

Japan's Special Procurement in the 1950s and the Cold War Structure

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Abstract | The practice of the special procurement of materials and logistical support from Japan, operated by the US that emerged after the Korean War, was an influential factor defining the Japanese economy through the 1950s. It facilitated the growth of Japanese economy by enabling the national annual acquisition of 800 million dollars of currency during the Korean War. To sustain economic growth, the Japanese government sought to secure new sources to replace the Korean War special procurement after the armistice. By utilizing US foreign aid sponsored offshore procurement, Japan was then able to acquire further procurement contracts amounting to 400 or 500 million dollars a year in the late 1950s. In addition to enabling the government to acquire foreign currency, special procurement also served as an opportunity to revive Japanese military industry and spearhead national economic influence in Southeast Asia.

Japan's economic gains from special procurement were rooted in its deep involvement in the US-led Cold War complex in East Asia. During the Korean War, Japan earned its special procurement income by undertaking the role of "rear supply base." To secure further procurement of American dollars after the war, the government and business community responded to US initiatives and mobilized Japanese industrial productivity toward general procurement in support of US military forces, and participated in the US foreign aid strategy after the enforcement of the San Francisco Peace Treaty. Japan secured special economic benefits by actively committing to the US Cold War strategy for East Asia. Through these measures, the US fostered Japanese economic power as a rear supply base by providing the economic benefits of special procurement. Special procurement therefore embodied the shared interests of Japan and the US. On the other hand, special procurement also represented a crucial point at which the interests of Korea and Japan diverged. Not only because the Korean War special procurement occurred at the expense of immeasurable human and material loss within Korea, but also because the Korean reconstruction special procurement contributed to another form of Japan's subjugation of the Korean economy.

Keywords | Cold War, special procurement, the Japan-US economic cooperation framework, MSA, the Korean War

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Introduction

The US offshore special procurement program in Japan sought to provide a dollar stimulus to the Japanese economy through the purchase of military supplies and other goods and services in the 1950s. The existence of this special procurement program directly reflected the role of Japan as a “rear base supply” state during the Cold War. This is because it both constituted a substantive component of the US military and economic strategy in Asia, and represented the Japanese government’s commitment to this. In other words, special procurement was at “the node (*kessetsuten*) of the military and economic relationship” (Asai 2002b, 221) between Japan and the US. In this regard, a direct analysis of the scale and characteristics of special procurement and the wider effects of this stimulus on the growth of Japanese economy, will serve to uncover the significance of the role that Japan fulfilled as a US rear base supply state in Asia during the Cold War.

Special procurement included, but was not limited to, the provision of Japanese supplies and services to the US forces during the Korean War. It continued to be a factor influencing the Japanese economy until the 1960s, changing in shape and form after the Korean armistice and the reinstatement of Japanese sovereignty, and the shifts in US aid policies. This paper focuses on special procurement during the 1950s because the importance of the program for the Japanese economy significantly diminished in the 1960s as US overseas aid policies shifted during this period, in tandem with the dollar defense policy¹ and the rapid growth of Japanese economy in the 1950s.

Previous studies on special procurement have primarily dealt with the early 1950s, during the Korean War. They can be categorized into the following topics: the economic effects of special procurement; progress from the Korean War special procurement to the “new special procurement” under the “Japan-US economic cooperation framework”²; and the development of armaments special procurement and the revival of the Japanese military industry.

Prior research on the economic effects of special procurement includes the work of Nakamura Takafusa, which emphasized the importance of the program

1. Dollar defense is a term used to describe a series of policy measures the US government took after 1960 to improve the nation’s international balance of payments and to maintain the dollar value. The initial dollar defense measures focused on export promotion, cuts in foreign aid, “Buy American” and “Ship American” requirements, etc.

2. The “Japan-US economic cooperation” was the terminology used by the Japanese government, media, and business community at the time; therefore, it is used instead of the “economic cooperation of the US and Japan.”

during the Korean War, from the aspect of its contribution to raising the ceiling of the balance of payments. According to Nakamura, the economic growth rate of Japan is limited by its ability to import materials since it has to bring in resources. However, the Japanese economy was able to grow rapidly in the 1950s due to the size of the US special procurement program during the Korean War, which brought an influx of foreign currency income (Nakamura [1978] 1993, 158).

However, although Nakamura positively evaluated the impact of special procurement during the Korean War, he did not specify in detail how it was related to rapid Japanese economic growth. In addition to Nakamura, Kōsai Yutaka has highlighted the utility of the Korean War special procurement program alongside the industrial rationalization policy which attempted to lower costs and promote development in the manufacturing industries to boost international competitiveness (Kōsai 1981, 1989). Kōsai argues that rationalization investment provided preparation and a launch pad for the next period of rapid growth, and the reason the Japanese government was initially able to support rationalization investment through broad national industrial policies was the existence of the Korean War special procurement program. The industrial rationalization policy was a transitional policy that utilized the equilibrium of the balance of payments (Kōsai 1989, 291),³ which was maintained through the special procurement program.

On the other hand, the research of Yonezawa Yoshie (1994) is significant as it attempts to quantitatively examine the effect of special procurement on the Japanese economy. The author studied the consequence of special procurement in 1951 on the Japanese economy by utilizing the input-output model, which considered all direct and indirect (derivative) effects of special procurement. The result estimated that the reduction rate of value-added would be from 5.04 percent (assuming special procurement was given to companies from other countries) to 6.25 percent (assuming the Korean War never occurred). Since the economic growth rate of 1951 was twelve percent, this means the growth rate would have reached even the six or seven percent range had the Korean War not occurred. Yonezawa concluded that it would have been difficult for Japan to

3. The word “transitional” here means the period during which the balance of payments was in equilibrium due to the utilization of special procurement. Without this special procurement, the Japanese government would have had to promote the equilibrium of the balance of payments through the depreciation of the Japanese yen or contractionary policies. Instead, the existence of special procurement allowed Japan to implement the industrial rationalization policy, or the policy to “strengthen the basis of the balance of payments through modernization investment” (Kōsai 1989, 291).

overcome the recession caused by the strictures of the Dodge Line postwar financial contraction policy without the Korean War special procurement program.

Nakamura's (1982) study on the progress toward a "new special procurement" program under the "Japan-US economic cooperation framework" is also highly significant. Here the author examined the discussion surrounding the Japan-US economic cooperation framework that occurred from January 1951 to April 1952, the period that led to the enforcement of the Treaty of San Francisco (hereafter Peace Treaty). Nakamura argued that the "new special procurement" of armaments occurred under the "Japan-US economic cooperation framework," the scale of which was equal to that of the wartime emergency "special procurement" during the Korean War (296). Asai Yoshio (2002b, 2003a, 2003b) expanded the findings of Nakamura and attempted to empirically analyze the realized portion and the expected portion of the "Japan-US economic cooperation framework." Unfortunately, this study offered only an analysis of the "expected portion" since the research was discontinued after considering the content and impact of the statement made by William F. Marquat, chief of the Economic and Scientific Section, the General Headquarters of the Supreme Commander for the Allied Powers (hereafter GHQ/SCAP) in May 1951.⁴ In other words, a review of the "realized portion," or how the Japan-US economic cooperation framework led to a new special procurement program, has yet to be completed.

Regarding special procurement for armaments and the redevelopment of the Japanese military industry, Nam Kijeong (2012, 2016) has analyzed the special procurement for weapons and military armaments, and emphasized that special procurement at the time was directly related to the arms industry and resulted in the recovery of Japan's military industrial complex. However, the long-term effect of armaments special procurement on the revival of Japanese arms industry production was limited. For instance, Arita Fumiko and Nakamura Takafusa (2003) have claimed that the new special procurement of arms under the Japan-US economic cooperation framework began to appear in 1952, reached its peak in 1954, and was practically nonexistent by 1955. Also, "even large companies like Komatsu and Kobe Steel had to focus on their areas of advantage due to more stable demand, leaving arms production as their secondary business" (52). Sawai Minoru (2018) analyzed the effects of the occurrence and termination of the arms special procurement program on Japanese defense companies. According to this study, this special procurement triggered a revival within the military industry, but its termination led to the fall of military armaments production as a secondary level business interest that relied on the demand of

4. For the significance of Marquat Statement, refer to footnote 13.

Japan Defense Agency (Bōeichō). However, the aforementioned research on arms special procurement focused on the munitions special procurement in 1952-55, but did not mention the further procurement of aircraft, destroyers, and military vehicles that occurred through US military aid expenditure in the late 1950s.

Unlike the research mentioned above which focus on the early 1950s when the Korean War was ongoing, very few studies have dealt with special procurement during the late 1950s after the cease fire agreement. This might be due to the rapid growth of the Japanese economy and relative decline of the scale of special procurement in the late 1950s. However, special procurement not only functioned to sustain a steady influx of foreign currency amounting to 400 million or 500 million dollars a year up to the late 1950s, but also played a significant part in the Cold War period US East Asia strategy and the advancement of Japan in the region. Japan strived for its own economic interests, at the same time as remaining deeply committed to supporting US military and political hegemony in East Asia. This commitment is reflected in the effort undertaken to secure further US procurement support through the offshore procurement (*ikigai chōtatsu*) of US aid supplies. This article therefore covers both the special procurement program during the Korean War and the special procurement of the late 1950s during the post-Korean War period which has received little attention in existing literature. It is also the aim of this study to clarify the significance of special procurement in the 1950s relative to the wider structure of Cold War relations.

