

894.6511/1-145 -- 12-3148 - 49

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - Mr. Gross

FROM : JK - Mr. Martin
- Mr. Hodge

SUBJECT: Assured Capacity -- Pig Iron.



DATE: October 7, 1946

The assured capacity figure for Japanese production of pig iron as approved by {SWNCC 236/19}, was 500,000 metric tons annually, subject to a 10% upward or 20% downward adjustment for purposes of negotiation in the FEC. This figure was fixed by the Pauley recommendation, concurred in by State, to reduce capacity to 1,500,000 and then to 500,000 or as close thereto as the available supply of imported pig at reasonable prices would permit.

SCAP's comments on the Pauley Comprehensive Report received by the War Department on September 26, 1946, contained a recommendation for retention of annual production of 1,500,000 metric tons of pig "until supply for importation is assured. High-grade ore should be obtainable from British Malay and the Philippines". He apparently accepts the 500,000 figure if and when imports are available.

At the last FEC meeting, the U. K. Member moved that the minimum assured level for pig be placed at 800,000 metric tons on the ground that this amount of capacity would be necessary to process economically mined indigenous ore. This was seconded by the Soviet Representative, and approved by all other representatives except the U. S. Member who was obliged to reserve his position in view of his present instructions.

There is some basis of fact in the U. K. argument as to the amount of iron ore which Japan may be able to mine economically. In addition, it is improbable the other FEC countries will ever accept the U. S. position. In view of the urgent need for action on this paper, authority to accept a new figure not in excess of 800,000 is therefore requested.

514
JK:CLHodge:mw

894 6511 / 10-746

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

DEC 10 1946

6 December 1946

MEMO FOR SECRETARY
12/9/46
H.D. File

The Honorable Dean Acheson
Acting Secretary of State
Washington, D. C.

My dear Mr. Secretary:

XR
740.00119 P.W.

The Terms of Reference of the Far Eastern Commission provide that one of the functions of the Commission should be to "formulate the policies, principles and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished.

It is further provided that when such decisions are made by the Far Eastern Commission, "The United States Government shall prepare directives in accordance with the policy decisions of the Commission and shall transmit them to the Supreme Commander through the appropriate United States Government agency."

At the thirty-sixth meeting of the Far Eastern Commission held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 6 December 1946, the enclosed policy decision relative to Interim Reparations Removals: Temporary Retention of Electric Steel Furnaces was unanimously approved.

As Secretary General of the Far Eastern Commission, I have been instructed to forward this decision to you on behalf of the Commission, in order that the appropriate directives may be prepared and transmitted to the Supreme Commander in accordance with the Terms of Reference.

In adopting the enclosed policy decision, the Commission agreed that it should be released to the press forty-eight hours after its receipt in Tokyo, so as to give the Supreme Commander time to provide for simultaneous release if he so desires. I would appreciate it if you could make arrangements to notify me when the enclosed policy decision has been received in Tokyo.

894.6511/12-646

894.6511/12-646

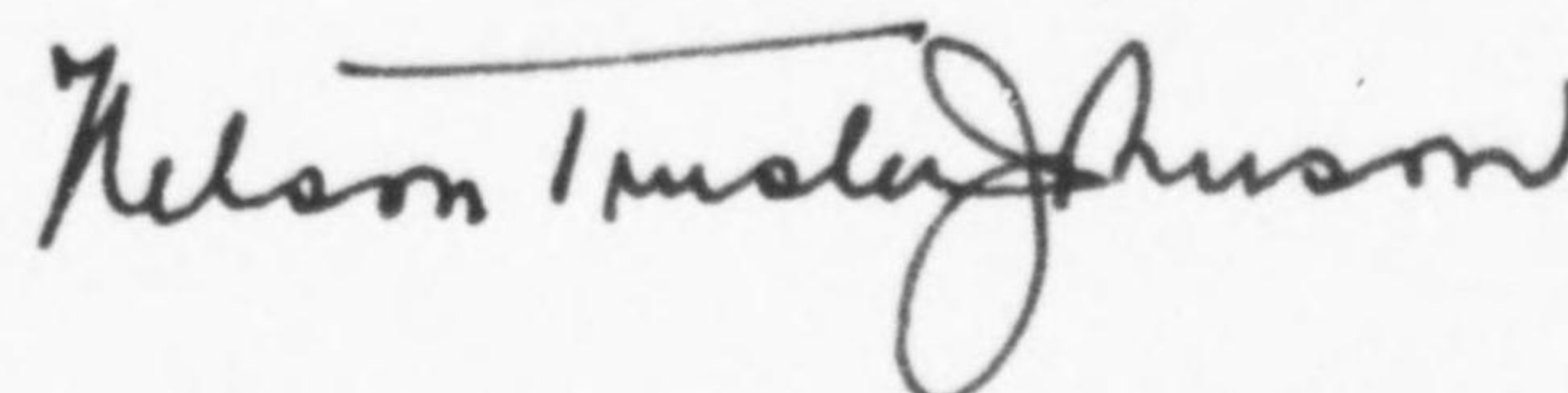
DCR - 17 Unit
22
SPP

CONFIDENTIAL FILE
DEC 12 1946

-2-

Because of the intention of not releasing the enclosure to the press until it has been received in Tokyo, the Commission would appreciate it if appropriate arrangements might be made to preserve the necessary security in the transmission of this message.

Sincerely yours,

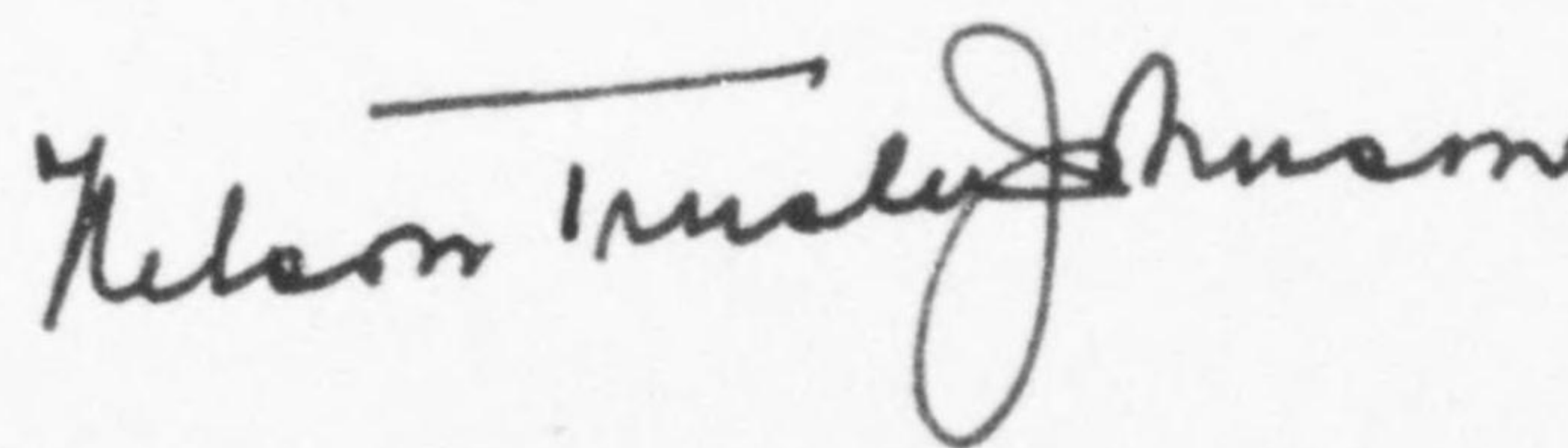


Nelson T. Johnson
Secretary General

Enclosure

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

The attached copy of a document unanimously adopted at the thirty-sixth meeting of the Far Eastern Commission, held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 6 December 1946, has been compared with the original text and is certified to be a true copy.



Nelson T. Johnson
Secretary General

Washington, D. C.
6 December 1946

E N C L O S U R EINTERIM REPARATIONS REMOVALS: TEMPORARY RETENTION OF ELECTRIC
STEEL FURNACES

In view of the current coal shortage in Japan, electric steel furnaces in excess of the 100,000 metric tons annual capacity referred to in FEC-059/13 (Policy Decision of 12 June 1946, relative to Interim Reparations Removals: Iron and Steel Industry; Thermal Electric Power; Soda Ash, Chlorine, and Caustic Soda Industry)*, together with the rolling mill capacity integrated with such electric furnaces, may be retained in Japan up to 30 June 1947 to a maximum of an additional 300,000 metric tons annual capacity.

If before 30 June 1947 it should be the opinion of the Supreme Commander for the Allied Powers that, in order to meet the needs of the occupation, an extension of the period is necessary, he should furnish the Far Eastern Commission with a statement of his reasons so that a review of the position may be made.

The above policy should not postpone the designation of these facilities under the interim reparations removal program.

*Transmitted to SCAP as Directive Serial Number 52 of 15 June 1946

FEC-059/30

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

DEC 10 1946

6 December 1946

Mem for Key June 12/9/46 file

The Honorable Dean Acheson
Acting Secretary of State
Washington, D. C.

My dear Mr. Secretary:

XIR 740.00119 P.W.
The Terms of Reference of the Far Eastern Commission provide that one of the functions of the Commission should be to "formulate the policies, principles and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished."

It is further provided that when such decisions are made by the Far Eastern Commission, "The United States Government shall prepare directives in accordance with the policy decisions of the Commission and shall transmit them to the Supreme Commander through the appropriate United States Government agency."

At the thirty-sixth meeting of the Far Eastern Commission held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 6 December 1946, the enclosed policy decision, relative to Interim Reparations Removals: Steel Rolling Industry, was unanimously approved.

As Secretary General of the Far Eastern Commission, I have been instructed to forward this decision to you on behalf of the Commission, in order that the appropriate directives may be prepared and transmitted to the Supreme Commander in accordance with the Terms of Reference.

In adopting the enclosed policy decision, the Commission agreed that it should be released to the press forty-eight hours after its receipt in Tokyo, so as to give the Supreme Commander time to provide for simultaneous release if he so desires. I would appreciate it if you could make arrangements to notify me when the enclosed policy decision has been received in Tokyo.

WJ
DOR [unclear] Unit
[Signature]

STL:MD
DEC 12 1946

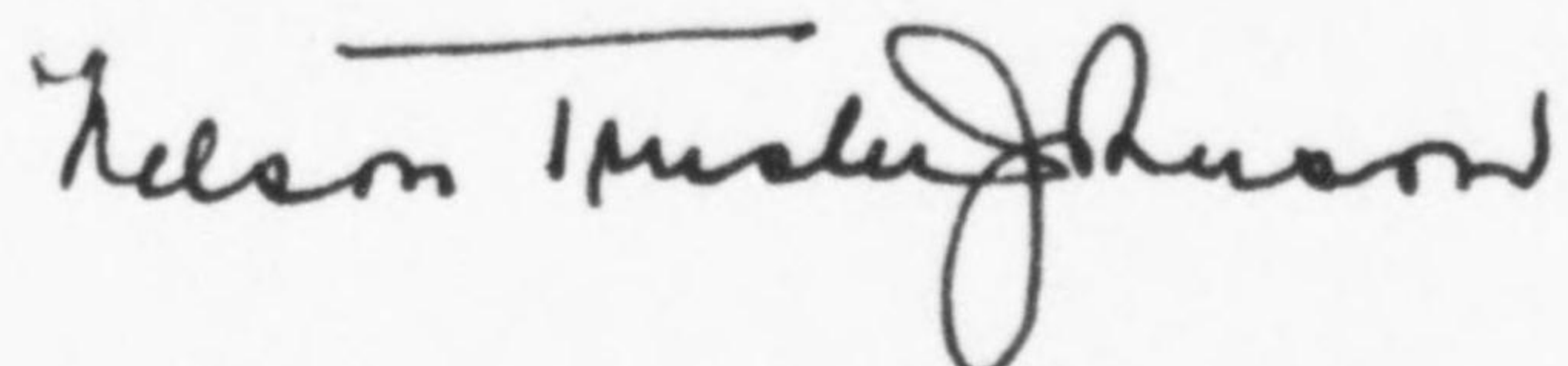
Confidential File

894.6511/12-646

-2-

Because of the intention of not releasing the enclosure to the press until it has been received in Tokyo, the Commission would appreciate it if appropriate arrangements might be made to preserve the necessary security in the transmission of this message.

Sincerely yours,

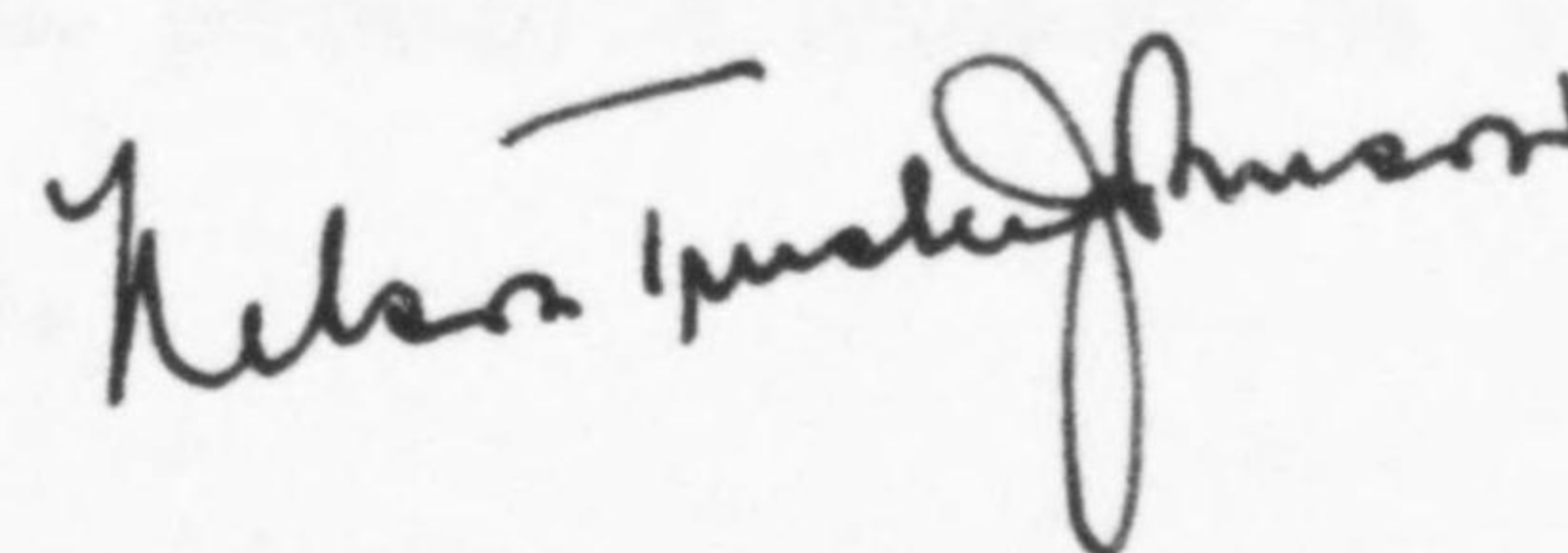


Nelson T. Johnson
Secretary General

Enclosure

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

The attached copy of a document unanimously adopted at the thirty-sixth meeting of the Far Eastern Commission, held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 6 December 1946, has been compared with the original text and is certified to be a true copy.



