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Jack Dempsey
Hotel Great Northern

TELEPHONE CIRCLE 7-1900
EXECUTIVE OFFICES

118 WEST 57TH ST. NEW YORK 19, N.Y.



OWNED AND OPERATED BY
JACK DEMPSEY'S PUNCH BOWL, INC.

was there also Major Goodwin; that
one was a few years ago.

Mr. President will you please let me
know your re-acting to this idea as
soon as possible as my associate
may go to Mexico.

May your health be as good as it is
now and your guidance be as
spiritual as your qualities.

Sincerely

Hon.
Harry O. Surman
President of the United States
White House
1600 Pennsylvania Avenue
Wash. D.C.

E. A. Anderson
Suite 629-630
Great Northern Hotel
118 W 57th
N.Y.

PLAN TO VISIT
JACK DEMPSEY'S
BROADWAY RESTAURANT AND BAR
49TH STREET AND BROADWAY

OCT 15 1945

In reply refer to
PL

My dear Mr. Anderson:

I have received, by reference from the White House,
your recent letter in which you transmit a suggestion
for the rehabilitation of Japan.

The spirit which prompted you to submit your
proposal is deeply appreciated. Thank you for your
courtesy in making it available.

Sincerely yours,

For the Secretary of State:

J. M. Colton Hand
Chief, Public Views and
Inquiries Section
Division of Public Liaison

Mr. E. A. Anderson,
Suite 629-630,
Hotel Great Northern,
118 West Fifty-seventh Street,
New York 19, New York.

20894.50/9-20-45

Dist
20
OCT 15 1945
OR
✓ MED
3:45 P.M.

A COPY OF THE ORIGINAL IS IN THE FILE

gbr
PL:GBR:MVTrent:mwh

10/11/'45

DK
file

DEPARTMENT OF STATE

Memorandum of Conversation
(TELEPHONE)

DATE: September 21, 1945

SUBJECT: Interests of the Department of Commerce in Economic Work by the Office of the Political Adviser to the Supreme Commander of the Allied Powers

PARTICIPANTS: Mr. Charles K. Moser, Chief - Far Eastern Unit, Department of Commerce

Mr. Willoughby, CP

COPIES TO: ITP/Mr. Wilcox
A-C/Mr. Thorp
FP
FE
JA
ITP/Miss Coughlan

1-1493

KP
6/19/45

In the course of the conversation, in which I mentioned my projected assignment to Tokio, Mr. Moser undertook to do the following:

1. Provide me with any information that he may have available as to goods which this country would like to obtain from Japan proper in the immediate future.
2. Give me suggestions as to reporting or other work desired by Commerce which might be planned or initiated in the near future.
3. Supply me informally with a list of names of Foreign Service Officers who he feels would do a good job of economic reporting in Japan. Mr. Moser said that he had already discussed this matter informally with Mr. Boehringer and that he expects at the appropriate time to take the matter up officially through channels.

At one point Mr. Moser indicated that he hopes to make a trip to the Far East to visit a considerable number of our Missions, with a view to gaining first-hand information which would help in getting American trade started.

CP:WWilloughby:mb

DCR - ITP Unit			
Anal	Rev	Cat	Dist

894.50/9-2145

CS/LE

OCT 1945

894.50/9-2145

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : A-B - Mr. Benton

FROM : CU - Dr. Zwemer

DATE: October 5, 1945
*sent 10.9.45*SUBJECT: STATUS OF POLICIES RELATING TO EDUCATION AND REEDUCATION
IN JAPAN

The first memorandum in the files of CU relating to Education and Reeducation in Japan is dated February 4, 1944. At this time Mr. Stanley Hornbeck, Director of FE and Mr. Taft, Chief of WEA (Wartime Economic Affairs), sent a memorandum to the Chief of SEA (Science, Education and Art), Mr. Thompson urging the Division to "inaugurate intensive work on and formulation of policies which it believes should guide American Military authorities in the approach to educational policies and administration in Japan during such period as they may be responsible for Civil Administration". (Attachment 1)

Pursuant to this, on February 21, 1944, Mr. Thompson sent a memo to A-S, Mr. Shaw and OPI, Mr. Dickey in which he stated that he considered it desirable to appoint a person to "do research and assemble material on the educational aspects of the Far Eastern situation and also prepare to obtain the advice of the leading experts on Far Eastern educational and cultural matters". The memo was approved by Mr. Dickey and was reviewed by Mr. Shaw.

Shortly after this steps were taken to secure a specialist in Japanese Affairs to prepare policies on education and reeducation in Japan, but it was not until the end of October, 1944 that CU secured the services of Mr. Gordon Bowles for this purpose. (Attachment 2) In the meantime, Dr. Ralph Turner of the Planning Board of SEA discussed with Mr. Raymond Dennett of the IPR (Institute of Pacific Relations) the possibility of holding a public conference under the auspices of the IPR to discuss what might be done in the field of Japanese reeducation. As a result of this interview Dr. Turner proposed that the Department grant \$1,000 to the IPR for the purpose of holding such a conference under IPR auspices. This plan was not approved by the Department however, on the grounds that "...it would not be desirable to hold a conference at this time (April 26, 1944). Whether at a later date such a conference would be advisable cannot now be determined. It is thought that at the present stage the valuable knowledge and advice from private authorities in the field can be secured and utilized more effectively by other means".

The quotation

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*Production of CV
S 9452 / 10-5-45

- 2 -

The quotation is part of a letter from the Secretary to Mr. Raymond Dennett of the IPR. (Attachment 3)

In June, 1944, the Department established an Inter-divisional Japanese Committee. In the absence of a Japanese specialist on the staff of SEA qualified to undertake the drafting of a policy paper for the Civil Affairs Division of the Army on Japanese education, Mr. Hillis Lory of JA was assigned to the project. This ultimately appeared as CAC-238 and the final version was not completed until November 1944. (Attachment 4)

(No W
CU)

Japanese
Affairs

Since no decision had been reached by A-M concerning the responsibility for the preparation of papers relating to Reeducation in Japan, during the four month period December, 1944 to March, 1945, Dr. Hovde sent A-M a memo requesting clarification and added that Mr. Bowles was participating in conferences on the subject. (Attachment 5)

On April 17, 1945 a memo was submitted by Mr. Bowles to Dr. Hovde reopening the matter of a conference on "Post War Education in Japan". The memo outlined a plan for a conference of specialists on Japanese Education to be called by the Department under its own auspices. The plan was returned with the suggestion that the matter should be discussed with the European branch of CU since a similar conference was under contemplation with respect to Germany. (Attachment 6)

In May at the invitation of Mr. MacLeish the sessions of the proposed advisory committee on German Reeducation were held and Mr. Bowles was invited to participate on an informal basis. It was decided that such participation was desirable in order to provide him with experience for a similar conference on Japanese Reeducation. During the course of the sessions the advisory committee recommended that a comparable committee be formed to deal with the subject of Japanese Reeducation.

In early May CU received from SWNCC (State, War, Navy Coordinating Committee) through Mr. Dooman (A-D) a directive to prepare a policy paper relating to the control of Japanese Education under Military Government to be submitted on or before July 30, 1945. (Attachment 7) The paper was prepared and submitted to the Far Eastern Area Committee of the Department for approval. (Attachment 8) Shortly thereafter, however, the Potsdam Surrender Terms were announced and the paper was held by the Area Committee.

After several

- 3 -

After several revisions it was turned over to SWNCC in September. The general plan for a confidential consultation was discussed with officers of JA, FE, and with Mr. Dooman of A-D. All agreed that such a conference was desirable but Mr. Dooman was of the impression that it would have been wise to have decided upon a basic policy for Germany and Japan at first, and to have held separate consultations for the respective countries thereafter, a plan which was not followed by the Department. (Attachment 9)

On May 29, 1945 Dr. Hovde requested a decision from Mr. MacLeish on the responsibility of CU in the problem of Japanese Reeducation. Mr. MacLeish replied that Mr. Bowles "will represent that division (CU) and my office in the consideration of the problem of Japanese Reeducation, a matter to which the Secretary has asked me to give special attention". (Attachment 10) No reference was made to a conference.

On July 27, 1945 Mr. MacLeish requested that Mr. Dickey comment upon the significance of a statement of Sir George Sansom's outlining his views on the Control of Japan. This was referred to CU for action.

A statement was prepared and submitted to Mr. Dickey, OPI, together with a general statement proposing that a decision be reached concerning the calling of a confidential consultation on Japanese Reeducation.

On August 18, 1945 Mr. Dickey approved a plan to invite two or three specialists on Japanese education for an intensive conference. (Attachment 11) About this time the Far Eastern Subcommittee of the State, War, Navy Coordinating Committee (SWNCC) appointed an ad hoc committee to prepare a report on the procedure to be followed in the preparation of a policy paper on Japanese Reeducation. The report was to include a statement covering the scope of the policy to be prepared and the use of advisers or consultants. The ad hoc Committee appointed for this purpose was composed of six members, two from each of the Departments. The two State Department members are Mr. Hugh Borton of FE, who serves as chairman of the Committee, and Mr. Gordon T. Bowles of CU. (Attachment 12)

The first meeting of the ad hoc Committee on Japanese Reeducation was held on September 14, 1945. At this

meeting

- 4 -

meeting Mr. Bowles explained to the committee the work which had been done to date by the Department on the subject of Japanese and German reeducation. It was agreed that since the Department had already decided to call a confidential consultation that the Department should be encouraged to do so and that the ad hoc Committee should participate so as to obtain the advice of the specialists invited. The matter was referred by CU to FE and JA for approval together with a list of specialists from which at least 3 names were to be selected.

The plan was approved and the conference was called on September 26, 1945. Mr. Kuhne of OIC was informed of this on September 24, 1945 by Dr. Zwemer, CU. (Attachment 13)

Just prior to the conference CU was informed by FP that Mr. Russell Durgin had been appointed as adviser to Mr. George Atcheson (Political Adviser to General MacArthur) on educational, religious and related cultural matters. CU agreed to the appointment but requested prior consultation, in the future, when such appointments were contemplated. (Attachment 14)

The specialists invited by the Department for the two day conference September 26 and 27, 1945 were Dr. A.K. Reischauer, and Mr. Roy Fisher. (~~Attachment 15~~) Invitations had been issued also to Mr. William H. Chamberlin, Mr. Joe J. Mickle and Senator Elbert Thomas. Mr. Chamberlin was unable to come but sent a summary of his views on Reeducation. Senator Thomas expressed a keen interest in the Conference but was leaving for France in a few days and could not attend. He stated that he hoped he would be included in future sessions. Mr. Mickle expressed his regrets. Mr. Russell Durgin, who had been originally considered as a suitable specialist for consultation, was invited in the dual capacity of a specialist and as the prospective adviser on Mr. Atcheson's staff.

In addition to the six members of the ad hoc Committee and the three consultants, two members of the IIIS (Mr. M. Fisher and Mr. Frank Schuler) attended as observers.

The conference dealt primarily with the material to be incorporated in the report to be submitted to the

Far Eastern

- 5 -

Far Eastern Sub-committee of SWNCC.

The report was completed at a final session of the committee on October 2, 1945 and was submitted to the Far Eastern Sub-committee of SWNCC. It has not yet been approved by the Committee.

Another factor relating to the problem of reeducation concerns a request from the Propaganda Section of G-2 and the IIIS for civics textbooks and teacher manuals for the use of Headquarters in Tokyo. The Civil Affairs Division of the Army has stated that it cannot purchase these materials which have been urgently requested by Colonel Dyke, who is in charge of the Civilian Information and Education Section of GHQ, Tokyo and has asked the Department for assistance.

Acting upon this request, CU, after consultation with the Office of Education and the National Education Association concerning the desirable books to be purchased, is in the process of ordering these books for immediate shipment to Japan.

In addition to the above items which are directly concerned with programs and policies relating to education and reeducation, CU has hired as a consultant Miss Clara Eastlake, to keep in touch with the latest developments in Japan in the field of education, religion and related cultural, social and political affairs. Miss Eastlake has been following and interpreting all movements very closely and is well qualified for this particular undertaking. It is anticipated that when the time is appropriate she will be of considerable assistance in policies relating especially to the education of women.

With respect to the future, the following points are suggested by CU for consideration:

1. The permanent relationship of the Department to SWNCC in matters of reeducation;

2. The establishment of a special staff of five or six in CU to deal exclusively with Japanese reeducation;

3. The need to send someone to Japan in the near future to determine what undertakings of Military Government

- 6 -

Government might well be continued on a permanent basis and to prepare recommendations concerning additional measures which could be initiated as the commencement of a permanent program of Cultural Cooperation.

CU:GTBowles:mbv

10/5/45

POD AUGER FARM
The Governor's Road
Sanbornville, New Hampshire
October 10, 1945

Office of
FAR EASTERN AFFAIRS
OCT 11 1945
Director
Department of State
DOR
PERSONAL
file
12-29-45
DEC 23 1945

Dear Mr. Vincent:

The reports in the press quoting your radio statement "We're trying right now to recruit people with specialized knowledge of Japan's economy -" seems to me to be one of the most hopeful pronouncements which has come out of Washington in some time.

To be certain that some of the leaders in the Senate and the House do not overlook your efforts, I am writing to some of them with whom I am in contact, to call your statement to their attention. I have often expressed myself on the Hill to the effect that those who really know and understand Japan's economy should be used both in planning the occupation policies and in the actual administration.

My own disillusioning experience in Government during the war is only typical of what happened to a number of those who had accurate information. Fired because of an unique background of study and experience to be the chief of the Japanese Civilian Supplies Unit of BEW (Office of Economic Warfare Analysis), I was placed under supervisors with no Far Eastern background. With no basis for understanding conditions in the Orient, they persisted in attempting to evaluate conditions within Japan in terms of U.S. standards and requirements. My information and opinions were ignored because they were in conflict with this theoretical approach. Various devices were resorted to in an effort to discredit those of us with accurate knowledge of the country and its people, and the theories were passed on up the line. As irrefutable evidence came out bit by bit, my information was proven accurate and my conclusions sound. While it was gratifying it hardly indicated that my abilities had carried their full weight in the war effort.

You and I never happened to discuss the Far East seriously in our occasional contacts - at Lois MacMurray's wedding, in Chungking when you were there with Henry Wallace, and on other occasions when we met in Washington - but I hope that some day we can have a talk.

Anyway, more power to you in your efforts to get people who really know their stuff on Japan.

Sincerely yours,

Edwin P. Geauque

na
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Dist.

Mr. John Carter Vincent, Director
Office of Far Eastern Affairs
United States Department of State

EPG:mm

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JAN 3 - 1946

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DGR

In reply refer to
FE

DEC 29 1945

My dear Mr. Géauque:

Before Mr. Vincent left for Moscow in connection with the Conference of Foreign Ministers he asked me to acknowledge your letter to him of October 10 and to express his warm appreciation for your comments upon his radio broadcast of October 6.

Mr. Vincent had been holding your letter to answer personally, but the pressure of work in connection with his departure for Moscow made it impossible for him to do so.

Sincerely yours,

J. K. Penfield
Deputy Director
Office of Far Eastern Affairs

Mr. Edwin P. Géauque,
Pod Auger Farm,
The Governor's Road,
Sanbornville, New Hampshire.

JAN 2 1946 P.M.

RB
FE:RBacon:hst
12-29-45

FW. 894.50/10-1045

ORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : LA - Mr. Gilpatrick
 FROM : LA - Walter B. Kahn WKY
 SUBJECT: Committee on Economic Policy toward Japan

DATE: October 17, 1945

The committee is an informal one, called together from time to time by Mr. Martin, in order to aid him in the discharge of his responsibilities as Advisor to Mr. Clayton on Japanese Affairs. The membership of the committee consists of various people within the economic side of the Department, whose line of work is related to the problem under consideration by the committee.

