Dec File

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7106

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

894.51/1-245

CROSS-REFERENCE FILE

NOTE

SUBJECT

1945-1946 budget estimates for Japan.

894.51/1-245

TS

For the original paper from which reference is taken

See AGM#10
(Despatch, telegram, instruction, letter, etc.)

Dated Jan 2, 1945 **From** / **To** ~~Switzerland~~

File No. 860f.51/1-245

U. S. GOVERNMENT PRINTING OFFICE 1—1540

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

LEGATION OF THE
UNITED STATES OF AMERICA

Bern, January 16, 1945

No. 10590

Subject: Japan's Financing of the War.

Unrestricted.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to report that the Berlin DEUTSCHE ALLGEMEINE ZEITUNG, January 9, 1945, published a telegraphic despatch dated Tokyo January 8, 1945, from its Eastern Asia correspondent Wilhelm Schulze, on Japan's financing of the war. A translation of the despatch is attached.

It reviews the new tax law, which is to be presented to the Japanese Parliament in the second half of January. The new tax law is expected to increase the yield from taxes in 1945 by 21% compared to 1944. The most important increases are on earned incomes from 15% to 18% and on other types of personal incomes from 18% to 21%. The tax on alcoholic beverages is to be raised, but is not expected to increase revenue substantially, as all alcoholic beverages are rationed. Entertainment taxes and taxes on railway tickets are also to be increased.

Respectfully yours,

J. Klahr Huddle
Chargé d'Affaires a.i.

Enclosure:
Translation as stated.

File No. 851

GR/acd

Original and Hectograph to Department.

894.51/1-1645
CS/D
FILED
APR 3 1945
Darlene Hill
HECTO SENT TO DTR/GM
DIVISION OF COMMERCIAL POLICY
MAR 29 1945
DEPARTMENT OF STATE
LEGAL ADVISER
APR - 2 1945
DEPARTMENT OF STATE
DIVISION OF FINANCIAL AND MONETARY AFFAIRS
MAR 10 1945
DEPARTMENT OF STATE
DIVISION OF JAPANESE AFFAIRS
MAR 1 1945
DEPARTMENT OF STATE
FEB 3 1945
OFFICE OF EXPORT CONTROL
DISTRIBUTION
DEPARTMENT OF STATE
MAR 3 1945
Department of State
DEPARTMENT OF STATE
FEB 1945
DIVISION OF COMMUNICATIONS AND RECORDS
1945 FEB 10 AM 10 0-

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(Enclosure to despatch No. 10590, January 16, American Legation, Bern.)

JAPAN'S FINANCING OF THE WAR.

by Wilhelm Schulze, Eastern Asia correspondent.

(Source: Berlin DEUTSCHE ALLGEMEINE ZEITUNG, January 9, 1945)

Tokyo, January 8, 1945

The Japanese Government has decided to submit a supplementary tax law to Parliament, which will meet in the second half of January. The aim of this supplementary law is to raise the necessary funds for the conduct of the war and to reduce the surplus purchasing power in order to avoid dangerous tendencies in the Japanese monetary situation. This is the ninth supplementary tax law since the start of the war in China in 1937. Compared to 1944, the yield from taxes will increase by 21% in the financial year 1945.

The most important provisions of the supplementary tax law are the increases of the normal income tax, the normal corporation profits tax and a few indirect taxes. The tax on earned incomes, which up to now has amounted to 15%, after the deduction of certain exemptions and the amount required for the support of members of the family, will be increased to 18%. The tax on other kinds of personal incomes will be increased from 18% to 21%. The tax imposed on incomes from government loans will amount to 22% in future, instead of 19% as at present. The tax rate imposed on incomes resulting from dividends and real estate will be increased from 20% to 23% and the normal corporation profits tax from 30% to 33%. The extraordinary corporation profits tax, however, which includes war profits, will only be increased from 20% to 22%.

These taxes which are to be collected, according to the supplementary tax law, represent the main sources of revenue of the Government, as the increase of the indirect taxes, which is also planned by the Government, seems to be only nominal. In this connection, the taxes imposed on all alcoholic beverages are once more to be increased, but an increase in the yield remains theoretical, as all alcoholic beverages are rationed in very small quantities.

A bottle of beer, for example, which up to now has cost one yen, will cost two yen in future. A grown-up person, however, receives only one bottle a month, and sometimes even less as the breweries are working primarily for the army. Thus the increase of receipts from these taxes will be very small. The price of a bottle of Japanese whisky of first quality has been increased from 50 to 70 yen and whisky of second quality from 36 to 50 yen, but for months already, no whisky has officially been alloted. It seems that only the tax put on rice wine will be profitable, because rice wine has regularly been sold, although in small quantities. Up

to

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to the present, 1.8 liters of this wine, first quality, have cost 12.30 yen, second quality 8.30 yen. Now, these two qualities are to be replaced by a new quality which in future will cost 15 yen. Sake and Japanese spirit of third quality will cost 8 yen in future, namely an increase in price of 70%.

The increase in the entertainment tax is more or less nominal, as the number of theatres and cinemas, which are still open, is very small compared to earlier times, and the entrance cost has been considerably reduced, in order to enable the poorer classes also to see the performances. A tax of 100% will be imposed on tickets which cost 1 yen, 150% on tickets up to 5 yen, and 200% on tickets which cost over 5 yen.

The tax on railway-tickets will also be increased, but not to such a large extent. Up to the present, a tax amounting to 11.50 yen has been imposed on a railway-ticket from Tokyo to Osaka. The new tax will amount to 13 yen. This measure will probably not greatly reduce the number of Japanese passengers, which is very large at present.

GR/pk/acd

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STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: Jan. 22, 1945

TO : FMA - Mr. Reinstein
FE - Mr. Ballantine

FROM :

SUBJECT: FINANCIAL DIRECTIVE FOR MILITARY GOVERNMENT IN JAPAN

The attached draft directive has been received from the Civil Affairs Division for our concurrence.

Will you please return to me with your approval or such comments as you deem necessary.

Harold W. Moseley

EUR:HWM:LA

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SECRET

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
CIVIL AFFAIRS DIVISION
WASHINGTON 25

DC/R files

19 January 1945

OFFICE OF EUROPEAN AFFAIRS
DISTRIBUTION
JAN 22 1945
OFFICE
DEPARTMENT OF STATE

DIVISION OF FINANCIAL AND MONETARY AFFAIRS
JAN 28 1945
DEPARTMENT OF STATE

MEMORANDUM FOR: Mr. Freeman Matthews
Director of European Affairs
State Department

SUBJECT: Financial Directive for Military Government in Japan

There is inclosed herewith, for concurrence, copy of draft financial directive, dated 19 January 1945, on the above subject.

J. H. HILLDRING
Major General
Director, Civil Affairs Division

Chas L Kades

CHAS. L. KADES
Lt. Colonel, GSC
Asst. Executive

1 Incl
as above

894.51/1-1945

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U. S. C. 50; 31 and 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

DCN OFD UNIT
Anal. 40
Rev.
Cat. BMM
Dist.

FILED
FEB 1 - 1950

894.51/1-1945
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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

SECRET

DRAFT

19 January 1945

FINANCIAL DIRECTIVE FOR MILITARY GOVERNMENT IN JAPAN

1. You will use supplementary military yen (Type "B") issued pursuant to military proclamation (hereinafter referred to as supplemental yen) and regular yen currency in your possession. Regular yen currency will include currencies which are now legal tender in the area. Supplemental yen will be declared legal tender and will be interchangeable at par without distinction with regular yen currencies. Records will be kept of the amount of such currencies used by your forces.

2. Japanese military yen issued for circulation in territories occupied by the Japanese will not be legal tender ~~within Japan~~ and will not be acceptable nor interchangeable with supplemental yen or regular yen currencies.

3. For military reasons, you will have the right at all times to use regular or Hawaiian series U.S. dollars. You will, however, avoid the use of regular or Hawaiian series U.S. dollars whenever possible and will resort to their use only in emergencies.

