AAWH Big Session 2:
Colonialism and Decolonization in Asia Reconsidered

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Colonialism and decolonization in Asia, Africa and Latin-America had been discussed as a big and important topic in World/Global History at several International Conferences. More than 60 years has passed since the decolonization in South Asia (political independence of India, Pakistan, Sri Lanka and Burma) and the First Asia-African Conference (The Bandung Conference) had been held more than 50 years ago. However, nowadays we rarely mention 'the Third World' or 'Non-Alignment Policy' in the context of modern Asian history and world history, and replace these terms with 'East Asian Miracle' or 'regional integration in East Asia' (East Asian Community).

At this big Session, we would like to reconsider (1) an unique and autonomous experiences of Asian countries (regions) from the 1930s to the 1960s, in response to colonialism, (2) early decolonization of Asia in the 1950s and (3) historical origins and causes of 'East Asian Miracle' or rapid industrialization in East Asia from the 1970s to the present. Through these considerations, we may locate unique trajectories of Asian history within a wider context of World/Global History and create a new-type of World/Global History from Asian perspectives.

We have four speakers at this big session. First two speakers, Prof. Tomlinson and Akita try to reveal the unique features of the development of 'International Order of Asia' in the 20th century, mainly focusing on political economy aspects. We had done several joint-research projects with other economic and diplomatic historians in Japan as well as in the US, the US, Russia, India and Taiwan. The third speaker, Dr. Yu-Ping Lee presents us more specific topic about maritime competition between the UK and Japan in the late 1930s and its implication on economic order in East Asia. Her stance is different from those of Tomlinson and Akita, which represents Taiwanese perspective on international order of Asia. The fourth speaker, Prof. Colin Lewis, may offer us comparative perspectives for reconsideration of Asian case of decolonization within the context of World/Global History. We usually discuss comparative studies of Asia and Africa for decolonization, and neglect the experiences of Latin America or the Southern Hemisphere. By hearing his presentation, we may introduce some relational aspects (or relational history) to construct our World/Global History from Asian perspectives.
The International Order of Asia in the 1930s and 1950s

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The aim of my paper is to reconsider the nature and formation of the international order of Asia in the 1930s and 1950s in the light of new historiographical developments in the UK as well as in Japan, and to analyze historical origins of 'East Asian Miracle' since the late twentieth century.

1. Reconsideration of Historiographies from Global Economic History

Recently, several Japanese economic historians have offered a new perspective for analyzing Asia's economic history. They have argued that the economic growth of Asian countries was led by the phenomenon of intra-Asian trade which began to grow rapidly around the turn of the nineteenth and twentieth centuries. Alternatively, the British imperial historians, P.J. Cain and A.G. Hopkins, have presented their own controversial interpretation of 'gentlemanly capitalism' in which they have emphasized the leading role of the service sector rather than that of British industry in explaining the nature of British expansion overseas. Strongly influenced by Cain and Hopkins, Gerold Krozewski has, meanwhile, presented us with a new analysis of the end of empire in the 1950s, located at the intersection of British imperial policy and international relations. In the late-1940s and early-1950s, when political control was

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1 The result of detailed joint-research will be published from Ashgate: Shigeru Akita and Nicholas J. White (eds.), *International Order of Asia in the 1930s and 1950s* (London and New York: Ashgate, 2009 November, forthcoming).


feasible, discriminatory management of the colonies and the sterling area sustained Britain's post-war recovery. However, subsequently, the emergence of liberal multilateralism, in the new international economic order dominated by the United States, exerted a strong influence on Britain's overseas position and policies, and led to the rapid dissolution of the empire from the late-1950s.  

These approaches are not necessarily incompatible, and the main objective of my paper is to investigate whether it is possible to integrate intra-Asian and 'gentlemanly capitalist' perspectives and so present a fresh interpretation of the international history of Asia in the 1930s and 1950s.