A certain number of policy papers called for by SWNCC are assigned to the economic side of the Department, as represented by Mr. Martin, through the Far Eastern Subcommittee of SWNCC. A member of the committee then prepares the paper in question, which usually passes through the committee; in some cases it is then submitted to the Interdivisional Area Committee for the Far East. It does not reach SWNCC until the SWNCC Far Eastern Subcommittee, or a working party of that Subcommittee has given the paper another going-over.

The economic questions arising out of the occupation of Japan are also submitted to this committee.

W.B.K.

WAR AREAS
ECONOMIC DIVISION

OCT 17 1945

DEPARTMENT OF STATE

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LA:WBKahn:11j

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DEPARTMENT OF STATE

INCOMING TELEGRAM

DIVISION OF CENTRAL SERVICES TELEGRAPH SECTION

~~506~~
~~507~~
~~508~~ LFP

PLAIN

Tokyo via War

Dated October 22, 1945

ACTION: FP
INFO: JC-992-P
FE
OFS
FP

REC'd 1:30 a.m.

RECEIVED
DIVISION OF FOREIGN SERVICE PERSONNEL
Wife notified by phone 10-22-45
OCT 23 1945
FP-MW Will-08
files - FP: WYK
DEPARTMENT OF STATE

Secretary of State
Washington

59, October 22 770

Woodbury Willoughby arrived Tokyo October 20. Notify family.
(ZA-7427).

ATCHESON

HTM
PLAIN

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Willoughby

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DEC 10 1945

In reply refer to
IR

My dear Senator Connally:

The receipt is acknowledged of your communication of November 30, 1945 to which you attached a telegram from Mr. James M. Henderson concerning an economic policy mission soon to be sent to Japan.

This State-War Department mission will determine the effects of alternative policy measures for re-organizing Japanese business in accordance with United States military and economic objectives. It will recommend to the Secretaries of the State and War Departments detailed policy for effectively dissolving Japanese combines and other concentrations of business control.

Several weeks ago, Mr. Henderson was selected, with the concurrence of the Justice Department, for an important post on this mission, and arrangements are now going forward for his joining the group before it leaves Washington about the middle of the month.

I believe that Mr. Henderson's experience eminently qualifies him for this urgent work and that his services will be distinctly valuable. I am glad to learn that your support of him confirms my belief.

Sincerely yours,
James F. Byrnes

894.50/11-3045

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Dist.	<i>ly</i>

Enclosure:
Telegram ~~dat. 11/21/45 fr. from~~
~~Mr. J.M. Henderson to Senator Connally.~~
November 21, 1945.

CR
DEC 10 1945

The Honorable
Tom Connally,
United States Senate.

IR:WWRudolph:amm 12-6-45

A true copy of
the signed original

Routine

Assistant Secretary

Mr. Clayton

Date 12/27

To: JK - Mr. Martin

From: ~~JK~~

For appropriate action.

Congress of Industrial Organizations



718 Jackson Place, N. W. • Washington 6, D. C.

EXECUTIVE 5881

Office of
MICHAEL ROSS
Director, Department for
International Affairs

December 21, 1941
1945

The Honorable
W. T. Clayton
Assistant Secretary of State
Washington 25, D. C.

*89-1-16-46
Reply drafted
E. M. Martin
file*

Dear Mr. Clayton:

I am enclosing a copy of the
letter which I have written to General Hilldring,
since I am given to understand that the State
Department is also concerned in the matters
discussed.

Yours sincerely,

Michael Ross

Michael Ross

JAN 24 1946

5860

Enclosure

ASSISTANT SECRETARY
W. L. CLAYTON

DEC 27 1945

A-C
DEPARTMENT OF STATE

894.50/12-2145

894.50/12-2145

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December 21, 1945

Major General John Hilldring
War Department General Staff
Civil Affairs Division
3-B-928 The Pentagon
Washington 25, D. C.

Dear General Hilldring:

As you know, the Congress of Industrial Organizations is very much interested in the policies pursued with regard to labor in ex-enemy countries now occupied by the United States. I learned recently that the Army has under consideration the sending of a mission to Japan to survey the social and economic situation, including trade unions, and other questions affecting labor.

In view of the misunderstandings and confusion which arose in connection with the measures taken in Germany, it seems to us that some consultation with the major labor organizations should be had before the labor policies in relation to Japan take on a pattern hard to change.

It may be that this mission is not considered to be the direct interest of labor organizations; but insofar as its work lies within the sphere of our interest, it appears that it would be advisable at least that the personnel on such a mission should be known to us and have our confidence.

Since I am not certain of the extent to which the State Department is concerned in this matter, I am sending a copy of this letter to Assistant Secretary Clayton.

Yours sincerely,

Michael Ross

Special Mess - Congressional
Assistant Secretary

Mr. Clayton

Date 12/4

To: JK - Mr. Martin

From: [Signature]

For appropriate action.

Rudolph - Can you take
action on this *file*

CD COMMODITIES DIVISION
reply R. [unclear] [unclear]
DEC 6 1945
DEPARTMENT OF STATE

United States Senate

COMMITTEE ON FOREIGN RELATIONS

November 30, 1945

894.50/11-3045

Respectfully referred to
Hon. Will Clayton
Asst. Secretary of State
Washington 25, D. C.

with thanks for such consideration as the commu-
nication herewith submitted warrants, and for a
report thereon, to accompany return of inclosure.

By direction of

Jim Chubb
U.S.S.

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ASSISTANT SECRETARY
W. L. CLAYTON

DEC 3 - 1945

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DEPARTMENT OF STATE

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YWESTERN
UNION

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HONORABLE TOM CONNALLY
CHARMAN FOREIGN RELATIONS COMMITTEE UNITED STATES
SENATE WASH DC-

INTERESTED IN GOING TO JAPAN ON ECONOMIC POLICY SURVEY
FOR STATE DEPARTMENT LEAVING EARLY DECEMBER DEEPLY
APPRECIATE YOUR SUPPORTING ME FOR ONE OF TOP PLACES
WILL CLAYTON IN OVERALL CHARGE UNDERSTAND ATTORNEY
GENERAL APPROVES OF LOANING ME HAVE DONE SOME WORK
ON JAPAN INDUSTRIES FOR BOARD ECONOMIC WARFARE THANK
YOU-

JAMES MCINNES HENDERSON..

JAN 22 1946

In reply refer to
JK

Dear Mr. Ross:

I have been asked to acknowledge on behalf of Assistant Secretary Will Clayton your letter of December 21, 1945, transmitting a copy of your letter to Major General Hilldring on United States labor policy in Japan.

I appreciate your calling our attention to your interest in these matters. I am sure that continuing discussions along the lines of that we had in my office on January 11 will be of real assistance to the State Department both on questions of policy and of personnel to assist in carrying it out.

I hope that if at any time you have any suggestions or comments to make concerning U.S. economic policies in either Japan or Korea, you will get in touch with me or with Mr. Sullivan of the International Labor, Social and Health Affairs Division.

Sincerely yours,

Edwin M. Martin, Chief,
Division of Japanese and
Korean Economic Affairs

Mr. Michael Ross, Director

Department for International Affairs,
Congress of Industrial Organizations,
718 Jackson Place, N. W.,
Washington 6, D. C.

A true copy of
the signed original.

OR
JAN 23 1946 P.M.
N

JK:EMMartin:lmc 1-16-46

IL H. 25.

894.50/12-2145
OS/LE 94.50/12-2145

DEC 26 1945

FR

DEPARTMENT OF STATE
JAN 7 - 1946
DC/L
LIAISON OFFICE
In reply refer to:
JK:

Dear Mr. Atcheson:

I recently wrote you concerning the value of your weekly political summary and the desirability of including more economic data therein. As an example of this latter point, we have a current need of more detailed data with respect to the program and activities of the Japanese union of cooperatives mentioned in your Summary of November 16-22. Further information would also be appreciated relative to a reported Japanese plan to undertake a large scale expansion of waterpower resources.

894.50/12-2645

Such material might be sent by pouch, if it proves so voluminous as to constitute an undue burden on available SCAP radio facilities.

894.50/12-2645

Sincerely yours,

Unit	DCR
Attn	
Key	
Sal.	The Honorable
Dist.	

Ed

Edwin M. Martin, Chief,
Division of Japanese and
Korean Economic Affairs.

George A. Atcheson, Jr.,

Acting Political Adviser to the
Supreme Commander for the Allied Powers,
Tokyo, Japan.

DEC 26 1945 P.M.
DEC 28 1945

JK:Howen:mf
12-18-45

A true copy of the signed original.

JAW:1

copy

CS/D
894.50/12-2645

JAN 16 1946

The Acting Secretary of State presents his compliments to His Excellency the Chinese Ambassador and has the honor to refer to the enclosed copy of a memorandum sent to the British Ambassador, together with a copy of the aide-memoire received from the British Embassy.

The problem of discovery and correlation of information regarding Japanese economic penetration is a matter of common concern to the several powers at war with Japan. Its solution is regarded by this Government as an important factor in eliminating the bases of Japanese aggression.

The Acting Secretary of State is addressing a similar communication to the Embassies of the Union of Soviet Socialist Republics, the Netherlands, and the French Republic.

Enclosures: ✓

1. From British Embassy to Department of State dated September 19, 1945.
2. To British Embassy from Department of State.

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JAN 15 1946

Department of State,
 Washington,

JK:JEM:Donald:aw

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JA

VCA

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DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE
JAN 30 1946

~~JA~~
JA
CA

894.50/1-1645
9K 9A CA

The Charge d'Affaires ad interim of China presents

DC/R

his compliments to the Acting Secretary of State and
has the honor to acknowledge the receipt of the Secretary's
note of January 16, 1946, enclosing a copy of a memorandum
sent to the British Ambassador, together with a copy of
the aide-memoire received from the British Embassy, on the
subject of Japanese economic penetration. It is also
noted that a similar communication has been sent to the
Embassies of the Union of Soviet Socialist Republics, the
Netherlands and the French Republic.

894.50/1-2246

DIVISION OF CHINESE
AFFAIRS
DEPARTMENT OF STATE
JAN 31 1946

DIVISION OF JAPANESE AFFAIRS
DEPARTMENT OF STATE
JAN 31 1946

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DEPARTMENT OF STATE
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Dist.

Chinese Embassy
Washington, January 22, 1946

[Handwritten signature]

12449 La Maida St.
North Hollywood, Calif.
30 January 46 *SPD*

The State Department
Trading with the Enemy Division

Washington
Gentlemen
DEPARTMENT OF STATE
FEB 7 1946

copy referred to F. Mas Sept for attention
copy referred to [unclear] 2/16/46
DEPARTMENT OF STATE
FEB 6 - 1946
File

JA fill
Not
DC/R

It is my desire to obtain an official permit to trade with the enemy for the purpose of participating in reconstruction of buildings and homes in Japan.

Will you kindly send me instructions and necessary application blanks for this permit?

I will appreciate attention to this matter at your earliest convenience.

Thank you.

Very truly,

Margaret C. Day.

Ad. *MAK*
JCC
Ca
Dist

FEB 15 1946

89450/1-3046

89450/1-3046

DSL-2
(6-4-45)

SPD
DC/R

DEPARTMENT OF STATE
WASHINGTON 25, D. C.

SPEEDLETTER

In reply refer to
SPD 894.50/1-3046

Date: February 6, 1946

This form of communication is used in the interest of speed and economy. If a reply is necessary, address the Department of State, attention of the Division mentioned below.

SPEEDLETTER

To: Miss Margaret C. Day,
12449 La Malda Street,
North Hollywood, California.

GPO 16-44742-1

Your letter of January 30, 1946 concerning your desire to obtain an official permit to trade with the enemy for the purpose of participating in reconstruction of buildings and homes in Japan has been referred to the Treasury Department, Foreign Funds Control for its attention.

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REH
Richard E. Hibbard
Chief, Foreign Interests Section
Special Projects Division

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MAR 6 1946

In reply refer to
JK

Dear Mr. Thorne:

In response to your letter of February 6, I shall be most happy to do everything possible to see that materials which are made available to us in duplicate on Japanese and Korean economic and financial matters are forwarded to the Board of Governors for your information.

I should, however, call attention to the fact that in general the copy situation with respect to materials from Japan and Korea is a very tight one, and it is seldom that we will be in a position to assist you. If you have not already done so, I should suggest that you establish contact with Colonel Proudfoot of the Civil Affairs Division of the War Department, who is responsible for distributing to U. S. governmental agencies practically all information which becomes available from Japan and Korea. He has been most cooperative in our dealings with him, and I am sure would be happy to be of whatever assistance he can be to you.

I do not need to point out to you also that we make no attempt here in our division to collect or maintain a basic research file, relying on the Office of Research and Intelligence to do that for us. Mr. Hersey will, of course, be in touch with Commander Hunsberger and others there.

I want you to know how much we have appreciated the work which has been done to date on the future of Japanese foreign trade, largely under the direction of Mr. Hersey. This study when completed will

prove in

Mr. Wendell E. Thorne,

International Section,

Board of Governors of the
Federal Reserve System,

Washington 25, D. C.

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- 2 -

prove in my opinion of immense value both to this country and to the countries with which we are associated in the Far Eastern Commission in the planning of the future of the Japanese economy. I hope that we may continue to receive assistance and advice from Mr. Hersey on questions relating to and arising out of this study to which he contributed so greatly.

Very sincerely yours,

Edwin M. Martin, Chief
Division of Japanese and
Korean Economic Affairs

OR ✓
MAR 1 1946 P.M.
MAR 5 1946

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JK:EMMartin:lmc 2-28-46



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25. D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1946

Mr. Edwin C. Martin, Chief
Division of Japan-Korea Economic Affairs
Department of State
Room 904 - 1818 H Street N. W.
Washington, D. C.

4/6
DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE
Reply drafted
FEB 27 1946
[Signature]

Dear Mr. Martin:

We greatly appreciated your courtesy in making available last month to Mr. Hersey of our staff copies of Japanese foreign trade statistics for 1941-1944.

Since the Chairman of the Board of Governors is a member of the National Advisory Council on International Monetary and Financial Problems, it is highly important that we keep fully informed regarding the current trend in the broad economic and financial problems abroad. We shall therefore be grateful for your assistance in arranging that copies be forwarded to us of all reports dealing with economic and financial matters in Japan and Korea which the Department of State may be in a position to pass on to us.

Sincerely yours,

Wendell E. Thorne

Wendell E. Thorne,
International Section.

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DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

FEB 25 1946

DIVISION OF CHINESE AFFAIRS
DEC 9 - 1946
DEPARTMENT OF STATE

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DIVISION OF JAPANESE AFFAIRS
DEC 9 - 1946
DEPARTMENT OF STATE

The Chinese Ambassador presents his compliments

to the Secretary of State and has the honor to refer
to the Secretary's note of January 16, 1946, enclosing
a copy of a Memorandum sent to the British Embassy
together with a copy of the Aide Memoire received from
the British Embassy. It is suggested by the British
Government to establish an ad hoc organization in Tokyo,
Japan to be composed of the representatives of the powers
concerned for the purpose of receiving and collating
information about United Nations assets siezed by the
Japanese and puppet authorities, Japanese and puppet
assets, and assets of other enemies.

It is indicated in the Department's Memorandum
that the United States Government, while looking with
favor upon the exchange of census information and the
results of other similar investigations in the areas
occupied by the various Allies in the war with Japan
and the suggestion to centralize the exchange of
information at Tokyo, suggests that the representative

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of the United Kingdom on the Far Eastern Advisory Commission to raise with the Commission the question of the organization of an appropriate agency to perform this function.

The Ambassador begs to inform the Secretary in reply, that his Government is agreeable to the British proposal in principle to establish in Japan an organization to receive and collate information about the assets of the United Nations, of Japanese and puppet authorities, and of other enemies.

Chinese Embassy

Washington, February 18, 1946





THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

OFFICE OF THE UNITED STATES POLITICAL ADVISER

Tokyo, Japan, February 25, 1946.