4. If it is found necessary to use regular or Hawaiian series U.S. dollars, the following provisions will apply to such use:

a. A proclamation will be issued requiring all persons to accept the regular or Hawaiian series U.S. dollars at the established rate. Transactions at any other rate will be prohibited.

b. The issuance of regular or Hawaiian series U.S. dollars will cease and supplemental yen and regular yen currencies will be issued in their place as soon as possible.

c. Regular or Hawaiian series U.S. dollars will be withdrawn from circulation as soon as such withdrawal can be satisfactorily accomplished.

d. Records will be kept of the amount of regular and Hawaiian series U.S. dollars used by your forces.

5. U.S. dollars (except as provided in paragraphs 3 and 4) will not be permitted to circulate in the area. If you consider it advisable, you may require all holders of U.S. dollars (unless it is found necessary to authorize their use

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SAH

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

SECRET

pursuant to paragraphs 3 and 4) and all local holders of gold coin and bullion, foreign exchange, foreign currency which is not legal tender in the area, and foreign securities to deposit against appropriate receipt all or part of their holdings of such property under such terms and conditions as you deem advisable, the subsequent disposition of, or payment for, such deposits to be a matter of later policy determination by the Joint Chiefs of Staff.

6. The provisional rate of exchange to be used exclusively for pay of military and naval personnel and for military and naval accounting purposes will be _____ supplemental yen, and/or regular yen currency, to the U.S. dollar. ~~Transactions at any other rate will be prohibited~~. A general rate of exchange may be furnished to you later.

7. All foreign financial transactions of any kind, including all exports and imports of currency and securities, will be prohibited, except as permitted under regulations you may issue. Army Finance Officers and Navy Disbursing Officers may, however, be authorized to accept U.S. dollars from personnel of your forces, and from other authorized personnel, for conversion into supplemental and/or regular yen currency at the established rate of exchange, after satisfying themselves as to the source of such U.S. dollars. Except for military or authorized personnel, no requests by holders of yen currency or deposits, for the exchange of such currency or deposits for U.S. dollars or any foreign currency or foreign exchange, will be allowed except in accordance with official exchange regulations promulgated by you after notification to and approval by the Joint Chiefs of Staff.

8. The Financial Division of the Civil Affairs Section for Japan will include in its functions the control of all funds to be used by your forces within the area other than U.S. dollars, the disposal of which will be under the control of Army Finance Officers and Navy Disbursing Officers of your forces. It will maintain such accounts and records as are necessary to indicate the supply, control and movement of all currencies including U.S. dollars if used, and other funds, as well as financial data required for the determination of expenditures arising out of operations and activities involving participation of your military forces.

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a. In so far as operations relate to the provision of yen currencies for the pay and other cash requirements of military and naval components of your forces, the Financial Division will supply supplemental yen or regular yen currency from currency on hand, and will record the debit against the military and naval forces concerned.

b. In so far as operations relate to the provision of yen currencies for civil administration, the Financial Division will supply supplementary yen or regular yen currency from currency on hand and will record the debit against the appropriate Japanese authority, administration, or agency.

c. The records of the Financial Division will indicate in all cases the currency in which receipts were obtained or disbursements made by the Financial Division.

9. When satisfied that any bank or other financial institution is under adequate control and supervision, you may use such bank or other financial institution for official business. You may designate under direct military control and supervision the Bank of Japan, or any ~~bank~~ branch thereof, or any other suitable bank, as agent for the Financial Division of the Civil Affairs Section. It is not anticipated that you will make credits available to the Bank of Japan or any other bank. However, if in your opinion, such action becomes essential, you should report the facts to the Joint Chiefs of Staff for further instructions.

10. You will put into effect the following financial controls:

a. Pending determination of future disposition, all gold, foreign currency, foreign securities, accounts in financial institutions, credits, valuable papers and all similar assets held by or on behalf of the following will be impounded or blocked and will be used or otherwise dealt with only as permitted under licenses or other instructions which you may issue:

(1) Japanese national, state, provincial, and local governments, and agencies and instrumentalities thereof.

(2) Other enemy governments, the agencies and instrumentalities thereof, and their nationals.

(3) Owners and holders, including neutral and United Nations Governments or national authorities, absent from the areas of Japan under your control.

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(4) All persons, political organizations and societies regarded as hostile or dangerous to military security.

(5) Persons under detention or other types of custody by the military authorities.

b. No governmental or private bank or agency will be authorized to issue bank notes or currency except that you may so authorize the Bank of Japan when it is under adequate military control and supervision.

c. No military pensions (except for physical disability limiting the pensioner's ability to work) shall be paid.

11. You should put into effect only such further financial measures as you deem necessary for military reasons. Accordingly, you may at your discretion take the following steps:

a. Place banks under such control as you deem necessary to insure that adequate facilities for military needs will be provided and that instructions and regulations issued by military authorities will be fully complied with. Banks should be closed only long enough to introduce satisfactory control, to remove objectionable personnel, and to issue instructions for the determination of accounts to be blocked under paragraph 10a above.

b. Close all stock exchanges and similar financial institutions, for such period as you deem necessary.

c. Issue a proclamation prohibiting or prescribing regulations regarding transfer or other dealings in real estate and securities.

12. Basic accounting instructions, supplemental to the foregoing directive, are contained in Annex "A" hereof.

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FINANCIAL DIRECTIVE FOR MILITARY GOVERNMENT IN JAPAN

1. You will use supplementary military yen (Type "B") issued pursuant to military proclamation (hereinafter referred to as supplemental yen) and regular yen currency in your possession. Regular yen currency will include currencies which are now legal tender in the area. Supplemental yen will be declared legal tender and will be interchangeable at par without distinction with regular yen currencies. Records will be kept of the amount of such currencies used by your forces.

omit Bank of Taiwan currency; omit one by one bank

2. Japanese military yen issued for circulation in territories occupied by the Japanese will not be legal tender ~~within Japan~~ and will not be acceptable nor interchangeable with supplemental yen or regular yen currencies.

3. For military reasons, you will have the right at all times to use regular or Hawaiian series U.S. dollars. You will, however, avoid the use of regular or Hawaiian series U.S. dollars whenever possible and will resort to their use only in emergencies.

4. If it is found necessary to use regular or Hawaiian series U.S. dollars, the following provisions will apply to such use:

a. A proclamation will be issued requiring all persons to accept the regular or Hawaiian series U.S. dollars at the established rate. Transactions at any other rate will be prohibited.

b. The issuance of regular or Hawaiian series U.S. dollars will cease and supplemental yen and regular yen currencies will be issued in their place as soon as possible.

c. Regular or Hawaiian series U.S. dollars will be withdrawn from circulation as soon as such withdrawal can be satisfactorily accomplished.

d. Records will be kept of the amount of regular and Hawaiian series U.S. dollars used by your forces.

5. U.S. dollars (except as provided in paragraphs 3 and 4) will not be permitted to circulate in the area. If you consider it advisable, you may require all holders of U.S. dollars (unless it is found necessary to authorize their use

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pursuant to paragraphs 3 and 4) and all local holders of gold coin and bullion, foreign exchange, foreign currency which is not legal tender in the area, and foreign securities to deposit against appropriate receipt all or part of their holdings of such property under such terms and conditions as you deem advisable, the subsequent disposition of, or payment for, such deposits to be a matter of later policy determination by the Joint Chiefs of Staff.

6. The provisional rate of exchange to be used exclusively for pay of military and naval personnel and for military and naval accounting purposes will be _____ supplemental yen, and/or regular yen currency, to the U.S. dollar. ~~Transactions at any other rate will be prohibited.~~ A general rate of exchange may be furnished to you later.

7. All foreign financial transactions of any kind, including all exports and imports of currency and securities, will be prohibited, except as permitted under regulations you may issue. Army Finance Officers and Navy Disbursing Officers may, however, be authorized to accept U.S. dollars from personnel of your forces, and from other authorized personnel, for conversion into supplemental and/or regular yen currency at the established rate of exchange, after satisfying themselves as to the source of such U.S. dollars. Except for military or authorized personnel, no requests by holders of yen currency or deposits, for the exchange of such currency or deposits for U.S. dollars or any foreign currency or foreign exchange, will be allowed except in accordance with official exchange regulations promulgated by you after notification to and approval by the Joint Chiefs of Staff.

