguard our existing export trade in meat, wool, casein and scrap metal, and to provide a favourable climate for developing exports of other products it is considered essential to conclude a formal trade agreement with Japan.<sup>36</sup>

The imbalance of trade, although it was in New Zealand's favour, was also noted. The Paper recommended that an invitation be sent to the Japanese Government to send a delegation of officials to Wellington at the end of July. It was perhaps unfortunate for Labour that as Japan had initiated trade talks in 1954 and 1957, the initiative now lay with New Zealand. The complicating factor was the negotiations also being carried out with the British Government on a revised British-New Zealand Ottawa

---

<sup>35</sup> Paraphrase of Cable from Minister of EA to New Zealand Legation, Tokyo. May 8, 1958. IC (2006) 114/1/1 (pt.2).

<sup>36</sup> Draft Cabinet Paper 'Proposal for Trade and Payments Agreement with Japan'. May 15, 1958. IC (2006) 114/1/1 (pt.2).



Agreement. A compromise 'Heads of Agreement' document was being formulated to stymie a conflict at the Montreal Conference. According to Professor Sinclair this Heads of Agreement document was formulated from a confidential minute the New Zealand Government had offered in June.<sup>37</sup> Yet this Agreement is specifically mentioned in this May Paper because of the importance of the timing of the approach to Japan:

...the public announcement that an approach is to be made to Japan should be deferred at least until the Heads of Agreement of the revised United Kingdom/New Zealand (Ottawa) Agreement are settled. Prior information that New Zealand was contemplating a trade agreement with Japan might lead to a more intractable attitude on the part of the United Kingdom Government.<sup>38</sup>

Thus when the press attacked the Government for not having a trade agreement with Japan in June, Labour was harbouring the secret that negotiations were about to take place in order to protect the talks with Britain. Nor would Nash give any hint of these negotiations when questioned in Parliament early in July,<sup>39</sup> but on the same day Holloway announced that the Government had invited official representatives from Japan to discuss a possible trade agreement.<sup>40</sup> The press and Parliamentary attacks were

---

<sup>37</sup> Sinclair, Walter Nash, pp.316-317.

<sup>38</sup> Draft Cabinet Paper 'Proposal for Trade and Payments Agreement with Japan'. May 15, 1958. IC (2006) 114/1/1 (pt.2).

<sup>39</sup> NZPD Vol.316, p.363.

<sup>40</sup> NZPD Vol.316, p.390. P.N. Holloway - Minister of Industries and Commerce 1957-1960.

obviously having an effect on the Government's non-disclosure policy. The possible threat to the Ottawa Agreement negotiations with Britain were now secondary to protecting the Government's image of being actively interested in finding new markets for exports. This was perhaps also a result of Nordmeyer's Black Budget, delivered just a few days previously, which had included a reduction of imports to the extent of £82 million. Although Labour's reaction to the crisis turned out to be an over-reaction that materially contributed to their downfall in 1960, it is indicative of how serious Labour considered the situation to be that it now openly admitted the need for a trade agreement.

#### **TRADE AGREEMENT**

Negotiations continued in Wellington between July and September. According to the May Paper the Government would seek an agreement on 'similar lines to Japan's 1957 Trade Agreement with Australia', and as with that Agreement, adequate safeguards for local industry were to be included. The main objective which was to be sought in the negotiations was the establishment of Most Favoured Nation relations on both tariff and import licensing. This was the realistic objective though some attempt would be made to try for a limited application of Most Favoured Nation treatment in the early stages of negotiation. By granting

full Most Favoured Nation treatment Japan would gain an advantage as her Most Favoured Nation tariff was the same as her General tariff for most of the goods that New Zealand exported. The incentive for New Zealand to accept full Most Favoured Nation treatment was that:

...New Zealand might expect substantial benefit from Japanese agreement not to discriminate against New Zealand goods in allocating exchange for imports.<sup>41</sup>

This, in other words, was protection against Australian interests having an unfair advantage.