Within this general framework, there were three specific areas of enquiry. The first was to reconsider the metropolitan-peripheral relationship in Asia in the 1930s and 1950s, focusing on the role of the sterling area and its implications for Asian economic development. Cain and Hopkins have identified the financial and service interests of the City of London as Britain's core economic interest. As such, they have emphasized the importance of the sterling area or bloc for the reassertion and extension of British influence on a global scale in the 1930s. To make their case in the Asian context, Cain and Hopkins focused on British India and China in the inter-war years. We were encouraged to explore the economic linkages between the British Empire, the sterling area and South, Southeast and East Asia, and considered the economic implications of these interconnections for the development of Asia, and especially for the process of Asian industrialization.

The second focus was on revealing the formation of inter-regional trade relations within Asia in the 1930s and their revival and/or transformation in the 1950s. This theme emphasized the importance of Asian indigenous forces in creating and sustaining the international order of Asia both before and after the Pacific War. The concept of 'intra-Asian trade' has been discussed several times at international conferences, and Kaoru Sugihara has written numerous articles and a well-received book on this subject, based on multi-archival research on trade statistics. We attempted to consider further the economic impact of intra-Asian trade on the international order of Asia, and to reveal intra-Asian linkages with the capitalist

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5 Some of these themes had already been developed in Shigeru Akita and Naoto Kagotani (eds.), *1930-nendai Ajia Kokusai Chitōjo [International Order of Asia in the 1930s]* (Hiroshima, 2000).


world-economy.

The third area of enquiry concentrated on continuities and discontinuities within the international order of Asia between the 1930s and the 1950s. On the surface, there appears to be little continuity between the pre-and post-war eras in Asia’s international history. After the Second World War, ‘political decolonization’ or independence was the dominant issue in most Asian countries. A host of new Asian nation-states arose in the course of the 1940s and 1950s, while, concurrently, the Cold War established new international divisions in post-colonial East and Southeast Asia. However, from the perspective of international economic relations, it might be possible to identify some key elements of continuity before and after the Asia-Pacific cataclysm of 1937–45. We attempted, therefore, to reveal those aspects of continuity and their significance from both global and regional perspectives.

2. Hypotheses for International Order of Asia in the 1930s and 1950s

(1) ECONOMIC NATIONALISM, THE ‘IMPERIAL DIVISION OF LABOUR’ AND ‘COMPLEMENTARITY’

First, Kagotani and I attempted to reconsider the historical significance of Asian industrialization in the 1930s via a global perspective. It has often been assumed that trade frictions in the 1930s represented a contested and bitter scramble for Asian markets on the part of British and Japanese cotton textile industries — an all-too-obvious clash of manufacturing interests. However, the recent arguments of Cain and Hopkins suggest that the financial and service sectors had always dominated British economic interests and that manufacturing was secondary. The UK’s external economic policies reflected this peculiar structure of the British economy, and the ‘gentlemanly’ inclinations and biases of UK policy-makers. Cain and Hopkins placed much emphasis on the payment of interest and dividends from the colonies, and the defrayal of administrative costs by these dependencies. They stressed that the maintenance of sterling’s credibility was imperative for the British ‘official mind’. The same logic could be applied in the case of The Netherlands and Dutch colonial rule in the Indonesian archipelago. Drawing upon these interpretations, we noted a ‘coexistence’ of economic interests, which tended to arise between British and Dutch financial concerns and Asian manufacturing interests, bolstered and not obstructed by the rise of nationalism. The industrialized nations of Britain and Holland began to transfer labour-intensive textile industries to Asian countries, especially in East Asia, and the European metropoles

9 Cain and Hopkins, British Imperialism, chapters 17, 23 and 25.

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concentrated instead on the economic activities of the financial and service sectors. Although there was strong opposition from Lancashire’s textile industry, this shift of British economic interests permitted the industrialization of Asia, and it was one of the prominent features of the international order of Asia in the years leading up to the Pacific War.