Nelson T. Johnson
Secretary General

Washington, D. C.
6 December 1946

E N C L O S U R EINTERIM REPARATIONS REMOVALS: STEEL ROLLING INDUSTRY

(Definition: Plants and establishments engaged in producing basic steel shapes, such as rails, rods, bars, tubes, plates, strips, sheets, and structural shapes, by rolling, drawing and extruding steel ingots).

That portion of Japan's steel rolling capacity in excess of that required to produce a balanced annual output of 2,775,000 metric tons of rolled steel products should be made immediately available as reparations.

DET 9

DEC 10 1946

In reply refer to
JA

MEMORANDUM FOR THE SECRETARY, SWNGO

Subject: Draft Directive Regarding Interim Reparations
Removals: Temporary Retention of Electric
Steel Furnaces.

There is enclosed a draft directive prepared on the basis of a policy decision unanimously approved at the 36th meeting of the Far Eastern Commission on December 6, 1946, under the provisions of paragraph II, A, 1, of its terms of reference. It will be noted that this policy decision is quoted verbatim in the enclosed draft directive.

It is requested that the enclosed directive be forwarded to the Joint Chiefs of Staff for transmission to General MacArthur for his guidance in accordance with paragraph III, 1, of the terms of reference of the Far Eastern Commission. It is assumed that if the Joint Chiefs of Staff have any question regarding the draft directive they will refer the matter to the State Department for clarification before transmitting a directive on the subject.

The Secretary-General of the Far Eastern Commission has requested that the Joint Chiefs of Staff in transmitting the enclosed draft directive to the Supreme Commander for the Allied Powers inform him that in adopting the policy decision on which this directive is based the Commission agreed that it should be released to the press 48 hours after its receipt in Tokyo in order to give the Supreme Commander time to provide for simultaneous release if he so desires. Acknowledgment of the receipt of the directive is therefore requested.

Because of the intention of not releasing the enclosure to the press until it has been received in Tokyo, the Commission would appreciate it if appropriate arrangements might be made to preserve the necessary security in transmission of this message.

J. H. Hildring
Assistant Secretary

Enclosure:
Draft Directive
JA:ALBunning/pm - 12/9/46

JHP
FE

894.6511/12-646

894.6511/12-646

Confidential File

DOE - JHP-Draft
DEC 9

1946 F.M.

ENCLOSUREDRAFT DIRECTIVE REGARDING
INTERIM REPARATIONS REMOVALS:
TEMPORARY RETENTION OF ELECTRIC STEEL FURNACES

The following directive, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on 6 December 1946 under the provisions of Paragraph II, A, 1, of its terms of reference, has been received from the State, War, and Navy Departments for transmission to you for your guidance in accordance with Paragraph III, 1, of those terms of reference:

"In view of the current coal shortage in Japan, electric steel furnaces in excess of the 100,000 metric tons annual capacity referred to in FEC-059/13 (Policy Decision of 12 June 1946, relative to Interim Reparations Removals: Iron and Steel Industry; Thermal Electric Power; Soda Ash, Chlorine, and Caustic Soda Industry) [Directive, Serial No. 52] together with the rolling mill capacity integrated with such electric furnaces, may be retained in Japan up to 30 June 1947 to a maximum of an additional 300,000 metric tons annual capacity.

"If before 30 June 1947 it should be the opinion of the Supreme Commander for the Allied Powers that, in order to meet the needs of the occupation, an extension of the period is necessary, he should furnish the Far Eastern Commission with a statement of his reasons so that a review of the position may be made.

"The above policy should not postpone the designation of these facilities under the interim reparations removal program."

~~DC/~~

DEC 10 1946

In reply refer to
JA

MEMORANDUM FOR THE SECRETARY, BWNCO

Subject: Draft Directive Regarding Interim Reparations
Removals: Steel Rolling Industry.

There is enclosed a draft directive prepared on the basis of a policy decision unanimously approved at the 36th meeting of the Far Eastern Commission on December 6, 1946, under the provisions of paragraph II, A, 1, of its terms of reference. It will be noted that this policy decision is quoted verbatim in the enclosed draft directive.

It is requested that the enclosed directive be forwarded to the Joint Chiefs of Staff for transmission to General MacArthur for his guidance in accordance with paragraph III, 1, of the terms of reference of the Far Eastern Commission. It is assumed that if the Joint Chiefs of Staff have any question regarding the draft directive they will refer the matter to the State Department for clarification before transmitting a directive on the subject.

The Secretary-General of the Far Eastern Commission has requested that the Joint Chiefs of Staff in transmitting the enclosed draft directive to the Supreme Commander for the Allied Powers inform him that in adopting the policy decision on which this directive is based the Commission agreed that it should be released to the press 48 hours after its receipt in Tokyo in order to give the Supreme Commander time to provide for simultaneous release if he so desires. Acknowledgment of the receipt of the directive is therefore requested.

Because of the intention of not releasing the enclosure to the press until it has been received in Tokyo, the Commission would appreciate it if appropriate arrangements might be made to preserve the necessary security in transmission of this message.

OCR Unit
VJ
2/18 1946

J. H. Hilldring
Assistant Secretary

Enclosure:
Draft Directive
JA:ALDunlop/pm
12/9/46

140
FE

A true copy of the original is enclosed

Confidential File

894.6511/12-646

894.6511/12-646

ENCLOSURE**DRAFT DIRECTIVE REGARDING
INTERIM REPARATIONS REMOVALS: STEEL ROLLING INDUSTRY**

The following directive, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on 6 December 1946 under the provisions of Paragraph II, A, 1, of its terms of reference, has been received from the State, War, and Navy Departments for transmission to you for your guidance in accordance with Paragraph III, 1, of those terms of reference:

"(Definition: Plants and establishments engaged in producing basic steel shapes, such as rails, rods, bars, tubes, plates, strips, sheets, and structural shapes, by rolling, drawing and extruding steel ingots).

"That portion of Japan's steel rolling capacity in excess of that required to produce a balanced annual output of 2,775,000 metric tons of rolled steel products should be made immediately available as reparations."

RESTRICTED

THE STATE-WAR-NAVY COORDINATING COMMITTEE

WASHINGTON, D. C.

Office of
FAR EASTERN AFFAIRS
JAN - 3 1947
SWN-4991
20 December 1946

DEC 27 1946

DK
File

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: Directive to SCAP from FEC
regarding Interim Repara-
tions Removals: Temporary
Retention of Electric Steel
Furnaces.

At the request of the Joint Chiefs of Staff the
enclosed message is forwarded to the Department of
State for transmittal to the Far Eastern Commission.

For the State-War-Navy Coordinating Committee:

xR
740.0019PW

for *H. W. Hensley*
J. H. HILLDRING,
Chairman

CONFIDENTIAL FILE

894.6511/12-2046

Enclosure:
CM-IN-2970 (19 Dec 46),
Copy No. 47

Mem of Sec Gen, FEC
12/24/36
File
DIVISION OF JAPAN
DEPARTMENT OF STATE
JAN 16 1947

FILED

894.6511/12-2046

DCR
[Signature]

RESTRICTED

WAR DEPARTMENT
CLASSIFIED MESSAGE CENTER
INCOMING CLASSIFIED MESSAGE

RESTRICTED IVI
PRIORITY

PARAPHRASE NOT REQUIRED. HANDLE AS RESTRICTED
CORRESPONDENCE PER PARAS 511 and 60a (4), AR 380-5.

From: GHQ SCAP Tokyo Japan

To: War Department for Joint Chiefs of Staff

Nr: C 68302

18 December 1946

Reurad W 87682, December 15 Far Eastern Commission
decision re temporary retention of electric steel furnaces
received interested staff section 13301 16 December.

Und.

ACTION: JCS

INFO : AAF, Adm Leahy, ASW, CAD, ID, Adm Nimitz, P&O, CSA

CM IN 2970

(19 Dec 46)

DTG 180939Z nec

RESTRICTED

COPY NO. 47

THE MAKING OF AN EXACT COPY OF THIS MESSAGE IS FORBIDDEN

RESTRICTED

SWN-4991
20 December 1946

MEMORANDUM FOR THE SECRETARY OF STATE:

**Subject: Directive to SCAP from FEC
regarding Interim Repara-
tions Removals: Temporary
Retention of Electric Steel
Furnaces.**

At the request of the Joint Chiefs of Staff the enclosed message is forwarded to the Department of State for transmittal to the Far Eastern Commission.

For the State-War-Navy Coordinating Committee:

J. H. HILLDRING,
Chairman

Enclosure:
CM-IN-2970 (19 Dec 46),
Copy No. 47

COPY TO ACCOMPANY ORIGINAL

RESTRICTED

RESTRICTED

From: GHQ SCAP Tokyo Japan
To: War Department for Joint Chiefs of Staff
Nr: C 68302 18 December 1946

Reurad W 87682, December 15 Far Eastern Commission
decision re temporary retention of electric steel furnaces
received interested staff section 13301 16 December.

End.

CM IN 2970

(19 Dec 46)

RESTRICTED

Dec 27

In reply refer to
JA

DEC 27 1946

SECRETARY-GENERAL
MEMORANDUM FOR THE ~~CHIEF~~,
FAR EASTERN COMMISSION

With reference to the directive regarding Interim
Reparations Removals: Temporary Retention of Electric
Steel Furnaces, prepared on the basis of a policy decision
adopted by the Far Eastern Commission on December 6, 1946,
and transmitted to General MacArthur for his guidance on
December 15, 1946, the following message has been
received from the Supreme Commander for the Allied
Powers on this subject:

"Far Eastern Commission decision re temporary
retention of electric steel furnaces received
interested staff section 13301 16 December."

Secretary-General

It is requested that the ~~CHIEF~~ of the Far Eastern
Commission make this message available to members of
the Far Eastern Commission.

894.6511/12-2046

J. H. Hildring
Assistant Secretary

DCR ITP Unit

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DEC 27 1946

CS/R

894.6511/12-2046

RAT

JA:RAFearey/pm
12/24/46

[Handwritten initials]

FE

[Handwritten initials]

[Handwritten initials]

SECRET

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

361827

SWN-4992
20 December 1946

Mem for Sec Gen FEC
12/24/46
file HD
DEC 27 1946

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: Directive to SCAP from FEC
regarding Interim Repara-
tions Removals: Steel
Rolling Industry.

At the request of the Joint Chiefs of Staff the
enclosed message is forwarded to the Department of
State for transmittal to the Far Eastern Commission.

For the State-War-Navy Coordinating Committee:

740 XR
1946.0019PW

JH
for *H. H. Hilldring*
J. H. HILLDRING
Chairman

SECRET FILE

894.6511/12-2046

DCR Unit

[Handwritten signature]

Enclosure:
CM-IN-3042 (19 Dec 46);
Copy No. 47.

JAN 7 1947

JAN 9 - 1947

FILED

894.6511/12-2046

SECRET

WAR DEPARTMENT
CLASSIFIED MESSAGE CENTER
INCOMING CLASSIFIED MESSAGE

SECRET I VI
PRIORITY

PARAPHRASE NOT REQUIRED. HANDLE AS SECRET
CORRESPONDENCE PER PARAS 511 and 60a (4), AR 380-5.

From: GHQ SCAP Tokyo Japan

To: War Department for WARCOS

Nr: C 68303

18 December 1946

Reurad W 87681, December 14 Far Eastern Commission
decision re steel rolling industry received interested
Staff Section 1000 item 16 December.

End.

ACTION: JCS

INFO : AAF, Admiral Leahy, ASW, CAD, ID,
Admiral Nimitz, P & O, CSA

CM-IN-3042 (19 Dec 46) DTG: 180941Z jjf

SECRET

COPY NO.

THE MAKING OF AN EXACT COPY OF THIS MESSAGE IS FORBIDDEN

47

SECRET

From: GHQ SCAP Tokyo Japan
To: War Department for WARCOS
Nr: C 68303 18 December 1946

Reurad W 87681, December 14 Far Eastern Commission
decision re steel rolling industry received interested
Staff Section 1000 item 16 December.

End.

CM-IN-3042 (19 Dec 46)

SECRET

~~DC/~~
~~FE~~

~~SECRET~~

In reply refer to
JA

DEC 27 1946

SECRETARY-GENERAL,
MEMORANDUM FOR THE ~~SECRETARY~~
FAR EASTERN COMMISSION

With reference to the directive regarding Interim
Reparations Removals: Steel Rolling Industry, prepared
on the basis of a policy decision adopted by the Far
Eastern Commission on December 6, 1946, and transmitted
to General MacArthur for his guidance on December 14,
1946, the following message has been received from the
Supreme Commander for the Allied Powers on this subject:

"Far Eastern Commission decision re steel
rolling industry received interested Staff Section
1000 item 16 December."

Secretary-General

It is requested that the ~~Secretary~~ of the Far Eastern
Commission make this message available to members of the
Far Eastern Commission.

J. H. Hillaring
Assistant Secretary

894.6511/12-2046

SECRET FILE

DGE ITP Unit
[Handwritten signatures and initials]

al P
JA:RAFearey/pm
12/24/46
jra

9/17
FE

OR
DEC 27 1946

~~SECRET~~

[Small stamp with handwritten marks]

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: Jan. 31, 1947

TO : DRF - Mr. Yager
FROM : CA - Mr. McAfee
SUBJECT :

Mr. Ringwalt has requested that this attached paper be forwarded to DRF for its information and for evaluation and comment.

WMM
CA:WMAfee:la

EEB 4 1947 - 2

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: Jan. 30, 1947

TO : A.R.R.

FROM : C.R.B.

SUBJECT: Iron & Steel Industry Manchuria.

I am not qualified to properly judge the report sent by Bayne. Apart from some doubt as to the accuracy of the figures, an evaluation of those figures requires a technical expert.

The figuring is typically Chinese. There is an estimate of what might be produced in 1947, if the producing facilities and raw materials were available. There is an estimate of what those materials could be sold for in C.N.C. and a statement relative to prewar imports--\$30 million. I see no schedule of capital and production costs except a wild estimate that scrap can be picked up in North China and Manchuria for a mere CNC \$750,000 per ton and converted to a ton of finished products to sell at \$2,000,000 per ton. This report is redolent with the odor of profit which a certain type of borrower exudes in the presence of a possible lender.