8. The Financial Division of the Civil Affairs Section for Japan will include in its functions the control of all funds to be used by your forces within the area other than U.S. dollars, the disposal of which will be under the control of Army Finance Officers and Navy Disbursing Officers of your forces. It will maintain such accounts and records as are necessary to indicate the supply, control and movement of all currencies including U.S. dollars if used, and other funds, as well as financial data required for the determination of expenditures arising out of operations and activities involving participation of your military forces.

comma changed

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a. In so far as operations relate to the provision of yen currencies for the pay and other cash requirements of military and naval components of your forces, the Financial Division will supply supplemental yen or regular yen currency from currency on hand, and will record the debit against the military and naval forces concerned.

b. In so far as operations relate to the provision of yen currencies for civil administration, the Financial Division will supply supplementary yen or regular yen currency from currency on hand and will record the debit against (the appropriate Japanese authority, administration, or agency.)

changed from "itself."

c. The records of the Financial Division will indicate in all cases the currency in which receipts were obtained or disbursements made by the Financial Division.

no moratorium provision

9. When satisfied that any bank or other financial institution is under adequate control and supervision, you may use such bank or other financial institution for official business. You may designate under direct military control and supervision the Bank of Japan, or any ~~bank~~ branch thereof, or any other suitable bank, as agent for the Financial Division of the Civil Affairs Section. It is not anticipated that you will make credits available to the Bank of Japan or any other bank. However, if in your opinion, such action becomes essential, you should report the facts to the Joint Chiefs of Staff for further instructions.

new

No credit!

10. You will put into effect the following financial controls:

a. Pending determination of future disposition, all gold, foreign currency, foreign securities, accounts in financial institutions, credits, valuable papers and all similar assets held by or on behalf of the following will be impounded or blocked and will be used or otherwise dealt with only as permitted under licenses or other instructions which you may issue:

Revised

(1) Japanese national, state, provincial, and local governments, and agencies and instrumentalities thereof.

(2) Other enemy governments, the agencies and instrumentalities thereof, and their nationals.

(3) Owners and holders, including neutral and United Nations Governments or national authorities, absent from the areas of Japan under your control.

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(4) All persons, political organizations and societies regarded as hostile or dangerous to military security.

(5) Persons under detention or other types of custody by the military authorities.

b. No governmental or private bank or agency will be authorized to issue bank notes or currency except that you may so authorize the Bank of Japan when it is under adequate military control and supervision.

c. No military pensions (except for physical disability limiting the pensioner's ability to work) shall be paid.

11. You should put into effect only such further financial measures as you deem necessary for military reasons. Accordingly, you may at your discretion take the following steps:

no budget control. No instruction on govt bond servicing

a. Place banks under such control as you deem necessary to insure that adequate facilities for military needs will be provided and that instructions and regulations issued by military authorities will be fully complied with. Banks should be closed only long enough to introduce satisfactory control, to remove objectionable personnel, and to issue instructions for the determination of accounts to be blocked under paragraph 10a above.

b. Close all stock exchanges and similar financial institutions, for such period as you deem necessary.

c. Issue a proclamation prohibiting or prescribing regulations regarding transfer or other dealings in real estate and securities.

12. Basic accounting instructions, supplemental to the foregoing directive, are contained in Annex "A" hereof.

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STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: Jan. 30, 1945

TO : FMA - Mr. Reinstein

FROM : EUR - Harold W. Moseley

SUBJECT: Basic Accounting Instructions (Supplemental to Financial Directive for Military Government in Japan)

I understand that you are holding the financial directive for military government in Japan and that you will take this matter up with FE and the Treasury at an early date.

The attached directive should be attached as an annex to the financial directive.

HWM

EUR:HWM:LA

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WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
CIVIL AFFAIRS DIVISION
WASHINGTON 25

27 Jan 45

OFFICE OF EUROPEAN AFFAIRS
DISTRIBUTION
JAN 29 1945
OFFICE
DEPARTMENT OF STATE

MEMORANDUM FOR Mr. H. Freeman Matthews
Director of European Affairs
State Department

SUBJECT: Basic Accounting Instructions (Supplemental to Financial Directive for Military Government in Japan)

There is inclosed herewith, for comments, copy of draft accounting instructions, dated 26 January 1945, on the above subject.

DIVISION OF FINANCIAL AND MONETARY AFFAIRS
JAN 31 1945
DEPARTMENT OF STATE

Incl
as above

J. H. HILLDRING
Major General
Director, Civil Affairs Division

Chas L Kades

CHAS. L. KADES
Lt. Colonel, GSC
Asst. Executive

894.51/1-2745

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26 Jan 45

ANNEX "A" TO FINANCIAL DIRECTIVE FOR MILITARY GOVERNMENT IN JAPAN

BASIC ACCOUNTING INSTRUCTIONS
(Supplemental to Financial Directive)

1. Your Civil Affairs Section for Japan will be so organized as to provide for:

a. Centralized control of accounts and records of the Civil Affairs Section.

b. Uniformity of accounting policies and procedures for the Civil Affairs Section.

c. Appropriate supervision of major financial functions in such a manner as to assure reasonable internal controls and safeguards, including the separation of accounting controls from the function of handling cash.

2. The Civil Affairs Section should, in so far as practicable, incorporate in its procedure standards of personal accountability and personal responsibility equivalent to those applicable to the military and naval components of your forces.

3. You should keep appropriate centralized records of all yen currency made available to you by the Treasury Department or from other sources, for either military or civil administration purposes. The amounts which you so receive should be currently reported to the War and Navy Department, as the case may be; the War or Navy Department will in turn report to the Treasury Department. All yen currency required in the area by your forces, either for military or civil administration purposes, will be obtained from the Financial Division of your Civil Affairs Section for Japan.

4. Yen currency advanced by the Financial Division of the Civil Affairs Section for Japan to army and navy disbursing officers will be evidenced by receipts. In respect to each advance for the purpose of making such expenditures in the area as are chargeable to War or Navy Department appropriations, the Financial Division of the Civil Affairs Section for Japan will report the details thereof by radio to the War or Navy Department, as the case may be, which will in turn report to the Treasury Department. In addition, each disbursing officer receiving advances for such purposes will submit an independent report by radio of the amount received by him to the War or Navy Department, as the case may be.

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For your information, upon receipt of these reports the War or Navy Department will authorize the Treasury Department to reduce the official checking account balance of the disbursing officer concerned by the dollar equivalent of the reported advance at the established rate of exchange, and to set aside the same amount in an earmarked account.

5. On expenditure, the relevant War or Navy Department appropriation will be charged for the dollar equivalent, at the established rate of exchange, of such yen expenditures as normally would be charged to such appropriation if the expenditures were made in dollars.

6. Yen expenditures in the area by your military and naval forces, other than expenditures outlined in paragraph 5 above, will be made without charge to War or Navy Department appropriations. Advances of yen currency for the purpose of such expenditures will be effected without equivalent dollar amounts being set aside in earmarked accounts by the Treasury Department.

7. Receipts will be required from all officers or organizations receiving advances of yen currency from the Financial Division of the Civil Affairs Section for Japan.

8. The Financial Division will maintain records as to the sources and distribution of any funds, currency, or financial assets acquired or confiscated by your forces from any source within the area except from prisoners of war.

9. Control accounts of the Civil Affairs Section for Japan should be maintained in terms of yen. If currencies other than yen are involved, they will be recorded in terms of yen at the established rate of exchange, but the accounting records will provide for identification and segregation of all such currencies. Identification and segregation will not be required as between supplemental military yen currency and regular yen currencies, except as may be necessary in the accounts which pertain to the issuance and circulation of supplemental military yen.

10. If it is found necessary to use regular or Hawaiian Series U.S. dollars, any transfer of such currencies acquired by your Civil Affairs Section for Japan to army or navy disbursing officers will be identified in the accounting records in terms of U.S. dollars as well as in the yen equivalent.

4 11. To supplement basic accounting records of your Civil Affairs Section for Japan relative to its operations, in such manner as to provide over-all data

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

SECRET

of an essential nature pertinent to intergovernmental settlement of costs arising out of operations and activities within the area involving the participation of your forces, you will require appropriate headquarters and other components of your forces to furnish the Financial Division of the Civil Affairs Section for Japan with periodic, preferably monthly, summary reports of available information pertaining to their expenditures in the area for military, as distinguished from civil administration purposes, segregating their expenditures on account of:

a. Pay of troops, i.e., that portion of pay retained by personnel of your forces for local expenditures.

b. Services and supplies obtained within the area.

