

894.62222/1-145--12-3146-47-48-49

APR 26 1946

In reply refer to
JK

My dear Mr. Marker:

The Office of International Trade of the Department of Commerce was represented in a recent discussion of the Japanese angora wool industry, and its relationship to the domestic industry in the United States. The Supreme Commander for the Allied Powers, General MacArthur, has indicated that the Japanese angora industry might be expanded to a million pounds a year, if a market could be found for the product.

The domestic angora interests in the United States wish to have large-scale Japanese imports in the United States prohibited. On the assumption that no action is taken to keep out Japanese angora wool, it is still important to know what the United States market is before attempting to expand the Japanese industry. Accordingly, the Department of State requests the Department of Commerce to make a market study in the United States to find out at what price large volume of angora wool imports can be marketed. Can uses for this product be found to permit considerable expansion over the pre-war market at prices which would permit reasonable returns to Japan? We would like, if possible, to have an estimate as to the possibility of marketing as much as a million pounds at not less than pre-war prices.

In view of the conflicting interests in this product, it would be preferable if the survey and its results were given as little publicity as possible.

Very sincerely yours,

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

Mr. Murray Marker,
Office of International Trade,
Department of Commerce,
Washington, D. C.

JK:RHWhitman:aw

4-22-46

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In reply refer to
JK

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

Mr. Murray Marker,
Office of International Trade,
Department of Commerce,
Washington, D. C.

EMM
JK:RHWhitman:aw

4-17-46

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STANDARD FORM NO. 64

RESTRICTED

Office Memorandum • UNITED STATES GOVERNMENT

TO : IR - Mr. Donald D. Kennedy
FROM : DRF - Charles C. Stelle *CS*
SUBJECT: Forwarding of Intelligence Memorandum

DATE: March 18, 1947

File DC/R
ON PAPS/M Lindberg
12-6-51

I am enclosing one copy of OIR Report No. 3436.92 The Consumption of Raw Wool by the Japanese Woolen and Worsted Industry, which was requested by Miss S. Bertha Burnett of the Textile Section.

Enclosure:

As stated above.

894.62222/3-1847

DC/H
Central Files

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CONSUMPTION OF RAW WOOL BY THE
JAPANESE WOOLEN AND WORSTED INDUSTRY

INTELLIGENCE MEMORANDUM

OIR No. 3436.92

March 14, 1947

DEPARTMENT OF STATE

Division of Research for Far East
OFFICE OF INTELLIGENCE RESEARCH

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1

CONSUMPTION OF RAW WOOL BY THE JAPANESE
WOOLEN AND WORSTED INDUSTRYI. PREWAR CONSUMPTIONA. Raw Wool Imports and Consumption

Imports of raw wool¹ into Japan averaged about 182 million pounds annually during the period 1928-36.² Total raw wool imports reached their prewar peak in 1937, when about 260 million pounds were imported.³ Australia was Japan's major source of raw wool, supplying 94 percent in 1928, 93 percent in 1932, and 70 percent in 1936. Other suppliers were New Zealand, the Union of South Africa, Uruguay, Argentina, and China. Despite Japanese restrictions on raw wool imports from Australia after 1936, Australia was still Japan's leading raw wool supplier until the Pacific War began at the end of 1941.

From 1928 to 1936 annual consumption of raw wool by the Japanese woollen and worsted industry was either about equivalent to or smaller than raw wool imports. In 1937, 1938, and 1939, however, consumption exceeded imports.⁴

1. Including small amounts of goat and camel hair and wool tops.
2. Japanese statistics as adjusted by Japan Branch, DRF.
3. Data submitted to SCAP by Japanese Government, January 23, 1946, in reference to SCAP Directive AG C91.31 (October 10, 1945) ESS.
4. Official Japanese statistics, as reported in US Tariff Commission, Japanese Trade Studies, Special Industry Analysis No. 26, Wool and Wool Manufactures, August 1945, p. 5.

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Information is not available concerning the exact grades of raw wool consumed by the Japanese woolen and worsted industry before the war. Most of it was probably merino, however, since Australia, Japan's major supplier, produced chiefly that type. In the years immediately preceding the outbreak of the war, relatively more cross-bred wool was imported from New Zealand and South America. During the war Japan's major source of wool was China, which supplied native, coarse-grade wool.