特
敵別
產領
事問
務

SPECIAL ADVISER, ENEMY PROPERTY AFFAIRS
REPUBLIC OF CHINA

ARR CA
ARR

EAB/DS/84/dw



American Consulate General
Shanghai, China

13 January 1947

This Document
OC/R
Central
Files

Mr. James K. Penfield
Deputy Director
Office of Far Eastern Affairs
Department of State
Washington 25, D. C.



Be Returned to
ARR

Dear Jim:

Your economic people may be interested in this realistic study of iron and steel production possibilities and actualities in North China and Manchuria. The study shows, I think, the ability of the Chinese to absorb certain heavy industry plant from Japan efficiently, as well as a firm attempt to make the best use of facilities remaining.

I gave a copy of this to Solomon Trone for his opinion, and his reaction was surprising. While acknowledging the competence and possibility of the study, he stated his view that should the heavy industry production of Manchuria rise above 10% of the Japanese maximum the Soviets would crush it by some effective device.

My answer to this would be that the United States would be expected to prevent any such action, if only to preserve the security of the region, upon which the successful occupation of Japan rested. The study was made personally by Dr. Y. C. Sun during his recent trip to Manchuria.

Sincerely yours,

E. A. Bayne
E. A. Bayne
Special Adviser

Enc: 1

Law

893.6511/1-1347

CS/M

893.6511/1-1347

GENERAL SURVEY OF THE PRODUCTION PROGRAM
FOR THE N.R.C. IRON & STEEL WORKS IN
NORTHEAST & NORTH CHINA

(1)

What proportion?

During the Japanese coupation, the iron and steel works in North-east and North China, now administrated by the National Resources Commission, produced annually a total of 2,270,000 tons of pig iron and 850,000 tons of steel. At present, a large part of the important equipments in North-east has been either removed by Russians or destroyed by the Communists, while part of the equipments in North China could not be operated on an economical basis. With the remaining facilities, the total production of these two districts in 1947 may be as much as 380,000 tons of pig iron and 240,000 tons of steel as tabulated in Table I.

(2)

According to the data of Custom Office, the average annual import of Iron and Steel into China (excluding North-east) was approximately 650,000 tons, from 1935 to 1937. Deducting 350,000 tons of heavy rails, heavy structural sections, boiler tubes and a part of plates, sheets and special alloy steels that cannot be manufactured at present and have to be imported owing to the removal and destruction of equipments and machineries in North-East, there remains 300,000 tons of pigs, billets and finished products the varieties of which can be readily manufactured by the iron and steel works of N.R.C. But under the present existing conditions the proper market demand might not be more than 50% of that amount. By figuring the local demand in North-east as 50,000 tons, the total demand in China during 1947 may be considered as 200,000 tons.

(3)

The preceding amount could be supplied in the following ways:

(1) to a very limited extent both in quantity and variety by using the stock at hand;

(2) to a moderate extent through the fabrication of the semi-products, and

(3) to a very large extent from manufacturing with raw materials.

In accordance with this scheme a production schedule has been prepared both in North-east China and in North China

- 2 -

as shown in Table IIa and IIb. Thence the total products that can be put into the market in 1947 will amount to 190,000 tons as shown in Table IV, which will just meet the estimated demand.

(4)

In order to carry out the above schedule the following conditions should be satisfied:

(a) an adequate and regular service of raw materials transportation from the mines to their respective works as tabulated in Table III and shown in the attached maps.

(b) a continuous and adequate supply of electric power.

(c) a total running capital of CNC\$ 50,000 millions on a lending contract with the governmental banks for the stocking up of raw materials.

(5)

If the above scheduled production could be carried out the total saving in foreign exchange will be 30 millions of U.S. dollars for 1947. And the total value of the products estimated according to the present market value in Shanghai will be 420,000 millions CNC (Table V). The Iron and Steel industry will then survive and the ever increasing demand of iron and steel in the years to come could be solved. Meanwhile other related enterprises like bricks making, machinery manufacturing, coal mining, chemical industries, transportations, etc., will become active, which again means a further saving of foreign exchange. In consequence thousands of workers will be employed which is a great help to solve the present political and social problem.

(6)

Furthermore, the distribution of Japanese equipment under reparation is said to be determined mainly by the capability of immediate utilization of the equipment to be claimed. Whenever we can utilize our existing equipment to its best efficiency, it will give us strong support in claiming for more equipment for reparation. This program not only saves foreign currency, but also proves that we were capable enough technically in utilizing our existing equipment and entitled in claiming more equipment for immediate uses.

- 3 -

(7)

9 | When once the production program is put into operation, we can utilize the scrap scattered in North China and North-east. Such scrap is at present of no value, but we can convert it into finished products at an average cost of collecting, melting and rolling at CNC\$ 750,000 per ton. The amount of scrap available may be conservatively estimated at 100,000 tons. The finished products may be estimated at market value of CNC\$ 2,000,000 per ton, that means the actual increase in national wealth will be CNC\$ 1,250,000 per ton or CNC\$ 125,000 millions for 100,000 tons scrap, and the saving in foreign currency for the 100,000 tons of finished products will be US\$ 15,000,000. The cost of production of iron and steel from iron ore and coal is, although higher than import value in American currency at official rate, actually lower than what the consumers paid to the dealers.

In effect this states that though iron and steel can be landed in China at less than production costs in China, it is sold on the market at prices above production costs.

TABLE I

PRODUCTION CAPACITIES OF THE N.R.C. IRON

LOCATION	NAME OF PLANTS	NAME OF MAIN PRODUCTS	CAPACITIES DURING JAPANESE OCCUPATION (TONS)	
North-East China	Anshan	Pig Iron	1,700,000	
		Steel		800,000
	Penhsi	Pig Iron	400,000	
		Steel		10,000
	Fushun	Pig Iron		
		Steel		20,000
North China	Shih Ching Shan	Pig Iron	170,000	
		Steel		--
	Tientsin	Pig Iron	--	
		Steel		15,000
	Tongshan	Pig Iron	--	
		Steel		5,000
TOTAL		Pig Iron	2,270,000	
		Steel		850,000

TABLE I

CAPACITIES OF THE N.R.C. IRON & STEEL WORKS

PRODUCTS	CAPACITIES DURING JAPANESE OCCUPATION (TONS)		POSSIBLE CAPACITY IN 1947 (TONS)		POSSIBLE CAPACITY IN 1948 (TONS)	
	1,700,000		200,000		400,000	
el	800,000		200,000		200,000	
	400,000		120,000		120,000	
el	10,000		2,000		2,000	
			--		--	
el	20,000		3,000		3,000	
	170,000		60,000		60,000	
el	--		--		--	
	--		--		--	
el	15,000		15,000		15,000	
	--		--		--	
el	5,000		20,000		20,000	
	2,270,000		380,000		580,000	
el	850,000		240,000		240,000	

TABLE II ANORTH-EAST IRON AND STEEL WORKSPRODUCTION SCHEDULE FOR

NAME	MONTH							J
	Jan.	Feb.	March	April	May	June	J	
Pig Iron								
Steel ingots						5,000	7,000	9,
Blooms, billets, slabs						2,500	3,000	5,
Small sections	500	500	1,000	1,800	1,800	1,800	1,800	1,
Medium sections			1,500	1,500	2,000	2,000	2,000	3,
Plates				500	500	1,000	1,000	1,
Steel casting		50	100	100	300	300	300	
Iron castings	50	200	200	300	300	400	400	
Steel forgings		50	100	100	300	300	300	
Cast iron pipes			500	500	500	500	500	
Weld pipes				500	500	500	500	
Sheets	30	30	15	60	60	60	60	
Wire rope	100	100	100	100	100	100	100	
6-7 mm. wire rods	50	50	100	100	100	100	100	
Nails	45	45	90	90	90	90	90	
Steel tower	100	100	300	500	500	500	500	
Lump coke			5,940	5,940	16,740	16,740	16,740	16,
Creosote			260	260	390	390	390	
Crude naphthalene			60	60	90	90	90	
Naphthalene								
Crude anthracene			20	20	30	30	30	
Pitch			560	560	840	840	840	
Phenol								
Pyridine								
Carbon Black		20	20	20	20	20	20	
Pitch coke		150	150	150	150	150	150	
Ammonium sulphate			80	80	220	220	220	

TABLE II A

IRON AND STEEL WORKS, N.R.C.

PRODUCTION SCHEDULE FOR 1947

Day	June	July	August	Sept.	Oct.	Nov.	Dec.	TOTAL
				8,000	12,000	17,000	17,000	54,000
000	7,000	9,700	9,700	9,700	12,800	12,800	12,800	79,500
500	3,000	5,500	8,900	8,200	11,500	12,250	12,250	64,100
800	1,800	1,800	2,500	2,500	14,000	4,000	4,000	26,200
000	2,000	3,000	4,000	4,000	4,000	4,000	4,000	30,000
500	1,000	1,000	1,000	1,500	2,000	2,500	2,500	12,500
300	300	300	300	300	300	300	300	2,650
300	400	400	500	500	500	500	500	4,350
300	300	300	300	300	300	300	300	2,650
500	500	680	680	680	680	680	680	6,080
500	500	500	500	500	500	500	500	4,500
60	60	100	100	100	200	200	200	1,155
100	100	100	100	100	100	100	100	1,200
100	100	100	100	100	100	100	100	1,100
90	90	90	90	90	90	90	90	990
500	500	500	500	500	500	500	500	5,000
740	16,740	16,740	24,120	24,120	24,120	24,120	24,120	182,700
390	390	390	390	390	390	390	390	3,640
90	90	90	90	90	90	90	90	840
					60	60	60	180
30	30	30	30	30	30	30	30	280
840	840	840	840	840	840	840	840	7,840
		6	6	6	6	6	6	36
					0.1	0.1	0.1	0.3
20	20	20	20	20	20	20	20	220
150	150	150	150	150	150	150	150	1,650
220	220	200	320	320	320	320	320	2,420

77,645

TABLE II A (CONTINUED)

NAME	MONTH							
	Jan.	Feb.	March	April	May	June	July	
Benzol			60	60	170	170	1	
Motor			12	12	34	334		
Pure benzol			42	42	119	119	1	
Toluol			4	4	12	12		
Kylol			1	1	2	2		
Solvent naphtha			1	1	3	3		
Sulphuric acid (50° Be)			600	600	600	600	6	
" (60° Be)			30	30	30	30		
Special Steel	200	250	350	490	490	490	4	

STANDARD FORM NO. 64

RESTRICTED

Office Memorandum



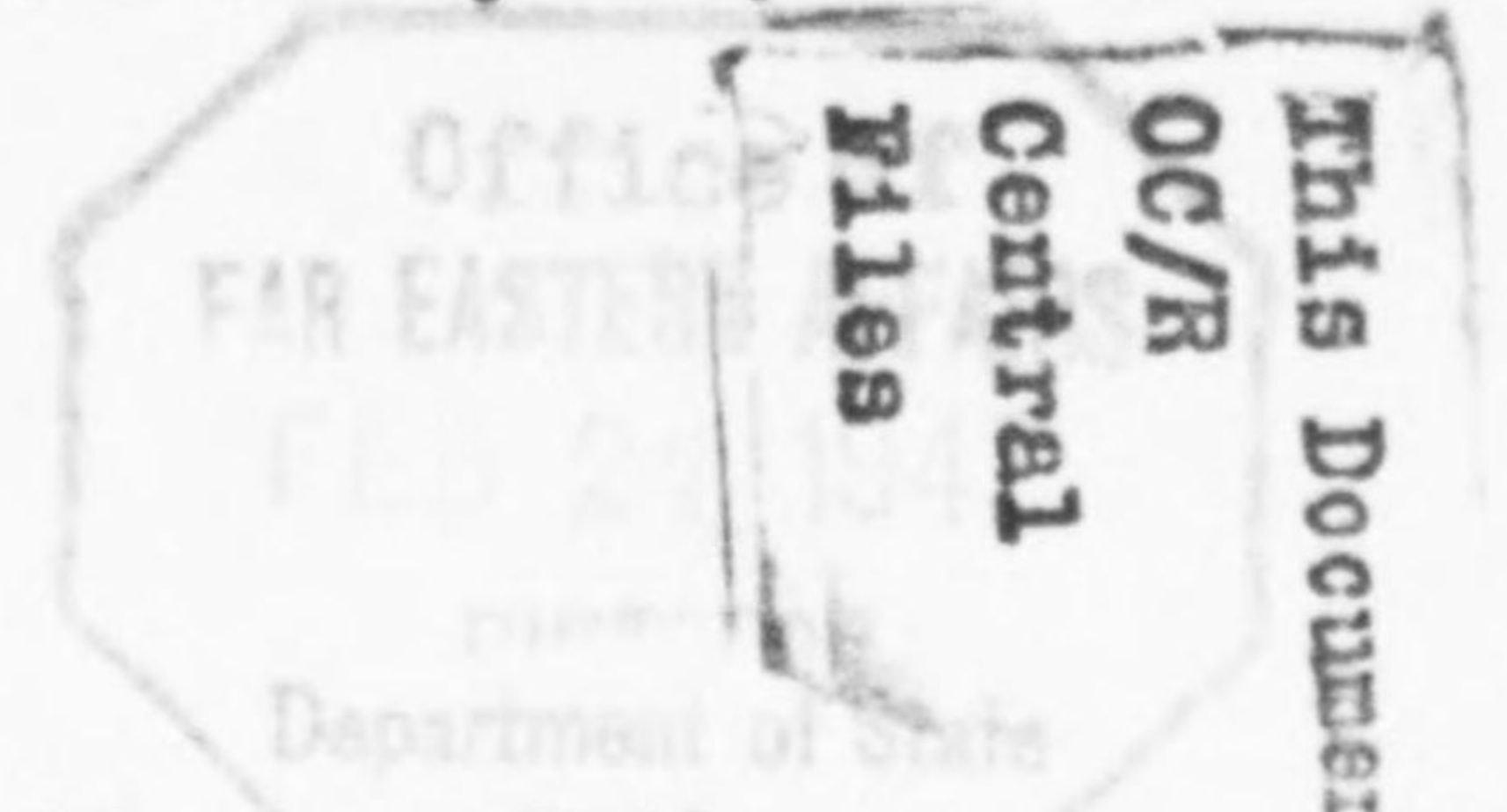
UNITED STATES GOVERNMENT

TO : CA - Mr. Arthur Ringwalt

DATE: February 14, 1947.

FROM : DRF - Charles C. Stelle *CS*

SUBJECT: DRF-32, Chinese Plans for Producing Iron and Steel



This Document Must Be Returned to

The attached memorandum sets forth a lengthy critique of the Chinese iron and steel production program, which was forwarded to us by Mr. McAfee on January 31. We find said program of great interest and greatly appreciate your passing it on to us.