12. Provision will be made, within the framework of the Civil Affairs Section for Japan for a continuing and current audit to the extent practicable, of accounts, funds, assets and supporting evidance by personnel who will be independent of custody ~~of custody~~ of funds, supplies, assets, accounts and supporting evidence. As soon as you deem such action practicable, it is intended to provide for a further audit of the accounts of your Civil Affairs Section for Japan by an agency outside of the Civil Affairs Section and of completely independent status. This agency and the extent of such outside independent audit will be designated by the Joint Chiefs of Staff.

13. As soon as practicable, you will furnish the Joint Chiefs of Staff, for the Treasury, War and Navy Departments, with the following periodic, preferably monthly, reports:

a. Balance sheets of the Financial Division, Civil Affairs Section for Japan, and such supporting schedules as may be appropriate.

b. Statements of receipts, expenditures and advances of funds by the Financial Division of the Civil Affairs Section for Japan, classifying:

(1) the receipts as fully as practicable according to

(a) source, i.e., from whom received,

(b) type of currency, and

(c) character

(2) the expenditures and advances as fully as practicable according to

(a) recipient,

(b) character or purpose, and

(c) type of currency.

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, 50 U. S. C., 31 AND 32, AS AMENDED. ITS TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

SECRET

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

In the case of advances for purposes which are chargeable to appropriations, this report need show only the total sums advanced to army and to navy disbursing officers, and the type of currency.

c. Currency statement showing amounts of supplemental military yen currency received, issued, destroyed and outstanding.

14. You will maintain the following records relative to supplies for civilian use coming under your control:

a. A quantitative record, by commodity, of supplies received by you for civilian use from the U.S. Government.

b. A quantitative record, by commodity, of all supplies issued by you for civilian use, including supplies issued from military stocks. These records will include supplies issued as direct relief. Appropriate receipts, concerning each issue of supplies, will be obtained from the approved indigenous distributing organizations and, in the absence of such organizations, appropriate certification will be required of a representative of the U.S. forces.

c. A record of the quantity and cost of civilian supplies received by you through local purchases.

d. Money value records of proceeds of sales of civilian supplies.

e. A record of the quantity and cost of exports, by commodity.

"THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, U. S. C. 50; 31 and 32. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW."

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

EMBASSY OF THE
UNITED STATES OF AMERICA

Chungking, China, January 30, 1945

RESTRICTED

No. 108.

Subject: Article on Inflation in Japan from October 28, 1944 issue of Toyo Keizai (Oriental Economist), Tokyo.

DIVISION OF JAPANESE AFFAIRS FEB 14 1945 DEPARTMENT OF STATE
DIVISION OF FINANCIAL AND MONETARY AFFAIRS FEB 27 1945 DEPARTMENT OF STATE
DEPARTMENT OF STATE RECEIVED FEB 17 1945 DCR/O LIAISON OFFICE
DCR/O Recording Desk
DIVISION OF COMMERCIAL POLICY MAR 6 1945 DEPARTMENT OF STATE
DCR - ECA Unit

The Ambassador has the honor to enclose a condensed translation by the American Coordinated Translation Center here of an article on inflation in Japan which appeared in the October 28, 1944 issue of the Tokyo Toyo Keizai (Oriental Economist). According to this article, the total yen note circulation in Japan at the end of September 1944 showed an increase of 92 percent over the corresponding total during the last 10 days of September 1943. It is also stated that total unsubscribed bonds held by the Bank of Japan at the end of September 1944 reached the significant total of Yen 9,530,000,000.

Enclosure:
Copy of condensed translation, as stated.

Ozalid original to the Department.

850-J

CHB/mcl

894.51/1-3045
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GA

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

(Enclosure to despatch no. 108, January 30, 1945)
(from the American Embassy at Chungking, China)

RESTRICTED

(Condensed translation by American Coordinated Translation Center, Chungking, of article from October 28, 1944 issue of Toyo Keizai (Oriental Economist), Tokyo. Paragraphs in quotation marks are full translations while the rest of the article is summarized.)

INFLATION

"Nowadays people are talking about inflation and it is true that there is a marked inflation in the notes of the Bank of Japan. At the end of September the note issue reached the large sum of Yen 13,730,000,000. This is an increase of Yen 1,090,000,000 over the weekly average of Yen 12,640,000,000 during the last 10 days of August. The weekly average for the last 10 days of September 1943 was Yen 7,130,000,000; therefore, the present figure is an increase of Yen 6,600,000,000 over the same period of last year. In other words, there is an actual increase of 92 percent."

"In addition to this monthly inflation there is a tendency towards lowering the rate at which notes return to the Bank of Japan which is making us take notice. That is to say, the inflation notes issued at the end of the month do not easily flow back to the Bank at the beginning of the next month. Thus there is a tendency to let the inflated notes remain in circulation. If this situation continues to the end of the year, I (who not stated) am afraid there will be an unusual inflation."

"The process of this inflation, it goes without saying, begins with the swelling of public expenditure and the dispersal of government capital. The overall dispersal of government capital is increasing month by month and year by year. In the past the government capital was quickly furnished by the purchase of bonds. But this has slowed down recently. The bonds which are still unsubscribed and which remain with the Bank of Japan are accumulating. Not only that, but the money lent out by the Bank of Japan for the purpose of forced subscription of bonds is also increasing. At the end of September the Bank of Japan had on hand Yen 9,530,000,000 of unsubscribed bonds. At the same time the money lent out by the Bank of Japan reached the large sum of Yen 5,610,000,000. This sum may well tell half of the story of the inflation in the notes of the Bank of Japan."

The reasons for inflation or the causes of inflation are entirely natural. It is a part of wartime economic life. The rate of production increase does not run parallel with the rate of inflation. The price of goods is naturally increasing. A sum of money allocated for a certain production

does

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

does not result in immediate production. Money given to military supply production necessarily goes into the hands of civilians who will spend the money for their own needs or will return the money to the Bank in the form of savings. With the high cost of living, more money is needed in the market. Furthermore people are reserving some of the cash on hand for emergency needs in case of air raids.

The solutions to these problems are:

1. Be stricter and more careful in the use of government capital;

2. Pay more attention to how the money is used and watch where it is going and how it is being spent;

3. Make sure of a just and equitable distribution of income.

(True copy
Compared

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

894.51/2-1045

CROSS-REFERENCE FILE

NOTE

SUBJECT Submits information regarding two new series of government bonds issued in Norway.

jw

894.51/2-1045

FIS

For the original paper from which reference is taken

See Agm #259
(Despatch, telegram, instruction, letter, etc.)

Dated Feb. 10,1945 From ~~To~~ Bern

File No. 857.51/2-1045

U. S. GOVERNMENT PRINTING OFFICE 1—1540

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

WWB

LEGAL ADVISER
File WWB
FEB 28 1945
To Sen Wiley
DEPARTMENT OF STATE
Advise with Treasury 3-5-45 WWB

TREASURY DEPARTMENT

WASHINGTON

25

FOREIGN FUNDS CONTROL

In reply please refer to: 81003

To Lee

DIVISION OF FINANCIAL AND MONETARY AFFAIRS
FEB 24 1945
DEPARTMENT OF STATE

FEB 10 1945

5
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DEPARTMENT OF STATE
1945 FEB 22 AM 10 59
DIVISION OF COMMUNICATIONS AND RECORDS

DC/R

DEPARTMENT OF STATE
MAR 24 1945
DC/L
LIAISON OFFICE

Attention: Mr. W.H. Reeves

Dear Sirs:

Enclosed is a copy of a letter from the Honorable Alexander Wiley with a copy of a letter from one of his constituents, Mr. Charles R. Woods, containing an inquiry concerning Japanese and German bonds. Since the inquiry relates to claims it is being forwarded to you together with a copy of our reply.

Yours very truly,

L. C. Aarons
Acting Director

State Department

Washington, D.C.