B. Per Capita Consumption

It is estimated that in the five years from 1930-34, considered normal prewar years, Japan's annual per capita consumption¹ of all textiles for clothing and non-clothing purposes was 8.71 pounds, of which wool made up 0.9 pounds; cotton, 6.82 pounds; rayon, 0.42 pounds; silk, 0.35 pounds; and industrial fibers, 0.22 pounds.

C. Yarn Manufacturing Capacity

In 1939, Japan's woolen and worsted industry had over 1.6 million worsted spindles and 765 wool cards. Not all of this capacity was in operation at any one time. At maximum operation, it is

1. Japanese statistics as adjusted by Japan Branch, DRF. These figures do not include textile fibers processed into yarn, cloth, and clothing that were later exported.

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believed that this capacity had an annual yarn productivity of about 140 pounds per worsted spindle and 100,000 pounds per wool card;¹ thus, potential maximum yarn output was 224 million pounds of worsted and 76.5 million pounds of wool, a total of about 300 million pounds. Actual maximum yarn production in the prewar period was about 210 million pounds, achieved in 1937; in 1939, only 148 million pounds were produced.²

II. POSTWAR CONSUMPTION

A. Capacity and Production

At the end of December 1946, Japan had 387,990 worsted spindles, about 25 percent of the prewar peak, of which 346,694 were in operable condition and 126,127 were in actual operation. At the same time Japan had 430 wool cards, about 56 percent of the prewar peak, of which 391 were operable and 270 were operating.³ This capacity is being operated at one shift of 10 $\frac{1}{2}$ hours. On the basis of the output of this operating capacity, it is estimated that the current annual yarn productivity is about 72 pounds per worsted spindle and 90,000 pounds per wool card.

1. DRF estimates.

2. Tariff Commission, Wool and Woolen Manufactures, p. 8.

3. Journal of Commerce (New York), February 13, 1947.

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Woolen and worsted yarn output totaled 28 million pounds during 1946, an average of 2.3 million pounds monthly. Worsted yarn constituted 7.0 million pounds of the total; woolen yarn, 21.0 million pounds.¹

The industry's very small output in comparison with prewar production is due not only to a shortage of raw wool and limited yarn capacity, but also to a chaotic domestic economy. The food shortage has forced workers either to cling to rural areas where food is relatively more plentiful or to absent themselves from work in search of food. At the same time, serious inflation and other financial problems have reduced the incentive of both labor and management. Furthermore, the Japanese woolen and worsted industry is in an unfavorable position in competing with the cotton textile industry for such important operational requirements as machinery repairs and fuel because the revival of the cotton industry was the first to receive the encouragement of SCAP under the present cotton import-export agreement.

B. Raw Wool Consumption and Stocks

At the end of December 1946, Japan had raw wool stocks of 8.8 million pounds on a scoured basis.² In addition, larger stocks of wool waste, camel and goat hair, and miscellaneous animal fibers

1. SCAP, Monthly Summation of Non-Military Activities in Japan, Nos. 4-14, January-November 1946, and Journal of Commerce, February 13, 1947.
2. Journal of Commerce, February 13, 1947.

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existed; stocks of these materials are estimated at 18.5 million pounds.¹

Raw wool consumption during 1946 totaled about 19 million pounds,² an average of about 1.6 million pounds monthly. It should be noted that this raw wool consumption is less than wool and worsted yarn output for the same period. This difference is due to the fact that only negligible amounts of pure wool and worsted yarn were produced, practically all of the yarn being mixed with rayon staple, waste silk, and other fibers. During and for some time after the war, so-called worsted yarn was produced with very little, if any, wool content; the following table indicates yarn content and mixing:³

1. At the end of October 1946, there were stocks of 12.6 million pounds of wool waste, 3.1 of camel and goat hair, and 4.5 of miscellaneous fibers. SCAP, Monthly Summation, No. 14, November 1946.
2. SCAP, Monthly Summation, Nos. 4-14, January-November 1946; Journal of Commerce, February 13, 1947. These statistics are on a scoured basis.
3. Department of State and War Department, Report of the Textile Mission to Japan, January-March 1946, p. 24.