The *Special Procurement Survey* (*Tokuju chōsa*, hereafter *SPS*) conducted by the Special Procurement Office, Enterprises Bureau, Ministry of International Trade and Industry (MITI) (Tsūsanshō Kigyōkyoku Tokujuka), also known as the Compensation Special Procurement Office (Kigyōkyoku Baishō Tokujushitsu) from March 1954, was created to collect and disseminate details about the effects of special procurement after the armistice of the Korean War. The *SPS* was first released in July 1952 and issued monthly until its 214th edition in December 1969. There are some differences in its content depending on the period, but the survey consistently contained details about the amount of monthly special procurement received into the country, various related statistical analysis, and reports on relevant domestic and international developments. The fact that it featured reports on the US budget and aid policy is understandable since special procurement was connected closely with American foreign policy.⁵

5. I would like to express my gratitude to Professor Yeo Inman from Gangneung-Wonju National University for allowing me to use the data. This data is located at the library of the Ministry of Economy, Trade and Industry (METI) of Japan. Thanks to this data, I was able to clearly identify

An Overview of Special Procurement

1. Definition of Special Procurement

The concept of special procurement initially derived from the demand for Japanese supplies and services from the US armed forces during the Korean War. However, it came to include other content that was only indirectly related to the conflict. Therefore, a clear definition of “special procurement” is essential to proceed with this analysis of its precise scale and content. The term included two general “narrow” and “broad” procurement demands made by the US government, categories I shall now proceed to outline in detail.

The term “narrow special procurement” designates the demand made directly by US Forces Japan and related agencies, which placed orders for supplies and services in Japan and made payments in foreign currency (usually dollars). The Economic Section of the US Embassy made a weekly announcement on statistics regarding this type of special procurement as an overall “special procurement contract amount.”⁶ The Japan Logistics Command (JLC) was established on August 25, 1950 as a procurement bureau to deal with the demands for supplies and services made by the US forces and related agencies.⁷ However, these statistics did not include figures for labor procurement, as these contracts were concluded directly by Procurement Agency of Japan.

After October 1952, the narrow special procurement also came to include, within the “special contract amount,” the procurement of Emergency Procurement Service (EPS) under the General Supply Administration (GSA),⁸ as well as the procurement demands made by the United Nations Korean Reconstruction Agency (UNKRA) after January 1954. The supply procurement of EPS was related to the economic aid for Korea, Taiwan, and Southeast Asia distributed from within the national US aid budget, which served a different purpose from

the specific content (contract amount, import amount, and its composition) of special procurement after the armistice of the Korean War, as well as MITI policies for special procurement, aid plans of the US, and their relation to special procurement.

6. The data was collected by the Programs and Statistics Division, Economic and Scientific Section, SCAP, until April 1952, by the Procurement and Development Division, Economic Section, the US Embassy, until September 1953, and by the Statistics Branch, Foreign Exchange Division, Bank of Japan, based on data from the US Embassy since then.

7. On November 14, 1951, the Japan Procurement Agency (JPA) was established as an affiliated organ of JLC, and it was reorganized to Army Procurement Agency (APA) residing in Japan in January 1957. Most goods for the US Forces Japan were procured through JPA, but some portion were supplied through agencies related to the US Air Force and Navy.

8. EPS was renamed in December 1956 as FSS (Federal Supply Service).

the original narrow remit of special military procurement. UNKRA was established on December 1, 1950, but its actual activity began after the armistice of the Korean War. Also, due to the objectives of the agency, its procured supplies were purely for the reconstruction of Korea.

After the Peace Treaty went into effect in April 1952, the figure given for special procurement contracts included the amount paid from the Japanese government to fulfill their part of the burden-sharing clause for the maintenance of foreign military in Japan, in accordance with Article 25 of the US-Japan Administrative Agreement. This contract amount paid from the burden sharing was in Japanese yen, so it was commonly called the “yen-based contract.” Yen-based contracts were not included in the special procurement contract amount from 1957 because the burden sharing was transferred to the First Defense Build-up Program. This yen-based special procurement was not related to any foreign currency acquisition because the payment was made in yen.

“Broad special procurement” constituted the line items entered as “foreign military or other agency related expenses” and the “sale of yen for the French military mission to Japan” in foreign exchange statistics of the Bank of Japan (Keizai Shingichō 1954).⁹ MITI announced this amount as the special procurement income total, which included yen sales, US forces deposits, Okinawa construction costs, ICA, UNKRA, and other US armed forces or UK armed forces-related items. The “broad special procurement” or special procurement income amount is a generic term for the procurement income in a foreign currency (usually US dollars). Therefore, the yen-based special procurement in the special procurement contract amount is not included here. The items that were classified within the special procurement income amount are listed below (Tsūshō Sangyōshō Baishō Tokujushitsu 1961, 83-84).

- ① Yen sales: The amount of yen sold by the designated banks (Japanese branches of US banks) used by the US forces in exchange for the checks of payment that the military forces wrote. The US military used the acquired yen for personal expenses for themselves and their families.
- ② US forces deposit: A method through which the US armed forces units acquired yen by depositing US government checks in checking accounts of the Bank of Japan. The US forces disbursement officer used this method to pay for the supplies and services that the US forces procured. The US government checks were directly paid to Japanese vendors until the Korean Peace Treaty went into effect. Then after its enactment, checking accounts owned by the US forces

9. The “sale of yen for the French military mission to Japan” seems to be a program of special procurement related to the French military mission in Japan, but specifics were unavailable. This item is not included in the data that is announced as the special procurement income amount.

were opened in yen at the Bank of Japan to pay for special procurement expenditure.

- ③ Okinawa construction cost: The amount of yen exchanged from foreign currency acquired through Japanese vendors winning the bid for the construction of US bases in Okinawa.
- ④ Other US forces-related: Expenses unrelated to the US armed forces in East Asia stationed in Japan and personal transfers to the UN agents in Japan.
- ⑤ ICA and others: The income gained from exports to countries supported by US overseas aid, who were purchasing supplies in Japan using their allotted US aid budget. US foreign aid was under the charge of the Mutual Security Agency (MSA) and the Technical Cooperation Administration in 1951-53 and the Foreign Operations Administration (FOA) in 1953-55; however, the International Cooperation Administration (ICA) that was established as an external agency of the Department of State took charge of economic and technical matters relating to overseas aid in July 1955. The ICA was then integrated into the Agency of International Development (AID) in 1961.
- ⑥ UK forces-related: The expenses in British pounds of the UK forces in Japan. The UK military used the yen sales method, so this amount includes both military and personal expenses. Yen sales for the UK forces were terminated in 1957.

Because the “narrow special procurement” (special procurement contract) and “broad special procurement” (special procurement income) are complicated and easily confused, figure 1 serves to make them clear. “Purchase orders for

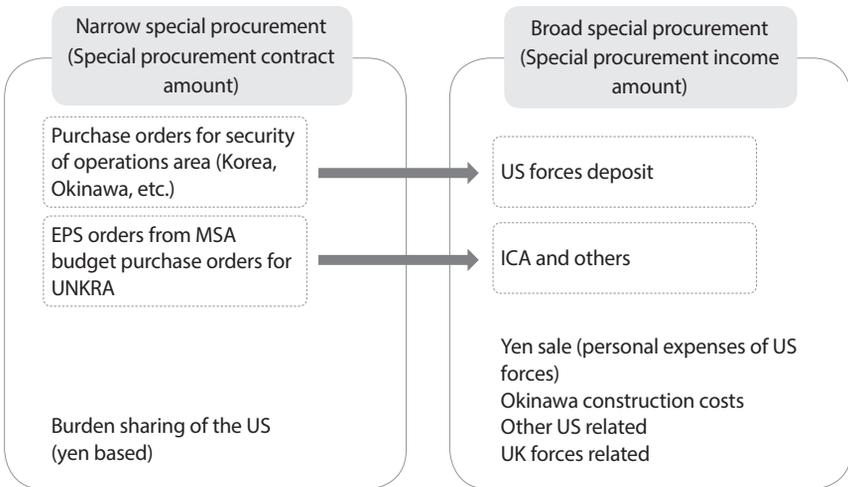


Figure 1. The relationship between “narrow special procurement” (special procurement contract amount) and “broad special procurement” (special procurement income amount)

[the] security of operations area” and “purchase orders from MSA budget or UNKRA” of “narrow special procurement” are matched with the “US forces deposit” and “ICA and others” of “broad special procurement.”

Under the category “US forces deposit,” labor procurement from the Procurement Agency is included alongside “purchase orders for [the] security of operations area.” In the “ICA and others,” supplies and services procured in Japan using the US aid budget purchased by institutions other than US armed forces and US-related agencies are included. Meanwhile, the US portion of the burden sharing is not included within the category “broad special procurement.”

2. Trend of Special Procurement Contract Amounts

The special procurement contract amount (narrow special procurement), which reached its peak in 1953 at 443 million dollars, was greatly reduced in 1954 to 237 million dollars, moved down to around 100 million dollars until 1962, and went under 100 million dollars after 1963 (table 1). The special procurement contract amount was mainly from the US forces, while GSA or UNKRA was responsible for only three to five percent of the total supplies contract amount annually.

In terms of the supplies and services (*ekimu*) ratio, supplies were 57.1 percent and services were 42.9 percent in total until 1960. The services proportion increased in 1952, when it took up over half of the entire contract amount. This growth seems to have originated from the higher contract amounts for construction and repair costs as the war entered its terminal phase.

The yen-based contracts started in July 1952, and amounted to 120 million dollars (twenty-one percent of the total contract amounts) in 1953. However, the scale of these contracts shrank to eighteen million dollars in 1954 and became almost nonexistent after 1955 (table 2). The yen-based contracts were all related to the procurement of the US forces in Japan, with a higher ratio of services when compared to the dollar-based contracts. As mentioned earlier, the yen-based contracts did not contribute to the acquisition of foreign currency since the contracts were paid in yen.