Nash announced the successful conclusion of the negotiations and the signing of the Trade Agreement in Parliament on September 9th. 'Almost simultaneously' the Heads of Agreement was successfully agreed upon by the New Zealand and British Governments,<sup>42</sup> though as Nordmeyer had already left for Montreal on September 8th it seems almost certain that either by fortunate accident or design the accord on the Heads of Agreement was reached before the announcement of the Trade Agreement. As the negotiations with Japan had concluded on September 3rd it seems that the Government delayed the announcement for a week, perhaps to reach accord with the British Government.

It would be tedious to give a full account of the negotiations according to the official 'Agreed Minutes of

---

<sup>41</sup> Draft Cabinet Paper 'Proposal for Trade and Payments Agreement with Japan'. May 15, 1958. IC (2006) 114/1/1 (pt.2).

<sup>42</sup> Sinclair, Walter Nash, p.317.

the 1958 Trade Treaty'.<sup>43</sup> This account does not, for example, record any attempt by New Zealand to limit Most Favoured Nation treatment on Japanese goods in the early stages of negotiation as was intended. Therefore its value as a true record of negotiations can be questioned. The terms of the Agreement show that not only had the Government conceded full Most Favoured Nation treatment, it had also agreed to hold negotiations with Japan within three years with a view to establishing full GATT relations. Although this was not specifically included in the Proposal formulated in May, it was hardly surprising as such a clause had been included in the Australia-Japan Agreement. As with the Australia-Japan Trade Agreement, although not in words, in effect GATT relations were established with Japan. Nash said in Parliament that:

The Agreement on Commerce between Japan and New Zealand...is a paper which gives us a sound basis for the expansion of trade between Japan and New Zealand and I believe it will be advantageous to the New Zealand economy. In addition, Sir, I believe that the conclusion of this agreement is an event of considerable political significance. It will lead to closer understanding between New Zealand and Japan and will go a long way towards putting our relations with that country on a better basis.<sup>44</sup>

The overall effect of the Agreement was that while British countries still had an advantage in trade, Japan

---

<sup>43</sup> McCaul, B. 'New Zealand and Japan 1952-1969'. (Unpublished M.A. Thesis). Appendix three: 'Agreed Minutes of the 1958 Trade Treaty'.

<sup>44</sup> NZPD Vol.318, p.1616.

would now be treated at least as well as any other non-British country.<sup>45</sup>

Holyoake could only welcome the Trade Agreement as being consistent with National's policy; a policy which Labour stole from National and used against it. Even if National had always advocated increased trade with Japan, in the end it had been Labour that had signed the Treaty, and was now boasting of its political significance. National could only point out the sudden change in Labour's policy, but Nash denied that this was so.<sup>46</sup> Nevertheless, if the decision had been the result of several months consideration, it was still in contradiction to several decades of Labour Party hostility to Japan.

The response to the announcement of the Trade Agreement by manufacture was predictable. At the annual conference of the New Zealand Manufacturers' Federation it was stated that:

The announcement of the trade agreement between New Zealand and Japan had met with a reception which, in the most generous terms, could only be described as lukewarm.<sup>47</sup>

Manufacturers' major concern was that Japan was no longer a scheduled country regarding imports. The Press probably reflected the favourable view in noting the

---

<sup>45</sup> Anonymous, 'Trade with Japan' in New Zealand Federation of Labour Information Bulletin No.3, November 1958, p.1.

<sup>46</sup> NZPD Vol.318, pp.2262-2263.

<sup>47</sup> Anonymous. 'Need for Constant Watch on Japanese Imports' in The New Zealand Manufacturer November 1, 1958, p.60.

'assured' share of the Japanese market for meat and dairy produce.<sup>48</sup> Though it was predictably controversial, the signing of the Trade Agreement with Japan marked the end of two eras. The first of these was Labour's antipathy to Japan, the second that of the whole era of 'pre-modern' trade relations between New Zealand and Japan. Although apparently distinct, the change of Labour's attitudes and the beginnings of much greater trade levels are indicative of the priority of economic realities over politics. The indications that Japan and New Zealand could develop a complementary rather than competitive trade had always existed. Now that they had come to fruition in a way that was at last seen to be of benefit to New Zealand, the beginnings of the 'modern' relationship could develop.

---

<sup>48</sup> Press September 10, 1958.