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Kind of Yarn	Count	Mixing Percentage
Worsted Weaving	2/30	Rayon staple, 50; silk, 50
	2/36	" " " " "
	2/48	" " " " "
	2/36	Silk, 100
	2/48	" "
Hosiery	2/24	Rayon Staple, 50; silk 50
	2/32	" " " " "
	2/32	" " " " "
Knitting	4/9	" " " " "
	3/9	Rayon Staple, 70; wool, 30
Woolen Weaving	2/5	Rayon staple, 40; wool, 60
	2/3.5	" " 50; " 50
	2/5	" " " " "
	2/7	" " " " "
	2/3.5	" " 60; " 40
	2/5	" " " " "
	2/7	" " " " "
	2/3.5	" " 70; " 30
	2/7	" " " " "
	Hosiery	2/10
2/10		" " 60; " 40

C. Prospects for 1947

At the present rate of utilization, Japan's raw wool stocks will be depleted by the summer of 1947. Even if it is assumed that in 1947 Japan will be able to obtain imports of raw wool, it is probable that the current economic instability in Japan will continue during the remainder of 1947 and will restrict wool and worsted yarn production. It is realistic to assume that, under these conditions, (1) the maximum annual productivity rate of the industry's spindles

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and cards will be the present one of about 72 pounds per spindle and 90,000 pounds per card and (2) the maximum number of spindles and cards that will be operating at the end of 1947 will be about 340,000 and 390 respectively. With this capacity operating at this rate of productivity, a maximum of about 50 million pounds of woolen and worsted yarn could be produced in 1947.¹ On the basis of an output of pure wool content yarn, approximately 200,000 bales of raw wool on a scoured basis would be required.² Raw wool stocks as of the end of December 1946 were equivalent to about 30,000 bales of raw wool on a scoured basis.

If annual per capita textile consumption in Japan in 1947 is maintained at 2.5 pounds per person³ as fixed by the Far Eastern Commission and the ratio of wool consumption to total textile consumption is the same as in 1930-34, i.e., 10 percent, a total of about 20 million pounds of woolens and worsteds will be required for domestic

1. This estimate assumes an increase of operating cards and spindles during 1947 from 280 cards in January to 390 in December and from 125,000 spindles in January to 340,000 in December.
2. Yarn is converted to a scoured wool equivalent on the basis of 1.2 pounds of wool to 1 pound of yarn.
3. FEC-079/5, Short Period Controls over the Japanese Economy to Relieve World Shortages, February 27, 1947. This policy statement provides that additional supplies of textiles be permitted "to workers to the extent necessary to maintain or increase production, or to farmers to the extent necessary to increase deliveries of food; such additional supplies should not exceed 50 million pounds per annum, except at the discretion of the Supreme Commander for the Allied Powers to meet occupation objectives."

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consumption during this year. Under these circumstances, the maximum net amount of woollens and worsteds available for export will be 30 million pounds. If the Japanese receive only mixtures for domestic consumption, raw wool import requirements will be reduced. If the per capita consumption of wool is less than the quarter pound provided for in the FEC policy paper, larger quantities of woollens and worsteds will be available for export.

RESTRICTED

In reply refer to
JK

JUL 25 1947

894.62222/7-2547

My dear Mr. Badger:

Enclosed is a statement which summarizes a SCAP plan for
obtaining raw wool for processing in Japan.

YR
694,116

I suggest this statement be made available to the IATB.

Sincerely yours,

Enclosure:
Statement.

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

CS/A

Mr. Donald Badger,
Far Eastern Commission,
2516 Massachusetts Avenue, N.W.,
Washington 25, D.C.

JK
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7/1/47

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JUL 25 1947

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894.62222/7-2547

PLANS FOR IMPORTING RAW WOOL TO JAPAN

The Supreme Commander for the Allied Powers has recently advised that private non-Japanese ~~private~~ ^{private} firms ~~were~~ ^{were} invited to supply raw wool under contracts containing the following principle features:

1. Wool delivered to Japan to be billed to the Japanese Government through SCAP. Prices quoted to be CIF Japan and to include brokerage charges.
2. Supplies of wool to contract to purchase the quantity of tops and/or yarn to be manufactured from wool they have delivered.
3. Tops and yarn to be priced at U.S.A. market prices, in band, duty not included, for types supplied, on date delivery is made to Japanese port for shipment.
4. Purchasers of tops and yarn to be billed by SCAP on behalf of Japanese Government. Payment to be made by offsetting invoice for raw wool supplied with difference payable either in additional raw wool or in dollars or, presumably, other currency acceptable to SCAP.
5. Noils and waste to remain in Japan.
6. Delivery of tops and yarn to be made if possible within 4 months after arrival of wool in Japan but no guarantee to this effect to be given supplier of raw wool.
7. Types of wool to be imported to be determined by SCAP. Purchasers of tops and yarn to give instructions and suggestions on processing wool to SCAP for transmittal to Japanese mills.