3. The Trend within the Special Procurement Income Amounts

The special procurement income amounts (“broad special procurement”) were over 800 million dollars in 1952-53 during the Korean War, but decreased to 500 million dollars from 1954, after the armistice in Korea, up until 1957. In 1958 the amount decreased to 400 million dollars, and by 1962 it was further reduced

Table 1. Trend of special procurement contract amounts

Year	Amount (in 1,000 dollars)			Ratio (%)		
	Supplies	Services	Total	Supplies	Services	Total
1950	127,327	64,029	191,356	66.5	33.5	100.0
1951	254,506	99,134	353,640	72.0	28.0	100.0
1952	205,373	117,149	322,522	63.7	36.3	100.0
1953	260,794	183,069	443,863	58.8	41.2	100.0
1954	104,727	132,693	237,420	44.1	55.9	100.0
1955	65,748	107,941	173,689	37.9	62.1	100.0
1956	68,757	95,743	164,500	41.8	58.2	100.0
1957	131,245	98,363	229,608	57.2	42.8	100.0
1958	67,392	76,120	143,512	47.0	53.0	100.0
1959	89,136	67,099	156,235	57.1	42.9	100.0
1960	93,340	63,822	157,162	59.4	40.6	100.0
1961	76,365	70,726	147,091	51.9	48.1	100.0
1962	67,781	48,597	116,378	58.2	41.8	100.0
1963	18,733	40,826	59,559	31.5	68.5	100.0
1964	23,035	27,079	50,114	46.0	54.0	100.0
1965	26,060	29,368	55,428	47.0	53.0	100.0
1966	60,012	47,427	107,439	55.9	44.1	100.0
1967	25,960	57,308	83,268	31.2	68.8	100.0
1968	25,519	61,175	86,694	29.4	70.6	100.0
1969	18,727	73,626	92,353	20.3	79.7	100.0

Source: SPS, No.110 (December 1960), No.202 (December 1968).

to 300 million dollars (table 3). The special procurement income amount dramatically increased from 1966 again, which seems to be attributable to the Vietnam War.

The composition of special procurement income amounts showed that the US armed forces deposit had its highest proportion during the Korean War. Yet, after the Korean War armistice in 1953, yen sales increased, resulting in yen sales taking up the greatest portion of special procurement income after 1954. This change is due to the decrease of the US forces deposit after the armistice in

Table 2. Dollar-based and yen-based special procurement contract amounts
Amount (in 1,000 dollars)

Year	Dollar			Yen			Total		
	Supplies	Services	Total	Supplies	Services	Total	Supplies	Services	Total
1950	131,511	61,062	192,573		0	0	131,511	61,062	192,573
1951	268,594	91,876	360,470		0	0	268,594	91,876	360,470
1952	161,366	71,250	232,616	20,182	40,949	61,131	181,548	112,199	293,747
1953	210,803	121,750	332,553	50,685	68,323	119,008	261,488	190,073	451,561
1954	119,702	117,430	237,132	3,229	15,131	18,360	122,931	132,561	255,492
1955	66,769	109,288	176,057	0	91	91	66,769	109,379	176,148
1956	69,260	97,202	166,462	0	26	26	69,260	97,228	166,488
Ratio (%)									
1950	68.3	31.7	100.0	0.0	0.0	0.0	68.3	31.7	100.0
1951	74.5	25.5	100.0	0.0	0.0	0.0	74.5	25.5	100.0
1952	54.9	24.3	79.2	6.9	13.9	20.8	61.8	38.2	100.0
1953	46.7	27.0	73.6	11.2	15.1	26.4	57.9	42.1	100.0
1954	46.9	46.0	92.8	1.3	5.9	7.2	48.1	51.9	100.0
1955	37.9	62.0	99.9	0.0	0.1	0.1	37.9	62.1	100.0
1956	41.6	58.4	100.0	0.0	0.0	0.0	41.6	58.4	100.0

Source: Keizai Shingichō (1954) for 1950-53; After 1954, SPS No.50 (January 1956), No.62 (December 1956), and No.65 (March 1957).

Note: The total has some differences when compared to that of table 1. This discrepancy is due to the difference in source data in 1950-53 and because this table relies on purchase order amounts rather than contract amounts after 1954.

Korea, while the yen sales expanded with the increased spending of US military personnel as they visited Japan during relocating or vacation after the cease-fire (SPS No.25, December 1953).

The proportion of the "ICA and others" increased after 1955, taking up over 27.2 percent of the special procurement income in 1960. However, it decreased to 16.6 percent in 1961, and reduced further to cover only small amounts from 1962 until it disappeared from statistics after 1964. These changes reflect the shift of US aid policies related to the overall dollar policy of the US.

Table 3. Trend of special procurement income amounts

Year	Amount (in 1,000 dollars)						Ratio (%)					
	Dollar (US forces-related)			Pound			Dollar (US forces-related)			Pound		
	Yen sales	US forces deposit	Okinawa construction, others	ICA and others	Total	UK forces	Yen sales	US forces deposit	Okinawa construction, others	ICA and others	Total	UK forces
1950	110,187	38,256	446		148,889		74.0	25.7	0.3	0.0	100.0	0.0
1951	221,930	337,370	13,184	12,232	572,484	6,961	37.5	57.0	2.2	96.8	2.1	1.2
1952	271,476	503,607	15,202	16,194	790,285	17,689	32.9	61.1	1.8	95.9	2.0	2.1
1953	300,513	456,029	9,726	19,486	766,268	23,725	37.1	56.3	1.2	94.7	2.4	2.9
1954	292,779	245,837	20,169	16,454	558,785	20,925	49.1	41.2	3.4	93.7	2.8	3.5
1955	275,723	193,853	5,026	70,604	474,602	11,398	49.5	34.8	0.9	85.3	12.7	2.0
1956	273,779	187,265	6,135	12,4280	467,179	3,908	46.0	31.5	1.0	78.5	20.9	0.7
1957	259,435	154,600	6,853	128,356	420,888	26	549,270	47.2	28.1	1.2	76.6	23.4
1958	207,535	163,498	9,210	101,319	380,243		481,562	43.1	34.0	1.9	79.0	21.0
1959	209,598	131,308	18,486	111,431	359,392		470,823	44.5	27.9	3.9	76.3	23.7
1960	215,903	173,000	5,951	147,274	394,854		542,128	39.8	31.9	1.1	72.8	27.2
1961	183,325	187,336	1149	73,962	371,810		445,772	41.1	42.0	0.3	83.4	16.6
1962	201,070	165,054	342	9,629	366,466		376,095	53.5	43.9	0.1	97.4	2.6
1963	204,149	141,140	1,042	1,080	346,331		347,411	58.8	40.6	0.3	99.7	0.3
1964	210,996	111,428	940		323,364		323,364	65.3	34.5	0.3	100.0	0.0
1965	227,537	95,364	378		323,279		323,279	70.4	29.5	0.1	100.0	0.0
1966	309,036	159,893	1,065		469,994		469,994	65.8	34.0	0.2	100.0	0.0
1967	374,257	131,593			505,850		505,850	74.0	26.0	0.0	100.0	0.0
1968	417,271	169,174			586,445		586,445	71.2	28.8	0.0	100.0	0.0
1969	466,046	172,005			638,051		638,051	73.0	27.0	0.0	100.0	0.0

Source: SPS, each issue.

Note: ICA and others include income related to UNKRA.

The Korean War and Special Procurement

1. The Korean War Special Procurement

As the above overview of the special procurement distribution in the 1950s indicates, not all the special procurement at the time was related directly to the Korean War. As the armistice negotiations took off and physical confrontations began to cease, a different kind of “procurement” emerged, and the term “new special procurement” was used to distinguish it from the “Korean special procurement” which was directly related to the Korean War.

How big, then, was the Korean War special procurement? This question may be important to Koreans since they were stakeholders in the conflict, but unfortunately it is virtually impossible to precisely identify the amount of Korean War special procurement within the entire special procurement amount. This is because it is not only difficult to determine whether the procured supplies at the time were used in the Korean War or in Japan or a third arena, but also because the line between “directly related” and “indirectly related” to the Korean War is entirely ambiguous. Therefore, this paper does not estimate the scale of the Korean War special procurement. Instead it assumes the special procurement from the outbreak of the Korean War on June 25th, 1950 to the signing of armistice in December 1953 as tentatively representative of the entire Korean War special procurement.

Special procurement was most actively used during the Korean War. The special procurement contract amount that occurred during this period was about 1.311 billion dollars, which accounted for fifty-one percent of the aggregate contract amount from 1950 to 1960. In parallel, the special procurement income amount was 2.374 billion dollars during the Korean War, which was thirty-nine percent of the total income amount from special procurement between 1950 and 1960. The reason why the special procurement income amount ratio related to the Korean War was lower than the special procurement contract amount ratio is because the larger portion of yen sales and ICA-related procurement in the special procurement income amount is not directly related to the war.

Table 4 shows the ratio of each item within the special procurement contract amounts from the outbreak of the Korean War in the summer of 1950 to December 1953. In the supplies sector, fabric and textiles had the highest proportion in the first year (July 1950-June 1951), followed by transport machinery and metal products. In the second year (July 1951-June 1952), metal products had the highest proportion, followed by fabric and textiles, and transport machinery. Metal products remained the highest proportion followed

Table 4. Composition and trend of special procurement contract amounts during the Korean War

(%)

	1st year (Jul. 1950- Jun. 1951)	2nd year (Jul. 1951- Jun. 1952)	3rd year (Jul. 1952- Jun. 1953)	4th year (Jul.- Dec. 1953)	Total
Items					
Food	3.2	0.5	2.1	11.0	2.6
Beverages and tobacco	0.2	0.7	1.0	0.8	0.7
Raw materials	3.5	5.3	5.1	1.9	4.5
Mineral fuel	3.2	6.5	15.8	25.5	10.2
Medicine	5.1	9.8	6.8	8.8	7.3
Rubber products	0.8	1.4	0.2	0.3	0.7
Wood products	3.4	2.9	2.7	1.9	2.9
Paper and paper products	0.5	0.6	0.9	1.1	0.7
Fabric and textile	27.2	18.2	9.3	2.3	16.4
Nonmetal mineral products	0.9	4.8	3.0	0.8	2.8
Primary metal products	4.9	7.2	8.4	3.4	6.7
Metal products	15.9	18.4	30.7	25.0	22.5
Machinery	1.5	1.6	1.7	1.3	1.6
Electric machinery	4.0	2.9	2.6	4.4	3.2
Transport machinery	19.1	12.3	3.9	6.0	10.8
Prefabricated houses, waterworks, heating, lighting	3.3	4.4	3.3	0.9	3.4
Clothing and shoes	2.1	1.9	1.5	0.2	1.7
Others	1.0	0.8	1.3	4.3	1.3
Total	100.0	100.0	100.0	100.0	100.0
Amount (in 1,000 dollars)	229,997	246,164	295,230	57,181	828,570