## CHAPTER TWELVE

### SUMMARY

#### NEW ZEALAND'S BRITISHNESS

In the 1920's New Zealand was a small community:

...complacent in its Britishness and ignorance of the outside world.<sup>1</sup>

The 1928 Trade Agreement with Japan did little or nothing to alter this situation; it certainly did not indicate an acknowledgement of Japan's right to trade with an area from which she had been usurped. Nor did it establish a 'golden age' of exports to Japan.

The Agreement owed more to the attempts of the New Zealand Dairy Industry to compete with Canada in the Japanese market rather than any political considerations, and though Japan was eager to make the most of the public relations aspects of such a treaty, and perhaps eager to establish a representative in New Zealand, the Trade Agreement was anomalous to the trends that both countries were following. Japan embarked upon empire-building and New Zealand became even closer to Britain. The Ottawa Conference of 1932 fully illustrated the Dominion's

---

<sup>1</sup> Sinclair, Walter Nash, p.81.

Britishness. Thus despite the fact that there were no restrictions on the flow of goods between New Zealand and Japan until the late 1930's, there were still major impediments to forming an extensive relationship based on exchanging complementary commodities.

New Zealand did not, for example, acknowledge the value of trade with Japan during the Depression, especially the relief that cheap Japanese goods provided. Australia's trade with Japan was much greater, and there was less reticence to acknowledge its value and to question the wisdom of dependence on Britain. This is true even of Labour in Australia, in contrast with Nash and Labour in New Zealand who were preoccupied with the low wage rates in Japan and their effect in New Zealand through imports. Japanese goods were also widely regarded as being 'shoddy'. This was also combined with the belief that consumers in Japan lacked the purchasing power to buy New Zealand commodities, probably reinforced by the fact that Japan's major purchase from New Zealand was wool; an industrial raw material. Without an attempt to expand or diversify exports to Japan much of the trading relationship was determined by how much wool Japan bought as this also affected imports to New Zealand. Had Japan's purchases of wool been much greater (as they were briefly in 1936) then imports would have been far greater too. But there are many reasons to believe that this would have been unacceptable for its effects on New Zealand and British industry. The 'influx' of cheap Japanese goods in the



1930's, for which the Depression in New Zealand was occasionally blamed, was after all only of some types of textiles and footwear. And even though these were imported in significant numbers, the effect on local industries is highly debateable.

Thus the complementary relationship that did exist in the 1930's was not expanded upon as it was not seen to be beneficial to New Zealand; what Japanese goods were imported were in competition with British goods, and it was the British market that New Zealand was trying to protect:

In the 1930's, New Zealand's trade was increasingly concentrated on Britain, whose barriers against New Zealand's exports were less substantial than those of other countries.<sup>2</sup>

This of course refers to the dairy products and meat for which Japan was not a market, and until she could become a market for at least some of these and reciprocate with better quality goods at a higher price, Japan could not hope to rival New Zealand's interest in Britain. The problems of infrastructure: shipping and representation were added hindrances to those who desired to expand trade, but overall only reflected the priorities of that time.

World War II may have revealed the foolishness of relying on Britain for security, but it also tied New Zealand to Britain commercially, especially by the Bulk Purchase Agreements. The devastation to Japanese industry

---

<sup>2</sup> Hawke, G.R., 'The Growth of the Economy' in Oliver, W.H. & Williams, B.R., eds. The Oxford History of New Zealand (Oxford University Press, Wellington, 1981), p.375.

and shipping, as well as the anti-Japanese sentiment absolutely precluded the possibility of a recovery in trade relations, even to the minimal state they had been, until the early 1950's. By then a Trade Commissioner had been established in Japan, though this was inspired by the actions of other Allied countries first. National also had an incentive to increase trade with Japan, but again this was essentially a political concept against Communism. It was not a desire to embark upon an extensive trade relationship, and National was powerless anyway to overcome the economic boom and slumps that threw the whole Sterling Area into crises in the 1950's.

In the War and its aftermath very little had arisen to alter New Zealand's perception of her place in the world commercially, but from the 1950's came the single most important change to New Zealand's trade with Britain:

Britain's economic growth was slower than that of many countries, British governments became more concerned with their own farmers....<sup>3</sup>

The British Government's rebuff to Holyoake in 1957 and also Labour's trade Mission in 1958 finally established the need to diversify markets, and quickly. By 1958 the dependence on the British market had declined but for some major exports was still 'heavy to close to absolute'.<sup>4</sup> But at the same time Japan became a market for meat, and the quality of Japanese products had already been recognised as

---

<sup>3</sup> Hawke, 'The Growth of the Economy', p.375.