DEPARTMENT OF STATE
MAR 8 - 1946
DIVISION OF FOREIGN
REPORTING SERVICES

No. 277

SUBJECT: Emergency Economic Controls of February 17, 1946.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to transmit a memorandum on the subject of "Emergency Economic Controls of February 17, 1946". These economic controls were put into effect by the Japanese Government through the promulgation on February 17, 1946, of six Imperial Ordinances and a number of lesser Ministerial Ordinances and Proclamations. The primary objective of these controls is to check inflation, and secondary objectives are the collection of food, taxes, and commodities, as well as the creation of a more sound basis for the rationing of foodstuffs. Many of the new measures were enacted upon the insistence of SCAP, and some actually drafted by SCAP personnel. The drastic inflationary controls applied appear to be orthodox. Press and political party reactions indicate an approval of the Government program as necessary, but reservations are expressed as to the adequacy or propriety of specific provisions, and as to the willingness and competency of the present Shidehara Cabinet to apply and continue necessary coercive measures.

The more important provisions of the new ordinances and proclamations are: an immediate freezing of all bank deposits as of February 17; a surrender by March 7 of old currency of ten yen (later lowered to five) denomination and above in exchange for frozen deposits and limited quantities of new currency; limitations on cash payments of salaries to 500 yen per month; limitations on withdrawals from blocked accounts to 300 yen per month for family heads plus additional 100 yen per month allowances for family members; the compulsory purchase by the Government of untendered quotas of grains; declarations of ownership of stores of goods of industrial value; declarations of ownership of securities; and the creation of a basis for the reimposition of a general rationing of foodstuffs.

The effectiveness of these measures remains to be seen. There is general agreement that the only solution to uncontrolled inflation is increased production and distribution, but these measures may tend to curb some of the contributory factors which undoubtedly exacerbate inflationary tendencies. If this effort is not successful, and there are some who are not at all sanguine, we may expect a renewal of recent alarming inflationary trends and an even greater loss of confidence in governmental leadership and authority.

DIVISION OF FINANCIAL AFFAIRS

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DIVISION OF INVESTMENT AND ECONOMIC
DEVELOPMENT
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Respectfully yours,

Max W. Bishop
Max W. Bishop
Foreign Service Officer

Enclosure: *att m*

Memorandum as stated above.

Original and hectograph to
Department.

Copy to General Headquarters.

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TLBlakemore:vs

Enclosure to despatch no. 277 of February 25, 1946, from the Office of the United States Political Adviser, Tokyo, Japan, on the subject "Emergency Economic Controls of February 17, 1946".

OFFICE OF THE UNITED STATES POLITICAL ADVISER

Tokyo, Japan, February 25, 1946.

MEMORANDUM

SUBJECT: Emergency Economic Controls of February 17, 1946.

On February 16 the Japanese Government announced a program of economic controls designed to check inflation, to facilitate the collection of food and taxes, and to provide a basis for a reimposition of extensive price control and rationing. The program became legally effective a day later through the promulgation of the following ordinances:

1. Imperial Ordinance No. 83, entitled "Emergency Financial Measures" (Kinyu Kinkyu Sochirei), which was implemented by Finance Ministry Ordinance No. 12 entitled "Emergency Financial Measures Ordinance Enforcement Regulations" (Kinyu Kinkyu Sochirei Shiko Kisoku), and Finance Ministry Proclamations (Kokuji) Nos. 24, 25, 26, 27, 28 and 29.
2. Imperial Ordinance No. 84, entitled "Bank of Japan Note Deposits" (Nippon Ginkoken Azukeirerei), which was implemented by Finance Ministry Ordinance No. 13, entitled "Bank of Japan Note Deposits Ordinance Enforcement Regulations" (Nippon Ginkoken Azukeirerei Shiko Kisoku), and Finance Ministry Proclamation No. 23.
3. Imperial Ordinance No. 85, entitled "Emergency Property Survey" (Rinji Zaisei Chosarei) which was implemented by Finance Ministry Ordinance No. 14, entitled "Emergency Property Survey Ordinance Enforcement Regulations" (Rinji Zaisan Chosarei Shiko Kisoku).
4. Imperial Ordinance No. 86, entitled "Emergency Food Measures" (Shokuryo Kinkyu Sochirei), which was implemented by Agriculture and Forestry Ministry Ordinance No. 10, entitled "Emergency Food Measures Ordinance Enforcement Regulations" (Shokuryo Kinkyu Sochirei Shiko Kisoku).
5. Imperial Ordinance No. 87 entitled "Revision of Food Control Law Enforcement Ordinance" (Shokuryo Kanriho Shikorei), which was implemented by Agriculture and Forestry Ministry Ordinance No. 11, entitled "Revision of Food Control Law Enforcement Regulations" (Shokuryo Kanriho Shiko Kisoku).
6. Imperial Ordinance No. 88, entitled "Emergency Hidden Resources Measures" (Intoku Busshito Kinyu Sochirei) which was implemented by Ministry of Commerce and Industry Proclamations Nos. 33, 34 and 35.

These ordinances and proclamations are summarized as follows:

Imperial Ordinance No. 83, "Emergency Financial Measures", and its

auxiliary

- 2 -

auxiliary Finance Ministry Ordinances and Proclamations, freeze virtually all non-governmental bank deposits in Japan as of February 17. Additional deposits of old currency (see the following discussion of Ordinance No. 84) may be made to frozen accounts until March 7. Deposits of new currency will be unrestricted. Withdrawals from restricted deposits are permitted only for certain purposes, and then only for limited amounts. The more important permissible withdrawals are:

1. 300 yen per month per family head, plus 100 yen for each additional family member.
2. 1,000 yen for each war victim, providing the aggregate amount paid to a family is not over 5,000 yen.
3. Payment of wages and salaries up to 500 yen per month per person. Taxes normally collected at the source are not included in the 500 yen limit.
4. Necessary business expenses for essential operations.
5. Medical, wedding and funeral expenses, up to 1,000 yen.
6. Educational expenses up to 150 yen per month per student.
7. Operating expenses of community associations.
8. Campaign expenses.
9. Most varieties of national and local taxes (luxury taxes and consumers taxes are generally excepted).
10. Emergency expenses, in amounts prescribed by the Finance Minister.

In addition to the above-mentioned releases of funds, certain "restricted" withdrawals are permitted. These are transfers from one blocked account to another and may be made for wages in excess of 500 yen per month, bonuses, private debts outstanding as of February 17, insurance, rents, and (subject to certain proofs and formalities) construction expenses for approved projects.

Imperial Ordinance No. 84, "Bank of Japan Note Deposits", and the accompanying Finance Ministry Ordinance and Proclamation, require the surrender of all outstanding currency between February 25 and March 7. Such withdrawal allowances as are permitted under Imperial Ordinance No. 83 will be paid in new currency, and the remainder of the surrendered currency placed in restricted deposit. The exchange may take place at post offices, banks, and other financial institutions. Bank notes of denominations under 10 yen need not be surrendered. (Note: A further decision on the part of the Government to require the surrender of 5 yen notes was reported by Tokyo newspapers on February 22.) After March 2 old currency ceases to be legal tender. If sufficient new notes are not available for immediate exchange, over stamped current issue bills will be used temporarily.

Imperial Ordinances Nos. 86 and 87, together with various auxiliary Agriculture and Forestry Ministry Ordinances, provide for the compulsory requisition of rice and other staple grains, when quotas assigned to

individual

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individual producers or owners are not voluntarily sold to the state. Collection may be made in the name of the Minister of Agriculture and Forestry, or the Prefectural Governor, and judicial support is afforded. Sales to non-governmental purchasers are forbidden, as is the exchange of such foodstuffs for labor or commodities. Provision is also made for government control over the prices and urban rationing of comestibles.

Imperial Ordinance No. 85, "Emergency Property Survey" and the implementing Finance Ministry Ordinance require the filing of declarations of ownership as of March 3 of various forms of liquid assets and securities, although delay in reporting is permitted as late as April 2. According to the preamble, Imperial Ordinance No. 85 is intended to facilitate the collection of future taxes on war profits.

Imperial Ordinance No. 88, "Emergency Hidden Resources Measures" and the auxiliary Ministry of Commerce and Industry Proclamations provide for the filing by March 10 of a declaration of ownership of specified types of property as of February 17. These forms of property include virtually all categories of machinery, equipment, raw materials, etc., which could be of value in connection with the revival of production. Transfers, concealments or alterations before April 20 are forbidden.

Prime Minister SHIDEHARA and Chief Cabinet Secretary NARAHASHI issued statements at the time of the announcement of the above ordinances. Both justified the drastic character of the controls through a description of the dangers of Japan's present economic crisis, and indicated that further measures such as price regulation, rationing, and the stimulation of production would follow.

Press comment was extensive and varied. Unanimous approval of the program as at least an attempt to combat inflation was coupled with almost as general expression of doubt as to its adequacy on numerous counts. Most newspapers regretted the government's delay in acting, and the consensus was that the success of the program depends upon the strict enforcement of the various ordinances, as well as the development of sound, additional plans for increasing production.

Only the Communist Party condemned the program outright. Other parties, while critical of the timing and various provisions of the enactment and suspicious of both the intentions and capacities of the present Cabinet, appeared willing to cooperate. Specifically, party reactions were as follows:

Progressive: Public welfare must be protected by prohibition of barter, especially in foodstuffs, by elimination of black market activities, and by downward revision of the recently increased transportation rates. But more goods must be produced to effect any real solution, and adequate production capital must be provided.

Liberal: Government now must clarify plans for importation of food and for rationing. Popular cooperation is essential, and the party pledges support.

Communist: Under the guise of curbing inflation, the measures are new oppressions of the masses. The farmers

are hit

- 4 -

are hit by compulsory purchases of food, the urban workers by restrictions on wages, and small business men by continued uncertainties. Meanwhile the privileged classes have already taken evasive measures and are favored by the exemptions of the enactments. Production increase--the real solution--is still menaced by capital's refusal to renew operations.

Socialist: Provisions of the program are inadequate to lower or stabilize prices. Fundamental evils, such as payments on government bonds and indemnification of wartime business capital, are not faced. Only a truly democratic government can combat inflation.

Cooperative: Immediate enforcement of war profit tax, suspension of bond payments, and use of funds for social works and unemployment relief are further required. An immediate "price fixing" system must be established.

Financial circles approve of the program with reservations, although a return to bureaucratic controls is distasteful. In the opinion of these groups, the weak points of the government's measures are: failure to distinguish between urban and rural residents on allowable withdrawals; lack of adequate provision for use of business capital; and a general lack of emphasis on increased production.

The promulgation of this control legislation produced an immediate reaction on business. Black market prices showed a slight initial decline, which was followed by sharp rises as a result of "last fling" purchases. Theaters and places of amusement were crowded. Currency of smaller denominations, unaffected by the currency surrender ordinance, soon disappeared from circulation, and widespread difficulties in conducting small transactions have resulted. On February 22, a decision to require the surrender of five yen notes was announced by the government in an effort to check hoarding. In a joint statement the Metropolitan Police Board and the Procurator's Office indicated an intention to prosecute "acts of grudging" (withholding change) or "profit-eering" (forcing additional article on a purchaser in lieu of change) with requests for sentences up to three months imprisonment. A possible unmanageable rush to convert currency on the final days of grace was anticipated by banks and post offices.

T. L. Blakemore

BRANCH
U. KUNDANMAL
SAO. THOME.
(PORTUGESSE WEST AFRICA.)

ESTD. 1934

Casa Utamchand

Tel. Address
UTAMCHAND, Navagoa.

Agencies
MOSTLY ALLROUND
THE WORLD.

BANKERS
Banco Nacional Ultramarino, Navagoa.
" " " Sao. Thome
" " " Lorencos Marques
" de Portugal Lisboa.
Bank of British West Africa Ltd. London
The Central Bank of India Ltd., Bombay
Banco Nacional Ultr. Lisboa

Prop:- Kundanmal Utamchand

INDIAN SLIK & CURIO MERCHANT.

Novagoa February 28, 1946
Portugesse India

Hon'ble Mr Edwin.M.Martin,
Chief of Japanese & Korean Economic Council,
Department Of State,
W A S H I N G T O N 25. D.C



Sir,

Japanese export programme for the year 1946 invited our attention--the news on air just a couple of days back.

The radio added that the programme was already on its way to Washington, where it will finally be sanctioned.

We believe, The State Department's Division of Japanese & Korean economic affairs will deal with the matter and probably issue quotas as well. In view of this we take the liberty to address this application to you, sir, for favour of due clarification and enlightenment on the subject.

We are a refugee firm from Portuguese west Africa, where we imported from Japan & Japan all through. Due to drastic curtailment in the shipping services on global basis our firm could not do any business for the simple fact that the supply position was critical. Even in the year '45, U.S refused to supply anything to that point and this resulted in closing down of the establishment and just very recently ie in the month of November 1945, only three months back we winded the business.

Now as there is a hope of some import from Japan, we communicate to claim a substantial allotment at least on the basis of our prewar imports. And we plead, such allotment should be transferred in the name of this branch ie Casa Utamchand, Nova-Goa; Portuguese India.

We shall most willingly produce the invoices etc for import of YARDGOODS & PLUSH BLANKETS--the lines that interest us.

With the optimistic view that our earnest request will not be denied the courtesy of due consideration,

DIVISION OF JAPANESE
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

MAR 18 1946

*reply
drafted
3/18/46 - JMB*

We beg to remain,
Gentleman,
Most gratefully yours,
CASA UTAMCHAND

W. R. ...

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CS/VJ

894.50/2-2846

MAR 22 1946

MAR 28 1946

No.

To The American Consul General,

Bombay.

The Secretary of State transmits for the information of the Officer-in-Charge a copy of a letter received from the Casa Utanchand Company, an import firm interested in resuming trading relations with Japan.

For the background of the Officer-in-Charge the following facts are stated:

Because of disrupted economic conditions in Japan and problems of economic security, it is not yet possible to permit direct private trading relations between Japanese and nationals of other countries. All Japanese exports to the United States will be handled by the U.S. Commercial Company, an official government agency. Exports to other countries which have official representatives accredited to General MacArthur's Headquarters may take place in an analogous manner. In some cases it may be possible for the services of the U.S. Commercial Company to be utilized by countries which do not have their own official purchasing or trading agency.

For the present, the quantities of yard goods and blankets available for export from Japan will be very limited owing to the shortage of textile fabrics in Japan.

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Enclosures:

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 MAR 28 1946
 Correspondence from Casa Utanchand, Novagoo, Portugesse India, to Department of State.

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A true copy of the signed original.



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

OFFICE OF THE UNITED STATES POLITICAL ADVISER

Tokyo, Japan, March 8, 1946

No. 294

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1946 MAR 16 9 28

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SUBJECT: Magazine Article - "Loss of Overseas Territory and Effect upon Japan's Economy"

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The Officer in Charge has the honor to transmit a translation, prepared by the Allied Translator and Interpreter Section, SCAP, of a study appearing in the Japanese periodical, Economist, issue of February 15, 1946, on the subject "Loss of Overseas Territories and Effect upon Japan's Economy." This Office does not feel qualified to evaluate the statistics and analyses contained in this study but believes that it may be of value as a presentation, from the Japanese viewpoint, of the significance to the Japanese economy of the loss of Manchuria, Formosa, Korea, and other territories.

894.50/3-846

Enclosure:

Press translation No. 1624 dated March 3, 1946. (In triplicate)

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DIVISION OF COMMERCIAL POLICY
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DEPARTMENT OF STATE

DIVISION OF INVESTMENT AND ECONOMIC DEVELOPMENT
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DEPARTMENT OF STATE

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Department of State

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DIVISION OF INTELLIGENCE
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OFFICE OF THE UNITED STATES POLITICAL ADVISER

Tokyo, Japan, March 8, 1946

No. 294

SUBJECT: Magazine Article - "Loss of Overseas Territory and Effect upon Japan's Economy"

The Officer in Charge has the honor to transmit a translation, prepared by the Allied Translator and Interpreter Section, SCAP, of a study appearing in the Japanese periodical, Economist, issue of February 15, 1946, on the subject "Loss of Overseas Territories and Effect upon Japan's Economy." This Office does not feel qualified to evaluate the statistics and analyses contained in this study but believes that it may be of value as a presentation, from the Japanese viewpoint, of the significance to the Japanese economy of the loss of Manchuria, Formosa, Korea, and other territories.