Hence, economic ‘complementarity’ between the western imperial powers and South, Southeast and East Asia was a central element in Asian industrialization. The development of manufacturing industry in Asia during the 1930s is not solely explicable, therefore, by a confrontation or rivalry between ‘Core’ and ‘Periphery’ of the global economy. In the case of British India, the Lancashire textile industry’s loss of the competitiveness in the colonial market has been interpreted as an ‘economic triumph’ for Indian nationalism. However, in our hypothesis, the industrialization of India was achieved by utilizing Britain’s ‘imperial order’ even under the colonial administration. In the 1920s, the Government of India gradually raised the level of import duties in order to attain more revenues and to balance Indian finances. That increase in Indian tariffs had the effect of smoothing the payment of administrative levies to the UK (the remittance of the so-called ‘Home Charges’). In that sense, the British government implicitly permitted the raising of Indian import duties and confirmed the protective effect of duties for Indian industries, even when London enforced ‘Imperial Preference’ after the Ottawa Agreement of 1932. Import-substituting industrialization commenced in British India during the 1930s through a complementary economic relationship between British financial interests and India itself. From the British financial point of view, Indian industrialization was useful for the collection of Indian debts since the subcontinent could produce a trade surplus with the UK by reducing imports (import-substitution) and the export of gold, and by establishing a favourable balance of payments position. The Indian nationalists apparently recognized this logic in their political negotiations for tariff autonomy.

I also pinpointed a similar complementary relationship between China and the UK during

11 Basudev Chatterji, Trade, Tariffs and Empire: Lancashire and British Policy in India 1919-1939 (Delhi, 1992).
13 The disputes between the Government of India and Indian nationalists continued, however, in the field of Indian financial policy, especially in regard to the fixed exchange rate of the Indian rupee to sterling. Indian nationalists insisted that the official exchange rate of 1 rupee equaling 1s 6d be reduced to 1s 4d. Tight money control and this high exchange rate imposed by the Government of India was a major obstacle to the further expansion of Indian exports of cotton goods, especially yarn, to Asian countries. On Indian financial policies, which were crucial for preserving the international role of sterling, the British authorities would not make concessions to the demands of Indian nationalists.
the 1930s, especially surrounding the Chinese currency reform of 1935. The Nationalist (Guomindang) government of China suffered financially from a heavy outflow of silver between 1933 and 1935, caused by fluctuations in silver prices in the American market. Chiang Kai-shek’s regime received some advice from American financial counsellors such as the Kemmeller Commission and A.N. Young concerning possible remedial action. However, in the end, Chinese ministers of finance, T.V. Soong (1928-33) and H.H. Kung (1933-47), largely completed the planning of monetary reform by themselves and carried it out resolutely in November 1935, and notwithstanding Japanese obstructionism. The British Leith-Ross Mission visited Japan and China on the eve of the currency reform to persuade the Japanese government to agree to a joint-loan to China. The Nanjing government tacitly took advantage of this opportunity, and successfully obtained cordial support from the leading British financial interest in China, the Hongkong and Shanghai Banking Corporation (HSBC). On the other hand, just after the announcement of reform, the Guomindang regime smoothly sold huge amounts of nationalized silver bullion to the United States in accordance with the Chinese-American Silver Agreement which was signed with the American Department of the Treasury on 2 November 1935. Through these actions, the market value of the new Chinese dollar stabilized without officially pegging either to sterling or the US dollar. The success of monetary reform led to the acceleration of import-substitution industrialization and the increase of Chinese exports. This masterly implementation of Chinese currency reform depended on a shrewd political calculation of the balance of power and the utilization of Anglo-American rivalry in order to enlarge the economic influence and financial autonomy of the Chinese regime — the Nationalists took the initiative in currency reform and achieved considerable economic success in the late-1930s.

These two examples from British India and Guomindang China reflect the unique features of the economic development of Asia in the 1930s, and a similar relationship has been discerned between Japan and the UK at the turn of the nineteenth and twentieth centuries. Hence, 1930s India and China demonstrate the need to reconsider Asian economic development from a new angle of complementary relationships with, rather than antagonisms

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15 Kaoru Sugihara has revealed the de facto linkage of the new Chinese currency with sterling through the careful financial management of the Chinese authorities, and its stabilizing effect on the new currency.