6100-894.62222/72547

JK:RM Paige:bcb
7/1/47

DISTRIBUTION

Appl
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OCT 8 1947

In reply refer to
IR

My dear Mr. Weinstein:

Mr. Kearney, representative of the Boston wool trade, called this office concerning a request from one of his clients for information about the procedure for placing raw wool in Japan and receiving in return tops or yarn. Specifically he wanted the answers to the following four questions:

XN
611.9431

1. What authority controls American participation in such Japanese business? (I assume this comes under Army.)
2. What are the rates being charged for the processes of combing and spinning? (That is, the charge for each.)
3. Are charges payable on the basis of dollars, yen or by delivery of clean wool in proportion to the amount of wool bought?
4. Is there any restriction on the export of tops and yarn to this or other countries, and can sales be made in any currency?

894.62222/10-847

Since the way in which the American occupation authorities handle such transactions is somewhat complicated, I told Mr. Kearney that it would be better if your office would communicate with him in writing.

The enclosed statement is a description of the SCAP policy. It is expected that companies wishing to initiate such a deal will correspond with SCAP in Tokyo giving complete details of their prices, quantities and qualities of wool that they wish to offer and the quantities and qualities of finished products they will commit themselves to purchase in return. Due to the limited staff SCAP has available, it is up to the private business to push the deal.

Mr. Kearney will probably call you by telephone in the near future.

Sincerely yours,

Charles J. Shohan
Acting Chief, Agricultural Materials Branch
International Resources Division

Enclosure:
SCAP Plan for Importing
Raw Wool Into Japan

Mr. Wilmer Weinstein,
Textiles, Leather Division,
Department of Commerce, Room 3320,
Washington 25, D. C.

IR:HPBramble:pmr 10/6/47

copy of original signed

8/11

894.62222/10-847

DOB - TYP UNIT
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R.M.

MAY 26 1948

My dear Senator Lodge:

nc 5-27 894.62222/5-1848

Receipt is acknowledged of your communication of May 18 referring letters of May 14 and May 17 from Mr. Max W. Schwerdt of Eug. Schwerdt Wool Company of Boston, Massachusetts.

The questions raised in these letters with reference to the wool buying policies and procedures of the government purchasing agency in Japan are more appropriately within the cognizance of the Department of the Army. Accordingly, your inquiry has been referred to that Department for reply.

Sincerely yours,

For the Secretary of State:

Florence Kirlin
Special Assistant to the Counselor

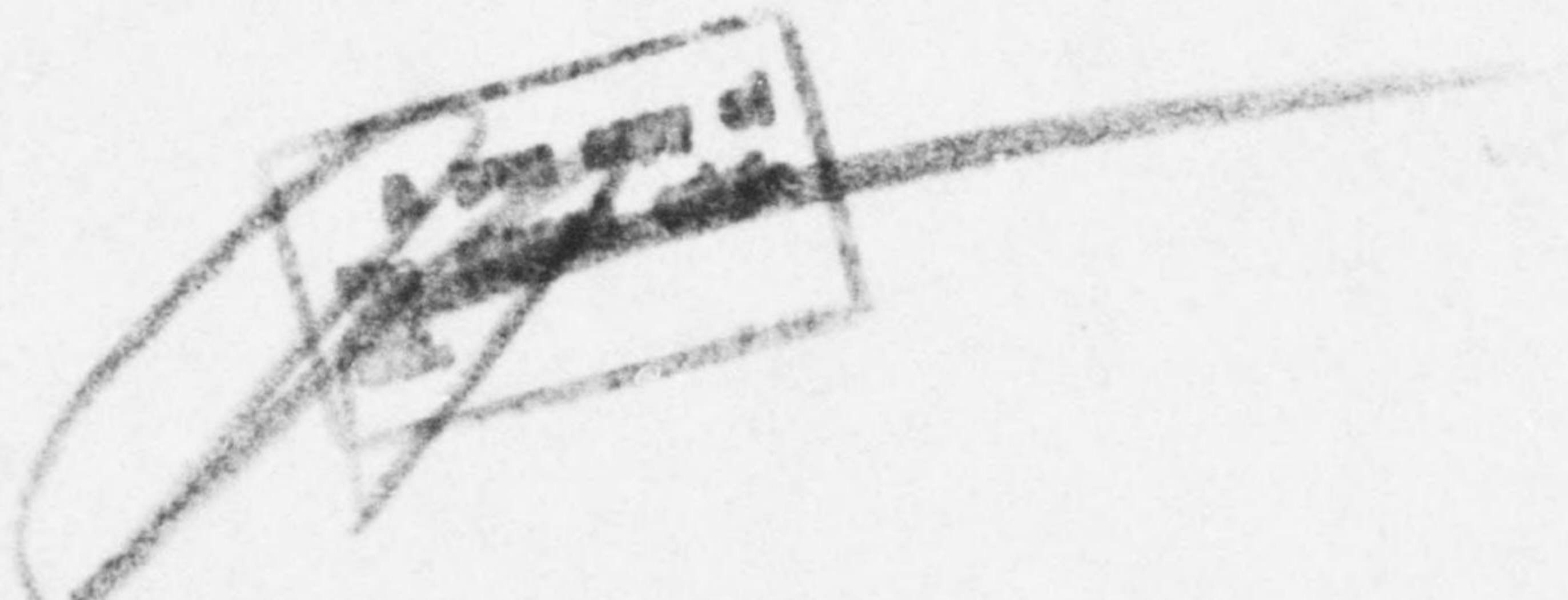
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The Honorable
Henry Cabot Lodge, Jr.,
United States Senate.