Enclosures

State
863.5 Bondholders

894.51/2-1945

CS/D

FILED
MAR 24 1945

DCR - ECA Unit
Final
Dist.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

C
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UNITED STATES SENATE

80678

January 18, 1945

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury
Washington, D.C.

Dear Mr. Secretary:

I am attaching a letter and enclosure from Mr. Charles R. Woods, 46-15th Street, Fond du Lac, Wisconsin, concerning his inquiry regarding Japanese and German bonds.

With the return of the enclosed correspondence, will you kindly let me have a report in duplicate which I may transmit to Mr. Woods and oblige.

Sincerely,

/S/ Alexander Wiley

Alexander Wiley

ml
incl.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

C
O
P
Y

46-15th St.
Fond du Lac, Wisc.
Jan. 15th 1945

Hon. Alexnader Wiley,
U. S. Senator
Washington, D.C.

Dear Senator Wiley:

I am again writing you regarding the bonds, Japanese and German, left in my fathers estate totaling somewhere around $35,000.

The inclosed letter from Mr. Gamble will show that some thought is being given to this matter.

What claims if any have been placed against Foreign Funds and assets -- could you find out? Do you think it worth while looking into at this time?

Do you not agree that a bond is similar to a mortgage and is firt claim against a government.

Also this is important --- Do you think you could get a list of the Foreign Bond holders that is American citizens who hold alien enemy bonds. I know they have a list as we had to declare that we owned these bonds and that they were not registered in a Foreign country. If it is possible to obtain this list and it should be available to an American citizen. I will send you a list of the issues I am interested in

Very truly.

/S/ Charles R. Woods

Please return for my files.
A.W.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

C
O
P
Y

September 15, 1944

Dear Mr. Woods:

Reference is made to your letter of September 2, 1944, giving a short description of a plan to sell more War Bonds.

The plan which your propose is, briefly, for this Government to assume the bonded debt enemy countries owe to citizens of the United States and to pay the accrued interest and principal of that debt out of the German-owned assets in the United States which are either blocked by the Treasury under Executive Order 8389 as amended, or are vested by the Alien Property Custodian.

There are two major difficulties with your plan. First, Congress has not yet decided upon the policy with respect to the post-war disposition of enemy-owned assets in the United States; and, second, the total assets owned in Germany and claims asserted against Germany by United States exceeds considerably the German-owned assets in the United States.

This Department could not embark upon a program such as you suggest until after Congressional policy has been decided. Furthermore, in view of the dispartiy in total assets, to do as you suggest would be to given preferential treatment to certain groups insofar as their rights against Germany are concerned.

Sincerely yours,

Ted R. Gamble
National Director
War Finance Division

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

25 FEB 19 1945

In reply please
refer to: 80678

My dear Senator:

Reference is made to your letter of January 18, 1945, and enclosed correspondence from Mr. Charles R. Woods of Fond du Lac, Wisconsin.

In reply to Mr. Woods' inquiries, it is suggested that he be informed that this Department has not established any procedure for the receipt of claims against blocked property. It is the practice of this Department to refer inquiries relating to claims to the Department of State and accordingly, we are referring a copy of Mr. Woods' inquiry and your letter, to that Department with a copy of our reply.

Although the census of foreign property conducted on Form TFR-500 by this Department does not constitute a registry of claims, there is enclosed for Mr. Woods' information a copy of the latest compilation of statistics from the reports. The purposes of the census are set forth in an Article which appeared in the July 10, 1943 issue of Foreign Commerce Weekly, a copy of which is also enclosed.

A list of United States citizens holding bonds of enemy countries, such as Mr. Woods requests, has not been compiled. The information necessary to prepare such a list would have to be taken from the reports on Form TFR-500 on file with this Department. Because of the confidential nature of these reports, this Department has consistently maintained a policy of denying requests for information concerning them from persons other than the reporters themselves.

Yours very truly,

(Signed) Herbert E. Gaston

Acting Secretary of the Treasury

Honorable Alexander Wiley

United States Senate

Enclosures

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

25

March 19, 1945

In reply refer to
Le 894.51/2-1945

My dear Senator Wiley:

Reference is made to your letter of January 18, 1945 to the Secretary of the Treasury and to the correspondence enclosed therewith from Mr. Charles R. Woods of Fond du Lac, Wisconsin, regarding German and Japanese bonds in his father's estate, and to the reply dated February 19, 1945 signed by the Acting Secretary of the Treasury. As was stated in that reply the Treasury Department has referred to this Department a copy of your letter and Mr. Woods' inquiry, together with a copy of the Treasury Department's reply.

In so far as Mr. Woods' letter suggests the possibility that the Government of the United States might take up the matter of the bonds at the present time, it may be said that the Department does not ordinarily undertake to intercede with foreign governments on behalf of American nationals who have purchased the bonds of such governments. It is to be noted, moreover, that Mr. Woods does not state whether the bonds have matured or that there is any indication that there will be a default upon maturity. Furthermore, it is not possible under existing circumstances to take up with enemy countries claims which may be found to be valid, nor can the Department state when such a course may become practicable. Nevertheless, if Mr. Woods desires to furnish the Department information concerning the bonds, such information will be made of record in the Department for such future consideration as may be appropriate.

The Department

The Honorable

Alexander Wiley,

United States Senate.

894.51/2-1945
D/SC
894.51/2-1945

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

The Department is suggesting to American nationals who have property in enemy territory that they submit to it statements regarding such property along the lines indicated in the enclosed memorandum dated March 20, 1942. The filing of such statements is not to be regarded as the filing of formal diplomatic claims, but such information may be useful in connection with any post-war efforts to protect American interests. If Mr. Woods wishes to submit to the Department a statement concerning the bonds, he might well be guided by the enclosed memorandum, in so far as it is applicable. The information supplied should include the identification and description of the bonds, their face value and their purchase price, the facts concerning their acquisition by Mr. Woods' father and concerning their devolution upon the latter's death, the last payment of interest made on the bonds and how and when American citizenship was acquired by Mr. Woods, by his father, and by any other persons who have previously owned the bonds or to whom they may have passed upon the father's death.

Sincerely yours,

Dean Acheson

Acting Secretary

Enclosure:

Memorandum,
March 20, 1942.

A true copy of the signed original

WWB

Le:WWB:HR 3/5/45

HDK
DCL

MAR 6 1945

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

DEPARTMENT OF STATE

ASSISTANT SECRETARY

6/27

Mr. Clayton -

You will be interested in this report of a conversation between Mr. Grew & Mr. Morgenthau. Memo should be passed on to F.E.

Jno

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

SA/WP
A-C
FE
JA

ASSISTANT SECRETARY
A-C
JUN 26 1945
MR. DUNN
DEPARTMENT OF STATE

DEPARTMENT OF STATE

Telephone
Memorandum of Conversation

DATE: June 25, 1945

3631

SUBJECT: Directive on Japan

ASSISTANT SECRETARY
W. L. CLAYTON

PARTICIPANTS: Secretary of the Treasury, Mr. Henry Morgenthau, Jr.;
Acting Secretary, Mr. Grew

JUN 27 1945
A-C
DEPARTMENT OF STATE

COPIES TO: S; SA/WP; A-A; A-C; FE; JA

894.51/6-2545

Secretary Morgenthau telephoned this morning to say that under what was known as an "Informal Committee for Germany", headed by Mr. Clayton as chairman, we got out what everybody seemed to think was a pretty good directive. He said he understood that there was now a group, not headed by Clayton, getting out a directive on Japan, and that the Treasury Department, as well as the State Department, was wholly on the outside. Mr. Morgenthau said that the Treasury Department had a real interest in this directive and he would appreciate it if I would make some inquiries about the matter.

I told Secretary Morgenthau that the directive was not yet in final form and there would perhaps be modifications before it was sent out anywhere. I inquired if there was a financial angle in it, to which Mr. Morgenthau replied that there was a financial angle in all of these questions once we begin to occupy these countries, adding that the Army has a strong finance section. Mr. Morgenthau said that Treasury had been in on the directive for Germany and also on the one for Austria, and he wondered now why they were being excluded regarding Japan. Secretary Morgenthau said that they would like to get in on these things

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894.51/6-2545

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

things while they were still in the formative period. To an inquiry of Mr. Morgenthau as to why Clayton was not chairman of the group on Japan, I told him that Mr. Clayton was not conversant with the Japanese situation, and that in order to solve all the problems relating to this situation, it was necessary to know all about conditions in Japan, the psychology of the people and all the rest of it.