<sup>4</sup> Grattan, The Southwest Pacific Since 1900, p.323.

being far superior to those pre-war. Labour had to move for the first time to protect exports to Japan.

Japan was equally anxious to sign a treaty with New Zealand as a step towards establishing GATT relations. Thus unlike the 1928 Treaty when no real 'accord' was reached, the 1958 Trade Agreement established a true recognition of interests on both sides: the exchange of market protection for Most Favoured Nation treatment and the eventual establishment of GATT relations. The context of this Treaty was completely different to that of 1928. New Zealand's change of attitude combined with Japan's change of trade practices established a situation infinitely more conducive to establishing an extensive trade relationship. Britain's attempts to enter the EEC and Japan's phenomenal industrial growth only served to underline this new direction. The pre-modern era of trade relations was finally coming to a close, but it is significant that New Zealand had been pushed from Britain rather than attracted to Japan. It is still debateable as to how 'British' New Zealand would have remained in her trading relations had she not been forced to diversify markets, and consequently develop her relationship with Japan. But New Zealand had been pushed, and there was no turning back.

## BIBLIOGRAPHY

A. PRIMARY SOURCES

## I. UNPUBLISHED OFFICIAL SOURCES:

All unpublished official records listed below are held at the National Archives, Wellington.

(i) Department of Industries and Commerce (IC)

IC (2006)<sup>1</sup> 114/1 (pt.1).  
 IC (2006) 114/1/1 (pt.2).  
 IC (2006) 114/1/4 (pt.1).  
 IC 114/1 (pt.1).  
 IC 114/1/10 (pt.1).  
 IC 114/9.

It is difficult to categorize the above files either thematically or by period. All files are largely comprised of memos and correspondence in a highly disordered state, but which contain material that can be considered to reflect 'policy' at an official level on trade matters with Japan.

(ii) Department of External Affairs (EA).

EA 58/12/1 (pt.1).  
 EA 58/12/2 (pt.1a).

The above two files are found under the subheadings 'New Zealand Affairs: External Relations - Japan', and are primarily concerned with trade. Memos and Correspondence in these files are mainly from the immediate pre-WWII period. EA files were previously known as PM - Prime Minister's Department.

## II. PUBLISHED OFFICIAL SOURCES

## (a) New Zealand -

(i) Journals

Appendices to the Journals of the House of Representatives. (These contain the Annual Reports of Government Departments referred to in the text.)

---

<sup>1</sup> Accession number

Census and Statistics Office: Trade and Shipping, 1928-1958.<sup>2</sup>

External Affairs Review, 1953-1954.

The Mercantile Gazette of New Zealand, 1946-1955.

New Zealand Gazette, 1939-1941.

New Zealand Official Year Book, 1928-1958.

New Zealand Parliamentary Debates, 1928-1958.

New Zealand Wool Board Annual Report, 1951-1959.

New Zealand Wool Commission Annual Report, 1951-1959.

New Zealand Meat Board Annual Report, 1953-1959.

(ii) Books and Reports

BELSHAW, H., Report on the Prospects of Extending New Zealand's Trade with Japan, China and Hong Kong, Department of Industries and Commerce Bulletin No.9, Wellington, 1930.

COMMISSION OF INQUIRY INTO NEW ZEALAND SHIPPING, New Zealand Shipping; Report, Government Printer, Wellington, 1971.

DEPARTMENT OF INDUSTRIES AND COMMERCE, Documents on the Commonwealth Trade and Economic Conference, Montreal, September 1958, Department of Industries and Commerce, Wellington, 1958.

GILLESPIE, O.A., The Pacific, Department of Internal Affairs, War History Branch, Wellington, 1952.

KAY, R., ed. The ANZUS Pact and the Treaty of Peace with Japan, Historical Publications Branch, Department of Internal Affairs, Wellington, 1985.

MINISTRY OF FOREIGN AFFAIRS, New Zealand Foreign Policy: Statements and Documents, 1943-1957, Government Printer, Wellington, 1972.