Enclosure:

Press translation No. 1624
dated March 3, 1946. (In
triplicate)

Original and exalid to Department

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JSService:jwb

**GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
ALLIED TRANSLATOR AND INTERPRETER SECTION**

PRESS TRANSLATIONS

No. 1624

DATE: 3 Mar 46

ECONOMIC SERIES: 378

ITEM 1 Loss of Overseas Territories and Effect upon JAPAN's Economy - Magazine: Economist (Semi-Monthly) - 15 Feb 46 Issue. Translator: Sugihara - Asaka; Masumura; Echigo; Amano - Hasegawa; Sugasawa - Ikemura.

Summary:

- I MANCHURIA: A Ten Year Dream Crumbles
- II TAIWAN: Military and Political Base for JAPAN's Southward Drive
- III CHOSTEN: The Last Foundation of JAPAN's Prosperity
- IV KARAFUTO: Death Blow to JAPAN's Paper Industry
- V SOUTH PACIFIC ISLANDS: Loss of Oil and Rubber

I. MANCHURIA: A Ten Year Dream Crumbles

An area three times that of JAPAN--some 1.3 million square kilometers--on either side of the YANGTZE River; this is MANCHURIA. It has tremendous resources and rich land, but the Manchurians chose to ignore them. Before MANCHUKUO was established, mountain bandits and Chinese militarists reigned, and only a small primitive industry existed. Having such extraordinary economic resources and a population of 30,000,000, MANCHURIA was important as a potentially huge import and export market. RUSSIA and JAPAN especially competed for rights in MANCHURIA. Before JAPAN established MANCHUKUO, it already had 1,750,000,000 yen invested while RUSSIA's investment in the East China Railway was worth about 460,000,000 yen. ENGLAND and AMERICA had 20 or 30 million yen invested.

On 1 March 1932, JAPAN annexed MANCHURIA and established the state of MANCHUKUO. Using it as a base, JAPAN vigorously entered into world trade. The Japanese militarists needed money to build their machine so the development of MANCHUKUO was speeded in order to raise the necessary funds.

Constantine POPOV had this to say of the development of MANCHUKUO in 1932: "Copper, bismuth, iron and allied metals are unavailable in JAPAN, Japanese manufacturers are forced to buy raw materials from ENGLAND. As a result, metallurgical research in MANCHUKUO has been hastened."

Its underground resources are estimated to be as follows (in billion tons): Iron ore-2.7, coal-20, gold ore-4.5, magnesite (magnesium carbonate)-5, fire clay (impervious to heat)-2. In addition oil-bearing shale, copper, manganese, lead, corundum (aluminum oxide), steatite (soapstone) and silica are plentiful. The total arable land available is estimated at 35,000,000 hectares (87,500,000 acres) of

ECONOMIC SERIES: 378 (Continued)ITEM 1 (Continued)

which 15,000,000 hectares (37,500,000 acres) are already under cultivation.

By 1934 every resource of Manchukuoans industry was being used to its fullest extent. Manchukuoan industry under Japanese control was combined with the latter's industry so that a maximum of efficiency could be achieved. In 1936 the first five year plan was developed. Its expense was originally estimated at 2,352,000,000 yen but the outbreak of the CHINA Incident increased the expense by 6,000,000,000 yen.

By 1940 70 per cent of the plan's aims had been realized. The second five year plan came into being in 1941. The expressed aims were to mine more coal, iron and non-ferrous metals, increase the yield of farm products and further the use of hydro-electric power. In order to distribute the fruits of these endeavors, a liaison department was established in the Japanese government.

In 1935 plans were made for populating MANCHUKUO. Within 20 years 1,000,000 homes and 5,000,000 families were to be settled in MANCHUKUO. The plan was for two groups of armed immigrants and two later groups of unarmed people to emigrate from JAPAN. The first group left in 1936. Statistics available in 1940 showed thus:

Group Order	No of Homes	No of Persons
First	21,328	60,070
Second	2,093	5,136
Third	3,146	19,927
Volunteers	-----	39,780

In April 1940 the Japanese government bought 10,000,000 hectares of land from the Manchukuoans in order to accommodate all the settlers.

To modernize primitive MANCHUKUO and establish it as a military base required considerable capital. The CHINA Incident further required capital so that a promotion and improvement plan for Northern MANCHUKUO was devised. This plan demanded an investment of 1,000,000,000 yen. The total funds required in this period for the new venture and the five year plan was about 7,000,000,000 yen. Even helped by MANCHUKUO, JAPAN could not raise such a large sum. A sum of 1,300,000,000 yen had to be expected from foreign countries. The advent of the European War in 1939 cut off help from those countries and MANCHUKUO was not able to assist as much as expected consequently JAPAN had to bear most of the burden itself.

Between 1932 and 1940 JAPAN invested 4.63 billion yen, between 1940 and 1945 an additional five billion yen for a total of 9.63 billion yen. Previous to 1932 1.75 billion yen had been invested so that the total outlay in MANCHUKUO amounted to more than 10 billion yen.

After HSINKING was established as the capital, striking advances were made in every field of endeavor, most of them coming after 1937. The occurrence of the war in 1941 created new difficulties for JAPAN in MANCHUKUO. If there had not been war, and a second, third, fourth, etc. five year plan could have been carried out, the development of MANCHUKUO would have been spectacular.

ECONOMIC SERIES: 373 (Continued)ITEM 1 (Continued)

Statistics for 1940 show that the population had risen to 40.7 million. 23.3 of these 23,300,000 were farmers, who raised 18 million tons of crops. Chief products and amounts obtained (in 1,000 tons) were as follows: soy beans - 3,955; Indian corn - 4,618; German millet - 3,526; coal - 12,539; oil-bearing shale - 4,190; cement - 873. Bean curd and oil valued at 64 million yen were produced. A total of 5,477 companies of various descriptions were in operation by 1940. MANCHUKUO exported goods valued at 826 million yen and imported goods valued at 1,783 million yen, most of the trade being with JAPAN.

Manchukuoan industry thrived but the country remains essentially agricultural since 85 per cent of the population is agrarian. In the years 1933 through 1940 there was only one year, the first, in which the value of exports exceeded the value of imports. In all others the value of imports was greater than that of exports.

A complete tabulation of exports, imports and difference follows (in thousands of yen):

Year	Exports	Imports	Difference (+ -)
Prior to 1932	256,249	179,211	+ 77,038
1932	235,861	197,161	+ 18,700
1933	209,741	339,908	- 130,167
1934	219,988	408,592	- 188,604
1935	217,284	456,557	- 239,273
1936	289,503	524,630	- 235,127
1937	321,511	666,270	- 344,759
1938	416,825	993,413	- 576,588
1939	521,324	1,540,756	- 1,019,432
1940	440,212	1,303,893	- 863,581

Between January and September, 1940, Manchukuoan exports to JAPAN were valued at 440 million yen, its imports from JAPAN 1,300 million yen. Figures are not available for the years after 1940. However, it is known that in 1942 industry was considerably more active because of the war. The capital for industrial improvements was supplied by JAPAN. Until 1943, American attacks were not too fierce so that JAPAN was able to supply MANCHUKUO with raw materials from the NETHERLAND EAST INDIES, INDO-CHINA, MALAYA, JAVA, etc. And as Japanese-sponsored raw materials fed Manchukuoan industry, JAPAN was receiving many industrial and agricultural products.

In 1939 MANCHUKUO's chief exports to JAPAN and their value (in 1,000 yen) were as follows: soy beans - 95,492; red beans - 20,210; Indian corn - 16,019; German millet - 16,896; corn - 16,935; bean curd - 110,923. The chief goods that MANCHUKUO imported from JAPAN during this same year and their value (in 1,000 yen) were as follows: timber - 73,395; woolen goods - 35,891; artificial (ersatz) goods - 107,421; paper - 47,996; wheat flour - 51,413; sugar - 41,812; rice - 17,075; fresh fruits - 16,390.

In the era prior to the first five year plan the Japanese Government subdued the bandits and established a central government. By 1936 the five year plan was under way. Since 1932 a total of more than 10 billion yen has been invested in MANCHUKUO. Japanese money industrialized 130 million square kilometers of wild Manchurian land in the space of 10 short years. It took RUSSIA twice as long to rebuild after its revolution. MANCHURIA had developed tremendously under our guiding hand

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as a friendly nation. If we had had 10 more years, who knows what wonders we could have wrought!

II. TAIWAN: The Political and Military Base for JAPAN's Southward Drive

TAIWAN has long been JAPAN's best agricultural source, rich in sugar and rice and at the same time, a good customer for JAPAN's industrial exports.

Because of the economic needs of JAPAN in her early industrial days, about 1890-1900, the sugar industry was promoted and made rapid strides. Mr. TAKAHASHI, Kamekichi has explained in his "Theory of Economic Conditions of Modern FORMOSA," thus, "JAPAN of that time had to promote her industrial development on a large scale. As a result, the balance of JAPAN's foreign trade showed an excess of imports. Japan, therefore, in order to cut down this excess of imports had to develop the sugar industry in her new colony of Formosa, since JAPAN had to import sugar in large amounts. Moreover, the sugar industry of the world was not developed as much as at present and the world output of sugar could not meet the world demand. The self-supply of sugar undertaken by JAPAN, therefore, was desirable from the viewpoint of her industrial policy.

The rice-culture developed in FORMOSA was due to the lack of rice in JAPAN," Mr. TAKAHASHI explained in the same theory. "That is to say, the condition of demand and supply of rice in our country in was unfavorable after the Russo Japanese War, particularly during World War I, and finally the food problem was brought to the fore as the most important domestic problem. Thereupon rice production in FORMOSA was rapidly promoted as an adequate counter measure for the rice-shortage in the homeland."

Industrial Formosa

After World War I, the economic relationship of FORMOSA to JAPAN took a turn in accordance with the change in domestic and international conditions. What caused the change is shown as follows:

- (1) JAPAN's own economic conditions: After World War I, JAPAN had to find new outlets for her industrial capacity, which had made rapid progress. Her domestic resources had been strongly developed, she had a surplus labor supply, and a surplus capital. JAPAN had conditions favorable for industrializing her colonies.
- (2) FORMOSA's own economic conditions: By 1930, FORMOSA went through her course as a formal colony supplying agricultural raw materials and food. In addition to that, on account of the economic upheaval at the World after the Manchurian Incident, the capital which had been accumulated in the Formosan industrial and economic fields rapidly expanded.
- (3) The new political position of JAPAN: In accordance with JAPAN's diplomacy, FORMOSA was brought to the fore as an important political and military foothold in JAPAN's southward drive. Under such conditions, it was demanded of FORMOSA that its industry be developed so as to maintain a supply of power which could provide for emergencies.

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Sugar Industry

The history of the sugar industry in FORMOSA is very long, but the output of sugar in the early days could not meet Japanese demands. JAPAN had been importing 3/4 of its sugar from foreign countries. The plan carried out by the authorities as a measure for doing away with importation was brought forth as the "sugar policy". After many agricultural improvements as well as improvements in equipments, sugar production showed good results as follows:

	Acroage under Cultivation	Yield per Hectare
1902 - 1903	14,000 hectares	49,480 lb A.V.
1939 - 1940	172,800 hectares	117,000 lb A.V.

At the beginning of this industrialization, the TAIWAN SUGAR Company, limited, was formed in 1902, with a capital of 1,000,000 yen financed by Japanese civilians and the Imperial Household. At the end of April 1941, there were eight companies with forty-nine plants, and the total capital was 220,700,000 yen. By 1929, the yield reached a point where it could supply the domestic demand, and in 1935, a surplus was obtained, and the excess was sent to MANCHUKUO and CHINA. The following data shows the position which Formosa had been occupying in JAPAN's sugar industries:

	1939	1940
FORMOSA	23,643,599	18,879,051
Total in JAPAN	27,983,947	22,187,160

	1939	1940
Yield in Home Land	1,934,970	3,135,658
Imports from Foreign Countries	1,732,188	13,690
Import from Territories	10,803,612	19,493,462
Amount Consumed	14,510,374	19,302,728

(from the Sugar Almanac)

Notes: Unit is 100 kin 1 kin = 1.32 lb A.V.

Rice from Formosa

Rice production in Formosa had already exceeded her own demands before she became JAPAN's territory. Japan began to encourage rice-culture in Formosa, however, because of its own rice-shortage. Thus rice culture which was blessed by the natural conditions with two crops a year showed a rapid growth, and the yield of 2,150,029 koku in 1900 jumped to 8,393,040 koku on 1939. The amount of rice imported from FORMOSA in 1929 was more than 40 per cent of the total amount of JAPAN's importation. The role of Formosan rice is indicated as follows:

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ITEM 1 (Continued)

Supply and Demand of Rice in 1939	
Imported from Foreign Countries	156,494 koku
Imported from Territories:	5,670,162 koku
From KOREA	3,962,495 koku
From FORMOSA	9,809,151 koku
Total	65,869,092 koku
Yield in Homland	79,319,940 koku
Total Amount Consumed	72,872,000
Population in 1939	

(From the TOYO Economic Almanac)

Industry

Industries which have been growing in Formosa may be summarized briefly as follows:

(A) The NIPPON Aluminum Co. Ltd.; TAIWAN Electro-chemical Co. Ltd.; TAIWAN Oil Co. Ltd.; TAIWAN Match Co. Ltd.; TOHO Metal Co. Ltd.; TAIWAN Chemical Manufacturing Co. Ltd. (manufacturing cement); ASAHI Electro-Chemical Plant; Southern NIPPON Chemical Co. Ltd. These electro-chemical companies, financed by Japanese capital and involving Japanese engineering techniques, were established in FORMOSA.

(1) The NIPPON Aluminum Co. Ltd. was established in TAKAO in 1941, with a capital of 10,000,000 yen. The company utilizing the bauxite of PITAN island, produced 100 tons per month at the beginning of operations.

(2) The TAIWAN Electro-Chemical Co. Ltd. was established in 1935, with a capital of 20,000,000 yen. It was producing steel and nitrates with an eye to the cement industry in the future.

(3) The bagasse industry: This industry may be said to be a model of new industries developed by Japanese engineers. In 1933, the TAIWAN Paper Manufacturing Company anticipated bagasse as the raw material for paper and artificial silk. Following this company, many companies were established which would manufacture pulp from bagasse. In 1937, in order to settle the problem of raw-materials in paper manufacturing, and aiming at industrializing FORMOSA, the Government started to take notice of the bagasse industry. As long as the sugar industry continues, bagasse will be inexhaustible.

There was another new industry being developed as an outgrowth of the sugar industry in FORMOSA. This was the alcohol industry. In 1940, there were eight alcohol-producing plants. Loss of such promising industries in FORMOSA was a heavy blow to Japanese industrial fields.

A Fatal Blow to the Zaibatsu

In 1940, there were 1891 companies in FORMOSA with a total capital of 865,532,513 yen. It is worth special mention that most of the companies which were to be boosted to foremost positions in Formosan industrial circles were financially backed by the Japanese Zaibatsu.

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Therefore, the Zaibatsu obviously incurred a great loss.

Capital Invested in FORMOSA in 1941		
	Amount of Capital Paid	Percentage
From Home Land	359,467	67.6
FORMOSA:		
Japanese	125,155	22.5
Native	43,747	8.2
Total	168,912	31.8
From Others	13,450	0.6
Total	541,829	100.0

Notes: From the Economic Almanac of FORMOSA.
Unit 1,000 yen.