I told Mr. Morgenthau that this matter would have to be passed by our Staff Committee in the Department before we submitted it to anyone else. Mr. Morgenthau said that he and his assistants would like to have a look at it before it was too late. I said that nothing had as yet crystallized and that the question would have to be put to the War and Navy Departments. I added that we would let him have a look at the paper in due course.

Joseph C. Grew

U JCG:MA

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

25

March 19, 1945

In reply refer to
Le 894.51/2-1945

The Acting Secretary of State presents his compliments to the Secretary of the Treasury and refers to a letter of February 19, 1945 (Reference 81003), signed by the Acting Director of the Foreign Funds Control Division of the Treasury Department, transmitting a copy of a letter from Senator Wiley and a copy of a letter to Senator Wiley from Mr. Charles R. Woods, regarding German and Japanese bonds. A copy of the Department's reply to Senator Wiley is transmitted herewith.

Enclosure:

To Senator Wiley,

Le:WWB:HR
3/5/45

MAR 6 1945

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A true copy of the signed orig.

894.51/2-1945
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RNF

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894.51/3-145

CROSS-REFERENCE FILE

NOTE

SUBJECT Informs nine large banks in Tokyo, Osaka and Nagoya are to be consolidated.

rmc/dh

For the original paper from which reference is taken

See AGM #353
(Despatch, telegram, instruction, letter, etc.)

Dated March 1, 1945 From / ~~To~~ Bern

File No. 862.51/3-145

1—1540

894.51/3-145

LF

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

CROSS-REFERENCE FILE

NOTE

894.51/3-2345

SUBJECT Letter from J. T. Roche concerning possibility of realizing on his investments in Germany and Japan.

fp

894.51/3-2345

For the original paper from which reference is taken

See Letter
(Despatch, telegram, instruction, letter, etc.)

Dated March 23,1945 **From / To** James E. Murray, USS.

File No. 862.51 Bondholders/3-2345

U. S. GOVERNMENT PRINTING OFFICE 1—1540

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

46-15th St.
Fond du Lac, Wis
July 26th '45.

LEGAL ADVISER
19 AUG 20 1945
DEPARTMENT OF STATE

File 894.51/2

see letter of 8-11-45 to Senator Wiley, WMB
891.81/8-345

Department of State
Washington D.C.

Gentlemen;

I am forwarding information as indicated in a letter from your department written to Senator Wiley by Dean Acheson, dated March 19th 1945.

I am requesting protection on the investments made by the F.R. Woods Trust - This trust is held at Fond du Lac Wisconsin and Mr. A.T. Brenner is the present trustee.

I wish to call your attention to an item which appeared in Collier's magazine several months ago in which it is stated that the Foreign funds Control allowed a settlement to be made with some ~~turnicor~~ concern for damage to there plant due to an explosion during World War #1 and credited to enemy country.

If the above is so there is no good reason (outside of politics) why

Collier's 10/4/28/45 page 6 - 4th paragraph under "Reel" with "World"

894.51/7-2645

CS/MAC

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Rev. A
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Dist.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

I have not the right to be reimbursed for obligation assumed by enemy countries, or at least absolute protection.

I am getting to be an old man

I am broke the Treasury department is raising the dickens with me for 1943 unpaid tax taper - I can't work full time at labor and that is all I have been able to get.

I ask that the Foreign Funds Control be allowed to settle my affair. For instance - They could release all interest money due and either release the money for the bonds at par value or better still use the amount of money indicated by the bonds to be released from Foreign Funds and purchase War Bonds - Thus actually subscribing Foreign controlled money for Enemy held bonds - Thousands of American small investors would like this protection. I would like a job ~~put~~ putting this deal over.

Very truly
Charles R Woods

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

COPY-FGS

46 - 15th St.
Fond du Lac, Wisc.
July 26th, '45.

Hon. Alexander Wiley,
Senatorial Office Bldg.,
Washington, D. C.

Dear Senator Wiley:

On March 21st you wrote me a letter with enclosures from the State Dept. Under clip I am sending letter to State Department and answering such questions as pertain to my case.

I have been trying to get Mr. A. T. Brenner, the present Trustee to write a letter, but no success, guess he don't get anything but grief and therefore is not interested. Although he might have written you separately re this matter. Is that possible?

I am enclosing a clipping from Colliers magazine.

I cannot see why we are not entitled to protection and also why we cannot file a claim or lien against the frozen funds. My belief is that we are merely getting or making certain that these governments are forced to complete their transactions. If you investigate you will also find that our Government appointed Dawes and Young to O.K. these German loans making it all the more reasonable to expect their help.

Please look over the material I sent the State Dept. I am very hard-up as I cannot work the way I used to. I have requested if possible to release the over-due interest money.

To go back to an early letter of yours in which you said that only newspaper people could get names of German and Japanese bond-holders - You can see what a pressure it would be to get others to help us by writing letters to their representatives. I don't see why a Senator could not get a hundred or so names. Do you know G. A. De Witte, managing editor of a Washington paper, could not he get us some names. Mr. De Witte is a former Fond du Lac boy.

Thanking you for the interest you have shown.

Very truly,

(signed) Charles R. Woods.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Copy--FGS

PHIL A. WOODS SHARE OF F.R. WOODS ESTATE.

ORIENTAL DEVELOPMENT BONDS (guaranteed by the Japanese Government as to principal and interest)

8M- Oriental Development 6's due 3-15-'53 Serial number of bonds 6014, 17831, 18964, and 18965, 14052, 14053 and 14054 and 14051 together with 3-1-42 coupons and subsequent coupons are in default. Bond purchased by Trustee of the F.R. Woods estate for $7982.00

2M Oriental Development 5-1/2 s, due Nov. 1st '58 serial numbers 4208 and 4209 together with May 1st '42 and subsequent coupons are in default. Bonds purchased by the Trustee of the F.R. Woods estate for $1827.50.

7M Oriental Development 5-1/2's due Nov. 1-'58 Serial numbers 8182, 14741, 14727, 13176, 14221, 15787 and 13184 together with ex 5-1-42 and subsequent coupons are in default. Bonds were purchased by trustee of F.R. Woods estate for $3232.77

2M German 7 percent External Bonds due Oct. 15-'49 Serial numbers 04832 and 08691 together with Oct. 15th 1941 and subsequent coupons. These bonds were (?)by F. R. Woods at the time of his death in 1929 and therefore became part of his estate.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Copy - FGS

GERMAN GOVERNMENT BONDS AND ORIENTAL DEVELOPMENT BONDS (guaranteed by the Japanese Government as to principal and interest)

Charles R. Woods share of F.R. Woods Estate

11-M Oriental Development 5-1/2's due Nov. 1 - '58 Serial numbers 2943, 2944, 3015, 4206, 4207, 9276, 9277, 9278, 9279, 9280 and 11675 together with coupons as 5-1-42 and subsequent coupons are in default. The purchase price of these bonds were $10,289.75. These bonds were purchased for the estate under the trusteeship of the Commercial National Bank of Fond du Lac, Wisconsin

2 M German External 7 s (Dawes Loan) due 10-15-49 Serial numbers 086990 and 048321 and coupons as of 10-15-'41, together with subsequent coupons are in default. These bonds were held by F.R. Woods at the time of his death and became a part of his estate. Cost of these bonds were $1050.00 each and are carried by the estate at a value of $2037.50

6 M German Government 5-1/2's due June 1st 1965 - (Young Loan) Serial numbers C51786, C57577, C57579, C57580 (?), C57581 and C57578 - together coupons as of 12-1-41 and subsequent coupons. The bonds were purchased by the Trustee of the estate for $1523.04 and are carried at that value

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Copy-FGS

ANSWER TO FORM LETTER ISSUED BY DEPARTMENT OF STATE
March 20, 1942

(1) Two attached sheets show the information regarding these bonds.
These bonds are all registered with the government on forms issued for that purpose

(2) Value as listed according to trustee's report are mostly the actual cost at time of purchase altho in some cases municipal bonds of German cities were sold at a loss and the money reinvested in German government

(3) Information given on sheets to further inform you all these securities were purchased thru brokers on the open market in the U.S.