MINISTRY OF TRANSPORT, Towards a New Zealand Shipping Policy: a Discussion Document, Ministry of Transport, Wellington, 1983.

---

<sup>2</sup>

See 'Notes on Statistical Sources' for an explanation of the various titles and publishers of these annual reports on trade.

PRODUCER BOARD'S SHIPPING UTILISATION COMMITTEE, New Zealand Overseas Trade: Report on Shipping, Ports, Transport, and Other Services, Producer Boards' Shipping Utilisation Committee (?), Wellington, 1964.

(b) Japan -

JAPAN TIMES. Economic Survey of Japan, 1952-1953, Japan Times for the Economic Planning Agency, Japanese Government, Tokyo, 1953.

JAPAN TIMES. Economic Survey of Japan, 1954-1955, Japan Times for the Economic Planning Agency, Japanese Government, Tokyo, 1955.

JAPAN TIMES. Economic Survey of Japan, 1957-1958, Japan Times for the Economic Planning Agency, Japanese Government, Tokyo, 1958.

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY. Foreign Trade of Japan: 1958, Japan Export Trade Promotion Agency, Tokyo, 1958; reprint, The Yushodo Booksellers Ltd., Tokyo, 1972.

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY. Foreign Trade of Japan, 1959, Japan Export Trade Promotion Agency, Tokyo, 1959; reprint, The Yushodo Booksellers Ltd., Tokyo, 1972.

(c) United Nations -

UNITED NATIONS. Yearbook of International Trade Statistics, 1952, Department of Economic and Social Affairs, Statistical Office, United Nations, New York, 1953.

UNITED NATIONS. Yearbook of International Trade Statistics, 1955, Department of Economic and Social Affairs, Statistical Office, United Nations, New York, 1956.

### III. MANUSCRIPTS

1. ANONYMOUS. 'Yamashita Line Association with Australia/New Zealand'. (Undated.)
2. ANONYMOUS. 'Report on the Present Status and Future Prospects Relating to Marine Transportation Between Japan and New Zealand'. (Undated.)

3. ANONYMOUS. 'Private Memorandum on Japan Lines Position in the Australian and New Zealand/Eastern Conference and New Zealand Trade'. (Undated.)
4. ANONYMOUS. 'Kanematsu Goshō (N.Z.) Ltd. - The First Fifty Years'. (Dated August 3, 1987.)

## B. SECONDARY SOURCES

### I. BOOKS

ALLEN, G.C., Japan's Economic Expansion, Oxford University Press, London, 1965.

ALLEN, G.C., A Short Economic History of Modern Japan, Macmillan, London, 1981.

BACH, J.P.S., A Maritime History of Australia, Pan Books, Sydney, 1982.

BISSON, T.A., American Policy in the Far East, 1931-1940, Institute of Pacific Relations, New York, 1940.

BOULTER, R., New Zealand: Economic and Commercial Conditions in New Zealand, Published for the Board of Trade Commercial Relations and Exports by H.M.S.O., London, 1950.

BROWN, B.M., ed. New Zealand in the Pacific, New Zealand Institute of Public Administration, Wellington, 1970.

BRYAN, D.A., New Zealand: Economic and Commercial Conditions in New Zealand. Published for the Board of Trade Commercial Relations and Exports by H.M.S.O., London, 1956.

BURDON, R.M., The New Dominion; A Social and Political History of New Zealand, 1918-39, Reed, Wellington; Allen and Unwin, London, 1965.

BURLEY, K.H., British Shipping and Australia, 1920-1939, Cambridge University Press, Cambridge, 1968.

COHEN, J.B., Japan's Economy in War and Reconstruction, University of Minnesota Press, Minneapolis, 1949.

CONDLIFFE, J.B., ed. Problems of the Pacific, 1927, University of Chicago Press, Chicago, 1927.

CONDLIFFE, J.B., ed. Problems of the Pacific, 1929, University of Chicago Press, Chicago, 1930.

ELKAN, P.G., Bilateral Arrangements in International Payments and Trade, New Zealand Institute of Economic Research, Wellington, 1962.

FARLEY, M.S., The Problem of Japanese Trade Expansion in the Post-War Situation, Institute of Pacific Relations, New York, 1939.