Table 4. Composition and trend of special procurement contract amounts during the Korean War (continued)

	1st year (Jul. 1950- Jun. 1951)	2nd year (Jul. 1951- Jun. 1952)	3rd year (Jul. 1952- Jun. 1953)	4th year (Jul.- Dec. 1953)	Total
Services					
Transport, handling, storage	39.8	31.2	15.9	22.4	25.2
Communication and other public projects	4.8	5.9	22.5	26.0	16.5
Construction	11.3	19.6	25.9	19.8	20.3
Repairs and refurbishments	40.0	38.0	30.3	30.1	33.8
Manufacturing from US forces materials	1.6	2.1	0.2	0.0	0.8
Professional services	2.1	0.8	2.0	1.2	1.6
Other services	0.5	2.3	3.2	0.4	1.9
Total	100.0	100.0	100.0	100.0	100.0
Amount (in 1,000 dollars)	98,927	85,356	181,196	101,433	466,912

Source: Keizai Shingichō (1954).

by mineral fuels in the third year (July 1952-June 1953), and the fourth (July-December 1953). In the services sector, “transport, handling, storage” and “repairs and refurbishments,” and “construction” had the highest proportion, while “communication and other public projects” gained more ground in the third and fourth years.

Table 5 shows the major items that constituted over ten million dollars in total in 1950-53. Sacks and cotton cloth from fabrics and textile products, and vehicle parts, trucks, and trains from transport machinery were important here, with the truck contract amount particularly dominant in the first year. “Arms and related parts,” barbed wire (*yūshi tessens*), steel barbed poles (*yūshi tetsuzō kōchū*), and construction steel were major items within metal products. In particular, “arms and related parts” had a dramatic increase in the third year. Mineral fuel mainly comprised of coal, which had a large increase in the third and fourth years and was usually accounted for through yen-based contracts. “Construction and the refurbishment of buildings,” “vehicle repairs,” “handling storage,” and “telegraph and telephone” contracts were the largest components

Table 5. Composition and trend of the special procurement contract reserve (by item, exceeding USD 10 million) during the Korean War (in 1,000 dollars)

Items						Services					
	1st year (July 1950-June 1951)	2nd year (July 1951-June 1952)	3rd year (July 1952-June 1953)	4th year (July- December 1953)	Total		1st year (July 1950-June 1951)	2nd year (July 1951-June 1952)	3rd year (July 1952-June 1953)	4th year (July- December 1953)	Total
Arms and related parts	15,056	16,069	64,423	15,095	110,643	Construction and refurbishment of buildings	4,763	14,000	37,163	15,696	71,622
Coal	7,265	15,542	46,189	9,961	78,957	Vehicle repairs	15,732	18,215	16,549	16,180	66,676
Sacks	8,702	10,187	14,786	0	33,675	Handling, storage	9,245	15,873	16,688	16,422	58,228
Vehicle parts	7,644	18,584	3,760	101	30,089	Telegraph and telephone	4,488	4,155	13,703	25,840	48,186
Cotton cloth	13,531	14,240	1,788	0	29,559	Maritime transport	14,124	9,571	10,215	5,420	39,330
Trucks	22,704	331	0	0	23,035	Machinery repairs	8,716	4,068	16,669	2,899	32,352
Ammonium sulfate	1,293	7,261	11,139	2,520	22,213	Other constructions (outdoor)	6,383	2,719	9,606	4,501	23,209
Wood	3,297	8,206	8,193	131	19,823	Electricity	0	689	19,461	5	20,155
Construction steel	8,755	5,852	4,584	177	19,368	Ground transport	15,955	1,178	1,923	862	19,918
Cement	1,067	9,536	8,394	357	19,354	Metal repairs	1,298	2,529	9,012	544	13,383

Table 5. Composition and trend of the special procurement contract reserve (by item, exceeding USD 10 million) during the Korean War (continued)

Items	Services					Total
	1st year (July 1950-June 1951)	2nd year (July 1951-June 1952)	3rd year (July 1952-June 1953)	4th year (July- December 1953)	Total	
Prefabricated houses	2,997	7,602	7,983	0	18,581	
Barbed wire	4,532	4,239	8,420	136	17,327	
Blankets	9,323	5,630	728	0	15,676	
Train	7,252	2,533	4,573	446	14,804	
Drum	2,366	11,062	903	296	14,627	
Steel barbed poles	6,274	3,522	2,733	0	12,529	
Wool	8,290	0	2,911	0	11,201	
Canvas and related products	4,567	3,814	327	2,176	10,883	
					Ship repairs	13,169

Source: Keizai Shingichō (1954).

Note: The original numbers were used in total amounts if there were differences from the sum of numbers from the first year to the fourth year.

within the services sector. Of these, “telegraph and telephone” was concentrated in the third and fourth year.

The above breakdown indicates an increasing trend in mineral fuel, medicine, and nonmetal mineral products as they enter the second and third year (table 4). The major items that increased in contract amounts in the second and third years were coal, ammonium sulfate, and cement (table 5). This change seems to reflect the increase of expenditure on public welfare and reconstruction supplies as the Korean War entered its latter stages.

The reason the proportion of metal products increased rapidly in the third and fourth years (July 1952-December 1953) was due to the increase in demand for arms. This growth is not directly related to the Korean War, as will be discussed later, as it was mainly from the procurement of finished weapons (usually shells) that were involved with “new special procurement.” The contracts for “arms and related parts” in the third and fourth year amounted to around eighty million dollars, which was 22.6 percent of the supplies contract reserve of the period. In contrast, the total of “arms and related parts” in the first and second year (July 1950-June 1952) was around thirty-one million dollars, or only 6.5 percent of the supplies contract reserve of the period. This difference existed because it was difficult to place large purchase orders for arms from Japan since the production of weapons in Japan was officially prohibited during the first and second year. Even the armaments that were ordered at the time were not finished products, but mainly component parts or accessories such as fuel tanks, napalm bomb tanks, fin bombs, parachute flares, rocket bomb guide units, and helmets (Keizai Dantai Rengōkai Bōei Seisan linkai 1964, 76).

2. Korean Reconstruction Special Procurement

As MITI’s report stated, “there are forecasts that the resumption of the armistice talks in Korea might reduce special procurement, [but actually it appears that] large purchase orders of public welfare supplies from Korea will commence” (SPS No.15, April 1953). In this regard, Japanese expectations for reconstruction special procurement heightened with the commencement of peace negotiations to end the Korean War.

It is difficult to calculate the exact scale of the Korean reconstruction special procurement. Instead, information on special procurement contract amounts (contracts for supplies to Korea; *Kankoku-muke* in the original text) to Korea from the special procurement contract amount and ICA-related special procurement income from special procurement income are used here to provide

Table 6. Special procurement contract reserves to Korea after the Korean War (supplies)

Items	1954		1955		1956		1957		1958		1959		1960	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Food and beverages			123	(0.6)	552	(2.3)	959	(4.4)	767	(5.8)	2,971	(26.4)	634	(5.4)
Fabric products			436	(2.1)	871	(3.6)	2,487	(11.5)	74	(0.6)	214	(1.9)	4	(0.0)
Wood and wood products			2,768	(13.6)	1,955	(8.1)	5,149	(23.8)	1,678	(12.7)	1,816	(16.1)	556	(4.7)
Grease, wax			49	(0.2)	191	(0.8)	447	(2.1)	0	(0.0)	42	(0.4)	0	(0.0)
Animal and plant products			317	(1.6)	2,175	(9.0)	259	(1.2)	264	(2.0)	274	(2.4)	129	(1.1)
Chemical products			1,082	(5.3)	876	(3.6)	862	(4.0)	430	(3.2)	504	(4.5)	133	(1.1)
Metal products			4,497	(22.1)	3,137	(12.9)	4,725	(21.9)	4,827	(36.5)	2,328	(20.7)	1,877	(15.9)
Nonmetal mineral products			5,613	(27.6)	8,968	(37.0)	3,266	(15.1)	2,727	(20.6)	1,924	(17.1)	2,183	(18.5)
Machinery			5,461	(26.8)	5,299	(21.9)	3,409	(15.8)	2,422	(18.3)	1,148	(10.2)	6,279	(53.2)
Miscellaneous products			14	(0.1)	211	(0.9)	37	(0.2)	45	(0.3)	27	(0.2)	0	(0.0)
Total to Korea	11,186		20,360	(100.0)	24,235	(100.0)	21,600	100.0	13,234	(100.0)	11,248	(100.0)	11,795	(100.0)
		[10.7]		[31.0]		[35.2]		[16.5]		[19.6]		[12.6]		[12.6]
Total to overseas	12,601	[12.0]	21,990	[33.4]	25,038	[36.4]	25,626	[19.5]	16,591	[24.6]	13,825	[15.5]	13,132	[14.1]
Special procurement contract reserve (supplies)														
	104,727	[100.0]	65,748	[100.0]	68,757	[100.0]	131,245	[100.0]	67,392	[100.0]	89,136	[100.0]	93,340	[100.0]

Source: SPS No.50 (January 1956), No.62 (December 1956), No.74 (December 1957), No.86 (December 1958), No.110 (December 1960).

Note: Numbers in () are the ratio of each item in the special procurement contract reserve to Korea.

Numbers in [] are the ratio of contract reserves to Korea and to overseas in total special procurement contract reserve (supplies).