As a short-run production program the Chinese plan seems fairly sound. The An-shan installation is capable of producing iron and steel, and the Pen-ch'i-hu and Shih-ching-shan installations, pig iron, at the levels projected. The Fu-shun, Pen-ch'i-hu, and Tan-shan steel plants are not viewed as good operating prospects in 1947 or 1948, and the Tientsin steel plant can hardly supply more than half the steel anticipated of it.

By mid-1948, however, shortages are expected to curtail operations, if carried through as projected. Supplies of semi-finished products left by the Japanese will have been exhausted. Current stocks of adequate-quality iron ores will have been depleted, presenting the Chinese with the problem of large-scale investments in mining and ore concentrating equipment. Scrap supplies can hardly suffice for more than a few months of projected activity.

While recognizing the possible anti-inflationary aspects of this production campaign we find the general tenor of optimism unwarranted. By applying 1946 import values to projected production we estimate the foreign exchange saving at \$US 11.6 million, or little more than one-third of Dr. Sun's estimate. Internal production costs are believed to cancel much of the anticipated deflationary internal results of such a program, so that to represent actual values created, the estimated market value of \$CN 420,000 million should be cut by possibly 60 percent. Both indicate the order of magnitude of results to be achieved by domestic iron and steel manufacture if the Chinese can carry it through.

FW 893.6511/1-1347

FW 893.6511/1-1347

CS/M

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Anal 4
Rev
Cat *CS*

DRF:PHTreize:aw

RESTRICTED

2998

McCoy
FEC

1155
June 16, 1947 file

H. N. M.

In reply refer to
JK

MEMORANDUM FOR THE UNITED STATES MEMBER,
FAR EASTERN COMMISSION

894.6511/6-1647

In a policy decision approved by the Far Eastern Commission on 6 December 1946, (FEC 059/31) authorization was given to the Supreme Commander for the Allied Powers to retain, up to 30 June 1947, electric steel furnaces in excess of the 100,000 metric tons of annual capacity retained under the interim program, together with the rolling mill capacity integrated with such electric furnaces, up to a maximum of an additional 300,000 metric tons of annual capacity. If before 30 June 1947 it should be the opinion of the Supreme Commander for the Allied Powers that an extension of this period is necessary in order to meet the needs of the occupation, he was specifically invited, in the Far Eastern Commission decision, to furnish the Commission with a statement of his reasons so that a review of the position may be made. Authorization for extension of this period is now requested by the Supreme Commander in view of the continued shortage of coal and prospects of shortage through the coming winter. The present authorization for retention will expire on 30 June 1947 unless action is taken by the Far Eastern Commission before that date to extend the period. The United States member is therefore requested to ask that the Commission, at its next meeting, approve extension until 30 June 1948 of the authorization for retention given in FEC 059/31, together with appropriate provision for review of the position before 30 June 1948.

CS/A

FOR THE SECRETARY
J. H. Hilldring
Assistant Secretary

J. H. Hilldring
Assistant Secretary

JK:SGKallis;CLHodge:PJ
6/16/47

ESP JK NA A-H

Note: See cable C53123, CMIN 686 5 June 47.

1990

894.6511/6-1647

Dc/R

In reply refer to
NA

JUN 27 1947

RESTRICTED

MEMORANDUM FOR THE SECRETARY, SWNCC

Subject: Draft Directive regarding temporary extension of Far Eastern Commission policy on temporary retention of electric steel furnaces.

There is enclosed a draft directive prepared on the basis of policy decision approved at the sixty-third meeting of the Far Eastern Commission on June 26, 1947 under the provisions of paragraph II, A, 1, of its terms of reference.

It is requested that the enclosed directive be forwarded to the Joint Chiefs of Staff for transmission to General MacArthur for his guidance in accordance with paragraph III, 1, of the terms of reference of the Far Eastern Commission. It is assumed that if the Joint Chiefs of Staff have any question regarding the draft directive they will refer the matter to the Department of State for clarification before transmitting a directive on this subject.

894.6511/6-2647

J. H. Hilldring
Assistant Secretary

Enclosure:

Draft Directive

ggg
JUN 27 1947

return 6:20

ALD

NA:ALDunning:ggg
6/26/47

FOR THE UNIT

[Handwritten signature]

Keep copy of the original
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FE
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A-H

894.6511/6-2647
A/AP

RESTRICTEDE N C L O S U R EDRAFT DIRECTIVE REGARDING TEMPORARY EXTENSION
OF FAR EASTERN COMMISSION POLICY ON TEMPORARY
RETENTION OF ELECTRIC STEEL FURNACES.

The following directive, prepared by the Department of State to implement the policy adopted by the Far Eastern Commission on June 26, 1947, under the provisions of paragraph II, A, 1, of its terms of reference has been received from the State, War and Navy Departments for transmission to you for your guidance in accordance with paragraph III, 1 of those terms of reference:

The provisions of FEC-059/30 (Interim Reparations Removals: Temporary Retention of Electric Steel Furnaces, approved 6 December 1946, and transmitted to the Supreme Commander as Directive Serial No. 65 on 13 December 1946) are hereby extended until 31 July 1947, pending decision by the Far Eastern Commission on the subject of further review of these provisions.

RESTRICTED

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

26 June 1947

RESTRICTED

The Honorable George C. Marshall
Secretary of State
Washington, D. C.

My dear Mr. Secretary:

The Terms of Reference of the Far Eastern Commission provide that one of the functions of the Commission should be to "formulate the policies, principles and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished."

It is further provided that when such decisions are made by the Far Eastern Commission, "The United States Government shall prepare directives in accordance with the policy decisions of the Commission and shall transmit them to the Supreme Commander through the appropriate United States Government agency."

At the sixty-third meeting of the Far Eastern Commission held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 26 June 1947, the enclosed policy decision relative to Temporary Extension of Far Eastern Commission Policy on Temporary Retention of Electric Steel Furnaces was unanimously approved.

As Secretary General of the Far Eastern Commission, I have been instructed to forward this decision to you on behalf of the Commission, in order that the appropriate directives may be prepared and transmitted to the Supreme Commander in accordance with the Terms of Reference.

Sincerely yours,

Nelson T. Johnson
Nelson T. Johnson
Secretary General

P - 41

DCB - IRP Unit

Anal.

Rev.

Dist.

EJD

NORTH ASIAN DIVISION
JUN 26 1947
DEPARTMENT OF STATE
W. J. ...
J. L.

JUN 27 1947

894/6511/6-2647

894/6511/6-2647
A/AB

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740.00119 PW

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

The attached copy of a document unanimously adopted at the sixty-third meeting of the Far Eastern Commission, held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 26 June 1947, has been compared with the original text and is hereby certified to be correct.

Nelson T. Johnson

Nelson T. Johnson
Secretary General

Washington, D. C.
26 June 1947

DOE - IEP Unit	
Anal	<i>17</i>
Rev.	<i>[Signature]</i>
Cat.	
Dist.	

FM 894.6511/602647/6-26-47

RESTRICTED

TEMPORARY EXTENSION OF FAR EASTERN COMMISSION POLICY ON
TEMPORARY RETENTION OF ELECTRIC STEEL FURNACES (FEC-059/30)

The provisions of FEC-059/30 (Interim Reparations Removals: Temporary Retention of Electric Steel Furnaces, approved 6 December 1946, and transmitted to the Supreme Commander as Directive Serial No. 65 on 13 December 1946) are hereby extended until 31 July 1947, pending decision by the Far Eastern Commission on the subject of further review of these provisions.

FEC-239/2
Approved, 26 June 1947
P - 41

RESTRICTED

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

~~SECRET~~

DE/R

SWN-5544
8 July, 1947

DIVISION OF
NORTHEAST ASIAN AFFAIRS

MEMORANDUM FOR THE SECRETARY OF STATE:
(Attention: Mr. J. K. Penfield, FE)

JUL - 9 1947
reply drafted
DEPARTMENT OF STATE
7/9/47 ALD
file

Subject: Directive Transmitted to SCAP
by the Joint Chiefs of Staff.

*X2
740.00119 PW*

Enclosed are three copies of Directive,
Serial No. 83, transmitted to SCAP by the Joint
Chiefs of Staff. Copy No. 1 is for transmittal
to the Far Eastern Commission, and Copies Nos. 2
and 3 are for the files of the State Department.

For the State-War-Navy Coordinating Committee:

W. A. Schulgen
W. A. Schulgen
Acting Secretary

Enclosures:
Copies Nos. 1, 2 & 3
Serial No. 83

894.6511/7-847

A/AP

FILED

JUL 15 1947

RESTRICTED

In reply refer to
NA 894.6511/7-847

July 9, 1947

RESTRICTED

MEMORANDUM FOR THE SECRETARY GENERAL
FAR EASTERN COMMISSION

In accordance with a memorandum of July 8, 1947, from the State-War-Navy Coordinating Committee, there is enclosed a certified copy of Directive, Serial No. 83, to the Supreme Commander for the Allied Powers regarding Temporary Extension of Far Eastern Commission Policy on Temporary Retention of Electric Steel Furnaces, to be filed with the Far Eastern Commission under the provisions of paragraph III, 4, of its Terms of Reference.

894.6511/7-847

DGR - RFP Unit	
Anal.	<i>fk</i>
Rev.	<i>vp</i>
Cat.	
Dist.	

W. M. CAMERON
for J. H. Hilldring
Assistant Secretary

Enclosure:

✓ Copy No. 1 (certified)
of Directive to SCAP,
Serial No. 83.

2 CR
JUL 9 1947

JA *ALD*
NA:ALDunning:ggg
7/9/47

FE

A-H

A true copy of
the signed original
enc. CR/2K

894.6511/7-847

RESTRICTEDCOPY NO. 2Serial No. 83

30 June 1947

DIRECTIVE TO THE SUPREME COMMANDER FOR THE ALLIED POWERSTEMPORARY EXTENSION OF FAR EASTERN COMMISSION
POLICY ON TEMPORARY RETENTION OF
ELECTRIC STEEL FURNACES

The following directive, serial number 83, prepared by the Department of State to implement the policy adopted by the Far Eastern Commission on June 26, 1947, under the provisions of paragraph II, A, 1, of its terms of reference has been received from the State, War and Navy Departments for transmission to you for your guidance in accordance with paragraph III, one of those terms of reference:

"The provisions of FEC-059/30 (Interim Reparations Removals: Temporary Retention of Electric Steel Furnaces, approved 6 December 1946, and transmitted to the Supreme Commander as Directive serial number 65 on 13 December 1946) are hereby extended until 31 July 1947, pending decision by the Far Eastern Commission on the subject of further review of these provisions."

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

Sc/R

24 July 1947

DIVISION OF
NORTHEAST ASIAN AFFAIRS

JUL 29 1947

*Reply drafted
7/25/47 ALD
file*

RESTRICTED

The Honorable George C. Marshall
Secretary of State
Washington, D. C.

My dear Mr. Secretary:

The Terms of Reference of the Far Eastern Commission provide that one of the functions of the Commission should be to "formulate the policies, principles and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished."

It is further provided that when such decisions are made by the Far Eastern Commission, "The United States Government shall prepare directives in accordance with the policy decisions of the Commission and shall transmit them to the Supreme Commander through the appropriate United States Government agency."

At the sixty-seventh meeting of the Far Eastern Commission held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 24 July 1947, the enclosed policy decision relative to Extension of Far Eastern Commission Policy on Temporary Retention of Electric Steel Furnaces was approved.

In approving the enclosed policy, the Chinese Representative made a formal statement of his position, which the Commission agreed should be forwarded to the Supreme Commander along with the text of the policy itself for his information. The French Representative abstained from voting. An excerpt from the draft minutes of the sixty-seventh meeting of the Commission, covering the Chinese and French positions, is enclosed.

In adopting the enclosed policy decision the Commission agreed that it should be released to the press after being received by the Supreme Commander. In accordance with our normal procedure I would appreciate it if you could make arrangements to notify me when the enclosed policy decision has been received in Tokyo.

Sincerely yours,

Nelson T. Johnson
Nelson T. Johnson
Secretary General

Enclosures

P - 43

Mr. Tolson	
Mr. E.A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

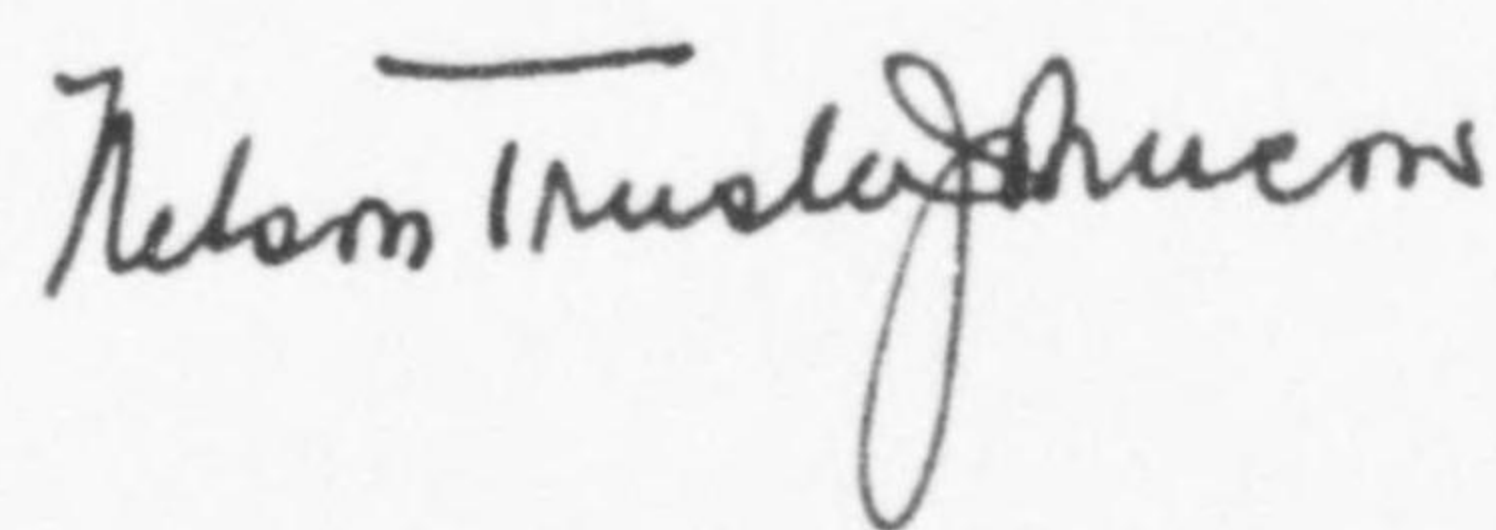
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894.6511/7-2447

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

The attached is certified to be the official text of a document adopted at the sixty-seventh meeting of the Far Eastern Commission, held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 24 July 1947.