17 Akira, British Empire and International Order of Asia, chapters 5 and 6.
against, the Western powers. Asian industrialization made steady progress by taking full advantage of the imperial world order of the inter-war era.

(2) THE 'OPENNESS' OF THE IMPERIAL INTERNATIONAL ORDER AND ASIA

It has been conventional to argue that the European powers and Japan divided Asia into spheres of influence through exclusive 'bloc' economies during the 1930s and that this economic rivalry became a background cause of the Second World War in Asia and the Pacific. However, for our thesis, European policies towards Asia in the 1930s were not as exclusionary as is often argued and the Ottawa Trade Agreement and the UK-led sterling area possessed a degree of 'openness'.

In order to achieve that smooth payment of interest, it was imperative to increase and maintain the trade surpluses of the colonies and the Dominions. Therefore, the metropolitan country needed to be the largest purchaser of primary products from the colonies. As a consequence, the Ottawa agreement gave priority to the expansion of colonial exports of primary products rather than to the export of manufactures from the UK.\(^{18}\) Yet, it proved difficult to maintain a large trade surplus for the colonies by relying only on the sterling area. The imperial economic bloc had to be complemented by the growth of exports to other advanced industrial nations, such as the United States and Japan, from the empire-Commonwealth. The main concern of the United Kingdom was not to implement tariff policies for the protection of British domestic industries, but to maintain the international role of sterling along with the financial and service interests of the City. The empire-Commonwealth of the 1930s was not a 'closed' bloc protected by preferential tariffs. It was alive and responsive to the global economy in order to promote British finance and services. Britain heavily depended on a relatively free 'free trade' regime, balanced budgets and low military expenditure in the 1930s. A 'closed' empire usually increased the cost of maintaining an imperial system,\(^{19}\) and the British Empire provides a classic example of how costs could be reduced through imperial 'openness'.

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Notwithstanding the vast turmoil of World War Two in Asia and the Pacific, as well as ‘political decolonization’ and the spread of the Cold War in post-war southern and eastern Asia, elements of pre-war international order may well have survived into the 1950s, helping to explain the pattern of rapid economic growth in East and Southeast Asia particularly. Recognition of such continuities from pre- to post-war Asia might allow recent works on the international economic history of the 1950s to be developed, modified or challenged. Noriko Yokoi, for example, has explored Britain’s sterling and trade policies towards Japan from 1948 to 1962, challenging the conventional view of British opposition to Japan’s economic recovery in the 1950s. Kaoru Sugihara, on the other hand, has revealed the revival of ‘intra-Asian competition’ of the 1930s for cotton goods markets on a wider Asian scale, and the rapid recovery of the Japanese cotton textiles industry in the 1950s. I tried to relocate these two pioneering works within a wider global context, since the sterling area — as the financial expression of the British imperial system — obviously covered much more than eastern Asia in the post-war era and reflected the economic interests of both London and the empire-Commonwealth.

One example was the economic interdependence between Japan and Hong Kong in the 1950s. Within the sterling area, Hong Kong was one of two gaps in a common exchange control directed against the rest of the world. It is called the ‘Hong Kong Gap’. ‘Hong Kong was a unique gateway between tight exchange controls in the sterling area and the relative convictibility of the dollar area. This position, straddling the sterling and dollar worlds, was a vital factor in Hong Kong’s prominence’. Hong Kong and SCAP (Supreme Commander of the Allied Powers in Japan) had concluded a separate open payments and trade agreement, payable in HK dollars, under which Hong Kong allowed an annual figure of $HK 2.5 million in import licenses from Japan. Hong Kong’s entrepôt trade with China, Formosa (Taiwan) and

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Macao was important for Japanese economic recovery in the post-war era, and it also allowed access to Southeast Asian countries as well, such as British Malaya, Indonesia and Thailand. Under this trading system Japan acquired a trade surplus in sterling (HK dollar) and converted it into US dollars under the ‘dollar convertibility clause’ of the Open Payments Agreement, and thus ‘Hong Kong Gap’ enabled it to import essential capital goods and raw cotton from the US. Japan therefore could take advantage of the unique status of Hong Kong for its own economic interests.