Table 7. Foreign currency received from the ICA budget per country

(in 1,000 dollars)

Year	1955		1956		1959		1960		1961	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Korea	15,502	(22.1)	30,930	(25.1)	37,241	(33.4)	40,858	(27.7)	26,745	(36.2)
Taiwan	3,237	(4.6)	6,217	(5.0)	11,785	(10.6)	26,555	(18.0)	14,516	(19.6)
Philippines	1,421	(2.0)	649							
Vietnam	29,097	(41.5)	55,849	(45.3)	37,178	(33.4)	37,180	(25.2)	14,849	(20.1)
Cambodia			9,130	(7.4)	3,723	(3.3)	5,549	(3.8)	737	(1.0)
Laos			1,812	(1.5)						
India	14,926	(21.3)	9,008	(7.3)	7,973	(7.2)	8,268	(5.6)	4,548	(6.1)
Pakistan	2,459	(3.5)	2,170	(1.8)	6,623	(5.9)	12,670	(8.6)	3,714	(5.0)
Iran	2,110	(3.0)	2,591	(2.1)	1,772	(1.6)	13,717	(9.3)	5,344	(7.2)
Thailand	28		4,856	(3.9)						
Indonesia	51		45							
Others	1,283	(1.8)	109	(0.1)	4,884	(4.4)	2,472	(1.7)	3,309	(4.5)
Total	70,074	(100.0)	123,376	(100.0)	111,380	(100.0)	147,269	(100.0)	73,962	(100.0)

Source: SPS No.63 (January 1957), No.110 (December 1960), No.122 (December 1961).

Note: The original data was used for the total if the sum of numbers did not match.

a rough estimate.¹⁰ This amount was calculated based on the purchase orders of US military-related agencies using the US aid budget. On the other hand, the Korean proportion of the ICA-related special procurement income also included proceeds from purchase orders other than those made by US armed forces-related agencies, such as bodies related to the South Korean government. Therefore, the ICA-related Korean special procurement income amount is larger than the special procurement contract amount to Korea.

10. The name “Korean reconstruction special procurement” was used only once in SPS as “Japanese contracts of Korean reconstruction special procurement” between July 1953 and December 1954. The “Japanese contracts of Korean reconstruction special procurement” during the period was around 34.35 million dollars, whereas the special procurement contract amount to Korea by US forces-related agencies was 15.47 million dollars. The difference is due to the inclusion of a 10.567 million dollar (July 1953-June 1954) order for fertilizer aid by the Chicago Procurement Office, US Department of the Army, and 7.799 million dollar order (July-December 1954) from the Overseas Procurement Service of Korea, which were not US forces-related agencies, in the “Japanese contracts of Korean reconstruction special procurement” [SPS No.38 (January 1955); No.44 (July 1955)].

Table 8. The composition of the amount of foreign currency received from the ICA budget and the amount attributable to Korea
Amount (1,000 dollars)

Items	Amount (1,000 dollars)										Ratio (%)	
	1955	1956	1960		1961		1955	1956	1960		1961	
			(Korea)	(Korea)	(Korea)	(Korea)			(Korea)	(Korea)	(Korea)	
Food	978	858	69	23	120	52	1.4	0.7	0.0	0.1	0.2	0.2
Fabric related	12,968	45,698	31,163	1,588	10,912	1,395	18.5	37.0	21.2	3.9	14.8	5.2
Cotton	5,414	21,584					7.7	17.5				
Synthetic	3,058	14,872					4.4	12.1				
Wood, paper	785	4,695	3,352	1,326	2,881	2,280	1.1	3.8	2.3	3.2	3.9	8.5
Rubber products	1,431	2,983	2,292	130	1,871	160	2.0	2.4	1.6	0.3	2.5	0.6
Chemical products	11,382	19,758	34,882		17,274	14,386	16.2	16.0	23.7	67.5	23.4	53.8
Fertilizer	10,439	17,210			13,757	12,749	14.9	13.9			18.6	47.7
Nonmetal products	8,587	15,018	11,701	2,584	3,245	1,475	12.3	12.2	7.9	6.3	4.4	5.5
Cement	6,288	9,483			2,488	1,070	9.0	7.7			3.4	4.0
Metal products	21,341	14,892	36,576	4,126	16,725	2,975	30.5	12.1	24.8	10.1	22.6	11.1
Steel material	11,275	1,762					16.1	1.4				
Steel products	9,324	11,784					13.3	9.6				
Machinery	11,069	14,900	26,670	3,272	20,601	3,945	15.8	12.1	18.1	8.0	27.9	14.8
General machinery	9,584	12,329					13.7	10.0				
Rail carriages	801	1,642					1.1	1.3				
Ships	235	0					0.3	0.0				
Other goods	1,533	4,573	564	227	333	77	2.2	3.7	0.4	0.6	0.5	0.3
Total	70,074	123,375	147,269	40,858	73,962	26,745	100.0	100.0	100.0	100.0	100.0	100.0

Source: SPS No.63 (January 1957), No.110 (December 1960), No.122 (December 1961).

Note: Data from the original source was used for the numbers on the table that did not match the total.

Keeping this difference in mind, the content of the special procurement contract to Korea is shown in table 6. According to the table, the special procurement contract amount to Korea in 1955 and 1956 was around thirty percent of the total contract amount (supplies), but it was reduced to about ten percent after 1957. In terms of amount, it was over twenty million dollars in 1955-57, which then decreased to thirteen million dollars after 1958. The composition of special procurement to Korea included reconstruction supplies like wood, metal items (like rails), mineral commodities and byproducts (coal, cement, etc.), and machinery, which took over sixty percent of the total after 1955 and over ninety percent in 1955 and 1960.

The ratio of income related to Korea within the special procurement income from the ICA budget was twenty to thirty percent (table 7). In terms of the amount, it increased to about thirty million dollars in 1956, which was double that of the year before. It reached a peak in 1960 with an income of around forty million dollars. The composition of income related to Korea is only available for 1960 and 1961, and it shows that reconstruction supplies comprised the majority, as they did with the special procurement contract amounts. Fertilizer was an overwhelmingly dominant product in this category (table 8).

Ultimately, the scale of Korean reconstruction special procurement was not as large as Japan originally anticipated. The amount of supplies that Korea procured from Japan through the ICA budget from 1955 to 1957 was only about fifteen percent of what Korea received from the US during the same period. The understanding of MITI was that “the amount of supplies ordered from Japan is low in comparison to the amount of aid to Korea because a favorable relationship between Korea and Japan is fundamentally missing” (SPS No.84, October 1958).

In this respect, that the scale of special procurement for Korean reconstruction was not as large as Japan expected was largely due to the resistance of the Korean government. As Yi Jong-wŏn (1996) investigated in detail, the Korean government was determined to resist the US government imperative to strengthen the Japanese economy, which was relying on the Korean War special procurement program. It wished to exclude Japan from the point of aid supplies acquisition.¹¹ However, the Korean government ultimately failed to stand its ground against the firm stance of the US and signed “Agreed Minutes of the ROK-US Summit” in November 1954, which forbid discriminating against specific nations in acquiring aid supplies. Despite this effort by the US to privilege Japan, the Korean government continued to boycott Japanese products through various methods, including indirect measures.

11. See Sections 4 and 5 of Chapter 3 in Yi Jong-wŏn (1996).

For example, in February 1955 the Korean government decided on purchasing Belgian products through the Tonghwa Corporation (Tonghwa Shirōp) for the police uniform material bid despite the fact that it was costed eighth in the overall bid ranking. This international bid was held twice, but Belgian products with higher prices than Japanese companies won the bid both times. Japan objected to the result, which led FOA to reject the establishment of L/COM (payment agreement), nullifying the bid (SPS No.40, March 1955).

The Design of “Japan-US Economic Cooperation Framework” and the New Special Procurement

1. The Design of “Japan-US Economic Cooperation Framework”

The heightened expectations for a “new special procurement” program that would replace the initial Korean War special procurement as the armistice negotiations progressed underpinned the design of the “Japan-US economic cooperation framework.” This framework was intended to induce cooperation in the deployment of US military procurement, and was supported by the Japanese government, business community, journalists, and GHQ/SCAP from 1951 to 1952 in response to the review of US military to utilize Japanese industrial productivity for its logistics procurement.¹² The design was formed along three main axes: The expansion and continuation of the US military logistics supply procurement; Japanese participation in the development of Southeast Asia; and the enhancement of Japanese production capabilities to meet the demands of the US military (Asai 2001b, 31). However, opinion is divided as to the actual initial existence of such a direct intent.

The idea of the strategy behind the “Japan-US economic cooperation framework” was highlighted in relation to special procurement, to refer to the hope to build the economic independence of Japan through an increase in its logistical capability. Yet, there was no significant progress after the Marquat statement on May 16, 1951 (Keizai Kikakuchō Sengo Keizaishi Hensanshitsu 1957, 321).¹³

12. See Yamamoto (1975), Nakamura (1982), and Asai (2003b) for the design of Japan-US economic cooperation framework.

13. The Marquat statement was made as a result of discussing the intent of the US government for the Japan-US economic cooperation framework while he stayed in Washington, D.C., for three weeks on behalf of the Japanese government as the head of the Economics and Science Section, GHQ. This statement was the base of the Japan-US economic cooperation framework. Its main contents included ① the new special procurement is operated on a commercial basis ② the

According to Yamamoto Mitsuru, the “‘Japan-US economic cooperation framework’ was a plan, hope, expectation, fantasy, slogan, or a combination of such that only became the focal point after John F. Dulles’s visit to Japan as a special envoy (in January-February 1951),” but ultimately had no realistic backbone (Yamamoto 1975, 17). However, Nakamura emphasized “that ‘new special procurement’ particularly in armaments, similar to the level of wartime emergency ‘special procurement,’ was secured after July 1951,” as the result of the Japan-US economic cooperation framework (Nakamura 1982, 296).

The content of new special procurement was centered on off-the-shelf arms purchases. This fact is discussed in the next section. Also addressed is the partial realization of the development strategy for Southeast Asia as proposed in the Japanese economic cooperation plan through special procurement, and the US attempt to support Japan’s participation in Asian markets through serving as an intermediary in the procurement of US aid supplies to other Asian countries.