ck
MAY 26 1948 P.M.

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FORM DS-202
11-20-46

DEPARTMENT OF STATE
DIVISION OF COMMUNICATIONS AND RECORDS
TRANSFER SHEET

The item of correspondence, formerly filed under the number shown on the extreme margin of this sheet, has been transferred to the number indicated.

FROM H.C. LODGE, U.S.S.

TO

DATED MAY 18, 1948

DATE OF TRANSFER
May 25, 1948

ANALYST'S INITIALS
JPB

REMARKS

TRANSFERRED TO

FORMER FILE NUMBER

894 62222/5-1848
ARMY DEPT

NOV 20 1948

CONFIDENTIAL

No. 187

To the

Acting Political Adviser for Japan,
Tokyo.

The Acting Secretary of State refers to inconclusive reports published in this country concerning the method of purchase of wool, indicating that the Supreme Commander takes wool on consignment, purchased for him by Draper and Company at Boston at a 2½ percent commission. If the report is true, the Acting Political Adviser is requested to transmit full information regarding the arrangement. The Department would wish particularly information as to the manner in which Draper and Company obtained the commission, and whether or not other private concerns had an opportunity to bid for the privilege. In addition to this information, the opinions of the Acting Political Adviser regarding the arrangement are requested.

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NOV 20 1948

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

United States Political Adviser
for Japan

December 9, 1948.

ACTION
is assigned to



DR

*file
by file*

No. 772

CONFIDENTIAL (FOR DEPT. USE ONLY)

DIVISION OF COMMERCIAL POLICY

DEC 20 1948

DEPARTMENT OF STATE

Subject: Purchase of Wool for the Board of Trade by Draper
and Company of Boston.

INTERNATIONAL RESOURCES DIVISION

MAR 10 1949

DEPARTMENT OF STATE

894. 62222

ITP NA

XR 611.9431

894.62222/12-948

RECEIVED
DEPARTMENT OF STATE

PM 2 57

TEXTILES BRANCH

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Department's confidential instruction No. 187 of November 20, 1948 on the subject of the purchase of wool by SCAP, and to report the following information regarding a contract for the purchase of wool concluded on October 23, 1948 between SCAP and the Japanese Board of Trade on the one hand and Draper and Company of Boston on the other.

Draper and Company has been named by SCAP and the Board of Trade as exclusive agent for the first 19,000,000 pounds (64,000 bales) of wool, greasy weight, purchased by the Board of Trade on or after October 23, 1948, the effective date of the contract. The value of the 19,000,000 pounds of wool, which will be supplied primarily by Australia and New Zealand, is estimated at 3,341,500 pounds sterling, including freight and insurance. Even should that total not be reached, it is guaranteed that the Board of Trade will purchase at least 9,000,000 pounds of wool, greasy weight, through Draper and Company. The contract is to expire on July 31, 1949.