Nelson T. Johnson
Secretary General

Washington, D. C.
24 July 1947

ENCLOSUREEXTENSION OF FAR EASTERN COMMISSION POLICY ON TEMPORARY
RETENTION OF ELECTRIC STEEL FURNACES

1. In view of the continued shortage of coal in Japan, the authorization granted in FEC-059/30 (Interim Reparations Removals: Temporary Retention of Electric Steel Furnaces, approved 6 December 1946, and forwarded to SCAP as Directive Serial No. 65 of 13 December 1946) to retain in Japan up to 30 June 1947, electric steel furnaces in excess of the 100,000 metric tons annual capacity referred to in FEC-059/13, (Interim Reparations Removals: Iron and Steel Industry, etc., approved 12 June 1946, and forwarded to SCAP as Directive Serial No. 52 on 15 June 1946) together with the rolling mill capacity integrated with such electric furnaces, to a maximum of an additional 300,000 metric tons annual capacity, is hereby extended until 30 June 1948.

2. The above policy should not postpone the designation of these facilities under the reparations removal program.

FEC-239/7

P - 43

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

The attached copy of an excerpt from the draft minutes of the 67th meeting of the Far Eastern Commission, held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 24 July 1947, has been compared with the original minutes and is hereby certified to be correct.

Nelson T. Johnson

Nelson T. Johnson
Secretary General

Washington, D. C.
24 July 1947

EXCERPT FROM DRAFT MINUTES OF THE
67TH MEETING OF THE FAR EASTERN COMMISSION

ITEM 4 - EXTENSION OF THE FAR EASTERN COMMISSION POLICY ON
TEMPORARY RETENTION OF ELECTRIC STEEL FURNACES
(FEC-239/6; 239 series, FEC-059/30, FEC-059/13)

DR. KOO presented the following formal statement:

"Mr. Chairman, at the 63rd meeting of this Commission I requested certain information concerning the capacity of electric steel furnaces in Japan in order to determine our position with reference to the paper. In response to the questions which I presented, you were good enough to call upon one of your technical advisers who furnished us with certain information. Your adviser said, among other remarks: '... the U. S. Delegation was informed that approximately 2,000,000 tons of rated electric furnace capacity existed in Japan. Should the Commission approve the Supreme Commander's request for an extension of authority under FEC-059/30 to retain up to 400,000 tons of actual productive capacity, then the remaining electric furnace productive capacity would be available for removal as reparations.' This information was gratifying to us.

"Later the whole problem was referred to Committee No. 2, the Committee on Economic and Financial Affairs, for consideration. In the course of discussion in the Committee, I have been advised, it was stated by the U.S. member that, while he was unable to supply any further information beyond what had been given in the Commission, he believed that the approximate answer already given was about as complete as it could possibly be. This was equally gratifying to us, although we wished on our part fuller information might have been given, if that had been possible.

"In these circumstances we would like to express emphatically the earnest hope that in selecting plants and facilities of electric steel furnaces for temporary retention, the Supreme Commander for the Allied Powers would bear in mind the desirability of making a balanced selection so that such selection will not bring about a disproportionate reduction of the value, type, or quality of electric steel furnaces available for reparations removals.

"In the second place, we wish to express the view that, if the remaining capacity of electric steel furnaces, after deducting the capacity for retention, as provided for in FEC-059/13 and FEC-059/30, should be insufficient to meet the claims made by claimant countries for reparation removals, or if the situation of coal supply in Japan, which, I understand, has been the main reason for the request for additional allocation of electric furnace capacity for Japan, improves prior to June 30, 1948, the authorization of temporary retention granted under this policy paper should be subject to review by the Far Eastern Commission. This is quite in accordance with the Terms of Reference of our Commission.

- 2 -

"With those two understandings, Mr. Chairman, we are prepared to vote for the paper as it stands."

DR. KOO requested that his statement be recorded in the minutes, and forwarded to the Supreme Commander together with the appropriate directive if the proposed policy should be adopted by the Commission.

MR. DOUTEAU said that the French Delegation had not been convinced that the authorization granted in FEC-059/30 should be extended until 30 June 1948 and that the French reservation would accordingly be maintained. However, in case of a formal vote he would not oppose adoption of the proposed policy decision but would abstain from voting.

De/or

JUL 29 1947

RESTRICTED

In reply refer to
NA

revision
894.6511

MEMORANDUM FOR THE SECRETARY, SWNCC

Subject: Draft Directive Regarding Extension of Far Eastern Commission Policy on Temporary Retention of Electric Steel Furnaces.

There is enclosed a draft directive prepared on the basis of a policy decision approved at the sixty-seventh meeting of the Far Eastern Commission on July 24, 1947, under the provisions of paragraph II, A, 1, of its terms of reference.

It is requested that the enclosed directive be forwarded to the Joint Chiefs of Staff for transmission to General MacArthur for his guidance in accordance with paragraph III, 1, of the terms of reference of the Far Eastern Commission. It is assumed that if the Joint Chiefs of Staff have any question regarding the draft directive they will refer the matter to the State Department for clarification before transmitting a directive on the subject.

It is also requested that the Supreme Commander for the Allied Powers be informed that in approving the policy decision on which the enclosed draft directive is based the Chinese representative made a formal statement of his position and the French representative abstained from voting, and that these statements as recorded in the draft minutes of the Commission's sixty-seventh meeting be transmitted to the Supreme Commander for his information.

The Secretary-General of the Far Eastern Commission has requested that the Joint Chiefs of Staff, in transmitting the enclosed draft directive to the Supreme Commander for the Allied Powers, inform him that in adopting the policy decision regarding Extension of Far Eastern Commission Policy on Temporary Retention of Electric Steel Furnaces the Commission agreed that it should be released to the

press

894.6511/7-2447

894.6511/7-2447

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894.65

Mr. Tolson	
Mr. E.A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

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done 5/24/47
S. H. H. H.

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RESTRICTED

- 2 -

press after being received by the Supreme Commander. Therefore, in accordance with normal procedure, acknowledgement of the receipt of the directive is requested.

Ernest A. Jones

Jr **J. H. Hildring**
Assistant Secretary

Enclosures:

- 1. Draft Directive
- 2. Excerpt from Minutes.

alD
NA:HBorton/pm
7/25/47

JCP
FE

us
FOR *Smy*
JUL 28 P.M.
OR JUL 28 1947 P.M.

A true copy of
the signed original.

COPY: NA: GGG
COMPARED WITH MPM

ENCLOSURE 2

EXCERPT FROM DRAFT MINUTES OF THE
67TH MEETING OF THE FAR EASTERN COMMISSION

ITEM 4 - EXTENSION OF THE FAR EASTERN COMMISSION POLICY ON
TEMPORARY RETENTION OF ELECTRIC STEEL FURNACES
(FEC-239/6; 239 series, FEC-059/30, FEC-059/13)

DR. KOO presented the following formal statement:

"Mr. Chairman, at the 63rd meeting of this Commission I requested certain information concerning the capacity of electric steel furnaces in Japan in order to determine our position with reference to the paper. In response to the questions which I presented, you were good enough to call upon one of your technical advisers who furnished us with certain information. Your adviser said, among other remarks: '... the U.S. Delegation was informed that approximately 2,000,000 tons of rated electric furnace capacity existed in Japan. Should the Commission approve the Supreme Commander's request for an extension of authority under FEC-059/30 to retain up to 400,000 tons of actual productive capacity, then the remaining electric furnace productive capacity would be available for removal as reparations.' This information was gratifying to us.

"Later the whole problem was referred to Committee No. 2, the Committee on Economic and Financial Affairs, for consideration. In the course of discussion in the Committee, I have been advised, it was stated by the U.S. member that, while he was unable to supply any further information beyond what had been given in the Commission, he believed that the approximate answer already given was about as complete as it could possibly be. This was equally gratifying to us, although we wished on our part fuller information might have been given, if that had been possible.

"In these circumstances we would like to express emphatically the earnest hope that in selecting plants and facilities of electric steel furnaces for temporary retention, the Supreme Commander for the Allied Powers would bear in mind the desirability of making a balanced selection so that such selection will not bring about a disproportionate reduction of the value, type, or quality of electric steel furnaces available for reparations removals.

"In the second place, we wish to express the view that, if the remaining capacity of electric steel furnaces, after deducting the capacity for retention, as provided for in FEC-059/13 and FEC-059/30, should be insufficient to meet the claims made by

claimant

- 2 -

claimant countries for reparation removals, or if the situation of coal supply in Japan, which, I understand, has been the main reason for the request for additional allocation of electric furnace capacity for Japan, improves prior to June 30, 1948, the authorization of temporary retention granted under this policy paper should be subject to review by the Far Eastern Commission. This is quite in accordance with the Terms of Reference of our Commission.

"With these two understandings, Mr. Chairman, we are prepared to vote for the paper as it stands."

DR. KOO requested that his statement be recorded in the minutes, and forwarded to the Supreme Commander together with the appropriate directive if the proposed policy should be adopted by the Commission.

MR. DOUTEAU said that the French Delegation had not been convinced that the authorization granted in FEC-059/30 should be extended until 30 June 1948 and that the French reservation would accordingly be maintained. However, in case of a formal vote he would not oppose adoption of the proposed policy decision but would abstain from voting.

ENCLOSURE 2

**DRAFT DIRECTIVE REGARDING EXTENSION OF
FAR EASTERN COMMISSION POLICY ON TEMPORARY
RETENTION OF ELECTRIC STEEL FURNACES**

The following directive, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on July 24, 1947, under the provisions of paragraph II, A, 1, of its terms of reference has been received from the State, War and Navy Departments for transmission to you for your guidance in accordance with paragraph III, 1, of those terms of reference:

1. In view of the continued shortage of coal in Japan, the authorization granted in FEC-059/30 (Interim Reparations Removals: Temporary Retention of Electric Steel Furnaces, approved 6 December 1946, and forwarded to you as Directive Serial No. 65 of 13 December 1946) to retain in Japan up to 30 June 1947, electric steel furnaces in excess of the 100,000 metric tons annual capacity referred to in FEC-059/13, (Interim Reparations Removals: Iron and Steel Industry, etc., approved 12 June 1946, and forwarded to you as Directive Serial No. 52 on 15 June 1946) together with the rolling mill capacity integrated with such electric furnaces, to a maximum of an additional 300,000 metric tons annual capacity, is hereby extended until 30 June 1948.

2. The above policy should not postpone the designation of these facilities under the reparations removal program.

RESTRICTED

**THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.**

DIVISION OF
NORTHEAST ASIAN AFFAIRS
Memo drafted
AUG - 5 1947
85747 ALB
DEPARTMENT OF STATE
file

SWN-5614
5 August 1947

AUG 8 1947

~~12/17~~
DOR

MEMORANDUM FOR THE SECRETARY OF STATE:
(Attention: Mr. J. K. Penfield, FE)

Subject: Directive Transmitted to SCAP
by the Joint Chiefs of Staff.

Enclosed are three copies of Directive,
Serial No. 85, transmitted to SCAP by the Joint
Chiefs of Staff. Copy No. 1 is for transmittal
to the Far Eastern Commission, and Copies Nos. 2
and 3 are for the files of the State Department.

For the State-War-Navy Coordinating Committee:

H. W. Moseley
H. W. MOSELEY
Secretary

894.6511/8-547

Enclosures:
Copies Nos. 1, 2 & 3
Serial No. 85

AUG 24 1947
FILED

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Rev.	<i>EPH</i>
Dist.	<i>class. made at</i>

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Dc/R

AUG 5 1947

In reply refer to
NA 894.6511/8-547

RESTRICTED

MEMORANDUM FOR THE SECRETARY GENERAL
FAR EASTERN COMMISSION

In accordance with a memorandum dated August 5, 1947, from the State-War-Navy Coordinating Committee, there is enclosed a certified copy of Directive, Serial No. 85, to the Supreme Commander for the Allied Powers regarding Extension of Far Eastern Commission Policy on Temporary Retention of Electric Steel Furnaces, to be filed with the Far Eastern Commission under the provisions of paragraph III, 4, of its Terms of Reference.

894.6511/8-547
am

J. H. Hilldring
Assistant Secretary

CS/A

Enclosure:

Copy No. 1 (certified)
of Directive to SCAP,
Serial No. 85.

AUG 8 1947
OR 507

NA: ALDunning:egg
8/5/47 *9mm*

Mr. Tolson	
Mr. E.A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

ad
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FE

AH

A true copy of
the signed original.
507

894.6511/8-547

RESTRICTEDCOPY NO. 2Serial No. 85

31 July 1947

DIRECTIVE TO THE SUPREME COMMANDER FOR THE ALLIED POWERSEXTENSION OF FAR EASTERN COMMISSION POLICY ON
TEMPORARY RETENTION OF ELECTRIC STEEL FURNACES

The following directive, serial number 85, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on July 24, 1947, under the provisions of paragraph II, A, 1, of its terms of reference has been received from the State, War and Navy Departments for transmission to you for your guidance in accordance with paragraph III, 1, of those terms of reference:

"1. In view of the continued shortage of coal in Japan, the authorization granted in FEC-059/30 (Interim Reparations Removals: Temporary Retention of Electric Steel Furnaces, approved 6 December 1946, and forwarded to you as directive serial number 65 of 13 December 1946) to retain in Japan up to 30 June 1947, electric steel furnaces in excess of the 100,000 metric tons annual capacity referred to in FEC-059/13, (Interim Reparations Removals: Iron and Steel Industry, etc., approved 12 June 1946, and forwarded to you as directive serial number 52 on 15 June 1946) together with the rolling mill capacity integrated with such electric furnaces, to a maximum of an additional 300,000 metric tons annual capacity, is hereby extended until 30 June 1948.

"2. The above policy should not postpone the designation of these facilities under the Reparations Removal Program."

SUBJECT OR FILE NO. 894. 6511/5-348		DATE DUE 1/1/52
DATE OF DOC. 5/3/48	DOC. NO. Letter Reply	DATE CHARGED 3/3/52
TO/FROM John T. Noonan		ENCLOSURES
CHARGE TO Mull (Signature)		OFFICE SYMBOL LJ

Form DS-933a (9-1-51) DEPARTMENT OF STATE

National Association of Textile Machinery Manufacturers

P.O. BOX 1605, PROVIDENCE, R.I.
1 Federal St., Boston, Mass.

ROBERT LEESON, *President*
J. HUGH BOLTON, *Vice-President*
SAMUEL F. ROCKWELL, *Treasurer*
THEODORE DEWHURST, *Secretary*

OFFICE OF THE PRESIDENT
PROVIDENCE, RHODE ISLAND

~~Telephone XXXXXXXX X208~~

May 3, 1948

Roswell H. Whitman, Acting Chief
Division of Occupied Areas, Economic Affairs
Department of State
Washington, D. C.