2. Arms Special Procurement

The utilization of Japanese industrial capability to supplement the US military mobilization system was a strategic axis of the “Japan-US economic cooperation framework.” The US plan to make Japan into a logistical supply center in Asia, taking advantage of its industrial development emerged after the outbreak of the Korean War. This intent was made clear when the Munition Board wrote a memorandum titled “Japan as a Source for the Supply of US Military Requirements” on February 1, 1951. Within this a strategy was outlined to utilize Japan as the procurement base for logistics and arms to support the US military and/or an assistant in the wider program of US military aid to Southeast Asia.¹⁴

As Japan showed its intention to actively commit to greater logistics production following this US initiative,¹⁵ Marquat, the head of Economics and

recurrence of inflation in the Japanese economy needed to be prevented and the price level needed to come down to the international level, and ③ Japan is best positioned to manage the wider development of Southeast Asia. See Keizai Kikakuchō Sengo Keizaishi Hensanshitsu (1957, 365).

14. This memorandum shows “the procurement from Japan expanded the Korean War procurement into industrial mobilization for the US strategy in Southeast Asia,” and it can be concluded that “the US policy started to reflect the establishment of an entire military blockade of East Asia following its lessons from the response to the Korean War” (Asai 2003b, 136).

15. The Japanese government established the Japan-US Economic Cooperation Committee with Sutō Hideo, the head of Economic Stabilization, as the chairman on November 16, 1951. The committee sent a letter called “Achievement of Independent Economy and Promotion of Economic Cooperation” to Marquat, the head of Economics and Science Section, on February 12, 1952, declaring that Japan is willing to fully commit to logistics production (Nakamura 1982, 299-300).

Science Section, ordered “conditional acceptance of aircraft and arms” on March 14, 1952. In response, the Japanese government made a partial revision to the “Production Restrictions of Arms and Aircraft” in the common regulations of the four ministries – International Trade and Industry; Logistics; Education, Science, and Culture; and Agriculture – on April 8 the same year. This revision resumed the production and repair of armaments and aircraft, marked by the order of 528 42-inch mortars from JPA to Osaka Kiko Co., Ltd. (Osaka Kikō) on May 3, 1952 (Keizai Dantai Rengōkai Bōei Seisan linkai 1964, 76).

After the end of World War II, Japan resumed arms production in August 1950, which was after the outbreak of the Korean War. However, the armaments produced at the time in Japan were not finished products; instead, they were mainly weapons parts or accessories. The arms special procurement that arose with the enactment of the Peace Treaty, on the other hand, was for finished products such as munitions. This demand for finished products was expected to become the “new special procurement” program that would replace the Korean War special procurement that was diminishing with the end of the War.

The new special procurement program was understood to be a constantly planned demand since it was not directly connected to a specific war. Keidanren stressed “it is constant because of its relation to the collaborative defense plans of free nations of the Far East with the US, and it is essentially planned instead of being urgent like the Korean special procurement” (Keidanren Jimukyoku 1952). Also, the Fair Trade Commission described the new special procurement in the following terms: (1) “The former special procurement was focused on wartime consumables related to operations in Korea excluding the provision of services, but the new special procurement is primarily focused on ‘off-the-shelf’ arms and not always directly related to the Korean War” and (2) “it is provided for the weapons rental or arms aid for Japan and Asian countries aside from the portion that the US military plans to use” (Kōsei Torihiki Iinkai Jimukyoku Keizaibu Chōsaka 1953, 2-3).

One reason the new special procurement was considered in terms of a constant and planned demand was based on the fact that it was secured through the offshore procurement program within the context of MSA aid.¹⁶ The rationale

This movement from the Japanese government was not only closely related to GHQ, but also to the Japanese business community that was active in “remilitarization.” See Nakamura (1982, 291); Asai (2003b, 151-55); Nam Kijeong (2012, 268-69) for the movement of Japanese business community related with the design of “Japan-US Economic Cooperation.”

16. MSA aid is based on Mutual Security Act (MSA, passed in October 1951), and it means the external aid of the US provided with the name of “Mutual Security Program (MSP).” Its functions included: ① Mutual Defense Assistance Program (MDAP), ② Direct Forces Support, ③ Defense

behind offshore procurement was to provide aid supplies procured from regional allied countries or other friendly nations to the recipient nation instead of procuring such supplies directly from the US. The Japanese government and business community could thus secure a regular dollar income by providing weapons and supplies to third party nations through taking advantage of this possibility within the US aid budget (special procurement income). The additional hope was that this stimulation would nurture the development of the Japanese defense industry (Keizai Dantai Rengōkai Bōei Seisan Inkaikai 1964, 43-44).

As expected, a large, new form of special procurement (arms special procurement), based on the offshore procurement program occurred from May 1952. This order consisted of sixty-four million dollars allotted for arms and related parts from July 1952 to June 1953, and was quadruple the previous procurement of sixteen million dollars from July 1951 to June 1952 (table 5). Arms special procurement then stalled from the second half of 1953 to the first half of 1954, but it resumed in May 1954, totaling sixty-three million dollars of expenditure until August the same year (table 9).

Such large-scale arms special procurement encouraged many Japanese business and government leaders that the national military and armaments industry would be revived. In this respect, MITI overtly revealed its expectation that special procurement would serve to nurture the defense industry, as it said “it seems like the foundation to stimulate [the nation’s] military industry will soon be in place as a substantial [arms] order was made last week” (SPS No.13, March 1953).

However, the arms special procurement did not last as the Japanese business community and government hoped. It soon became clear that the munitions orders placed in Japan would be reduced to only ten million dollars in the 1955 US fiscal year. The government and business community attempted to negotiate for the resumption of large munitions deals with the US, but without success. This munitions order in Japan was reduced to eight million dollars within the 1955 US budget, marking the practical end of the munitions component of the special procurement program. As table 9 shows, the armaments demand in 1956 and 1957 then switched to aircraft (liaison) and naval destroyers instead of munitions.

It seems like there was distrust from within the US about the Japanese

Support, ④ Development Assistance, ⑤ Technical Cooperation, and ⑥ Others (UN budget or Asian Development Fund). Usually, functions ③ through ⑥ were economic aids. ① and ② were managed by the Department of Defense, and ③ Defense Support that covers most of the economic aid was under Foreign Operation Administration (FOA) or International Cooperation Administration (ICA), and was called FOA aid or ICA aid.

government's willingness to develop its defense production and this substantively contributed to the end of the munitions special procurement by 1955. In the process of negotiation about continued munitions production in 1955, the Deputy Under Secretary of Defense (Comptroller), the US representative, said "the US expected this special order from the US to prime the pump and nurture the Japanese defense industry. But it is unfortunate that the Japanese government is... not willing to deal with the matter independently. The Japanese government says it is unfair to suddenly stop the orders, but the US government is also in a difficult position unless the Japanese government can show its intentions" (Keizai Dantai Rengōkai Bōei Seisan Iinkai 1964, 130). It can be understood here that the US declared its stance in purchasing arms orders only on the condition that Japan attempted to independently raise its own defense capabilities.

Even though it was made possible to now produce armaments in Japan due to the new special procurement of munitions, it was hopeless to expect the full revival of the Japanese defense industry with only the demand of the Japan Defense Agency and without orders from the US military. The companies that participated in arms production based on the special procurement order subsequently retreated from the defense industry one by one. However, certain companies did not give up entirely on defense production, but merely drastically reduced their internal defense production rate (Sawai 2018, 59). In this sense, MITI's expectation that special procurement would become "the foundation nurturing defense industry" was realized.

MSA Aid and Special Procurement

After Japan signed the MSA agreement with the US,¹⁷ special procurement in the form of offshore procurement for Asian aid supplies dominated the order. The following examines the details of this special procurement oriented to military aid and economic aid (includes defense support aid).

1. Military Aid and Special Procurement

The demand for munitions was over in 1955, but special procurement through the offshore procurement of logistics and MSA military aid continued into the

17. The MSA Agreement is an agreement that was formed between the US and recipient countries regarding military and economic aid based on the Mutual Security Agreement. The agreement was signed on March 8, 1954, between Japan and the US after negotiations that began in the middle of 1952. See Ishii (2003, 2004) on the MSA negotiations.

Table 9. The purchase order amounts per item and ratio (1954-60)

	1954		1955		1956		1957		1958		1959		1960	
	Amount	Ratio												
Food and beverages	7,942	(6.7)	5,751	(8.9)	6,789	(9.9)	7,463	(5.7)	7,622	(11.9)	7,658	(8.6)	6,718	(7.6)
Textiles	1,277	(1.1)	3,512	(5.4)	2,707	(3.9)	4,903	(3.8)	1,348	(2.1)	1,789	(2.0)	896	(1.0)
Wood and wood products	6,731	(5.7)	8,807	(13.6)	8,754	(12.7)	12,396	(9.5)	5,303	(8.3)	4,689	(5.3)	1,546	(1.8)
Animal and plant products	748	(0.6)	1,184	(1.8)	3,138	(4.6)	4,763	(3.7)	3,756	(5.9)	2,760	(3.1)	2,686	(3.1)
Grease, wax	184	(0.2)	166	(0.3)	397	(0.6)	1,005	(0.8)	66	(0.1)	52	(0.1)	0	(0.0)
Chemical products	3,175	(2.7)	3,920	(6.1)	4,709	(6.9)	4,019	(3.1)	2,463	(3.9)	2,107	(2.4)	2,443	(2.8)
Metal and nonmetal products	8,239	(7.0)	9,904	(15.3)	8,992	(13.1)	13,013	(10.0)	9,245	(14.5)	4,584	(5.2)	3,858	(4.4)
Nonmetal mineral and products	19,581	(16.5)	14,499	(22.4)	19,163	(27.9)	14,572	(11.2)	6,302	(9.9)	4,324	(4.9)	3,908	(4.4)
(Coal)	15,141	(12.8)	9,807	(15.2)	13,574	(19.7)	7,030	(5.4)	823	(1.3)	470	(0.5)	22	(0.0)
(Cement)	3,355	(2.8)	3,384	(5.2)	1,969	(2.9)	4,003	(3.1)	2,799	(4.4)	1,743	(2.0)	2,597	(3.0)
Machinery	6,449	(5.5)	8,394	(13.0)	10,665	(15.5)	47,336	(36.3)	26,863	(42.1)	59,518	(67.2)	64,080	(72.8)
(Vehicle parts)									3,894	(6.1)	3,750	(4.2)	7,253	(8.2)
(Vehicles)					147	(0.2)	26,178	(20.1)	14,406	(22.6)	48,254	(54.5)	45,158	(51.3)
Arms	63,435	(53.6)	8,032	(12.4)	1,887	(2.7)	19,143	(14.7)	0	(0.0)	0	(0.0)	0	(0.0)