In addition, there is the capital which was invested in railway enterprises. The main goods which have been exported to JAPAN from FORMOSA are shown in the accompanying table. FORMOSA has been supplied by JAPAN with corn starch, flour, medical supplies, clothes, paper,

Important Goods Exported to JAPAN From FORMOSA in 1939			
	Unit	Quantity	Amount of Money (1,000 yen)
bananas	baskets	2,818,389	16,519
tea	kin	2,365,545	2,748
pineapples	dozen	2,995,525	11,211
camphor	kin	1,777,524	4,030
camphorated oil	kg	1,074,184	1,053
alcohol	sho	27,669,537	13,568
hats		5,029,375	4,801
coal	1,000 tons	276,258	4,489
timber	shaku	1,617,916	4,719

finished metal goods, machines, ceramic wares, glass, etc. Total sum of imports from JAPAN in 1939 amounted to 350,000,000 yen, or 10 per cent of the total amount of JAPAN's exports. FORMOSA may be said to have been one of the best outlets of JAPAN's industrial finished goods, and at the same time a good market supplying foodstuffs and raw materials to JAPAN.

III. CHOSTEN: The Lost Foundation of JAPAN's Prosperity

1. The "Starvation" Export of Rice.

During the war the term "Korean rice" sounded familiar to our ears. The statistics covering the past six years show that CHOSTEN has yearly exported seven to ten million koku of rice to this country, and that this rice has brought supply and demand in JAPAN proper into balance. These figures by no means tell the whole story, however, the following table will throw some light on the problem.

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The Annual Consumption of Rice per Capita in JAPAN Proper and in CHOSSEN

Year	CHOSSEN	JAPAN Proper
		1.063
1912	0.774	1.111
1915	0.730	1.143
1918	0.680	1.153
1921	0.670	1.212
1924	0.632	1.094
1927	0.525	1.077
1930	0.450	1.123
1931	0.520	1.014
1932	0.421	1.095
1933	0.411	1.100
Average	0.530	

(Unit: koku)

As we see in the above table, Koreans did not export their surplus rice; they were obliged to sell rice which they badly needed. Where lies the clue to solve this mystery? It is not very far to seek. They sold their rice because they were so poverty-stricken that they could not afford to eat rice, as is apparent from the following table:

The Annual Incomes of the Korean Families (March, 1934)

Annual Income	Towns	Farming Villages
More than ¥ 3,000	3.39 %	0.33 %
More than ¥ 2,000	3.96 %	0.47 %
More than ¥ 1,000	9.71 %	1.95 %
More than ¥ 400	21.26 %	10.47 %
More than ¥ 200	14.57 %	17.17 %
More than ¥ 100	9.12 %	27.63 %
Loss than ¥ 100	5.61 %	38.00 %
Tax-exempt persons	32.38 %	3.98 %

Koreans couldn't afford to live on rice, and had to exchange rice for other cheaper cereals. Such was the real condition of the "granary of the Japanese Empire."

2. The Role Korean Rice Played.

In war-time, when there was a shortage of rice in JAPAN proper, CHOSSEN furnished a food base for us; in peace-time it served to keep the price of rice in JAPAN proper below a certain standard.

The Balance Between the Supply and Demand of Rice in JAPAN Proper

	Supply (unit-1,000 koku)	Consumption
1936	81,597	73,034
1937	87,225	79,066
1938	89,102	80,022
1939	84,142	79,319

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We see in the above table that the total amount of rice supplied in this country always exceeded the total amount consumed, and it was Korean rice more than any other which provided a rice surplus in this country. It is also apparent that the rice which came from CHOSSEN--a "starvation" export--was used to beat down the price of home-grown rice.

Japanese farmers in general have always been notorious for their low living standard. With the industrialization of JAPAN, a great number of those who failed to make both ends meet left their native villages to become industrial workers in the cities--where they were forced to accept ridiculously low wages and cruel working conditions. When extremely low-priced Japanese goods appeared on world markets in great quantities, people spoke of "rice wages." By "rice wages" they meant the startlingly low wages of the Japanese worker, who lives on rice. To a large extent it was Korean rice which kept the cost of living in JAPAN low, and thus provided a basis for JAPAN's industrial prosperity.

3. CHOSSEN As a Market for Japanese Goods.

Commodities seek their market. Our farmers, who pick up their scanty livelihood by selling their cheap agricultural products, do not have very much purchasing power; our industrial workers, who must be contented with their "rice wages," are not very good consumers either. Our industry was thus destined to meet its capitalistic cul-de-sac sooner or later; CHOSSEN served however, to retard the solution of this capitalistic contradiction. There can be no doubt that CHOSSEN was a decisive farce in our economy; since it regularly consumed 24% of our exports, it could not have been otherwise.

As a general rule, when an advanced nation comes in contact with a backward nation, the commodities made by the advanced nation exert a ruinous influence on the industries of the backward nation. Any native capital which has developed is nipped in the bud. The destiny of CHOSSEN as a colony of JAPAN was no exception to the general rule. Koreans were impoverished by Japanese rule; in other words, JAPAN's industries prospered at the expense of CHOSSEN.

4. The Industry of CHOSSEN.

When we speak of the industry of CHOSSEN, we refer to the industrial management conducted by Japanese residents in CHOSSEN.

In the decade following 1931, the industry of CHOSSEN increased seven-fold; today CHOSSEN is an industrialized country. However, it is clear from the following table of investments that the Koreans themselves had only a meagre share in the industrial development of their country.

	Japanese	Korean
Direct Investments Handled by Home Capitalists	74.0%	- %
Investments Handled by Key Industrial Capitalists in CHOSSEN	16.9%	1.1%
Investments Handled by Companies Domiciled in CHOSSEN	7.1%	0.9%

5. The Mining of CHOSSEN.

CHOSSEN is unusually rich in minerals, and a large mining industry has been built up following statistics are quoted from the mineral yearbook of CHOSSEN for 1936.

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	<u>Staple Mineral Ores</u>	
	Value (unit #1000)	Ratio
Gold	49.914	45.2%
Coal	13.301	12.0%
Pig-iron	7.867	7.1%
Sand Gold	9.444	8.5%
Gold-and-Silver ores	9.374	8.5%
Steel	6.533	5.9%
Tungsten Ores	2.294	2.1%
Silver	2.830	2.6%
Copper	3.273	3.0%
Total (including sundries)	110.430	100.0%

It goes without saying that the bulk of this mining was managed by Japanese capitalists. Since JAPAN proper lacked most of the above-listed mineral deposits, the mining of CHOSSEN was absolutely indispensable to JAPAN. It is especially noteworthy that the output of gold (including that of sand gold and gold-and-silver ores), which is of utmost importance for international currency, approximated 62% of the total mineral produce.

In conclusion, CHOSSEN, which once afforded a basis for our flourishing capitalism, is now lost to us for all eternity. The rehabilitation of our industries can never be a mere reconstruction; it must be a new construction, built on new foundations.

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IV. KARAFUTO

The loss of KARAFUTO, as a result of the surrender, is a severe blow to JAPAN's economy. The following table of imports and exports will indicate the extent of KARAFUTO's contributions to the economy of JAPAN proper.

	Exports	Imports
1925	70,800,000 yen	42,300,000 yen
1938	149,500,000 yen	88,200,000 yen
1939	224,800,000 yen	130,100,000 yen

As the island of KARAFUTO developed, her exports to JAPAN proper increased. The chief items exported were lumber, pulp, paper, marine products, and coal. The most important industry in KARAFUTO was the forestry industry. The production of forest products such as paper and pulp far exceed that of all other products, as shown by the following statistics.

	Amount of Production	
	1936	1937
pulp	44,200,000 yen	44,000,000 yen
paper	37,200,000 yen	53,900,000 yen
canned goods	1,100,000 yen	2,100,000 yen
sugar	1,000,000 yen	1,500,000 yen

Of the total production of forestry products, the major portion was exported.

	Total Production (1937)	Amount Exported
lumber	27,900,000 yen	15,000,000 yen
pulp	44,000,000 yen	34,000,000 yen
paper	53,900,000 yen	43,800,000 yen
	Total	93,200,000 yen

The total exports of KARAFUTO amounted to 121,100,000 yen each year. Of this total, 76.9 per cent or 93,200,000 yen, was derived from the export of lumber, pulp, and paper.

JAPAN's paper industry was dependent upon KARAFUTO for 80% of its raw materials. (70% of the total was in the form of lumber which was processed in pulp factories in JAPAN proper; the remainder was pulp manufactured in KARAFUTO). It is evident therefore, that unless MacARTHUR's headquarters permits the re-opening of foreign trade, it will be impossible for JAPAN to produce paper in any substantial quantity. Second in importance to forest products are marine products. KARAFUTO, in the past supplied about 20 percent of the total marine products consumed in JAPAN proper. The Japanese people consume on the average about 35 grams of fish per day; thus, for every 35 grams of fish eaten, 7 grams came from KARAFUTO. With the loss of this island the people are deprived of 7 grams of fish daily. Because of its nourishing qualities, fish is an essential part of the diet of the Japanese people. Fish is much cheaper than meat. Only because this is so have the Japanese people been able to support themselves with their low wages.

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The loss of marine products from KARAFUTO threatens the livelihood of the Japanese people. If KARAFUTO's coal deposits were developed to the fullest extent, they would be able to produce 20,000,000 tons of coal each year. If even half of this amount could be exported to JAPAN, it would be sufficient to break the deadlock in the present coal shortage. The coal of KARAFUTO is of excellent quality and is very easy to mine. Of all JAPAN's former colonies, KARAFUTO has the greatest deposits of coal. These deposits have been estimated to reach as high as 2,500,000,000 tons. Now, with the loss of KARAFUTO, all these products which have been so valuable to JAPAN have been lost. Their loss is a severe blow to the basic foundations of JAPAN's economy. We must investigate carefully the nature and extent of this blow, and must consider very carefully the steps we are to take to rebuild our nation's shattered economy.

V. SOUTH PACIFIC ISLANDS: Oil and Rubber

When the American forces landed on LINGAYEN Gulf, they were astonished to find, first, the lack of military and naval establishments; and second, the weakness of the Japanese civil administration and economy. Here as elsewhere throughout the conquered areas, economic development was woefully weak. If JAPAN had occupied the PHILIPPINES for 20 years, it appeared, the islands would have made little or no progress. Even on the island of SAIPAN, under mandate since 1914, the Japanese took all the wealth of the island out, and returned to the island neither culture nor improvements.

JAPANESE Mandated Islands.

The loss of the South Pacific islands does not seriously affect JAPAN in land area; but in natural resources, the loss is tremendous. Although the Japanese mandated islands are small, there were 85,000 Japanese residents on them, and exports to JAPAN totalled 50,000,000 yen in 1939. These exports included coffee, sugar, tobacco, dried bonito, whiskey, alcohol, and copra.

The island of GUAM, in the center of the Japanese mandated islands, is abundant in agricultural products, such as bananas, copra, taro, tapioca, sweet potatoes, rice, corn, coconuts, mangoes, and oranges. In 1939 JAPAN had a small but favorable trade balance with GUAM - exporting \$67,507.00 and importing \$14,763.00.

PHILIPPINES - There were 30,000 Japanese residents in the PHILIPPINES, but AMERICA, with only 10,000 residents, succeeded in building a highly efficient economic and administrative system in the islands. This difference in administrative success is due in large part to the lack of Japanese experience in colonial administration. The main exports to JAPAN were hemp products, treacle and syrup, copra, buffalo hides, and tobacco. The main imports from JAPAN were cotton materials, rayon materials, canned fish, coal, cement, condensed milk, sweet potatoes, and dried beans. The principal Japanese investments were in the fibre industry (hemp products) - 7,300,000 pesos in land and 1,500,000 pesos in factories. Total exports to JAPAN totaled 20,029,821 pesos in 1937 and 7,223,625 pesos in 1939. The imports from JAPAN in 1939 reached 7,791,453 pesos and in 1937 were 3 times that amount. In 1930 the trade balance favored JAPAN by a margin of 17,169,057 pesos.

EAST INDIES - The principal exports to JAPAN were petroleum and sugar from JAVA, coal from SUMATRA, rubber from BORNEO, coconuts from

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CELEBES, and coffee and copra from NEW GUINEA. In 1930 there were 7,195 Japanese residents in the INDIES, and in the years that followed the Japanese population substantially increased. Japanese investments totaled 19,625,000 guilders in agriculture - rubber, 12,872,000 guilders; sugar, 3,736,000 guilders; coconut oil, 2,550,000 guilders; and tea 470,000 guilders. The 100,000 guilders, which JAPAN had invested in the mining industry, was invested chiefly in the petroleum industry. This figure seems very small for the petroleum industry, but in recent years the actual Japanese capital in the BORNEO Petroleum Company is said to have totalled several million guilders. In 1932 the ISSEWARA Industrial Company had invested several million guilders in two copper and iron mines. It is estimated that the petroleum deposits of the islands total 3,015,000,000 barrels. The petroleum exports from the EAST INDIES make up 21% of its total exports in value and 61.5% in quantity. The loss of these vast resources is a very severe blow to JAPAN's economy.

NEW CALEDONIA Island - according to the census of 1936, there were 1,430 Japanese residents on the island. They were occupied in the following trades: farmers, merchants, mine laborers, farm laborers, carpenters, painters, tailors, plant laborers, barbers, and fishermen. The only exports of interest to JAPAN were nickel ore and the TAKASE shell fish (586 kg).

Since her defeat, JAPAN has of course lost all her holdings in the South Pacific, and has had to give up all trade relations with this area. It is hoped that the above facts and figures, by clarifying past economic relations with this area, will be of some assistance in solving the problems which JAPAN now faces, and will provide some key to the trade which she may hope to develop in the future.

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Nr: C-60050

18, April 1946

Cite C-60050 from SCAP to WARCOS pass to State Dept.

COMGEN USAFIK advises reference return to Washington of Doctor Gordon Strong of Bunce staff. It is understood in Korea that Doctor Strong, State Department Economist of Office of Financial and Development Policy was assigned to Bunce staff as relief, Financial and Transportation Advisor with instruction to return to State Department Washington soon after 60 days in Korea. In view of his invaluable but uncompleted services to USAMGIK and the joint US-USSR Commission it is suggested that the State Department be requested to extend his responsible assignment to this theater for an indefinite period. It is further recommended that he be instructed to return immediately to Washington to participate in the processing of the first and second Korean import programs and then return to Korea by 5th June to continue work started on national economic plan and to participate in committee work of joint US-USSR Commission. Doctor Bunce concurs. Doctor Strong prefers not to accept War Department appointment if further details from State Department can be arranged. It is also recommended that Doctor Strong be permitted to bring family later when families are admitted into Korea.

End

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July 23

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TO : shipment weighed 2424 lbs

FROM : B/L - S 12695 - dated Feb. 20.

SUBJECT: miscellaneous supplies: e.g. stationery
 blotters
 ink wells
 carbon paper
 etc.

Picked up by Store Room forwarding to
 U.S. Dispatch Agent, c/o NSD, Oakland,
 Calif - marked, "Notify Mr. Moran,
 U.S. Dispatch Agent, 100 McAllister
 St., San Francisco for transshipment
 to U.S. Political Adviser, Seoul,
 Korea (B/L via Yokohama).
 10 Boxes.

614 (05)

L.A.K. Thomas
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From: CINC APPAC, Command, Tokyo, Japan
To: War Department
Nr. C-60028

18 April 1946

Cite C-60028. This is our number 181 April 17th.
signed Atcheson. From SCAP to WARCOS, pass to SECSTATE.

While I was informed in San Francisco on March 28
by Troop Movement Division, Fort Mason, that Bunce
Rassion supplies had arrived and would be placed on my
ship with accompanying papers to be delivered to me on
board, no such papers were received by me or the ship
and we are now informed that upon unloading of ship in
Yokohama supplies in question were not on board.

END

ACTION: G-2 (State)

INFO: ASP

CM-IN-3787 (18 April 46) DTG 180707Z

FRW

INFO	
OFS	<input checked="" type="checkbox"/>
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FSS	
FBO	

MAY 8 - 1946
FILED

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R WITH NOTATION OF ACTION TAKEN

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE
INCOMING TELEGRAM

ACTION COPY

DC/R

FA
ACTION

ROB-P
No paraphrase necessary.