Dear Mr. Whitman:

On behalf of Mr. Robert Leeson and myself I wish to express our appreciation of your seeing us last week, and of the very helpful talk which we had with you as to the Japanese situation.

As I recall it you were going to check for us the matter of steel allocation to the textile machinery industry, and I assume I will hear from you in due course with respect to that.

Sincerely yours,

John T. Noonan
Counsel, National Association of Textile Machinery Manufacturers

JTN:KSJ

Handwritten initials

FILED
JUN 2 1948

DIVISION OF OCCUPIED AREAS
ECONOMIC AFFAIRS
MAY 4 1948
DEPARTMENT OF STATE
Reply
DCR File
BEB

894.6511/5-348

CS/A

894.65-1/5-348
5/18/48

In reply refer to
OE

MAY 21 1948

694.119

My dear Mr. Noonan:

This is in reply to your letter of May 3, 1948 in which you request information concerning the allocation of steel to the Japanese textile machinery industry.

According to two Japanese language newspapers, during the first quarter of 1948, 4,300 tons of iron and steel were allocated to the textile industry. It is not stated categorically that this is the textile machinery industry. If that rate continues during the present year the total would be something over 17,000 tons. In prewar years the average allocation was in the vicinity of 50,000 tons.

However, The Summation of Non-Military Activities in Japan for February 1948, as you have noted, gives the weight of textile machinery produced as something between 4,500 and 5,000 metric tons per month, or nearly 60,000 tons for the year. I am sorry that I am at present unable to reconcile these conflicting reports. I have written informally to Japan in an effort to get an explanation and will advise you when I receive a reply.

Sincerely yours,

no

Roswell H. Whitman
Acting Chief
Division of Occupied Areas
Economic Affairs

Mr. John T. Noonan,
National Association of
Textile Machinery Manufacturers,
1 Federal Street,
Boston, Massachusetts.

MAY 21 1948 PM

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5/18/48

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SUBJECT OR FILE NO. 894.6511/6-148			DATE DUE 4/3/52
DATE OF DOC. 6/1/48	DOC. NO. Letter Reply	SECURITY CLASS.	DATE CHARGED 3/3/52
TO/FROM John T. Noonan		ENCLOSURES	
CHARGE TO O'Neill (initials)		OFFICE SYMBOL Sg	

Form DS-933a (9-1-51) DEPARTMENT OF STATE

HERRICK, SMITH, DONALD, FARLEY & KETCHUM

JUL 26 1948

HUGH D. McLELLAN
MALCOLM DONALD
J. W. FARLEY
EDWARD A. TAFT
PHILLIPS KETCHUM
EUGENE T. CONNOLLY
BARTLETT HARWOOD
GEORGE R. BLODGETT
HENRY R. GUILD
JOHN T. NOONAN
WARREN D. OLIVER
ALEX J. MCFARLAND
HENRY L. MASON, JR.

FIRST NATIONAL BUILDING
1 FEDERAL STREET

TELEPHONE LIBERTY 2-4950
CABLE ADDRESS "HESDOF"

BOSTON 10

Rec'd in OE
6-3-48

HAROLD L. CLARK
W. SIDNEY FELTON
WILLIAM H. GULLIVER, JR.
EDWARD E. ELDER
DONALD P. DONALDSON
MICHAEL J. GALVIN
CARL J. MAROLD
FULTON C. UNDERHAY
HERMAN STUETZER, JR.
KEVIN HERN
CHARLES F. HOVEY
HENRY V. ATHERTON
J. E. TARLIN
CLARENCE I. DRAYTON, JR.
M. V. MORRISSEY
MALCOLM D. PERKINS
JOHN M. WOOLSEY, JR.
DAVID WILDER
AUGUSTUS W. SOULE, JR.
M. M. QUILL
JOHN F. GAQUIN
THADDEUS R. BEAL

June 1, 1948

Roswell H. Whitman, Acting Chief
Division of Occupied Areas, Economic Affairs
Department of State
Washington 25, D. C.

XR Reference OE
694.119 894.6511/5-348

Dear Mr. Whitman:

Thank you very much for your letter of May 21st with respect to the allocation of steel to the Japanese textile machinery industry. As you point out, the figures in the Japanese newspapers are hard to reconcile with the figures published by SCAP. After I last talked with you with respect to this matter I telephoned again to make the suggestion that possibly the apparent discrepancy is caused by the fact that steel is used to a limited extent in the manufacture of textile machinery and that the basic raw material is pig iron from which castings, etc., are made rather than steel. As you were out at the time I called I left this suggestion with your secretary together with the suggestion that it might be well to get pig iron allocations as well as steel allocations.

I shall be very much interested in learning the results of the inquiries you have directed to Japan.

Sincerely yours,

John T. Noonan
Counsel, National Association Textile Machinery Manufacturers

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JUL 16 1948

894.6511/6-148
CSA

JUL 26 1948

In reply refer to
OE

lc
894.6511/6-148

My dear Mr. Noonan:

I refer to your letter of June 1, 1948, and I am happy to say that I have been able to obtain additional data with respect to the Japanese textile machinery industry. The following table sets forth production and repair of looms, spindles, and cards in Japan between April 1, 1947 and March 31, 1948, and indicates the allocations of steel and pig iron required:

Item	Quantity	Steel Allocations (Metric Tons)	Pig Iron Allocations (Metric Tons)
(1)	(2)	(3)	(4)
Cotton spindles, repair	314,528	2,241.9	1,285.4
Cotton looms, new	11,946	-	-
Cotton looms, repair	16,037	208.6	64.8
Staple fibre spindles, repair	20,000	28	30
Staple fibre looms, repair	14,120	107	40
Wool worsted cards, repair	128	62	30
Wool worsted spindles, repair	36,769	130	36

894.6511/6-148

As you will note, the above operation required very small allocations of pig iron and steel. This was accounted for by utilization of almost all stockpiles of raw materials in the possession of textile machinery manufacturers, and by the fact that "repair" often consisted only of realignment of machines, replacement of bearings, parts replacement, etc., and did not require the construction of all complementary equipment required in a spinning or weaving mill.

As I am sure you realize, the operating level of the Japanese textile machinery industry is low compared with prewar years, largely because raw materials are unavailable and Japan's own textile industry is operating at

a low

Mr. John T. Noonan, Counsel,
National Association Textile
Machinery Manufacturers,
1 Federal Street,
Boston 10, Massachusetts.

lc
B.M. Noonan
J.M.

894.6511/6-148
CSA

-2-

a low level. As more raw materials become available and as Japan's production of textiles increases one may expect the textile machinery industry to operate at a higher level.

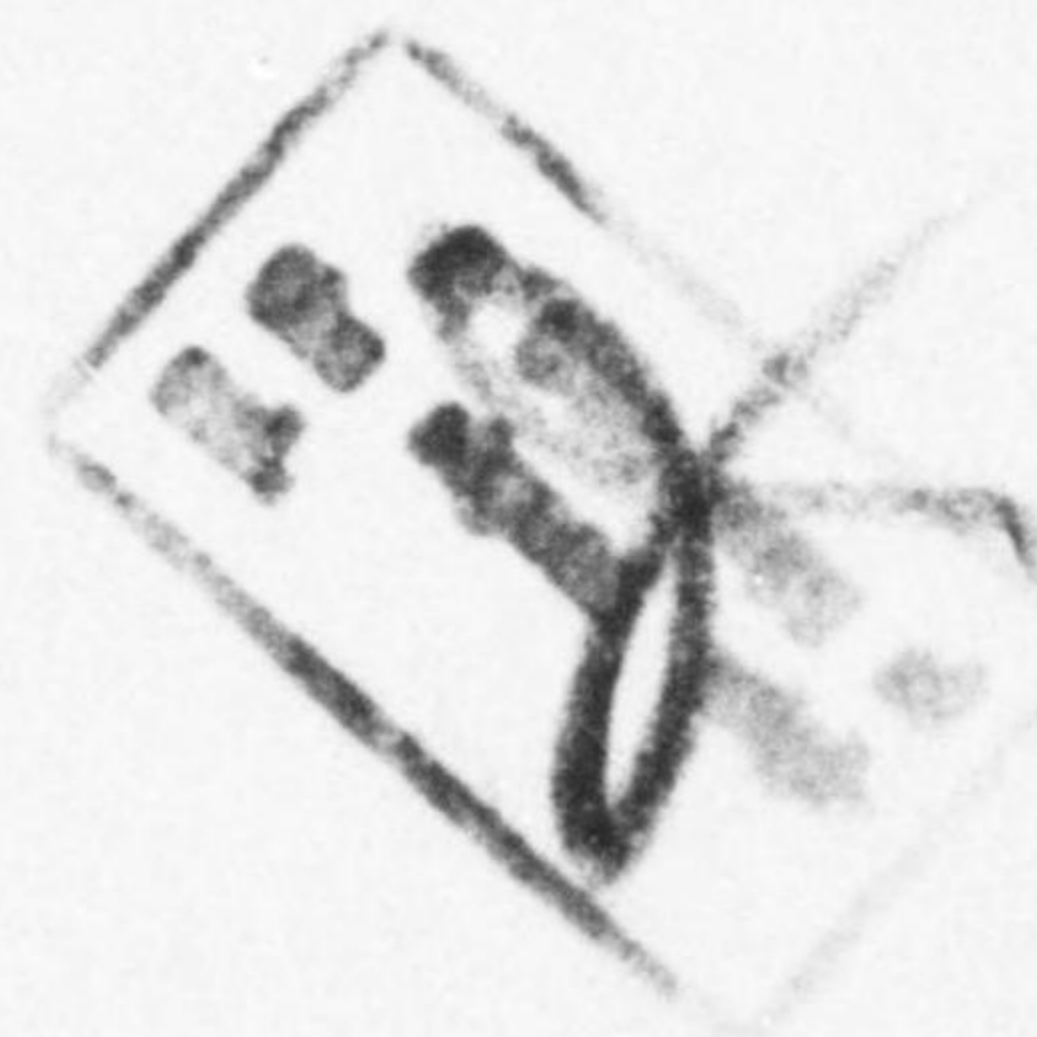
I hope this information is useful for you.

Sincerely yours,

RHW
Roewell H. Whitman
Acting Chief
Division of Occupied Areas
Economic Affairs

OK HWA
JUL 26 1948

DB OE:DOBowman:beb
7/23/48



INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH
AIRGRAM PLAIN

4080

From American Consulate

Hamilton, Canada.

Dated August 24, 1948.

Rec'd. August 26, 1948
10:21 a.m.

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Secretary of State

Washington

A-44, August 24, 1948.

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Because of the critical scrap metal shortage, the Steel Company of Canada, Limited, is sending Mr. James G. Morrow to Japan to make purchases in that country.

Stocks of scrap in Hamilton are reported by steel mills to be "fair" but it is intimated that if the supply does not improve, an eventual curtailment of steel production is possible.

According to press reports, to maintain present production of 3,000,000 ingot tons of steel annually, Canada's steel producers require 800,000 tons of scrap, in addition to 1,500,000 tons of pig iron and 800,000 tons of "circulating scrap". Much of this scrap is needed in Hamilton because of the high production locally.

The Dominion Foundries and Steel, Limited, have also commented in the press on the insufficiency of its supply of scrap which is moving too slowly.

Federal Controller F. K. Ashbaugh is quoted in the press as having stated that some scrap has been obtained from the West Indies and Australia, and efforts are being made to obtain additional supplies from Germany and Japan. It is reported that no decision has been reached in talks concerning the disposition of German scrap supplies. Steel men are quoted as pointing out that a contributing factor of the shortage is that thousands of tons of American and Canadian war equipment which went abroad between 1939 and 1946 have not returned to Canadian foundries and blast furnaces.

SPALDING

PERMANENT RECORD COPY.—This copy must be returned to DC/R central files with notation of action taken.

UNCLASSIFIED

Copy to Embassy. Copy to Toronto.

894.6511/8-2448

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AUG 30 1948

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AUG 27 1948
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MASON OFFICE
NSR

White House (Turner)

FORM DS-323
7-18-46

OUTGOING AIRGRAM

CLASSIFICATION

Department of State

RESTRICTED

NO. A-182

Washington,
Dec. 31, 1948
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USPOLAD,
TOKYO.

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The Office of Industry Cooperation, Department of Commerce, is sending Messrs. William George Walk, George Lewis Sturm, Marshall Allen Shapiro and Ronald Scott Coulter, Industrial Specialists, to Japan, to conduct a 60 day survey to determine the quantity and means by which carbon scrap can be made available to the United States for industrial production of iron and steel products. Messrs. Walk, Sturm, Shapiro and Coulter plan to leave the United States in the near future.

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Acting
A.W.B.

894.6511/12-3148

OS/A 894.6511/12-3148

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DEC 30 1948 P.M.



THE SECRETARY OF COMMERCE
WASHINGTON 25

DEPARTMENT OF STATE
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COMMUNICATIONS AND RECORDS

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DEPT OF STATE
DEC 31 1948

Hon. Charles E. Saltzman
Assistant Secretary for Occupied Areas
Department of State
Washington, D. C.

My dear Mr. Saltzman:

I know you are familiar with the serious shortage of iron and steel scrap and the effect of such shortage on iron and steel production. The Department of Commerce has been making a pronounced effort to do all possible to alleviate the situation, and our efforts have been beneficial. Both the Department of State and the Department of the Army have contributed their support to our program, and we are hopeful that such support will be continued.

After considerable discussion with representatives of the Department of the Army, and receipt of endorsement from SCAP, we reached a decision to send a mission of four experts to Japan in order to explore the possibilities of obtaining Japanese iron and steel scrap for use in the United States. The mission personnel will be drawn from the iron and steel industry but will be paid by, and go as, employees of this Department.

Although the primary objective of the mission will be to explore the scrap situation, the qualifications of the mission members are such that SCAP may desire to seek their advice with respect to production problems in the Japanese steel industry. The members would, of course, be instructed to be of all possible service to SCAP.

It is desirable that the mission depart within two weeks, and it is anticipated that it will require no more than two months. In view of the imminent departure of the mission, I should be pleased if I might hear from you at your early convenience, indicating whether the Department of State perceives any objection to the proposed mission.

Sincerely yours,

Secretary of Commerce

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Rev. _____
Dist. _____

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JAN 13 1949

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Original delivered by
messengers from "O" - 1/7/49

In reply refer to
IR

JAN 7 1949

894.6511/12-3148

My dear Mr. Secretary:

I am in receipt of your letter of December 31, 1948,
concerning your plans to send a mission of experts to Japan
to study the possibilities of obtaining iron and steel scrap
for the United States and to be of possible assistance to
SCAP on problems of Japanese steel production.