FEAREY, R.A., The Occupation of Japan; Second Phase: 1948-1950, Macmillan, New York, 1950.

FEIS, H., The Road to Pearl Harbour; the Coming of the War Between the United States and Japan, Princeton University Press, Princeton, 1950.

GORDON, B.K., New Zealand Becomes a Pacific Power, University of Chicago Press, Chicago, 1960.

GRATTAN, C.H., The Southwest Pacific Since 1900, University of Michigan Press, Ann Arbor, 1963.

GUSTAFSON, B., The First 50 Years: A History of the New Zealand National Party, Reed Methuen, Auckland, 1986.

HAAS, A.R., Japan-New Zealand Business Relations, Asia Pacific Research Unit, Wellington, 1974.

HAWKE, G.R., The Making of New Zealand: An Economic History, Cambridge University Press, Cambridge, 1985.

HIRSCHMEIER, J., & YUI, T., The Development of Japanese Business, 1600-1973, Allen & Unwin, London, 1981.

HOBBS, L.R., The Thirty Year Wonders, Whitcombe & Tombs, Christchurch, 1967.

HOLLAND, W.L., & MITCHELL, K.L., Problems of the Pacific, 1936, University of Chicago Press, Chicago, 1937.

HOLLAND, W.L., ed. Asian Nationalism and the West, Macmillan, New York, 1953.

INSTITUTE OF INTERNATIONAL AFFAIRS, Contemporary New Zealand: A Survey of Domestic and Foreign Policy, New Zealand Institute of International Affairs, Wellington, 1938.

INSTITUTE OF PACIFIC RELATIONS, War and Peace in the Pacific, Institute of Pacific Relations, New York, 1943.



INSTITUTE OF PACIFIC RELATIONS, Security in the Pacific, International Secretariat, Institute of Pacific Relations, New York, 1945.

JOHNSON, D., New Zealand's Maritime Heritage, Collins in association with David Bateman, Auckland, 1987.

KERSHNER, T.R., Japanese Foreign Trade, Lexington Books, Lexington, 1975.

KOJIMA, K., Japan and a Pacific Free Trade Area, Macmillan, London, 1971.

LARKIN, T., New Zealand and Japan in the Post-War World, New Zealand Institute of International Affairs, Wellington, 1969.

LASKER, B., ed. Problems of the Pacific, 1931, Chicago University Press, Chicago, 1932.

LASKER, B., & HOLLAND, W.L. eds. Problems of the Pacific, 1933, Oxford University Press, London, 1934.

LEATHEM, S., New Zealand's Interests and Policies in the Far East, Institute of Pacific Relations, New York, 1950.

LISSINGTON, M.P. New Zealand and Japan, 1900-1941, Government Printer, Wellington, 1972.

LOCKWOOD, W.W., The Economic Development of Japan: Growth and Structural Change, 1868-1938, Oxford University Press, London, 1955.

LOWENSTEIN, K.W., Weevils in the Flour: An Oral Record of the 1930s Depression in Australia, Hyland House, Melbourne, 1978.

McINTYRE, W.D., New Zealand Prepares for War: Defence Policy 1919-39, University of Canterbury Press, Christchurch, 1988.

McNAIR, W.A., New Zealand's Trade with the East, Auckland University College Bulletin No.8, Economics Series No.3; Melbourne University Press, Melbourne, 1929.

MANSEERGH, N., Survey of British Commonwealth Affairs: Problems of External Policy, 1931-1939, Oxford University Press, London, 1952.

MARSHALL, J., Memoirs: Volume One 1912-1960, Collins, Auckland, 1983.

MILNE, R.S., Political Parties in New Zealand, Clarendon Press, Oxford, 1966.

MILNER, I.F.G., New Zealand's Interests and Policies in the Far East, Institute of Pacific Relations, New York, 1940.

MORIARTY, M.J., New Zealand and Asia: Colombo Plan Aid or Trade?, Department of Industries and Commerce, Wellington, 1959.

NAKAMURA, T., The Post-War Japanese Economy - Its Development and Structure, trans. Jacqueline Kaminski, University of Tokyo Press, Tokyo, 1981.