3. Conclusion and further research
First, we may identify a similarity between the international order of Asia in the 1930s and that of the 1950s, especially concerning the role of the sterling area for assisting the economic development or the economic recovery of East Asia. During the period of the Open Payments Agreement between Japan and the sterling area (1948–51), the ‘dollar convertibility clause’ and the ‘Hong Kong Gap’ played important roles for Japan in getting access to precious US dollars under the world-wide phenomena of a severe shortage of dollars. The Japanese economic recovery also, in turn, provided great benefits to the developing sterling area countries in Asia (Southeast Asia), such as Burma, Pakistan and the British Malaya. On the one hand, for these Asian countries, the purchase of primary products by Japan via SCAP, that is, the Japanese importation of Burmese rice, raw cotton from Pakistan and iron ore from Malaya, gave them important outlets for their products (staples), which contributed to the increase of their sterling balances. On the other hand, the Japanese exportation of consumer goods to Southeast Asia, especially of cotton goods, was a non-dollar cheap source of manufactured goods, which were essential for keeping the social welfare standards of poor Asian ordinary people in these regions. Therefore, the sterling area in Asia and Japanese economic recovery were complementary to each other, at the level of transactions of goods (visible trade).

Second, we may recognize strong initiatives for economic development or industrialization from East Asia as well as from South Asia (British India), especially from the 1930s. The transformation of inter-regional trade in Asia in the 1930s and its revival in the 1950s reflected resilience of region-based economic linkages, which had been formed since the turn of the 19th–20th centuries. Indian and Chinese nationalists strongly criticized British (European) imperialism and colonialism or the British Raj in a political arena. However, in the field of economic activities, they could skillfully used the free-trade regime for the expansion of their export trade with Japan and China (= outsiders of the Ottawa Trade Agreement or the Preference). Free trade regime and international currency system (= the sterling area) were the
'international public goods' offered by the hegemonic state of Great Britain (and later, by the US). Asian nationalism could take advantage of, or in some cases, manipulate the balance of powers of the 'Core' countries for the development of their own economic interests. This autonomous status of Asian countries within the World-System is quite unique for the early start of decolonization in Asia within the context of world history.

Third, we must, of course, identify the difference or transformation of the international order of Asia between the 1930s and 1950s. The prominent factor leading to change was the growing presence of the US and its pursuit of international order in the post-war Asia. Especially, after the Chinese Communist Revolution in 1949 and the outbreak of the Korean War in June 1950, the US government changed its policy towards the non-communist countries in Asia, and started to offer military and economic aids to these countries. The main focus of US strategy was to sponsor Japanese trade recovery and the restoration of the status of Japan as a 'the workshop of Asia'. In the process, the US started to adopt the military Keynesianism to contain the spread of communism in Asia. We had to recognize the influence of these changing factors on the international order of Asia in the 1950s. However, the predominant influence of the US would only come into existence in Southeast Asia in the early 1960s, for the British presence in the region still exerted its influence as 'structural power' in the first half of the 1950s, when the political decolonization progressed with the rise of Asian nationalism. I'm now doing another joint-research project with Shoichi Watanabe, Tom Tomlinson and other economic historians and scholars of international relations about 'The Formation of the New International Order in Asia and the International-Aid Plan'. We try to focus on the historical role of the Colombo Plan and the Commonwealth, and the emergence of new transnational actors such as the World Bank and the EACAFE in the 1950s and

27 For the arguments of the structural power in the 1930s, see Akita, I girasu Teikoku; and Yuzo Yamamoto (ed.), Teikoku no kenkyu: genri, rukey, kankan [A study of Empires: Principles, Patterns and Relations], (Nagoya: Nagoya University Press, 2003).
1960s. This means that the age of ‘Pax Americana’ must be dated a little later than usually assumed. We have to think about these issues from new perspectives with international academic collaborations.