Table 9. The purchase order amounts per item and ratio (1954-60) (continued)

	1954		1955		1956		1957		1958		1959		1960	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Miscellaneous products	560	(0.5)	475	(0.7)	1,530	(2.2)	1,795	(1.4)	850	(1.3)	1,106	(1.2)	1,862	(2.1)
Total	118,321		64,644		68,731	(100.0)	130,408	(100.0)	63,818	(100.0)	88,587	(100.0)	87,997	(100.0)
Services														
Construction	35,537	(35.3)	26,171	(29.4)	20,711	(24.2)	28,220	(33.0)	14,333	(23.2)	12,361	(20.6)	13,028	(25.4)
Repairs and refurbishments	28,905	(28.7)	25,690	(28.8)	28,238	(33.0)	21,108	(24.7)	11,097	(18.0)	12,620	(21.0)	15,053	(29.3)
Transport, storage, handling, etc.	13,630	(13.5)	8,347	(9.4)	11,730	(13.7)	14,395	(16.9)	15,641	(25.3)	13,644	(22.7)	7,685	(15.0)
Public welfare projects	19,097	(19.0)	26,252	(29.5)	22,740	(26.6)	19,247	(22.5)	18,808	(30.4)	19,469	(32.4)	12,342	(24.0)
Technology provision	1,552	(1.5)	1,758	(2.0)	1,005	(1.2)	1,091	(1.3)	680	(1.1)	1,178	(2.0)	2,500	(4.9)
Miscellaneous services	2,018	(2.0)	673.0	(0.9)	1,202	(1.4)	1,345	(1.6)	1,240	(2.0)	771	(1.3)	727	(1.4)
Total	100,739	(100.0)	88,891	(100.0)	85,626	(100.0)	85,406	(100.0)	61,799	(100.0)	60,043	(100.0)	51,335	(100.0)

Source: Calculated from each edition of SPS.

Note: The amounts are different from the numbers of special procurement contract reserve on table 2 because they are purchase order amounts. The amounts for vehicle parts and vehicle contracts in 1954 and 1955 could not be confirmed.

late 1950s, as can be seen in the special procurement contract amounts.

According to table 9, there were around 1.88 million dollars and 19.14 million dollars of arms contracts in 1956 and 1957, respectively. This was composed of aircraft orders in 1956 and destroyer orders in 1957. The US military acquired twenty-seven LM-1 liaison aircraft through offshore procurement from Fuji Heavy Industries and provided twenty-four aircraft in 1956 and three aircraft in 1957 to the Japan Ground Self Defense Force (Keizai Dantai Rengōkai Bōei Seisan linkai 1964, 198). The 1.88-million-dollar contract in 1956 included a 1.226 million dollar order of twenty-four LM-1 liaison aircraft and their parts (SPS No.59, September 1956). In 1957, 18.68 million dollars of armaments special procurement occurred through a US military contract to build two destroyers in Japan and provide them to Japan (SPS No.69, July 1957).

The acquisition of military vehicles and their parts and the repair services of military vehicles took up the largest proportion of offshore procurement based on MSA military aid. There was an annual special procurement contract from 1957 to 1960 in large amounts for vehicles and their parts (table 9).

In 1957, they signed contracts for about nine thousand vehicles to be provided to the Japanese Defense Ministry (about thirty-three million dollars) and around thirty-eight thousand vehicle parts from Korea and Cambodia to repair (around 10.83 million dollars) (SPS No.69, July 1957). Aside from this, contracts related to vehicle repairs, new vehicle replacement, and various parts to be supplied in Southeast Asia based on a five-year plan of vehicle repair occurred until 1960. In 1958, the Army Procurement Agency (APA) made about eighteen million dollars' worth of special procurement due to the procurement of 4,748 military vehicles for Southeast Asia (SPS No.89, March 1959), and an offshore procurement of four thousand and seventeen thousand vehicles and parts for Southeast Asia again occurred in 1959 and 1960 (SPS No.110, February 1961).

According to table 9, the special procurement contract amount (supplies) in 1955-56 declined greatly from 120 million dollars to sixty million dollars after the demand for munitions disappeared. This amount increased again in 1957 to 130 million dollars, reaching over the level of 1954 when there was a previous large-scale demand, and the contract amount in 1959 and 1960 maintained around ninety million dollars. The reason for acquiring close to 100 million dollars of special procurement contracts in the late 1950s was due to the offshore procurement of military support aid. In particular, about sixty million dollars of vehicles and their parts were ordered in 1959 and 1960, covering over fifty percent of the special procurement contract amount (supplies).

2. ICA Aid and Special Procurement

The income from International Cooperation Aid (ICA) and other sources within the special procurement income designates the amount Japan earned through the offshore procurement of aid supplies to recipient countries within the economic aid budget of the US. According to table 3, the proportion of ICA funds along with others in the special procurement income amount greatly increased from 1955. The income from ICA and others, which was only 2.8 percent of special procurement income in 1954, increased to 12.7 percent in 1955 and 20.9 percent in 1956, maintaining over twenty percent until 1960. It particularly contributed to the maintenance of a steady 400-500 million dollars of special procurement income, accounting for over 100 million dollars of annual income from 1956 to 1960, despite the decrease both in yen sales and the US military deposit.

In examining the special procurement income related to the ICA budget per country (table 7), the income from supplies procurement for the three nations in Indochina including Vietnam accounts for the largest proportion. It is notable that Vietnam received the overwhelming ratio of over forty percent of all ICA budget related income in both 1955 and 1956. In 1960 and 1961 as well, it received twenty-odd percent after Korea. Textiles, chemical products (fertilizers), nonmetal products (cement), metal products, and machinery constituted the majority of supplies procured from Japan using the ICA budget. It is also of note that Korea had significantly larger proportions of chemical products (mostly fertilizers) compared to other countries and that their textiles orders were minimal.

The Japanese government expected that the supplies procurement from Southeast Asia funded by the US aid budget would constitute their major special procurement income in the future. As the MITI stated "there have been recent movements in the US to procure parts from Japan for machinery to send to Southeast Asia. Special procurement for Asian countries will develop and replace domestic special procurement that has reached its limit," as the supply acquisition made by the nations of South East Asia increased. Also, MITI stated that "the main focus of recent special procurement is moving from acquisition to support the maintenance of the US forces in Japan (domestic special procurement) to acquisition for third party nations with the US foreign aid budget, or 'shipped (*funazumi*) special procurement,'" describing the phenomenon as "special procurement that is sailing overseas" (SPS No.49, December 1955).

It was expected that the increase of special procurement orders within Southeast Asia will not only enhance the Japanese special procurement income

but also heighten the status of Japan as the supply base of aid supplies for Southeast Asia. Furthermore, it was estimated that Japan would be able to also secure independent export markets in the region. Under the circumstances of the increasing amount of Japanese supply procurement after the Suez Crisis in 1956, it was understood that “there had always been a movement in the US to try to use Japanese industrial power to develop the national economies of Southeast Asia, but after the Suez Crisis, Japan was able to further renew its importance as the preferred ‘source of procurement.’ The focus for external US aid remained in Asia, and Japan had the greatest advantage by far as the supply point of such supplies since it was geographically close, enabling the rapid execution of planned US aid” (SPS No.65, March 1957). In addition, it was considered “obvious that improving Japanese products and technology through special procurement will be of benefit in the future to further secure export markets.” As part of this understanding special procurement related companies were to receive benefits similar to those acquired by export companies (SPS No.70, August 1957).

This argument from 1957, that “improving Japanese products and technology through special procurement will be of benefit in the future” as a means to secure export markets, echoes the development strategy for Southeast Asia that appeared in the proposed Japan-US economic cooperation framework in 1952. A portion of the development strategy for Southeast Asia called for supplies acquisitions such as capital goods and consumables from Japan using the US aid for Southeast Asia, alongside the parallel supply of raw material, and this was ultimately realized in the form of procuring ICA aid supplies from Japan in the late 1950s.

However, the ICA special procurement income dramatically decreased from 1960 following the execution of the US's dollar defense policies, whose purpose was to improve the balance of payments and maintain the dollar value by utilizing agendas such as export promotion, reducing of foreign aid, and overall advocacy of “Buy American, Ship American” policies. Specifically, the US Department of Defense ordered a large cut of external military purchase orders to halt the outflow of gold that was contributing to the worsening international balance of the US due to military expenses on October 3, 1960 (SPS No.108, October 1960). Also, the Secretary of State ordered the exclusion of nineteen countries including Japan from supply procurement within the ICA budget on December 5 of the same year (SPS No.109, November 1960). These measures resulted in a drastic drop of Japanese special procurement income from ICA aid in 1961, and it completely disappeared after dropping down to around one million dollars in 1963.

From a Reliance on Special Procurement to an Escape from Special Procurement

When the Korean War began, the most important objective of the Japanese economy was to achieve “economic independence.” In the *Independent Economic Plan (Jiritsu keizai keikaku)* that was announced after the outbreak of the Korean War, it was stated that economic independence meant “enhancing the level of livelihood as much as possible while maintaining the equilibrium of international balance” (Hayashi 1957, 99). To achieve the economic development that would enable a substantial improvement of living standards, an enhancement of income was considered essential. However, the weak economic situation at that time made contractionary policy inevitable because any enhancement in income would lead to an immediate increase of loss in terms of international balance. Therefore, to achieve consistent economic development that could enhance domestic living standards, the securing of enough foreign currency to increase national income revenues was considered crucial.