NGATA, A.P., et al. New Zealand Affairs, L.M. Isitt, Christchurch, 1929.

NICHOLSON, D.F., Australia's Trade Relations, F.W. Cheshire, Melbourne, 1955.

NORMAN, E.H., Japan's Emergence as a Modern State: Political and Economic Problems of the Meiji Period, Institute of Pacific Relations, New York, 1940.

OLIVER, W.H. & WILLIAMS, B.R., eds. The Oxford History of New Zealand, Oxford University Press, Wellington, 1981.

ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS, Survey of International Affairs, 1933. Oxford University Press, London, 1934.

SHEPHERD, J., Australia's Interests and Policies in the Far East, International Secretariat; Institute of Pacific Relations, New York, 1939.

SHIDACHI, T., The Depression of 1930 as it Affected Japan, Japan Council of the Institute of Pacific Relations, Tokyo, 1931.

SINCLAIR, K., New Zealand in the World Since 1945, Heinemann Educational Books, Auckland, 1970.

SINCLAIR, K., A History of New Zealand, Rev.ed. Penguin, Auckland, 1988.

SINCLAIR, K., Walter Nash, Auckland University Press, Auckland, 1976.

STEELE, A.T., Present-Day Japan, American Institute of Pacific Relations, New York, 1947.

STEWART, W.D., New Zealand's Pacific Trade and Tariff, Institute of Pacific Relations, Wellington, 1931.

SUTCH, W.B., Colony or Nation? Economic Crises in New Zealand from the 1860s to the 1960's, Sydney University Press, Sydney, 1968.

SUTCH, W.B., The Policy of Import Selection, Wellington Co-operative Book Society, Wellington, 1939.

SUTCH, W.B., Recent Developments in New Zealand Manufacturing, Department of Industries and Commerce, Wellington, 1958.

SUTCH, W.B., Economic Changes of a Quarter Century, Department of Industries and Commerce, Wellington, 1959.

SUTCH, W.B., Recent Economic Changes in New Zealand, Institute of Pacific Relations; New Zealand Council, Wellington, 1936.

SUTCH, W.B., Selling New Zealand's Exports, Department of Industries and Commerce, Wellington, 1962.

TAYLOR, N.M., The New Zealand People at War: The Home Front, Historical Publications Branch, Department of Internal Affairs, Wellington, 1986.

THORNE, C.G., Allies of a Kind: The United States, Britain, and the War Against Japan, 1941-1945, Hamish and Hamilton, London, 1978.

TROTTER, A., Britain and East Asia 1933-1937, Cambridge University Press, London, 1975.

WATERS, S.D., Shaw Savill Line; One Hundred Years of Trading, Whitcombe & Tombs, Christchurch, 1961.

WATT, A.S., The Evolution of Australian Foreign Policy, 1938-1965, Cambridge University Press, Cambridge, 1967.

WEVERS, M., Japan, Its Future, and New Zealand, Victoria University Press for the Institute of Policy Studies, Wellington, 1988.

WIGMORE, L., The Japanese Thrust. Australia in the War of 1939-1945, Australian War Memorial, Canberra, 1968.

WOOD, F.L.W., New Zealand in the World, Department of Internal Affairs, Wellington, 1940.

WOOD, F.L.W., New Zealand in Crisis, May 1938 - August 1939, New Zealand Institute of International Affairs, Wellington, 1939.

WRIGHT, P.G., Trade and Trade Barriers in the Pacific, Institute of Pacific Relations, Honolulu, 1935.

## II. JOURNALS

ANONYMOUS. 'Need for Constant Watch on Japanese Imports' in The New Zealand Manufacturer, November 1, 1958, pp.60-63.

ANONYMOUS. 'New Zealand's Opportunity for Trade with South East Asia' in The New Zealand Manufacturer, August 15, 1951, pp.33-35.

ANONYMOUS. 'Threat from Japan' in The New Zealand Manufacturer, October 15, 1951, pp.41-45.

ANONYMOUS. 'Trade with Japan' in New Zealand Economist and Taxpayer, September 26, 1951, pp.131-132.

ANONYMOUS. 'Trade with Japan' in New Zealand Federation of Labour Bulletin, No.3, November 1958, pp.1-5.