The Boston firm may purchase either through brokers or from dealers acting as principals and holding wool on their own account. In the former case, Draper and Company is to receive a commission of 2.5 per cent of the purchase price, from which it must pay broker's fees. Such fees are said by officials of the Textiles Division, Economic and Scientific Section of General Headquarters to average 1.5 per cent. If, on the other hand, the purchase is made from a dealer acting as principal, Draper's commission is to be only 1 per cent. Thus the net commission for the Boston firm will be 1 per cent of the net purchase price.

The contract further provides that, although Draper and
Company

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TO:

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W.S.
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Classified made

MAR 23 1949

FILED

Confidential FILE

894.62222/12-948

Tokyo's Despatch No. 772
December 9, 1948

-2-

Company is to be the exclusive purchasing agent for the Board of Trade, dealers acting as principals (as distinguished from brokers who do not make purchases for their own account) may make offers directly to the Board of Trade. Such offers, however, must reportedly be "bona fide" and "not for the purpose of avoiding the terms of the contract."

The contract was signed on behalf of SCAP by Mr. R. D. Cleaves, Assistant Chief of the Textiles Division. It is understood that Draper and Company was chosen by Mr. F. A. Williams, Chief of the Textiles Division, on the basis of his evaluation of the facilities possessed by various firms under consideration. So far as we have been able to determine, no bids were taken, and little publicity was given to the program.

With reference to the Department's request for an opinion regarding this arrangement, it is regretted that this Mission is unable to obtain information regarding the reasons which prompted the conclusion of the contract under discussion. Whether such an arrangement is unusual in commodity dealings and is therefore possibly subject to criticism, is not known to this Mission.

Should additional information be desired, the Department may wish to approach the Civil Affairs Division of the Department of the Army in the premises.

Respectfully yours,

W. J. Sebald
W. J. Sebald

Original and hectograph to Department

868.1401

EGSeidensticker, Jr.:mis

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ADR for Control Copy
17-2048 EJA*

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DEC 29 1948

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ACTION
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COPIES
TO: *ITA*

United States Political Adviser
for Japan

December 9, 1948.

No. 772

CONFIDENTIAL (FOR DEPT. USE ONLY)

Subject: Purchase of Wool for the Board of Trade by Draper and Company of Boston.

RECEIVED
DEPARTMENT OF STATE

PM 2 57

DC/M
TEXTILES BRANCH

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The Secretary of State,
Washington.

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Company

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894.62222 / 12-94

Confidential File

RM

Tokyo's Despatch No. 772
December 9, 1948

-2-

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Respectfully yours,

W. J. Sebald

Original and hectograph to Department

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EGSeidensticker, Jr.:mis

A true copy
of the signed
original

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INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

1R 5 min
15 min
VTP

Action Assigned to ~~UNCLASSIFIED~~ INTERNATIONAL TRADE POLICY
Action Taken *Action at Commerce - none required*
Secretary of State
Washington
1949 APR 27 AM 10 29 APR 27 1949
INTERNATIONAL RESOURCES DIVISION
DATE APRIL 22, 1949
RECEIVED
April 25, 1949
2:17 p.m.
Date of mailing
unknown
DEPARTMENT OF STATE

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ACTION:
INFO
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Message Symbol: *A-737*
MESSAGE CENTER
Name of Officer: *JLB*
Subject: Japanese Wool Production (Subsidy)
Direction to DC/R: *file*
FOR STATE, COMMERCE, AGRICULTURE and TREASURY

There are quoted below questions and answers in the House of Commons, as reported in Hansard April 14, 1949:

"Mr. Piratin (Communist) asked the President of the Board of Trade whether he is aware that the United States of America is subsidising Japanese wool production to the extent of 20 per cent. on yarn and 40 per cent. on cloth; and, in view of the effect of this, in addition to the low wages paid to the workers, on the competitive price on the world market, whether he will immediately take up this matter with the United States Government.

"Mr. Bottomley (Secretary for Overseas Trade): I understand that new Yen exchange rates recently announced have brought an end to the concealed exchange subsidies to which the hon. Member refers. The new rates will, I understand, give a small subsidy to Japanese exports of woollen cloth but it is too early to say what the effect of this subsidy will be.