This Department is in full accord with the purposes
of the proposed mission and would be glad to furnish such
assistance as is appropriate.

Sincerely yours,

Charles H. Saltman
Assistant Secretary

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The Honorable	

Charles Sawyer,
Secretary of Commerce.

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894.6511/12-3148

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STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: Jan. 4, 1949

TO : IR - Mr. Frank

FROM : O - John W. Auchincloss *JWA* **INTERNATIONAL RESOURCES DIVISION**

SUBJECT: Scrap Mission to Japan

JAN 4 1949
DEPARTMENT OF STATE

Attached is a copy of a letter from the Secretary of Commerce concerning a proposed scrap mission to Japan.

I understand that you are familiar with this already and will prepare a reply for Mr. Saltzman's signature.

Attachment.

cc: NA - Mr. Bond

Mr. Bishop

Barry

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Col.	<i>MR</i>

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THE SECRETARY OF COMMERCE

Washington 25

December 31, 1948

Hon. Charles E. Saltzman
Assistant Secretary for Occupied Areas
Department of State
Washington, D. C.

My dear Mr. Saltzman:

I know you are familiar with the serious shortage of iron and steel scrap and the effect of such shortage on iron and steel production. The Department of Commerce has been making a pronounced effort to do all possible to alleviate the situation, and our efforts have been beneficial. Both the Department of State and the Department of the Army have contributed their support to our program, and we are hopeful that such support will be continued.

After considerable discussion with representatives of the Department of the Army, and receipt of endorsement from SCAP, we reached a decision to send a mission of four experts to Japan in order to explore the possibilities of obtaining Japanese iron and steel scrap for use in the United States. The mission personnel will be drawn from the iron and steel industry but will be paid by, and go as, employees of this Department.

Although the primary objective of the mission will be to explore the scrap situation, the qualifications of the mission members are such that SCAP may desire to seek their advice with respect to production problems in the Japanese steel industry. The members would, of course, be instructed to be of all possible service to SCAP.

It is desirable that the mission depart within two weeks, and it is anticipated that it will require no more than two months. In view of the imminent departure of the mission, I should be pleased if I might hear from you at your early convenience, indicating whether the Department of State perceives any objection to the proposed mission.

Sincerely yours,

Secretary of Commerce

File DC/R

DEPARTMENT OF COOPERATION
OFFICE OF INDUSTRY COOPERATION

Memo to Pd
DEC 29 1948
Ack by Form
DIVISION OF
FOREIGN SERVICE ADMINISTRATION
OF SOFA: TAC: eh
12/29/48

December 27, 1948

IR (Mr. Trunk)
ECP (Mr. Richardson)
JA (Mr. Dry)

MEMORANDUM

To: Mr. Herbert P. Van Blarcom
Chief, Foreign Service Operations Staff
Office of International Trade

From: Earl W. Clark, Director
Office of Industry Cooperation

Subject: Overseas Assignment for William George Walk, George Lewis Sturm,
Marshall Allen Shapiro, and Ronald Scott Coulter

FW
894.6511/12-3148 R t p d
1429/48

A Bureau of Mines report indicates less than a 60 days' supply of carbon scrap now on hand in this country; in an effort to attempt to increase this supply, the Office of Industry Cooperation has selected four industrial specialists from the leading steel companies to go to Japan to conduct a 60 day survey to determine the quantity and means by which such scrap can be made available to the United States for industrial production of iron and steel products.

These men will maintain liaison contact with General MacArthur's staff, and report to the Chief of the Economic and Scientific Section.

They will be appointed to CAF-14 Industrial Specialist positions in the Office of Industry Cooperation as temporary employees.

A brief personal history is given below.

William George Walk Born in Troy, Indiana, July 12, 1906. Mr. Walk is married and has been associated with Carnegie-Illinois Steel since 1930. He has occupied various positions with them, beginning as a metallurgist in 1930, becoming general foreman of Wheel Division in 1939, Assistant Superintendent of that Division in 1941, and became Assistant to the General Superintendent in 1946.

George Lewis Sturm Born in Cincinnati, Ohio, August 25, 1910. Mr. Sturm is married, and has been Executive Vice President of the David J. Joseph Company, who are engaged in the iron and steel scrap business, since 1933.

Marshall Allen Shapiro Born in Oakland, California, July 3, 1909. Mr. Shapiro is married and has been president of the California Metals Co. since 1932. He has the management of three plants engaged in buying, selling and processing of iron and steel scrap.

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DEC 30 1948

- 2 -

Mr. Herbert P. Van Blarcom

December 27, 1948

Ronald Scott Coulter Born in Los Angeles, California, April 27, 1896. Married. Mr. Coulter has been associated with the steel industry since 1919. He began his employment as heaters helper with the Central Iron and Steel Co. in Harrisburg, Pa. and in August 1919 became associated with the Bethlehem Steel Co. as Fuel and Combustion Engineer. He became Vice President and General Manager of the Petty Boiler Works in Lebanon, Pa. in 1929, and transferred to become Chief Engineer of the Hauck Manufacturing Co. in Brooklyn, N. Y. in 1933. Since 1936 he has been Combustion Engineer in charge of Pacific Coast operations of the Bethlehem Pacific Coast Steel Corporation.

Please arrange for the necessary military clearances, passports, immunization shots and visas to cover these men for travel in Japan.

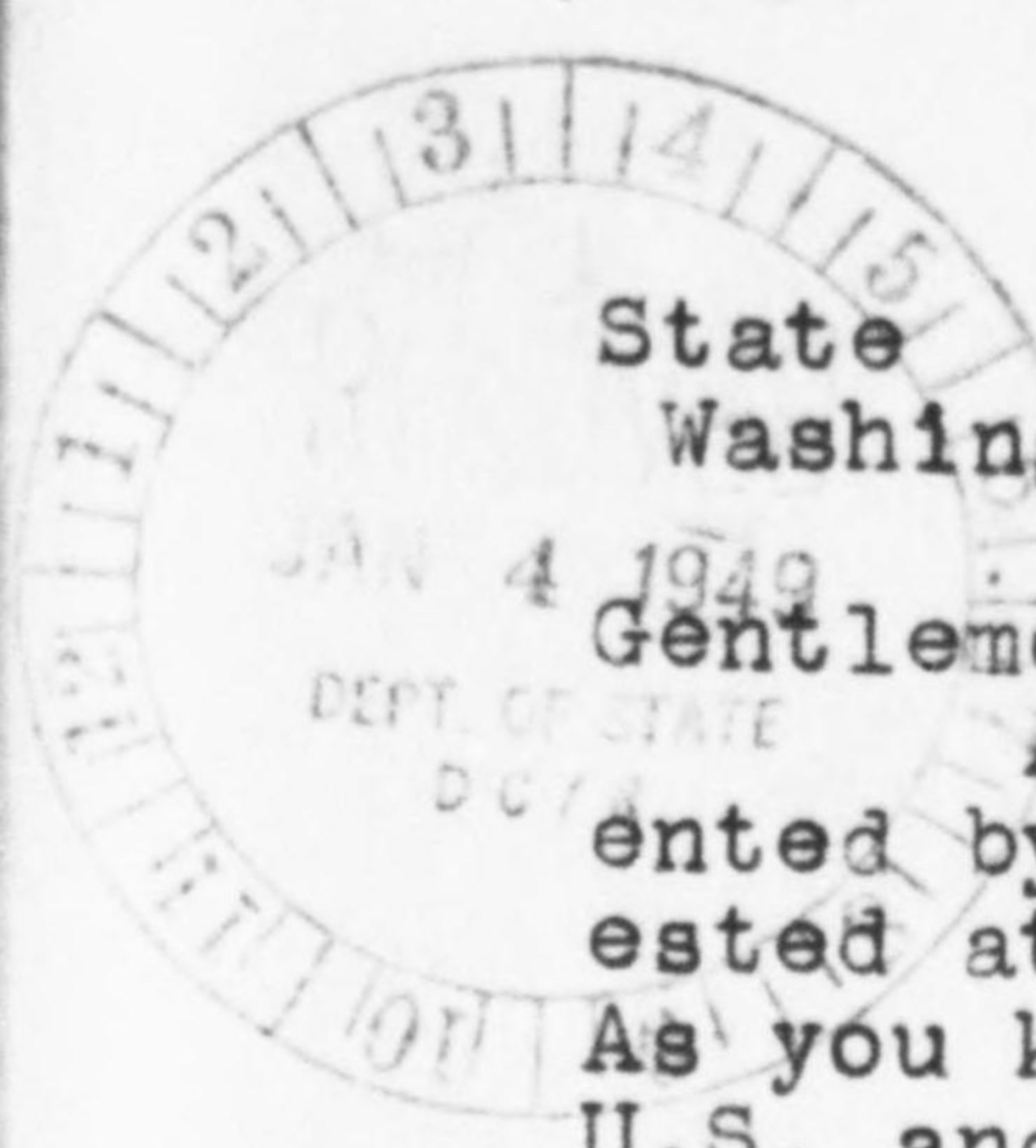
Since Messrs. Shapiro and Coulter will leave on this trip from the West Coast it will be necessary to arrange for them to pick up their passports and orders in San Francisco.

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Seattle, Wash
Jan. 2, 1949

ACTION
is assigned to

R 



State Dept
Washington, D.C.

Gentlemen:

Am writing to find out the status of the steel scrap as represented by the many wrecked vessels in the Pacific. Am especially interested at this time in the vessels wrecked on the shores of Okinawa. As you know, at the present time there is a shortage of steel in the U.S. and steel scrap finds a ready sale. Am organizing a steel salvage company for the purpose of scrapping a good many of these wrecked vessels and returning the scrap to the west coast of the U.S.

Due to the fact that steel is in short supply and the availability of such a tremendous tonnage of good metal it would seem to be good sense to use it if possible. The money for financing this company is readily available here on the west coast and am trying now to obtain the necessary permission to go ahead with this deal. Since many of these vessels (in fact almost all except a few a hurricane rolled up the beach) are below high tide mark it would seem to me they should be available for scrap purposes.

Would appreciate as early a reply as possible

Thanking you I remain

Sincerely yours

Lyman R. Ellsworth

Lyman R. Ellsworth

Address: Lyman R. Ellsworth
909 18th Ave
Seattle
Washington

894.6511/1-249

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OFFICE OF
INTERNATIONAL TRADE POLICY
JAN 5 1949
DEPARTMENT OF STATE

FILED
JAN 18 1949

INTERNATIONAL RESOURCES DIVISION

refer to OFLC
JAN 6 1949
R-M-1/6/49
DEPARTMENT OF STATE



OS/A

894.6511/1-249

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→ AAC

Office No.9, 328 Hyde St.,
San Francisco, Calif.,
11 April 1949.

Subject: Iron-Steel Combine in Japan.

To: The Honorable Dean Acheson,
Secretary of State,
Washington, D.C.

DIVISION OF
NORTHEAST ASIAN AFFAIRS
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DEPARTMENT OF STATE

ACTION
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[Handwritten initials]

Dear Secretary Acheson:-

Previously the undersigned has suggested that with an allocation of some \$500,000,000 out of the money now being spent in Japan be used to set up an iron-steel combine based in Japan it would yield America something over two hundred and fifty BILLIONS in additional assets; the results are pretty definite with such an allocation, but of course there are wheels within wheels and it might be that approval of such a diversion of money could not be arranged for one reason or another.

Therefore, as an alternate plan, it is believed that an arrangement could be arrived at through Japanese contacts whereby Japanese capital sufficient to finance the whole project would be pledged in such a way as to yield America say ten per cent as a cash bonus so as to yield America many BILLIONS over a period of years; in fact, it is believed that there is no doubt that America could get a fleet of submarines and merchant ships out of the deal free gratis and for nothing.

This may sound like a very visionary plan; but the undersigned has a very good reputation around San Francisco as an estimator and deviser of ways and means to accomplish desired results.

There is much engineering planning, drafting and other paperwork involved here; but if the State Department will approve of this general scheme the undersigned will take action to get something started, provided there is to be no interference from SCAP Japan.

Please contact me at your earliest convenience on this matter.

Yours very truly,

Frederic L. Firebaugh
FREDERIC L. FIREBAUGH
Mining Engineer
Action Taken *Reply by*
VM

CS/A

RECEIVED
DEPARTMENT OF STATE
1949 APR 15 AM 11:55
RECORDS BRANCH
OFFICE OF
INTERNATIONAL TRADE POLICY
APR 29 1949
DEPARTMENT OF STATE

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Date of Action *5-10-49*
Action Office Symbol *140-1R*
Name of Officer *V. McClary*
Direction to DC/R *File*

894.6511/4-1149

894.6511

In reply refer to
IR 894.6511/4-1149

My dear Mr. Firebaugh:

Reference is made to your letter of April 11, 1949, addressed to the Secretary of State, in which you solicit support for a program to expand Japanese steel capacity.

While your interest in this matter is appreciated, a program such as you suggest appears to be neither necessary nor feasible.

Sincerely yours,

Isaiah Frank, Adviser
International Resources Division

Mr. Frederic L. Firebaugh,
Office No. 9, 328 Hyde Street,
San Francisco, California.

ITP:IR:VMcClung:mm
5-17-49

NA

MAY 25 1949

In reply refer to
IR 894.6511/4-1149

My dear Mr. Firebaugh:

Receipt is acknowledged of your letter of April 11, 1949, addressed to the Secretary of State, regarding a proposed "iron-steel combine" in Japan.

Appropriate officers of the Department have noted your proposal. The spirit which prompted you to write regarding this matter is appreciated.