Division of Foreign Service Personnel
8208 APR 25 1946
DEPTO via War
DEPARTMENT OF STATE
Dated April 23, 1946

ACTION: OFS
INFO: RESTRICTED
FE
OBF
ESP
DC/R

OFFICE OF THE FOREIGN SERVICE
APR 24 1946
DEPARTMENT OF STATE

Rec'd 5:21 p.m.
Apr 26/46

SECSTATE

184, April 23.

From SCAP to WARCOS pass to SECSTATE info COMGEN
USAFIK pass to Langdon US POLAD for BUNCE REDEPTEL 36
March 19th to Seoul and my 181 April 17. Cite CX 60200.

Further search of vessel for Bunce supplies reveals
2 plywood boxes approximately 80 pounds each apparently
containing typewriter, 1 wooden box about 100 pounds
content unknown, and 1 small paper carton aboard. Latter
item being forwarded by freight.

ATCHESON

JEF

RESTRICTED

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MAY 8 1946
FILED

894.50/4-2346

ad
JH

PREPARING OFFICE
WILL INDICATE WHETHER

TELEGRAM SENT

PREPARING OFFICE WILL
TYPE HERE CLEARLY THE
CLASSIFICATION OF THE
MESSAGE:

Department of State

PLAIN

Charge Department: **X**

Washington

Charge to

7411

A O Horan
Acting US Despatch Agent
100 McAllister Street
San Francisco, California.

Atcheson telegraphs Bunce Mission supplies not on ship when unloaded at Yokohama. Atcheson informed Mar 28 in San Francisco by Troop Movement Division, Fort Mason, supplies had arrived and would be placed aboard ship and accompanying papers delivered to him. Papers not delivered and apparently supplies not loaded.

Investigate and telegraph what became 10 boxes for Bunce Mission weight 2424 lbs B/L S 12695 dated Feb 20.

Harry A. Havens

Harry A. Havens
Assistant Chief, Division of
Foreign Service Administration

CR JMK
APR 25 1946 P.M.

FA:HAHavens:mb
4/24/46

DOR - Per. Unit
JH
JN

894.50/4-2546
CS/A

May 14, 1946

MEMORANDUM for General Hilldring

With great difficulty Mr. Martin, of the Division of Japanese and Korean Economic Affairs, last autumn assembled an economic mission to go to Korea to work with the Joint Commission and with the Military Government. Mr. A. C. Bunce was borrowed from the Federal Reserve Board to head the group.

Mr. Bunce is an agricultural economist of distinction and has the further qualification of knowing a good deal about Korea.

His welcome to Korea was something less than warm. The Headquarters was inclined to feel that economists at best are a nuisance, and, at their worst, downright undesirable. However, Bunce went to work and, before long, had firmly established himself in the affections of Gen. Hodge and the entire Headquarters.

Gen. Hodge is now urgently desirous that Bunce remain in Korea. Should that be impossible, he wants a substitute. I am of the opinion that Bunce should remain in Korea and he is willing to do so if his leave at the Federal Reserve Board can be extended. The Federal Reserve, as you probably know, is a little tired of the way its personnel has been borrowed, and my own preliminary inquiries have indicated that a request from me would be refused. I believe, however, there is a chance that were you to take the matter up direct with Marriner Eccles, we might be able to get Bunce for another six months. Would you be willing to try?

I am enclosing a recent telegram from Gen. Hodge. Bunce's present leave from Federal Reserve expires August second.

DUR - ITP Unit
hps
RE

John
John Kenneth Galbraith

FILED
MAY 27 1946

894.50/5-1446

894.50/5-1446
CS/A

ESP:JKGalbraith:ews

I spoke with Gen. Hilldring and then to Galbraith on 5/16/46. Galbraith will draft letter for signature of J.H.H. to go to Sayunchzak - M.S. of F.R.B.

DEPARTMENT OF STATE

DIVISION OF FOREIGN ACTIVITY CORRELATION

RESTRICTED

REPRODUCTION OF WAR DEPARTMENT TELEGRAM
FOR INFORMATION STATE DEPARTMENT ONLY.

Tele. No. C-60474
Cm In No. 105
From: Tokyo, Japan, CINCAFPAC Command
To: War
Recd: May 1, 1946
Dated: April 30, 1946

The following message has been received from CG XXIV Corps "The work of the Joint Commission requires a competent economist as a continuing member during the whole period it will function. This will be much longer than the period that A.C. Bunce will be here under his present leave from the Federal Reserve Board.

Mr. Bunce and his staff have been extremely valuable to me both in the work of the Joint Commission and Military Government. Therefore, I request that Mr. Bunce, and such staff as he requires for the continuation of his functions here, be retained by the Department of State as my economic advisor and US Delegate on the Joint Commission.

It arrangements cannot be made to retain Mr. Bunce, it is essential that another State Department economic representative of at least equal qualifications be sent out immediately so that he can work with Mr. Bunce for several weeks before he leaves. This will permit the new advisor to become acquainted with the economic problems of Korea and the work of the Joint Commission. It is essential continuity be maintained in developing solutions to the many economic problems that will be faced in Korea at least during the next two years. To avoid a break in the continuity of this work, request action be taken immediately. As soon as case of Bunce is settled will take up matter of assistants required to continue work."

Recommend approval of above request and if replacement is necessary his name be furnished earliest.

RESTRICTED

*Approved
5/3
State Dept
services A.C. Bunce
do migration
with PRB
Extensive
Liaison
above*

MAY 21 1946

Dear Governor:

Some months ago, before I came to State, the people here borrowed A. C. Bunce of the Federal Reserve staff to head an economic mission to work with General Hodge in Korea. The mission has been an exceptionally successful one. Our headquarters in Korea was badly in need of good economic advice, and Bunce has established himself as one of General Hodge's right-hand men. He also has been doing exceptionally able work with the Joint Commission.

Bunce's leave from the Federal Reserve expires August second, and I know how difficult your situation is when you are asked to extend the leave of absence of men of this caliber. However, getting effective economists into the right working relationship with the military staffs is by all odds the most important single personnel problem in the occupation areas. In Austria, for example, we have suffered badly from the lack of just such people. It has had a serious effect on our entire operation in that country.

I want, therefore, to persuade you and your colleagues on the Board to extend Bunce's leave for another few months. I am writing you because I should like, as a first step, to have a talk with you about it and, if you would be good enough to arrange it, a chat with Harriner Eccles as well. Would you give me a ring when such a meeting would be convenient and I will come over.

Sincerely,

J. H. Hildring
Assistant Secretary

Hon. W. S. Szymczak,
Governor, Federal Reserve Board,
Washington, D. C.

ESP:JESalbraith:ewa
5/16/46

MAY 21 1946 P.M.

JHH/c
A-H

894.50/5-1446

CS/A

894.50/5-1446

OK
MS

PREPARING OFFICE
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PREPARING OFFICE WILL
TYPE HERE CLEARLY THE
CLASSIFICATION OF THE
MESSAGE:

Collect

Department of State

UNRESTRICTED

Charge Department:

Washington

Charge to

Domestic-Immediate

7948

MAY 28 1946

Miss Edith M. Royce

212 East Sixteenth Street

New York 3, New York.

Please advise immediately if interested in position with

Bunce Staff.

Eldridge A. Snight
Administrative Officer - JK
Department of State



DCR - *LTP* Unit

Anal. *JB*

Rev. *JB*

Dist. *mu*

ES
JK:MS:pkf

5-28-46

MAY 28

P.M.

894.50/5-2846

OS/H

894.50/5-2846

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TO REPLACE THE YELLOW ACTION COPY WHICH WAS NOT
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OFFICE.

THE COPY MUST BE RETURNED TO DC/R FOR
FILING.

FILE NO. 894.50/6-1146 (RECD)

OCT 9 - 1946
FILED

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

INFORMATION
COPY

DEPARTMENT OF STATE

INCOMING TELEGRAM

ACTION: RSP

INFO:

FE

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JWM -W

1946 JUN 12 AM 9 12

3577

PLAIN

Seoul via War

Undated

Rec'd June 11, 1946
2:18 p.m.

DC/R
RECORDS BRANCH

PRIORITY

FROM CG USAFIK (BUNCE)

TO SCAP (PASS TO STATE DEPT)

NR TFACS 224

REURAD WAR SV 7361 DTG 061030/Z June. Shoot and Royce urgently needed for work on my staff. I plan coming to Washington to help select civilian specialists for MG. Ask Moore, Tong, and Shoot to prepare suggestions. Hodge

MESSAGE UNSIGNED

NRM

PLAIN

	DCR	Unit
	<i>JB</i>	
	<i>JB</i>	

894.50/6-1146
(Rec'd)

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE
INCOMING TELEGRAM

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8385

PLAIN

Seoul via War

Undated

Rec'd June 24, 1946
7 p.m.

*Copies to
noted to
no
action
required*

SECSTATE

CT	INT
✓	✓
SS	✓
GA	✓
JK	✓

72, Undated

NO. TEPOL 13

Bunce left for Washington by air June 23 on
invitational orders from Commanding General. Kinney
in charge of Mission until Bunce's return.

LANGDON

EKH

PLAIN

Lang
JUL 1 1946
No hat

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE
JUN 28 1946

JUL 1 1946

FILED

894.50/6-2446 (RECD)

LFC

JUL 8 1946

Dear General Richards:

This is with reference to an arrangement made between the Honorable Howard C. Peterson, Assistant Secretary of War and General J.H. Hildring, Assistant Secretary of State, whereby the War Department agreed to reimburse the Department of State, not to exceed \$102,750, to cover the cost of maintaining the Economic Advisory Mission to Korea during the fiscal year 1947.

Due to the delay in receiving expenditure documents from the field, and since the Department of State appropriation from which the expenditures would be made is extremely limited, it is requested that in lieu of a reimbursement procedure you advance a working fund to this Department in the sum of \$102,750. Obligations will be charged to the working fund as they are currently made.

We are therefore attaching Standard Forms 1080, "Voucher for Transfers Between Appropriations and/or Fund Accounts". It would be appreciated if you would issue to this Department a check for \$102,750 which we will set up as the Fiscal Year, 1947 Working Fund, "Economic Mission to Korea", appropriation symbol 1975900.001.

Sincerely yours,

For the Secretary of State:

H. M. Kurth
Budget Officer

Major General G.J. Richards
Budget Officer for the
War Department.

DB: MJ Touhey; mrb
7/9/46

COB - ITP Unit

894.50/7-846

894.50/7-846

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PREPARING OFFICE WILL INDICATE WHETHER

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PREPARING OFFICE WILL TYPE HERE CLEARLY THE CLASSIFICATION OF THE MESSAGE:

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Department of State

DOMESTIC

Charge Department: ✓

Washington

Charge to

VIA WESTERN UNION

MISS EDITH MARIE ROYCE

see 894-50/5-2846

JUL 10 1946

212 East 16th Street

New York 3, New York

Have initiated appointment request to Korean Economic Mission, Seoul. Suggest you make immediate application for passport International Building, Rockefeller Center. Pay one dollar fee only and furnish two photographs.

E A Snight
Administrative Officer
Division of Japanese and
Korean Economic Affairs

894.50/7-1046

OS/SMS

JK: EAS: ceg

DCR - CP-C Unit
Rev
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DIVISION OF
CENTRAL SERVICES

894.50/7-1046

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Department of State

Charge Department: **XX**

Washington 25, D.C.

Charge to

JUL 18 1946

Miss Edith M. Royce
212 East 16th Street
New York 3, New York

894.50 / 7-1046
appointment request
to Korean Economic
Miss Royce

Suggest you come to Washington Monday for
training in administration while awaiting passage.

Eldridge A. Snight
Eldridge A. Snight
Administrative Officer
Division of Japanese and
Korean Economic Affairs

894.50/7-1846

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DIVISION OF
CENTRAL SERVICE
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894.50/7-1846

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Handwritten initials
Collect

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CLASSIFICATION OF THE
MESSAGE:

Department of State

Charge Department: **xx**

Washington 25, D.C.

Charge to

Miss Edith M. Royce

*894.50
Bureau Staff*

AUG 21 1946

212 East 16th Street

New York, New York

Reurtel ~~year~~ travel orders read from
New York to San Francisco. Forwarding pass-
port today. Letter follows.

Eldridge A. Snight
Eldridge A. Snight
Administrative Officer
Japanese & Korean Economic
Affairs

894.50/8-246

JK:EASnight:van

CS/V

Adm.	DEC 17
Inv.	LDH
Ext.	W M
Dist.	

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MESSAGE DESK

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DIVISION OF
CENTRAL SERVICE

894.50/8-246



UNITED STATES POLITICAL ADVISER FOR JAPAN

Tokyo, August 5, 1946

No. 540

LIBRARY
DEC 13 1946
DEPARTMENT OF STATE

RECEIVED
DIVISION OF INTELLIGENCE
REPORTING SERVICES
AUG 14 1946
1946 AUG 13 10 PM '46

DEPARTMENT OF STATE
RECEIVED
NOV 12 1946

SUBJECT: Economic Reports Available from General Headquarters, Supreme Commander for the Allied Powers.

DC/R
RECORDS BRANCH

The United States Political Adviser has the honor to enclose five copies of a "List of Economic Reports Received from 16 July to 31 July 1946", prepared by the Research and Statistics Division, Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers. This publication, prepared bi-monthly, contains a list of all of the economic reports received by the Economic and Scientific Section of General Headquarters, Supreme Commander for the Allied Powers. These reports cover a variety of subjects including finance, housing, industry, labor, natural resources, rationing, etc. In the belief that the Department may find these lists helpful in obtaining specific reports desired by the Department, five copies of each will be forwarded regularly upon receipt to the Office of Far Eastern Affairs for appropriate distribution. A package containing back issues of this publication (beginning with the March 18-24, 1946 issue) is being forwarded as an accompaniment.

This Mission has been informed that while some of the reports named on these periodic lists are reproduced and forwarded to the War Department in Washington, the majority of these reports are available in single copy only in Tokyo. Unfortunately at the present time we do not have sufficient clerical personnel to make such copies as may be desired.

Enclosure:

Five copies of "List of Economic Reports Received from 16 July to 31 July 1946".

DEPARTMENT OF STATE
DIVISION OF INTELLIGENCE
ACQUISITION AND DISTRIBUTION
DISTRIBUTION SECTION

AUG 15 1946

Accompaniment:

Back issues of above described publication.

Original & hectograph to Department

JWBurnett:mf

DEPARTMENT OF STATE
INTELLIGENCE REFERENCE DIVISION
RECEIVED
1c encl. filed 80p.
AUG 20 1946

Handwritten notes and stamps on the right margin, including "JA", "JK", "JAF", "DC/R", and "894.50/3-546".

STANDARD FORM NO. 64

MacDonald

Office Memorandum • UNITED STATES GOVERNMENT

TO : *JK* DATE: 8/20/44

FROM : *JA. No. Long*

SUBJECT:

*Will JK please
reply to his letter
and the material the
man enclosed is
an economic nature
with regard to the
Russian mission. I suppose
the thing to do is to tell
Mackenzie we know no
for the coming mission which
would interest him. Thanks
HL.*

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

AUG 20 1946

ALBERT H. MACKENZIE
ATTORNEY-AT-LAW
PRESCOTT, ARIZONA

Office of
FAR EASTERN AFFAIRS
AUG 15 1946
Department of State

11
D/R

August 13, 1946.

ALBERT H. MACKENZIE
HENRY RUSH

OFFICE OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

JA
Drafted Reply
AUG 22 1946
JK-8/23/46
Forward

Mr. Carter Vincent, Chief
Far East Division
State Department
Washington, D. C.

AUG 13 1946
HM

Dear Sir:

Recently, I came across some old and interesting in-
terrogation notes made in Peiping, China, last October and
November (1945) while I was acting as an Intelligence Of-
ficer for F.E.A. in China. With slightly more time to re-
write them in somewhat better fashion than in the hurried
and harried transcriptions possible under the pressure of
those days, I decided to re-do a few of the more important
ones, and send them on to your office.

As a matter of fact, I passed these interrogations on
through J.I.C.A. while in China, but have never at any
time received any acknowledgment from the State Department,
so it may be that you never received them in the first in-
stance.