(6) At all times these bonds were held in the U.S. and were purchased purely as an investment for trust funds

(7) By far the greatest part of the bonds were purchased after 1929 by the trustee

(8) (9) Does not enter into our situation.

NOTE: I wish to state that bonds are not due as yet - but when a bond does not pay interest it is considered in default.
Citizenship of F.R. Woods: - Frank Woods was born at Auburn Corner - in Geauga (?) Co., Ohio. His grandfather fought with the Revolutionists in the Revolutionary War.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Copy-FGS

ANSWER TO FORM LETTER ISSUED BY DEPARTMENT OF STATE
March 20, 1942

(1) Two attached sheets show the information regarding these bonds.
These bonds are all registered with the government on forms issued for that purpose

(2) Value as listed according to trustee's report are mostly the actual cost at time of purchase altho in some cases municipal bonds of German cities were sold at a loss and the money reinvested in German government

(3) Information given on sheets to further inform you all these securities were purchased thru brokers on the open market in the U.S.

(6) At all times these bonds were held in the U.S. and were purchased purely as an investment for trust funds

(7) By far the greatest part of the bonds were purchased after 1929 by the trustee

(8) (9) Does not enter into our situation.

NOTE: I wish to state that bonds are not due as yet - but when a bond does not pay interest it is considered in default. Citizenship of F.R. Woods: - Frank Woods was born at Auburn Corner - in Geauga (?) Co., Ohio. His grandfather fought with the Revolutionists in the Revolutionary War.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

FREDERICK VAN NUYS, IND., CHAIRMAN
PAT. MCCARRAN, NEV.
CARL A. HATCH, N. MEX.
TOM CONNALLY, TEX.
JOSEPH C. O'MAHONEY, WYO.
ALBERT B. CHANDLER, KY.
HARLEY M. KILGORE, W. VA.
ABE MURDOCK, UTAH
ERNEST W. MCFARLAND, ARIZ.
BURTON K. WHEELER, MONT.
CHARLES O. ANDREWS, FLA.
WARREN R. AUSTIN, VT.
JOHN A. DANAHER, CONN.
ALEXANDER WILEY, WIS.
WILLIAM LANGER, N. DAK.
HOMER FERGUSON, MICH.
CHAPMAN REVERCOMB, W. VA.
KENNETH S. WHERRY, NEBR.
WILMA L. ABER, CLERK

LE

United States Senate

COMMITTEE ON THE JUDICIARY

August 3, 1945

The Secretary of State
State Department
Washington, D. C.

OFFICE OF THE SECRETARY
- o -
The Secretary wishes an acknowledgment sent immediately if this communication cannot be answered in three days.

LEGAL ADVISER
AUG 6 - 1945
DEPARTMENT OF STATE

Refer to:
Le 894.51/2-1945

My dear Mr. Secretary:

With reference to letter from Dean Acheson, Acting Secretary of State, dated March 19,,1945, I am enclosing another letter from Mr. Charles R. Woods, with enclosures, with reference to German and Japanese bonds.

With the return of the enclosures, will you kindly let me have a report in duplicate which I may transmit to Mr. Woods and oblige,

Sincerely,

Alexander Wiley

Alexander Wiley

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DIVISION OF
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AUG 14 1945

894.51/8-345

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894.51/8-345

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

25

In reply refer to
Le 891.81/8-345
844.51/8-345

AUG 11 1945

My dear Senator Wiley:

I refer to your letter of August 3, 1945, transmitting a letter to you dated July 26, 1945 from Mr. Charles R. Woods of Fond du Lac, Wisconsin, and a letter of the same date from Mr. Woods to the Department which was accompanied by data regarding his interest in German and Japanese bonds from the estate of his father, F. R. Woods.

As was indicated in the Department's letter to you dated March 19, 1945, the information supplied by Mr. Woods has been made of record for such possible future consideration as may be appropriate.

The Department is not as yet in a position to state what provisions may be made in the peace settlement with Germany and Japan with respect to such obligations. As you are no doubt aware, there will be many claims of different types against both those enemy countries, of which such bonds will probably form but a small part. The establishment of the necessary procedures for the determination of the validity and amount of claims against Germany and Japan by the various governments concerned, on their own behalf or on behalf of their nationals, will necessarily take some considerable time.

Inasmuch

FR
862.51 Bondholders

The Honorable
Alexander Wiley,
United States Senate.

DCR - OFD Unit
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844.51/8-345
CS/LE
844.51/8-345

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

Inasmuch as Mr. Woods' suggestions regarding the use of frozen funds for this purpose appear to involve questions falling primarily within the competence of the Treasury Department rather than within that of this Department, I am sending a copy of Mr. Woods' letter to that Department.

I am returning Mr. Woods' letter and data regarding his bonds, copies having been made for the Department's files.

Sincerely yours,

James F. Byrnes

Enclosures:

Mr. Woods' letter, July 26, 1945 and data regarding bonds.

Routine

MB

Le-WWBishop:FGS
8-9-45

AUG 11 1945

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

25

AUG 11 1945

In reply refer to
Le 891.81/8-345

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and refers to his letter dated March 19, 1945 (Le 894.51/2-1945) in reply to the letter of February 19, 1945 (reference 81003), signed by the Acting Director of the Foreign Funds Control Division of the Treasury Department, transmitting a copy of a letter to Senator Wiley from Mr. Charles R. Woods of Fond du Lac, Wisconsin, regarding certain German and Japanese bonds. A copy of the Department's reply to Senator Wiley was transmitted with the letter referred to.

The Secretary of State has received from Senator Wiley a letter dated August 3, 1945, transmitting a letter dated July 26, 1945 to him from Mr. Woods and another letter of the same date to the Department from Mr. Woods, furnishing the information requested in the final paragraph of the Department's letter of March 19, 1945. Inasmuch as Mr. Woods makes certain comments and suggestions regarding the use of frozen funds for the payment of such bonds, the Secretary of State transmits herewith a copy of Mr. Woods' communications and a copy of the Department's reply to Senator Wiley.

Enclosures:

1. From Mr. Woods to Senator Wiley
2. From Mr. Woods to Secretary of State (with enclosure)
3. From Secretary of State to Senator Wiley.

Le-WWBishop:FGS
8-9-45

AUG 11 1945

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : FN - Mr. McGuire

DATE: August 6, 1945

FROM : FE - Mr. Ballantine

SUBJECT: Financial Directive for Japan

This Document must be Returned to the RM/R Central Files

894.51/8-545

COMMENT

29 a. It is stated here that Bank of Chosen and Bank of Taiwan notes are to continue to be a part of the yen currency, while in 33 a (3) it is stated that the offices of the Bank of Taiwan and Bank of Chosen are to be closed. This appears to be inconsistent.

39 a (1). Would it not interfere seriously with ordinary administrative functions (which we desire to keep going) to "impound or block" all "property" of the "national, prefectural and local governments", even if property and assets are to be released under license soon after impounding?

39 a (3). It may be undesirable, both for political and economic reasons, to block or impound the properties and assets of the Japanese Imperial Household. It will be impossible to determine whether or not it will be politically desirable to impound such property and assets until further developments in the situation have taken place. Economically, it would appear undesirable to halt the activities of the Imperial Household Ministry, which operates much as does a large business house in administering the Imperial properties, which consist principally of forest land and shares in well-known concerns, such as the Bank of Japan and Nippon Yusen Kaisha. To stop this administration would throw thousands of Japanese out of work and would apparently accomplish no useful purpose. It is therefore suggested that the authority to impound or block these properties be made contingent upon instructions from Washington.

39 a (5). There is no organization known as "National Shinto" whose funds and properties could be impounded. However, funds will probably be found belonging to the Bureau of Shrines of the Ministry of Home Affairs, the Bureau which supervises the National Shinto shrines at home and abroad.

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State Dept
Japanese Affairs Division
From Dickover

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894.51/8-545

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Such funds should be impounded. Sectarian Shinto is under the supervision of the Ministry of Education, and as sectarian Shinto is classed as a religion, its funds presumably cannot be impounded.

39 a (7). The objective of this article is not understood.