"Mr. Piratin: Why cannot the hon. Gentleman give a straight answer to a very straight question: Are the Americans 'subsidising Japanese wool production to the extent of 20 per cent. on yarn and 40 per cent. on cloth,' as the Question asks? Is that the case, for a well known authority on the matter in this country stated it only last week? If that is the case, what steps does the Minister propose to take in the matter of this unfair competition?

"Mr. Bottomley: I thought I had already indicated that in my answer. With regard to any further consideration, that will have our attention and we shall make representations, if necessary."

cc: USPOLAD Tokyo

DOUGLAS

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

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4-26-49
DEPARTMENT OF STATE
INSON OFFICE
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INCOMING AIRGRAM

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FROM:
LONDON
DATED: APRIL 28, 1949
RECD: May 2, 1949, 11:20 am
Date of Mailing: unknown

Secretary of State,
Washington.

A- 820

The following questions were asked and answers given in the House of Commons on April 14, 1949, concerning subsidy for Japanese wool production:

"Mr. Piratin (Communist) asked the President of the Board of Trade whether he is aware that the United States of America is subsidising Japanese wool production to the extent of 20 per cent. on yarn and 40 per cent. on cloth; and, in view of the effect of this, in addition to the low wages paid to the workers, on the competitive price on the world market, whether he will immediately take up this matter with the United States Government.

"Mr. Bottomley (Secretary for Overseas Trade): I understand that new Yen exchange rates recently announced have brought an end to the concealed exchange subsidies to which the hon. Member refers. The new rates will, I understand, give a small subsidy to Japanese exports of woollen cloth but it is too early to say what the effect of this subsidy will be.

"Mr. Piratin: Why cannot the hon. Gentleman give a straight answer to a very straight question: Are the Americans 'subsidising Japanese wool production to the extent of 20 per cent. on yarn and 40 per cent. on cloth,' as the question asks? Is that the case, for a well known authority on the matter in this country stated it only last week? If that is the case, what steps does the Minister propose to take in the matter of this unfair competition?

"Mr. Bottomley: I thought I had already indicated that in my answer. With regard to any further consideration, that will have our attention and we shall make representations, if necessary."

The above presumably refers to an item in the April 9, 1949 issue of the Daily Worker, reading as follows:

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London Embassy A- 820
of April 28, 1949.

"JAPS SUBSIDISED TO OUST BRITISH WOOL

MacArthur Helping Capitalists

From Rose Grant

"United States dollar subsidies to Japan's wool exporters are helping them to capture overseas markets coveted by the British wool industry.

"Back in Britain from a flying visit to Tokyo, Mr. D. G. Price, secretary of the National Wool Textile Export Corporation, has given details of this 'new phase' of competition from Japanese manufacturers.

" 'We regret to report that during this phase,' he says, 'they are being subsidised through receiving one dollar's (U.S.) worth of wool for 250 yen and being credited with 300 yen for each dollar's worth of yarn and 350 yen for each dollar's worth of cloth exported.

" 'In this way not only do we have to compete with low wages -- about a fifth of ours -- but also with a subsidy of 20 per cent on yarn and 40 per cent on cloth.'

"These subsidies started on February 1, when the American rulers of Japan allowed manufacturers to buy raw wool and make yarn and cloth from it on their own account.

"Up till that time the industry worked on a commission basis. It neither bought the raw material nor owned the goods it manufactured, but merely received a processing charge for converting the wool into yarn and cloth.

" 'The prices at which Japanese exporters were permitted to offer these goods for sale overseas bore no relation to costs,' Mr. Price reports.

" 'They were fixed by the occupation authorities, whose declared policy was to base them on world prices.

" 'In practice this meant fixing prices well below those of other countries . . . even lower prices have been quoted on occasion due to the occupation authorities' unfamiliarity with current price levels.'

"With another expert, Mr. D.C. Alfreeman, of the Wool Textile Delegation, which represents employers in every branch of Britain's wool industry, Mr. Price was sent to Japan last month.

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-3-

London Embassy A- 820
of April 28, 1949.

"Their mission was to acquaint General MacArthur and other American chiefs of the Supreme Command with 'current price levels.'

"The main recommendation of their report back is that British chiefs should ask the Government to press for the removal of the American subsidies and to work for the early introduction of a single official rate of exchange for the yen.

"The secretary of the Wool Textile Delegation yesterday told me that the report was still being studied and no date had been fixed for an approach to the Government.

"He could not say whether such an approach would meet with success."

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