In any case, I'll pass them on to you again for what-
ever they are worth.

As a matter of fact, although I am back again in the
active practice of law, I might look with favor upon any
mission to Russia that might be open. Could you let me
know what that picture is from the State Department's
standpoint?

Very sincerely yours,

Albert H Mackenzie
Albert H. Mackenzie.

AHM:JM
3 Encs.

gjs
gjt

AUG 29 1946

FILED

894.50/8-1346

CS/A

894.50/8-1346

INTERROGATION OF - TSUDA, Shuei

AT - Peiping, Oct. 25, 1945

BY - Albert H. Mackenzie
formerly F.E.A., now
Prescott, Arizona.

An interview with TSUDA, Shuei, V-Pres. of the KITASHINA
KAIHATSU^{KK} (North China Development Co.) in Peking revealed him
to be the slipperiest, most repugnant Japanese official I met
anywhere in China. His elusive ways and failure to produce re-
ports I had asked him for caused me to warn him personally that
if he did not co-operate I would be obliged to turn him over
directly to the military and see to it that the War Crimes Tri-
bunal made a special investigation of his case. This produced
some but not satisfactory compliance. I also reported his case
to the O.S.S. officers in Peking and turned in my report on him
to JICA.

For review, the information shows that he was born in Kana-
zawa. From Dec. 1943 to the end of the war he was one of the
two V-Pres. of KITASHINA KAIHATSU. The other V-Pres. was NAKA-
MURA, Kojiro. TSUDA, SAN concerned himself with the operations
and management of the KAIHATSU involving also the establishment
of new operating companies ^{and} ~~with~~ industries, whereas NAKAMURA
was its chief Finance Officer.

The President of KAIHATSU, from May, 1945, to the war's end
was one HATTA, Kamei. ^(yoshiaki?) For 3½ years prior to this, its President
was TSUSHIMA, Juichi, who had returned to Japan to become Min-
ister of Finance.

As to some antecedent events in TSUDA'S career, prior to becoming V-Pres. of the KAIHATSU, he was V-Pres. of the Mining Control Ass'n. in Japan from 1940 to December, 1943. Previous to 1940, and back to 1938, TSUDA had been in China as manager of the North China Gold Mining Company which, having been established in 1938, was under 50% control ~~of~~^{by} KAIHATSU and 50% by Sumitomo. It operated and owned 25 gold mines in North China, averred TSUDA.

Prior to 1938, TSUDA had, for 22 years, been with Sumitomo in the head office of their mining division.

Although it has been made clear previously, and in other reports as well, TSUDA puts the number of affiliated operating companies under the KAIHATSU at 64, with some 14 subsidiaries, not identified, under that 64. In any case, the aforesaid 64 operating companies were classified under three categories by TSUDA as follows:

- (1) Public Utilities,
- (2) Basic Industries and Mining,
- (3) Temporary (Experimental) Enterprises.

He further stated that a good 51% of all Japanese in North China worked with one or more of the 64 operating companies of KAIHATSU.

INTERROGATION OF IZAWA, Michio

AT Peiping, October 26, 1945

BY Albert H. Mackenzie,
formerly F.E.A., now
Prescott, Arizona

(or was this Kamei?)

Interview with IZAWA, Michio, Advisor to HATTA, Yoshiaki, ^
an ex-Cabinet Minister and latterly President of the KITASHINA
KAIHATSU KK (North China Development Company). IZAWA was also
Chief of the CHOSA KYOKU (Research and Analysis or Investigation
Section) of the KAIHATSU. He had held this important job from
May, 1942, to the end of the war. IZAWA states that he is a
former Director of the SMU.

The most important endeavor of his Research Section was to
make continual and expanding geological surveys of North China.
It was particularly important to locate ^ecoking coal. 70% to 80%
of that used in Japan came from North China fields, stated
IZAWA. (In my earlier reports I accepted this as true, but now
I doubt it).

Next important was iron ore for which there had been ur-
gent deposit searches in both North China and Mongolia. (IZAWA
produced two copies of his Section's Geological Survey map of
North China, one of which was sent to a language translation
section of G-2 in Shanghai).

IZAWA, obviously a very intelligent and capable man,
stated that he ^{fore-}saw and therefore advised strongly, the neces-
sity of setting up factories in North China to build machinery,
and particularly mining machinery, ~~on the continent~~. In due

time, accordingly, one large company was (said he, although I never got to see it) completed at Tientsin, six to twelve months before the war ended. It was set up to build mining machinery. Sumitomo experts and equipment were used.

In answer to the question how long in his opinion it would take for the Chinese to assume full control over the KAIHATSU and its some 64 operating companies, IZAWA stated that a Mr. Kuo and Mr. Ku had come from Chungking nearly two months ago but their staff was neither big enough nor well-trained enough to take over fully yet. IZAWA could not say how big a quota of skilled Japanese experts and technicians would be retained by the Chinese even after the transition period, but he allowed that the Chinese wanted a goodly number to stay on and that the Japanese technicians themselves were quite willing to stay. Said IZAWA: "The Chinese when they get started will find themselves incapable of running these enterprises. Without Japanese skill all factories will stop".

In response to the question put to every Japanese official interviewed in North China as to what intelligence organization or system was set up within KAIHATSU, or within any of its affiliates, his answer appeared to be genuine that there was no intelligence unit or bureau, as such, within this industrial network but that most questions coming from the Army or Navy would filter down from the Development Co. officials level to the Transportation Co. (KOTSU) because the latter had the greatest ramifications, number of workers and guards. In this connection, he added further that quite recently, that is to say about October, 1944, the ¹KERO HOMBURU (Police and Labor HQ.) was established by the KAIHATSU and small groups under it were assigned to protect various mines and other establishments from the Pa Lo Jin. The KERO HOMBURU

was created in addition to the elaborate protective guard system which the railroads have. (Note:--Compare this with the testimony given by TSUDA, V-Pres. of the KAIHATSU. Their evidence tallies on the existence of the KEIRO HOMBU.) Nevertheless, its functioning seems to have been like that of all the remaining quasi-intelligence units within the civilian or industrial operations of North China in that it was very irregular and inefficient.

IZAWA added that the KEIRO HOMBU acted as a channel for "obvious" political information but the "delicate stuff" was procured by Army men.

His CHOSA-KYOKU generally had about 50 men in the field collecting geological data. He added that Mr. TSUDA was responsible for producing all information on the status of factories and plants within the KAIHATSU.

An interesting financial side light given by IZAWA was that although the Japanese Army purchased materials and products at fair prices during the war years from the various operating affiliates of the KAIHATSU, in order that its plants could stay in existence, still, the KAIHATSU was able only to pay the 6% which it guaranteed to stockholders by borrowing from F.R.B. here in North China. Thence the credit of 6% would be transferred to the Bank of Japan for the payment of dividends to the stockholders. IZAWA is not sure but he believes that the F.R.B. ratio to Japanese yen was held at 1-to-1 (Note that this produced the fictitious picture of a steady maintenance & circulation of values whereas because of the false ratio of

held between
1-to-1 ~~by~~ ^{on the one hand} the deteriorated F.R.B. ^{and} ^{on the other,} Japanese yen, the Japanese bank was actually being milked of so much of the 6% it paid to stockholders as would be represented by the false ratio aforesaid).

Remember that the KAIHATSU was a holding company. IZAWA stated that when any of the 60-some operating companies needed money, the KAIHATSU, or holding company, would borrow from one of the three banks in North China, namely; the F.R.B., Bank of Chosen, and the Y.S.B., and credit the money borrowed to the affiliated operating company. In this manner it was felt that the financial operations of any affiliate company could not get out of hand. As above indicated, the holding company did not conduct or operate any auxiliary banking business as such. In addition to the process of borrowing from the aforesaid three banks in North China it would also, on occasion, borrow in Japan proper by floating bonds on behalf of, and secured by, the 60 operating companies. This procedure became impossible over the last year and a half before surrender, hence the KAIHATSU was reduced to either of the two alternatives of borrowing from F.R.B. (which often amounted to a mere issue of new currency) or from the three above-named Japanese banks. The total debt of the North China Development Company at the end of the war as estimated by IZAWA was 50 to 60 billion yuan--an indebtedness distributed in fractions unknown to him to the F.R.B., to the Y.S.B. and to the Bank of Chosen. IZAWA purports to have received this particular estimate from V-Pres. TSUDA. It is his own belief that ^{a debt of} 4 to 5 billion Japanese yen existed in Japan. This indebtedness was created by

and through a syndicate of banks in Japan which sold bonds and stocks of various of the 64 operating companies to the public at large. (Probably the government bought 50% of these issues in order to preserve the prevailing 50/50 ratio between government and private ownership in the entire North China enterprise system).

- - - - -

INTERROGATION OF - MITSUYUKI, Hisahi

AT - Peiping, Oct. 25, 1945

BY - Albert H. Mackenzie
formerly F.E.A., now
Prescott, Arizona.

MITSUYUKI, Hisahi, was interrogated in Peking. He had been Chief of the Propaganda and Publicity Section of the KITASHINA KOTSU KK (North China Transportation Company) an affiliate operating company of the KAIHATSU. The averred function of his Section was to prepare prospectuses and give statistical information and publicity on the KOTSU.

Upon being questioned concerning any intelligence activities of any kind his Section may have engaged in, MITSUYUKI stated that practically all requests from the Army or Navy or from Tokyo came to them through the Embassy in Peking (see the interrogation on Lt. Gen. KUSUMOTO) except upon infrequent occasions through the Staff of the North China Expeditionary Force.

Pursuing at painstaking length the question of what division or branch, or staff or group, of KAIHATSU (remembering that he was purportedly only with the KOTSU) handled intelligence or inquiry on the Russians, the PA LO JIN (HACHI KOGUN) and The Nationalist Armies, he protested that so far as he knew, (and what there was in fact of it) ^{it} all came through the Investigation Division of which IZAWA, Michio, was Chief. My quest in this instance, as in others, dwelt principally with political intelligence, or SEIJI JOHO.

In addition, MITSUYUKI disclosed that some 20 to 30 members of the KOTSU had been lent out to the Army to collect in-

telligence, but they were not under his supervision.

He believed further that another organization within the North China Development Company (and not the KOTSUO) known as the KEIRO HOMBU (?) operated as an intelligence collection group, but further details were beyond his reach. The chief of the KEIRO HOMBU, as he knew it, was a retired Lt. Gen. NARA, _____, who had a staff of about 50 men. Gen. NARA had come from the Phillipines but was now (October, 1945) in Japan.

Incidentally, MITSUYUKI disclosed that his company, the "KOTSU" had approximately 20,000 men guarding the railway systems of North China at the time of the surrender. It employed a total of 150,000 men, of which 35,000 were Japanese.

AUG 27 1946

In reply refer to
JK

My dear Mr. Mackenzie:

The Department of State acknowledges your letter of August 13, 1946 and has noted with interest the transcriptions of interrogations of Japanese personalities in North China. They will be retained in the permanent files relating to Japanese economic exploitation and aggression in that region.

In regard to the last paragraph of your letter dealing with a possible mission to Russia, there is not at the present time any such project which would be of interest to you. Your continued interest in these questions is, however, appreciated by the Department.

Sincerely yours,

Edwin M. Martin, Chief,
Division of Japanese and Korean
Economic Affairs

Mr. Albert H. Mackenzie,
Prescott, Arizona.

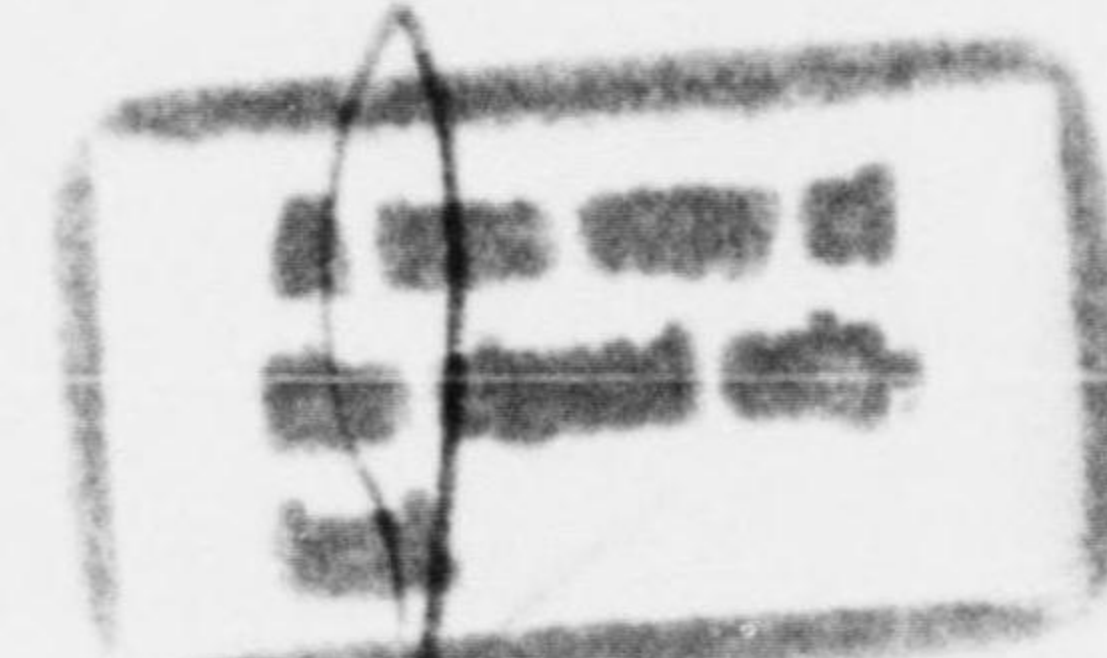
JK:JEMacDonald:emh 8-23-46

AUG 26 1946 F.P.

894.50/8-1346

CS/A

894.50/8-1346



Handwritten initials and signatures, including 'JA' and 'CA'.

371 Omgus
201 Easton, (M1)
201 Hartman, Lt Col.
31122 War 94192
371 PCap
Byrtian

July 2, 1946

Dear General:

The Department has recently received from the British Embassy an Aide-Memoire regarding the export - import programs submitted by SCAP for the year 1946.

This Aide-Memoire includes a number of suggestions which the British Government offers as a power interested in the control of Japanese economy and also a number of comments which it makes as a prospective supplier or purchaser of Japanese goods. Briefly, the British differ with SCAP as to some Japanese requirements - and are anxious to assure themselves a full share of the Japanese export-import trade.

I am enclosing a proposed cable to SCAP for its information containing the British comments and also giving a summary of the Department's reply to the British Aide-Memoire.

This cable has been discussed by Mr. Easton with Lt. Colonel Hartman of your office.

Sincerely yours,

J. H. H.

J. H. Hildring
Assistant Secretary

Enclosure:
Draft cable.

Major General Oliver P. Echols,
Director, Civil Affairs Division,
War Department.

A-H:ROEaston:asb
Easton
2/25

JK Secretariat.

89450/8-1446

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: Aug. 27, 1946

TO : Col. Chard

FROM : A-H - P.P. Claxton

SUBJECT: British Comments on SCAP's Import-Export Program
Reply to (CM IN 861)

This is to confirm a telephone call by Mrs. Buckley of my office to Col. Hartman's secretary (Miss Hochmuth) on August 27th, that State Department concurrence *is* this cable has now been given.

file

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: Aug. 27, 1946

TO : Mr. Gross *eg*
FROM : Mr. Easton
SUBJECT: British Comments on SCAP's Import-Export Program.

In War 94192 of July 12, SCAP was informed as to comments made by the British Government on his import-export program.

SCAP replied as per C-63762 (CM IN 861, Aug. 4) giving very interesting and helpful replies to the British comments. It is felt desirable to indicate to SCAP the action that has been taken as a result of his message, and to add further comments as pertinent.

I am therefore attaching a proposed cable to SCAP, commenting particularly on the Egyptian Government's desire to share in Japanese cotton imports, and concurring in the export of limited quantity of textile parts to countries equipped with Japanese textile machinery.