BENNETT, N. 'Consultation or Information? Britain, the Dominions and the Renewal of the Anglo-Japanese Alliance, 1911' in The New Zealand Journal of History, Vol.4, No.2, October 1970, pp.178-194.

GUNSHI, K. 'Japan's Trade with New Zealand' in The Japan Trade Monthly Vol.5, No.7, July 1940, pp.1-2.

PENIEL, J. 'New Zealand's Trade with Japan' in New Zealand Trade and Industry, August 1957, pp.15-18.

PURCELL, W.R. 'The Development of Japan's Trading Company Network in Australia 1890-1941' in Australian Economic History Review Vol.21, No.2, September 1981, pp.114-132.

SHIMADZU, H. 'Modern Japanese Economy and Trade with New Zealand' in Trade Winds September 1957, pp.34-37.

SUTCH, W.B. 'New Zealand and World Affairs' in International Affairs Vol.16, No.5, September 1937, pp. 714-726.

## III. UNPUBLISHED THESES

CARLAW, S.S. Pressure Politics. The New Zealand Seamens Union Campaign for a National Shipping Line, 1964-1968, M.A. thesis, University of Canterbury, 1971.

LANE, P.A. An Examination of the Methods and Effects of Restricting External Trade With Particular Reference to the New Zealand Experience (1938-68), Ph.D. thesis, Massey University, 1974.

MCCAUL, B.Q. New Zealand and Japan 1952-1969: An Assessment of New Zealand Government Attitudes, M.A. thesis, University of Canterbury, 1971.

WILSON, R.F., New Zealand Japanese Trade, M.Com.thesis, University of Otago, 1936.

#### IV. UNPUBLISHED PAPERS

BENNETT, N. 'Japanese Emigration Policy 1880-1941'. Paper presented to NZASIA Conference, Christchurch, August 1989.

## APPENDIX 1      NOTES ON STATISTICAL SOURCES

From 1925 to 1948 statistics on New Zealand trade and shipping are contained in the series Statistical Report on Trade and Shipping. These reports are divided into two parts; Part 1 contains headings of commodities under approximately 1000 classifications, Part II contains a summary of this but also a classification by country. The collection of statistics was reorganized in 1949. The series from 1925 to 1948 was published by a collaboration of both the Customs Department and the Census and Statistics Department. From 1949 to 1962 the Customs Department, which had compiled the statistics for Part 1 of the previous series, now published two volumes under the title Statistical Report on the External Trade of New Zealand (except for the transitory year 1950/51 which was published in one volume). This now contained approximately 3000 classifications of commodities.

The Census and Statistics Department (from 1956 the Department of Statistics) now divided the information in Part II of the 1925-1948 series into two parts; one on trade and another on shipping and transport. The volume on trade Report on, and Analysis of External Trade Statistics contains headings by country and it is from here that statistics for 1950 to 1958 are taken. Publication of statistics in this format stopped in 1961.

The references cited in the text are the last available reports on any given year; they are the most

accurate figures available. However, several points need to be noted in dealing with the statistical data.

1. New Zealand could have, and probably did, re-export some Japanese commodities to islands in the Pacific.
2. The values given are in New Zealand currency. The New Zealand pound fluctuated in value against Sterling; depreciated in 1933, appreciated in 1948, and allowed to fluctuate to a certain extent against non-Sterling currencies from December 1951.
3. Trade statistics for imports were based on their current domestic value (c.d.v.) in the country of origin plus 10% for duty reasons up to the end of 1951. The 10% addition was dropped from 1952 onwards.
4. Prices fluctuated over time and price values are not equivalent to quantity values.
5. The classification of products changed in the statistical data from 'Article' to 'Statistical Class' to 'Commodity'. 'Article' and 'Commodity' are identical but the classification by 'Statistical Class' confuses the analysis. Cross reference to other statistical reports was necessary to complete the statistical analysis for these years. I am also

indebted to the Department of Statistics for help with this analysis.

6. Commodities sent to J-force were not included in Statistics of Exports, but aid to Japan itself was included.
7. Commodities for Diplomatic staff were not (and in fact never are) included in statistics of Exports.
8. Analysis for quantities of goods imported into New Zealand are in some instances available, such as footwear, but in the case of textiles are not available.