Sincerely yours,

Isaiah Frank, Adviser
International Resources Division

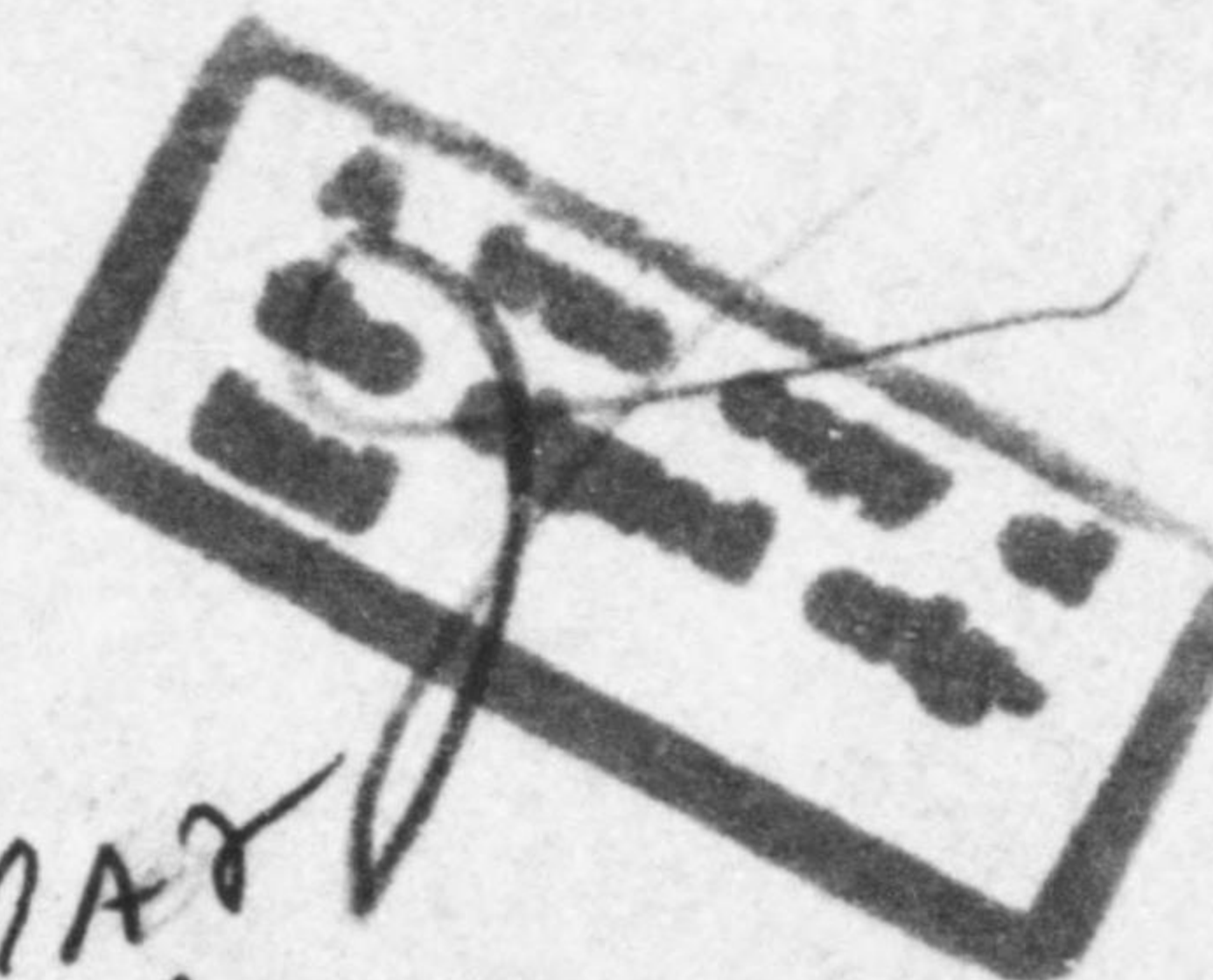
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Rev.	<i>WBS</i>
Dist.	<i>EL</i>

Mr. Frederic L. Firebaugh,
Office No. 9, 328 Hyde Street,
San Francisco, California.

MAY 23 1949 P.M.

ITP:IR:VMcClung:mm
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OF THE
UNITED STATES OF AMERICA

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United States Political Adviser
for Japan

VM
DCR

Tokyo, November 14, 1949. *File*

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ACTION
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No. 786

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Subject: Forwarding Memorandum Outlining Developments in Fuel Utilization for Manufacturing Iron and Steel.

The Acting Political Adviser has the honor to forward as of possible interest to the Department and other agencies of the United States Government a copy of a letter of October 22, 1949, from General Headquarters, SCAP, to Dr. P. S. LOKANATHAN, Executive Secretary, Economic Commission for Asia and the Far East, with which is enclosed a memorandum prepared by Mr. Caleb DAVIES, Jr., visiting expert consultant, on the subject of "Recent Developments in Fuel Utilization for Manufacturing Iron and Steel".

The information on the so-called "coalite" method of utilizing inferior coals for making strong coke for blast furnaces, developed by the Wanishi Works of the Japan Iron and Steel Manufacturing Company, should prove of particular interest to the Department of Commerce, officials of which recently indicated to Mr. David M. MAYNARD, former Economic Counselor of this Mission and now in Washington, an interest in receiving information regarding that development.

Enclosures:

1. Copy of letter of October 27, 1949 from GHQ, SCAP to Mr. P. S. Lokanathan, Executive Secretary, Economic Commission for Asia and the Far East.
2. Copy of memorandum prepared by Mr. Caleb Davies, Jr., subject "Recent Developments in Fuel Utilization for Manufacturing Iron and Steel".

INTERNATIONAL RESOURCES DIVISION
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DEPARTMENT OF STATE

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Action Assigned to *VM*
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Date of Action
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Direction to DC/R *File*

ACTION COPY

RETURN TO DC/R FILES WITHIN 14 DAYS, WITH A NOTATION OF ACTION TAKEN.

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Enclosure No. 1 to Despatch No. 785 dated November 14, 1949 from the United States Political Adviser for Japan, Tokyo, on the subject "Forwarding Memorandum Outlining Developments in Fuel Utilization for Manufacturing Iron and Steel".

(COPY)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
APO 500

AG 091.33 (20 Sep 49)NR-MG

Mr. P. S. Lokanathan, Executive Secretary
Economic Commission for Asia and the Far East
Paruskawan Palace
Rajadannern Ave
Bangkok, Thailand

Dear Mr. Lokanathan:

Receipt is acknowledged of your letter IN/03, 3118, 20 September 1949, subjects: Recent Developments in Fuel Utilization for Manufacturing Iron and Steel.

Attached is memorandum for record prepared by Mr. Caleb Davies, Jr, visiting expert consultant assigned to Natural Resources Section, on the subject designated in your letter. It is hoped this paper will prove useful in connection with your immediate objective.

Very truly yours,

A. J. REHE
Major, AGD
Assistant Adjutant General

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Enclosure No. 2 to Despatch No. 786 dated November 14, 1949 from the United States Political Adviser for Japan, Tokyo, on the subject "Forwarding Memorandum Outlining Developments in Fuel Utilization for Manufacturing Iron and Steel".

(COPY)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Natural Resources Section

HGS/RYG/CD/rv
19 October 1949

NR 641 (19 Oct 49)MG

MEMORANDUM FOR: Record

SUBJECT: Recent Developments in Fuel Utilization
for Manufacturing Iron and Steel

1. In view of the need for information in the Far East on recent developments in fuel utilization for manufacturing iron and steel, the following data are submitted. These include basic information necessary for advice and guidance to the Japanese iron and steel industry, as well as recent developments in that industry which may be of interest to other countries in the Far East.
2. By far the most important recent developments in fuel utilization in the Japanese steel industry consist, in the more general and extensive application, of earlier improvements. These include:
 - a. More recorders, (such as products of Foxboro Instrument Co. of Foxboro, Massachusetts; Leeds and Northrup Co. of Philadelphia, and Brown Instrument Co. of Philadelphia), including thermometers, pyrometers, pressure gauges, flow meters, etc. (Fischer & Porter of Hatboro, Pa. manufacture flow meters.)
 - b. More extensive use of automatic combustion controls, (such as products of Leeds and Northrup, Surface Combustion Co. of New York, and Askania Regulators). These are applied to boilers, blast furnace stoves, and especially to open hearth steel making furnaces. They are particularly useful for processes requiring accurately controlled furnace atmosphere, such as heat treating, continuous annealing, etc.
 - c. Increased

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Enclosure No. 2 to
Tokyo's Despatch No. 786,
November 14, 1949.

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c. Increased use of blast furnace gas for heating coke ovens.

d. Increased use of powdered coal (with almost perfect combustion) for the larger steam boilers. (Of course, modernization of steam plants includes use of higher pressure and higher superheat temperatures, as well as ample economizers and air preheaters.)

e. The growing use of insulating refractories and plastic insulating coatings for furnace walls.

f. The growing use of improved maintenance refractories and maintenance equipment (modified cement guns, etc) to avoid air infiltration and other wasteful leakage in furnace brickwork. (Quigley Co of New York specializes in such appliances and refractories.)

g. The modernizing of open hearth practice, including such earlier developments as designing some furnaces to run exclusively on liquid fuel and others to run almost exclusively on coke oven gas, discontinuing the use of producer gas or blast furnace gas as open hearth fuel, using modern low-resistance reversing valves (such as the equipment of Blaw-Knox Co. of Pittsburgh, Pa.) for flue gas and charging hot metal rather than cold pig iron so far as possible - in some instances increasing the supply of hot pig iron by charging suitable grades of scrap into the blast furnace instead of into the open hearth.

3. The recent very successful installation of a coal stoker of the spreader (overfeed) type on a billet heating furnace of Amagasaki Steel Co. at Amagasaki, Japan, is in line with a recent strong trend in America toward more general use of spreader stokers for all but the largest sizes of steam boilers, especially where coal of poor or variable quality is to be used. (Modern spreader stokers are equipped with forced draft and high-resistance grates.) This direct use of low-grade solid fuel for heating billets or slabs is likely to be more widely adopted in the near future, replacing large quantities of costly oil and gas.

4. The recent success of the Wanishi Works of Japan Iron and Steel Co. with the so-called "ccalite" method of utilizing inferior coals for making strong coke for blast furnace use is likely to be more widely

adopted

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Enclosure No. 2 to
Tokyo's Despatch No. 786,
November 14, 1949.

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adopted for furnaces where high-grade coking coal is much more costly than certain kinds of other coking coals which, by themselves, would make only weak coke. In this method, non-coking coal is carbonized below about 500°C, forming gas, tar and semi-coke. The tar yield is usually quite high. The semi-coke is called "coalite" in Japan. (It is different from the material sold in Great Britain under the trade name "Coalite".) This coalite, preferably pulverized to minus 50 mesh, is mixed with three or four times its weight of inferior coking coal and the mixture is charged into coke ovens. The resulting coke is much stronger than could be obtained from this coking coal alone or from a mixture of this coking coal with a non-coking coal. The optimum volatile content for the coalite seems to be around 18 percent. Although similar practice was used during the war, the pulverizing of the coalite to about 50 mesh is a recent development. Also, no high-grade imported coal is now used in the mixture and the coke is beginning to be used in a fairly large blast furnace. More complete information should be available soon. This kind of coke has been quite successful in a smaller blast furnace for several months. This coalite is produced in large externally-heated rotating low-carbon steel retorts. Coalite which has given good results in small scale experiments has also been made in Knowles ovens and in Lurgi carbonizers. Non-coking, or nearly non-coking coal, is required for Wanishi and Lurgi types of carbonizers. Very promising small-scale results have been obtained by two other methods for making strong coke from such inferior coking coals, but they have not been confirmed by commercial operation.

5. The successful utilization of physically weak coke can be greatly facilitated by crushing all large lump ore; sintering all fine ore; blending the ores for uniformity; screening all ore, coke and limestone into rather uniform sizes; and charging material of each size separately, so as to maintain maximum practical proportion of voids in the "stock" in the furnace. Also, the furnace and accessories should, of course, be of good design and in good condition, and the rate of blowing and of production should not be forced to the point where the furnace will not work smoothly. The advantage of very strong coke over weaker coke has been found to be more effective in increasing daily output than in decreasing fuel consumption per ton of product, but some furnaces in the western part of the United States have gotten large output and low costs with surprisingly weak coke by handling the coke gently and

using

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Enclosure No. 2 to
Tokyo's Despatch No. 786,
November 14, 1949.

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using uniform and suitably sized and graded materials. For further details, see "Making, Shaping and Treating of Steel" by Camp and Francis, published by United States Steel Corporation, 5th Edition, pages 279-80; also "Blast Furnace and Steel Plant", February through May 1946, beginning with page 225.

6. Of course, another important trend for blast furnace fuel economy is the increasing amount and improved effectiveness of beneficiation of ore and of cleaning of coal. A race is going on between depletion of the highest quality ore and coal reserves on the one hand and improvement in preparation and purification practice on the other hand.

7. Two American engineering organizations which specialize in the design and installation of furnaces and furnace accessories for heating steel are Rust Engineering Co. of Pittsburgh, Pa., and Salem Engineering Co. of Salem, Ohio.

8. No attempt has been made in the foregoing to list the names of all producers of heat economy equipment, but some of the typical firms have been mentioned. Their descriptive literature, although covering the field fairly well, should be supplemented by information obtainable from competing firms. Much of the progress in American industry is due to the excellent technical sales organizations of competing suppliers of process equipment. Such sales engineering activities are greatly needed in Japan - probably more than research on radically new methods.

CALEB DAVIES, JR.
Visiting Expert Consultant
Mining and Geology Division

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INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

NORTHEAST ASIAN AFFAIRS

Action Assigned to NA
Action Taken no action AIRGRAM

DEC 23 1949 3028

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DEPARTMENT OF STATE

FROM: USPOLAD, Tokyo

Date of mailing: December 23, 1949.

Rec'd: Dec. 27, 1949 12:08 p.m.

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Action Office Symbol NA

Name of Officer S.W.D.

Secretariat to DC/R file

Washington.

A-373, December 16, 1949.

Office of
FAR EASTERN AFFAIRS
DEC 29 1949
DEPUTY DIRECTOR
Department of State

Following news item released December 16, 1949, by Public Information Office, General Headquarters, (U.S.) Far East Command, Tokyo, under heading "Postwar Steel Production Record Reported:"

"Postwar production records in the Japanese steel industry during the past two months and bright prospects for continued record breaking production, were reported today by the Industry Division of SCAP's Economic and Scientific Section.

"Final reports for October show postwar peaks in the production of pig iron, steel ingot and rolled steel products. Pig iron production totaled 157,300 metric tons, exceeding previous records by 16,000 mt; steel ingots, 301,329 mt, surpassing other records by 35,000 mt; and rolled steel products 192,770 mt, topping former records by 13,000 mt.

"Final statistics for November are not available. However, preliminary reports indicate new postwar records in the production of blast furnace pig iron and open hearth ingots.

"Specific plants attaining new records include the Yawata Plant of the Japan Iron and Steel Company, with pig iron production in excess of 63,000 mt and the Wanishi Plant of the same company with a pig iron production in excess of 22,000 mt. The latter plant is using all indigenous raw materials in a 225 mt furnace and is operating with coke made with coalite additions in a 700 mt furnace.

"The Kamaishi Plant and the Wanishi Plant also established new highs in the production of ingots with records in

PERMANENT RECORD COPY.—This copy must be returned to DC/R central files with notation of action taken.

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FILED

Tokyo's A-373,
December 16, 1949.

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excess of 16,000 mt and 14,000 mt, respectively. The Tsurumi Plant of the Japan Steel Tube Company and the Kobe Plant of Kawasaki Heavy Industries also broke past records with outputs of 11,439 mt and 25,689 mt, respectively.

"The great upsurge in steel production is due to the greater export sales, Industry Division officials explained. They also stated that the orders in hand make it very probable that steel production will continue to rise."

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