This proposed cable has been approved by the War Department (Lt. Col. Hartman), and I recommend your acceptance.

Easton

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : General Hilldring - A-H

DATE: August 16, 1946

FROM : Mr. Whitman - JK *PJM*

SUBJECT: British Comments on SCAP's Import-Export Program.

The Supreme Commander has forwarded a very interesting and helpful reply to the British comments on the Japanese import-export program. It is desirable to indicate to SCAP the action that has been taken as a result of his message and to add further comments as pertinent.

Accordingly it would be appreciated if the War Department were requested to send the following message to SCAP.

DRAFT CABLE

Subject is British comments on Jap import-export program.

Reurad C 63762. State Department is forwarding contents of urtel to British. Will suggest that British indicate through liaison mission or through trade representative their future interests in specific commodities. Will continue to forward from here any general comments of British or other Governments of new program after it has been distributed.

Following specific comments are made on your reply:

1. Egyptian Govt now desires to share in Japanese cotton imports. Information of quality and prices available being forwarded to you soonest. Further action will depend upon your need for quality available Egyptian market.

2. Concur

894.50/8-16-46

- 2 -

2. Concur in export of limited quantity of textile parts to countries equipped with Japanese textile machinery. Believe Indians have current request for such export.

Urtel Part 4, revised import-export programs 1946 still under staff consideration here.

JK:RHWhitman:emh

DC/R
ACTION COPY

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH
7-D

DEPARTMENT OF STATE

OFFICE OF
INTERNATIONAL TRADE
POLICY

INCOMING TELEGRAM
Tokyo via War

Rec'd August 1946 AUG 23 1946 PM 2 31
9:35 p.m.

File
9-6-46

Action: ITP
Info : SECRET
S
FE
ESP
A-C
A-H
DC/R

Control 6738

No paraphrase necessary.

MESSAGE CENTER

From: SCAP Tokyo, Japan

To : War Department for WDCSA

Nr : C 64280

19 August 1946

INTERNATIONAL RESOURCES DIVISION
No action required.

gln AUG 28 1946 *28 Aug 46*
DEPARTMENT OF STATE

PRIORITY

Reurad W 96059 subject is possibility of use of equipment from synthetic oil and rubber industries for essential Japanese economy. Paragraphs correspond paragraphs urad.

A. Existing capacity for production aniline dyes and sapourified products sufficient. Need only auxiliary equipment and machinery. Not necessary to retain any portion synthetic oil industry to meet such needs. Some equipment from synthetic oil industry being transferred to nitrogen fixation in connection fertilizer production. Full extent such needs not presently ascertainable. Expect such needs to be limited and to include equipment not generally suitable for reparations. Recommend that disposition of synthetic oil industry exempt equipment needed for nitrogen fixation as determined here.

B. Assuming that extent of synthetic rubber industry limited to the 8 plants recommended for removal by Pauley Reparations Mission no need exists in Japan for products of these plants. This based on assumption that normal availability natural rubber will occur in reasonable future. Small specialized use for synthetic rubber can better be supplied by imports. Other than above no known needs exist for subject equipment in minimum Japanese economy.

End.

ACTION: P&C
INFO : AAF, ASW, CAD, SSP
CM IN 4163 (19 Aug 46)

Reproduction of a War Dept message passed to State for info

DTG 190609Z

SEP 5 1946

FILED

PPM
SECRET

Confidential

LRC

894.50/8-1946

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

IR	
ITP	✓
OP	✓
LLH	
LB	←
LA	
END	

AUG 21 1946

AUG 21 1946

In reply refer to
JK

My dear Mr. Meiklejohn:

In response to your inquiry about interim reparations removals directives I attach copies as directed by you, together with the list of the numbers of the cables in which they were dispatched to SCAP and the dates.

It may be noted that there was no final over-all document, but merely the individual FEC decisions and cables listed in the attachment. I hope this will be useful to you and E.&S.S.

Sincerely yours,

Edwin M. Martin, Chief
Division of Japanese and
Korean Economic Affairs

Enclosures:
FEC-059/9
FEC-059/8

War Dept
Mr. Norman J. Meiklejohn,
Office of Political Adviser,
GHQ, SCAP, APO 500,
c/o Postmaster,
San Francisco, California

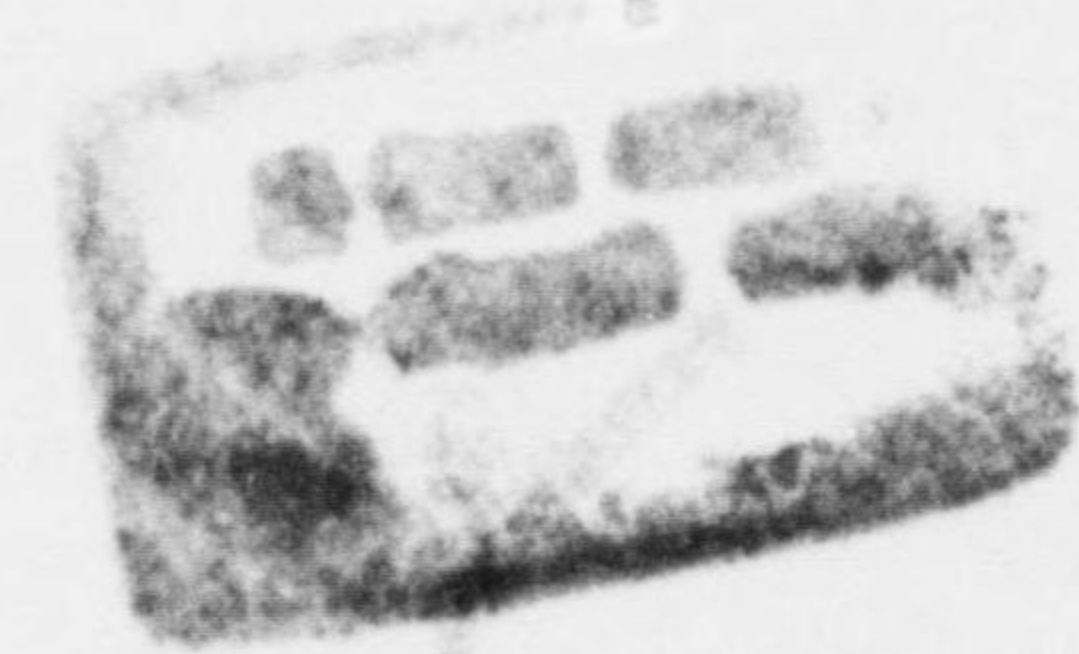
AUG 21 1946

JK:EMMartin:jph 8-9-46

894.50/8-2146

CS/V

894.50/8-2146



FILE NO.

RECORD COPY

THE ATTACHED WHITE COPY OF A TELEGRAM OR AIRGRAM HAS BEEN DESIGNATED THE RECORD COPY TO REPLACE THE YELLOW ACTION COPY WHICH WAS NOT RETURNED TO THE CENTRAL RECORDS BY THE ACTION OFFICE.

THE COPY MUST BE RETURNED TO DC/R FOR FILING.

894.50/8-2346

Confidential File

FILED
DEC 4 - 1948

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

INFORMATIC
COPY

DEPARTMENT OF STATE

INCOMING TELEGRAM
DEPARTMENT OF STATE

1946 AUG 27 AM 9 25

8-M

Tokyo via War

Action: ITP

Info :

EUR SECRET

FE

DC/L Control 8440

ESP

OFD No paraphrase necessary

A-C

A-H

OCD ~~SECRET~~ STATE

FC

DC/R

DC/R
RECORDS BRANCH

Dated August 23, 1946

Rec'd 8:27 p.m., 26th

PRIORITY

Unnumbered, August 23

CM-IN-5196

This radio in 4 parts.

Part 1. Reurad W-97165, have negotiated with S F Lynch, Australian Government economic missions representative, Tokyo, on basis of counter-proposal 2. He accepts responsibility for quantity and Japanese testing.

Part 2. Initial shipment 300 bales 13/15, white, AA, prepared for delivery F.A.S., S/S Merkur, sailing from Kure on/about 28 August with 260 bales for Melbourne, 40 Sydney, marked TEC-IJ.

Part 3. Recommend price be based on current United States awards 5 August bids for same grade JGSCH minus differential of 8% which we calculate is approximate difference in cost between F.A.S., Kure, Japan and F.O.B., Hoboken after testing.

Part 4. Request approval of ship****.

MESSAGE UNSIGNED

NOTE: * Being serviced

GWP

SECRET

DCR - ITP Unit	
Ans.	L.D.K.
Rev.	
Dat.	
Dist.	

Confidential File

894.50/8-2346

DIVISION OF JAPANESE AFFAIRS
OCT 31 1946
DEPARTMENT OF STATE

DIVISION OF FOREIGN SERVICE PERSONNEL
JA 10/30/46
OCT 29 1946
DEPARTMENT OF STATE

~~JA~~
JK
[Signature]

865 West End Avenue
New York City
October 25, 1946

894.50/10-2546

Foreign Service of the United States of America
United States State Department
Washington, D. C.

XR
6119431

Gentlemen:

I am particularly interested in possible future Japanese foreign trade. Any information that you might have available regarding Japan would be greatly appreciated by me.

Such information regarding principle geographic and economic facts, foreign trade and tariff structures, sales potentials, etc., is what I desire. The information should be pre-war and post-war trends.

If you have a "Summary of Economic Information" of Japan, that would suit me fine.

Respectfully yours,

Lawrence Miller

Lawrence Miller

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

Reply drafted 11/7/46
OCT 31 1946

FILED
NOV 14 1946

CS/A

DCR - ITP Unit
AP
[Signature]

894.50/10-2546

NOV 12 1946

In reply refer to
JK

My dear Mr. Miller:

The Office of the Foreign Service has referred your letter of October 25, 1946 to this Division for reply.

The Department of State has no single volume summarizing economic information on Japan such as you request. As a start, I suggest such magazines and volumes as The Oriental Economist, The Japan Year Book, The Far Eastern Review, Asia, Trade Directory of Japan, The Japan Advertiser, and books such as Elizabeth B. Schumpeter's The Industrialization of Japan and Manchukuo, Glenn Thomas Trewartha's Japan: A Cultural and Regional Geography, and Carus and McNichols' Japan: Its Resources and Industry. You will find these and many other illuminating works at the New York Public Library, where I believe you would do well to ask the advice of librarians specializing on the subject.

Sincerely yours,

Mr. Lawrence Miller,
865 West End Ave.,
New York, New York
JK:WSMcCornick:bc
11/7/46

Roswell H. Whitman
Associate Chief
Division of Japanese and Korean
Economic Affairs

894.50/10-2546

CS/A

894.50/10-2546

11/29 ✓
13 1946 P.M.

OCR ITP Unit
288
E

Approved
the signed
initial



UNITED STATES POLITICAL ADVISER
FOR JAPAN

~~JK~~
~~ES~~
~~IR~~
~~DRF~~
DC/R

UNRESTRICTED

Tokyo, November 5, 1946

DEPARTMENT OF STATE
DIVISION OF FOREIGN
REPORTING SERVICES
NOV 21 1946

No. 686

DIVISION OF COMMERCIAL POLICY
JAN 20 1947
DEPARTMENT OF STATE

DIVISION OF JAPANESE AFFAIRS
NOV 26 1946
DEPARTMENT OF STATE

SUBJECT: Economic and Scientific Section "Japanese Economic Statistics"

RECEIVED
DEPARTMENT OF STATE
NOV 22 1946

DC/M BRANCH
FACILITIES BRANCH

DIVISION OF INVESTMENT AND ECONOMIC
DEVELOPMENT
JAN 24 1947
DEPARTMENT OF STATE

894.50/11-546

ACTION
1 JA-1 encl
TO:
CP
ES
JK
TR
OCD

The United States Political Adviser has the honor to enclose five copies of Bulletin No. 1 of "Japanese Economic Statistics", September, 1946, which has been received from General Headquarters, United States Army Forces, Pacific. This bulletin, which is prepared by the Research and Statistics Division of the Economic and Scientific Section, General Headquarters, United States Army Forces, Pacific, contains statistics relating to important economic activities in Japan.

Revisions and additions will be forwarded as they become available.

8 Com - 1 encl
3 War - 1 encl
1 Tar - 1 encl

DEPARTMENT OF STATE
INTELLIGENCE INFORMATION DIVISION

MAR 7 1947

INTERNATIONAL RESOURCES DIVISION
DEPARTMENT OF STATE
eng 9/47
file

Enclosures:

- 1. "Japanese Economic Statistics" Bulletin No. 1, Sept. 1946 (five copies)

Original and Hectograph to Department

020
RHBushner/dph

DEPARTMENT OF STATE
RECEIVED
MAR 4 1947
OFFICE OF INTELLIGENCE
COLLECTION AND DISSEMINATION

894.50/11-546

BULLETIN No 1
September 1946

JAPANESE ECONOMIC STATISTICS

**GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
ECONOMIC AND SCIENTIFIC SECTION
RESEARCH AND STATISTICS DIVISION**

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INTRODUCTION

This is the first issue of a bulletin of statistics relating to important economic activities in Japan. Data have been obtained for the most part from Japanese sources -- primarily from control associations, government ministries, and the Bank of Japan. The Natural Resources Section has furnished statistics for the industries under its jurisdiction.

The Research and Statistics Division of the Economic and Scientific Section is engaged in efforts to bring together into a single bulletin continuing series of the more important statistics relating to the Japanese economy. Additional series, therefore, will be included as rapidly as conditions permit. Although the statistics included in this bulletin appear to be substantially correct on the basis of preliminary investigations, revisions will be incorporated from time to time as necessary. Improvements in the manner in which data are obtained at the source and modifications directed toward more comprehensive and more detailed reporting are the first objectives to which most attention is currently being devoted.

INDEX OF INDUSTRIAL PRODUCTION

In order to provide a measure of the extent of economic recovery in Japan, the Research and Statistics Division has prepared an index of industrial production covering both manufacturing and mining industries. Based on the average volume of output in the 5-year period 1930 to 1934, the index stands at 28.9 in July 1946. For manufacturing alone, the July level is 24.9, while for mining it is 62.4.

For many reasons the index in its present form must be regarded as experimental. As more and better statistical data become available, it will be subject to revision from time to time. The results shown on the following pages may be considered to give only a general idea of the present level of industrial production, and a somewhat better indication of the monthly trend from January to July of this year.

There are 34 production series represented in the total index, of which 31 are manufactured products and 3 mining products. The manufactured goods series have been arranged into groups, following the classification system used in the annual census of Japanese manufactures conducted by the Ministry of Commerce and Industry. The Ministry has published the census data in the annual volumes of "Factory Statistics." When a sufficiently representative number of series were available, indexes have been prepared for groups and significant sub-groups.

It is evident that not all the groups are adequately represented in the index. The outstanding example of lack of coverage is in the machinery group, where only 2 individual series are shown, and these are not typical of the group as a whole. In this case, however, it may be mentioned that a series for industrial machinery and

machine tools was included in computing the total index. But, because this series is based upon rather incomplete data at present and was thus primarily an estimate, it has not been shown separately in the tabulation.

There are several other production series to which somewhat similar remarks apply, and these will need to be revised in the course of further investigation. Among this group may be mentioned the various woven goods industries, bicycle manufacturing, and rubber products. The problems involved include both the verification and improvement of the current production data, and the insurance of comparability between such data and the base period statistics.

In those cases for which the degree of reliability of the statistical data is considered to be reasonably adequate, the basic production information underlying the index is shown separately on other pages of this bulletin. The scope of these statistics will be enlarged as speedily as possible.

Combination of the production indexes for the individual series into an over-all index has been achieved by assigning to each industry a measure of relative importance based upon average employment in the base period. Such a set of weights is not the best one for an index of industrial production. A more satisfactory weighting system would make use of the relative amount of value added by manufacture in each industry. Such figures, however, were not readily available. Revision of the weighting system is therefore another objective to be attained in the course of improvement of the present index.