The special procurement bursary from the Korean War was essential to this aim, as it covered over thirty percent of Japan's foreign currency income at the time (table 10). Additionally, Japan was able to achieve increased economic development based on raising import levels, something made possible by the increased foreign currency income. Anticipating the downscaling of Korean War special procurement funds with the start of the armistice negotiation, the Japanese government sought new ways to acquire new special procurement or the introduction of foreign capital. This effort led to the Japanese government and business community creating a strategic “Japan-US economic cooperation framework,” an event which attracted substantial national media attention from 1951 to 1952. As a result of the “Japan-US economic cooperation framework,” the armaments special procurement (consisting of munitions) occurred in 1952-55, but the framework initiative failed to encourage any further special procurement or the introduction of foreign capital.¹⁸ Therefore, the policy to promote the growth of Japanese economy based on special procurement or the introduction of foreign capital was revised to actively focus on export-oriented policies (Asai 2002a, 199; Ishii 2004, 303).

The “Five-Year Agenda for Economic Independence” (*Keizai Jiritsu 5-kanen Keikaku*), announced in December 1955 as the first official long-term economic agenda of the Japanese government, made it clear that economic independence

18. Asai (2001a, 2001b, 2002a) describes the attempt of the Japanese government at the time to introduce foreign capital.

Table 10. Foreign currency income and expenditure

(in millions of dollars)

Fiscal year	Income					Expenditure			Balance (C)	C - A
	Trade	Other than trade		Total (B)	A/B (%)	Trade	Other than trade	Total		
		Total	Special procurement (A)							
1950	920	389	253	1,309	19.3	962	55	1,017	292	39
1951	1,405	1,003	677	2,408	28.1	1,658	185	1,843	565	-112
1952	1,168	939	801	2,107	38.0	1,790	224	2,014	93	-708
1953	1,245	917	761	2,162	35.2	2,243	232	2,475	-313	-1,074
1954	1,602	764	590	2,366	24.9	1,767	255	2,022	344	-246
1955	2,095	745	570	2,840	20.1	1,956	348	2,304	536	-34
1956	2,495	842	587	3,337	17.6	2,782	516	3,298	39	-548
1957	2,819	819	529	3,638	14.5	3,347	588	3,935	-297	-826
1958	2,728	846	489	3,574	13.7	2,488	539	3,027	547	58
1959	3,312	879	464	4,191	11.1	3,044	740	3,784	407	-57
1960 (April- September)	1,844	434	280	2,278	12.3	1,848	369	2,217	61	-219

Source: SPS No.109, November 1960. The original data is Bank of Japan Currency Statistics (*Nihon Ginkō kawase tōkei*).

Note: The ICA income is originally included in trades (exports) from 1960, but it is included in special procurement income in this data.

led by exports would be achieved as the economy came to rely less on special procurement.¹⁹ According to Asai (2000c, 81), one of the important characteristics of this plan was that the import-oriented policy proposed during the Korean War special procurement period disappeared and was replaced by a focus on the promotion of exports as the most effective method to achieve “economic independence.”

Even though the “Five-Year Agenda for Economic Independence” aimed to

19. Asai (1999a, 1999b, 2000a, 2000b, 2000c) explains the creation process and the content of the “Five-Year Agenda for Economic Independence.”

achieve equilibrium within the international balance of income and expenditure without special procurement, the special demand program continued on a large scale, resulting in over 500 million dollars of special procurement income even in 1960 when the plan called for zero special procurement. Amidst the high rate of development and the great increase of exports, special procurement income was still responsible for over twenty percent of foreign currency received in 1955, and remained at over ten percent until 1959 (table 10). Therefore, while it is true that special procurement had less impact on the Japanese economy than it did during the Korean War, its contribution remained significant.

In this regard, one anonymous bureaucrat who managed the special procurement section within the MITI criticized the Five-Year Agenda for Economic Independence for prioritizing a breakaway from special procurement. He based this argument on the fact that it continued to draw a large income. Noting that it remained a stable source of foreign currency, he called for the provision of benefits to relevant firms. His argument was based on the prospect that the demand for procurement would continue due to US activities in the region, which had nothing to do with the declining number of US forces in Japan. Further, he reasoned that "foreign assistance is one of the most critical external policies the US promotes within its global agenda, and abandoning it is too costly for the US." He added, "breaking away from special procurement would have been meaningful if procurement was mainly for the stationed troops in Japan. But the current special procurement, which serves external US activities, provides the foundation for the future economic development of Japan. Therefore, it is necessary to develop regulation to provide protection and benefits for trade and companies engaged in such" (SPS No.68, June 1957).

However, the MITI's hope for a stable procurement income that would derive from the US's "semi-permanent" foreign assistance policies (SPS No.70, August 1957) became uncertain as early as 1958. The US took actions such as the transferring of offshore procurement to the US domestic market in 1958 in response to recession, which decreased ICA income. In turn, MITI reconsidered its optimistic position and claimed "there can be some expectations for special procurement related to military aid, but [the continuation of] special procurement related to economic aid does not seem so hopeful" (SPS No.86, December 1958). It also stated that "ICA related income includes a number of factors that are determined by domestic economic situation of the US, so it is difficult to expect that Japan will be the supplying nation" (SPS No.89, March 1959). As the dollar policy of 1960 was executed, it became clear that any "expectation of purchase with the AID (the successor of ICA) budget is dangerous" (SPS No.122, December 1961). This prediction was realized when special procurement disappeared

entirely after 1963.

In the 1960s, the Japanese reliance on special procurement was no longer a realistic option due to changes in US's external policies. The ultimate breakaway from special procurement was not an objective, but an inevitable reality. Fortunately, the Japanese economy far outperformed the expected growth rate set by the Five-Year Agenda for Economic Independence. Exports were greatly increased, which proved that export-based economic independence was possible. As such, it was perhaps fortunate that the need for special procurement significantly decreased at the exact moment a reliance on such funds became realistically difficult.

Conclusion

The program of special procurement that appeared with the outbreak of the Korean War was one of the key factors that defined the Japanese economy in the 1950s. In particular, special procurement allowed a large influx of foreign currency which in turn promoted the Japanese economy. Thanks to this policy, Japan was able to import not only large amounts of raw materials but also new machinery for a rationalized investment that paved the way for high growth.

Following their concern that special procurement would shrink after the Korean armistice, the Japanese government sought a new mode of procurement to replace that which supplied the Korean War effort. As a result, additional special procurement, based on offshore procurement supplied by the US government MSA aid, was secured to achieve 400-500 million dollars of income in the late 1950s. In the Five-Year Agenda for Economic Independence announced in 1955, the Japanese government made clear its plan to break away from the reliance on special procurement and aim for an economic policy based on exports. However, this extra influx of 400-500 million dollars of foreign currency remained important up until the late 1950s when the economic growth of Japan was still strongly dependent on the strength of its international balance of payments.

The economic benefit that Japan gained from special procurement was earned through the nation's support of the US as it implemented its hegemonic Cold War strategy in East Asia. Initially, Japan acted faithfully as a rear supply base during the Korean War to draw large amounts of special procurement income. Then, after the peace treaty in Korea, Japan tried to secure further similar income through active participation in the US's various regional external assistance activities. The special procurement of munitions in 1954-55 was from an offshore procurement of military aid supplies of the US from Japan,

embodying, to a certain degree, the working of "Japan-US economic cooperation framework." Even after the demand for munitions disappeared, special procurement from other forms of military aid offshore procurement continued in the form of purchase orders for liaison aircraft, naval destroyers, and the replacement and repair of military vehicles.

Japan achieved a significant amount of special procurement income through not only military aid but also through the offshore procurement of economic aid through ICA. As the amount of aid procured for Southeast Asia from Japan increased, this introduced the possibility that Japan might become the supply base for all US industrial aid given to Southeast Asia, and introduced the further expectation that these regional export markets could be acquired. The strategy to promote economic development in Southeast Asia using support from Japan was one key axis of the US-Japan economic cooperation framework, and it was partially realized in the form of the Japanese procurement of aid supplies to Southeast Asia.

Japan earned a large amount of special procurement income from the Korean War, but it did not achieve the expected level of gains from procurement detailed for the subsequent reconstruction of Korea. This failure was because of resistance from the Korean government to acquiring such supplies from Japan. The determined effort of the Korean government to exclude Japan from the procurement line of aid supplies was officially nullified due to pressure from the US, but the Korean government continued to avoid receiving Japanese procurement through various unofficial methods.

The above analysis lays out the precise details of special procurement as "the node (*kessetsuten*) of the military and economic relationship" between Japan and the US. Japan achieved economic benefits in the form of special procurement by actively participating in the US Cold War era East Asia policy. Through this participation Japan's economic power developed in relation to its role as a rear supply base state in the region. Therefore, the practice of special procurement in the 1950s can be considered a point of direct convergence within the Japan-US relationship. However, as the US faced its own international balance of payments crisis in the 1960s, the Japan-US relationship became unstable, and the restriction of offshore procurement due to the US's dollar defense policy led to a dramatic decrease in special procurement.

On the other hand, special procurement was also the crucial point where the interests of Korea, Japan, and the US diverged. The Korean War special procurement was arguably claimed at the cost of the astronomical material and human losses Korea endured, and the special procurement for the reconstruction of Korea (Japanese procurement of the US aid supplies to Korea) meant another

form of subordination of the Korean economy to the Japanese. The common interest in special procurement between the US and Japan on the one hand, and the conflicts of Korea-US and Korea-Japan relations on the other, therefore demonstrate the “regional twist” (*nejire*) (Yi Jong-wŏn 1996, 8-9) within the 1950s US geo-political strategy in East Asia which rendered Korea the frontline and Japan the rear supply base.

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