40 a. This appears to be a very large order. Is it believed that men will be available to carry it out?

Officers of FE will be glad to discuss these questions with you any time on Tuesday morning.

JMB

JA:ERDickover:MP

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

In reply refer to
FN 894.51/10-2245

NOV 26 1945

My dear Mr. Christensen:

Reference is made to your letter of October 22, 1945, relative to your $1000.00 Imperial Japanese Government 5-1/2 percent bond due in 1965 and your $1000.00 City of Yokohama 6 percent bond due in 1961.

Your inquiry regarding the fate of your bonds cannot be answered definitively now, but the following may be helpful to your understanding of the Department's position.

In general, the Department considers that investment in foreign bonds is primarily a private transaction into which the purchaser voluntarily enters after calculating the risk involved. In case of default it is not the practice of the Department to negotiate directly for American holders, but the Department does endeavor to render such assistance as it appropriately can to them or their representatives. In this connection your attention may be called to the Foreign Bondholders Protective Council, Incorporated, 90 Broad Street, New York, New York, organized several years ago as a central representative body. The Council was established with the encouragement of the Department, but acts on its own responsibility. It is understood that the Council is now interesting itself in the situation of such obligations as those held by you, and you may wish to communicate with it regarding your bonds.

I think you will appreciate that the Department is unable to state at the present moment what provisions, if any, affecting such obligations may be

included

Mr. J. P. Christensen,
Port Angeles, Washington.

894.51/10-2245

CS/VJ 15748 10-22-45

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

included in the peace settlement, or what provisions for prior payment of claims arising from the war may be included therein. As you are no doubt aware, there will be many claims and demands of different types against Japan and against persons and municipalities in that country, of which such bonds as those owned by you will probably constitute only a small part.

However, the Department will make a record, for such consideration as may be appropriate, of the information previously sent in by you. If it should later be found appropriate for this Government to take any action with respect to such obligations, due announcement thereof will be made in order that interested American citizens may be properly informed. You will doubtless desire, therefore, to watch the public press for information regarding any developments that may affect your holdings.

Sincerely yours,

For the Secretary of State:

James C. Corliss, Assistant Chief
Division of Financial Affairs

FN:VWJones:gw 11/16/45 OFD LE JA ~~SLR~~

NOV 23 1945 P.M.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Port Angeles, Wash. October 22nd 1945

Department of State
Washington D.C.

LEGAL ADVISER
F.N. Mr. Carlisle, for action
OCT 31 1945
10-31-45
DEPARTMENT OF STATE

Re. Le 894.51/799

In connection with my Japanese Bonds I wonder if you could advise me in brief of the fate of my Japanese Bonds ($2000) and very much oblige

Yours Truly
J. P. Christensen.

DIVISION OF FINANCIAL AFFAIRS
NOV 1 1945
DEPARTMENT OF STATE

J. P. Christensen.
Port Angeles Wn.

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

OFFICE OF THE UNITED STATES POLITICAL ADVISER

Tokyo, Japan, November 24, 1945.

No. 76

Subject: Views of Finance Minister SHIBUSAWA.

DEPARTMENT OF STATE
JAN 7 - 1946
Division of Foreign Economic Development

DIVISION OF FINANCIAL AFFAIRS
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DEPARTMENT OF STATE

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DIVISION OF JAPANESE AFFAIRS
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DEPARTMENT OF STATE

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DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS
DEPARTMENT OF STATE
JAN 25 1946

DIVISION OF COMMERCIAL POLICY
JAN 25 1946
DEPARTMENT OF STATE

FEB 7 1946

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to transmit a report of an interview with Finance Minister Viscount SHIBUSAWA (appearing in the Jiji News Service on November 18) in which the Finance Minister is said to have:

> favored continuance of Government compensation to war industries for dissolved contracts;
>
> argued that discontinuance would be an act of financial bad faith and not in the "eventual interest" of the solution of inflation;
>
> disapproved "outright imposition" of a war profit tax, on grounds that the definition of war profits was difficult and that it was unfair to tax industry alone without taxing the working class;
>
> taken a pessimistic view of the practicality of a special property tax;
>
> said that the question of reparations "might drive national economy into a predicament;"
>
> admitted that redistribution of wealth is necessary but "the wealthy classes alone should not be forced to make sacrifices;"
>
> maintained that "the question of sharing among ourselves the means of production of capital goods should be discussed in a few years from now."

Although commented upon unfavorably by several prominent Japanese newspapers, Minister SHIBUSAWA has issued no denial or modification of these statements. There has been no publicity on the amount of Government payments in connection with

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

with cancellation of war contracts but various sources estimate them as already having reached between seven and twelve billion yen. It can be assumed that the bulk of these payments have gone to the major war producers, the zaibatsu firms.

Viscount SHIBUSAWA, who occupies the strategic position of Finance Minister in the present Cabinet, is himself the head of one of secondary zaibatsu families. He is a former Governor of the Bank of Japan and holds positions in Mitsui, Mitsubishi and Asano concerns.

Respectfully yours,

George Atcheson, Jr.

Enclosure:

From Jiji News Service,
November 18, 1945.

Original and duplicate, with reverse carbon, to Department.

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Enclosure to Despatch No. 76 of November 24, 1945, from the Acting Political Adviser to the Supreme Commander for the Allied Powers, Tokyo, Japan, on the subject "Views of Finance Minister SHIBUSAWA."

Source: Jiji News Service, November 18, 1945.

SHIBUSAWA DISFAVORS DISCONTINUATION OF WAR INDUSTRY COMPENSATIONS

Uji-Yamada, November 17 (Jiji). Proposals immediately to discontinue Government payments of compensations to war industries for dissolved contracts were disfavored by Viscount SHIBUSAWA Keizo, Finance Minister, in an interview with the press this morning aboard a train on his way here from Tokyo.

The Finance Minister left Tokyo last night and arrived here late this morning to worship at the Grand Shrines of Ise on the occa sion of his assumption of the Cabinet post.

The Government's continued payments of compensations to war industry plants have been under fire of criticism by the public on the grounds that they benefit war-boosted industrialists alone in contrast to the general public's severe loss from post-war economic dislocations.

Viscount SHIBUSAWA admitted that the questions of war profit and property taxes and war industry are being watched by the public with keen interest. He added that he himself had been studying these questions closely since his appointment to the Finance portfolio.

The Finance Minister, however, regretted that he was not yet in a position to divulge government programs to tackle them, adding that he hoped he would be able to make some announcement in a week or so.

"These issues are by no means simple," Viscount SHIBUSAWA sa id, "for instance, some people hold the view that the Government should discontinue payments of compensations to war industry companies, simply on the grounds that continuation of compensations payments would bring about collapse of our State finance or that it would have the effect of aggravating the current inflation."

"It is highly problematical," he continued, "whether or not a bad faith on the part of the Government by arbitrarily scrapping war industry contracts without compensation would eventually be in the interest of financial reconstruction or of solution of inflation."

Similarly, Viscount SHIBUSAWA disfavored the suggested outright imposition of war profit tax, pointing out that it is no simple job, in the first place, to define what are war profits. He s aid that war industry profits alone should not be picked up as war profits, while proposed war profit tax cannot be levied on what working classes in general had saved during the war.

In the opinion of Viscount SHIBUSAWA, the proposed property tax is not a simple one to levy either. "It may be possible," he said, "that those who have drawn their bank deposits to keep them in cash or who have converted their securities into movable property, in order to evade the property tax, may thereby profit."

"In view of

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

"In view of such possibilities," he went on to state, "therefore, the government, before taking action on the suggested taxes, must have a water-tight plan which would effectively block all channels of tax evasion."

If the property tax is to be levied at all, he said, "the Government's plan should be such that both cash and mova ble property may squarely be 'caught in the net,' and furthermore, such that imposition of the tax may tend to bring about deflation and result in the lowering of prices."

The whole business ought to be so operated that "anyone who buys high-priced blackmarket goods in an attempt to evade taxes may inevitably incur serious losses," Viscount SHIBUSAWA added.

"The question of financial reconstruction inevitably involves that of commodity prices," the Finance Minister also declared, "This is not only the question of determining on what level the ceiling is to be set to stabilize ever-mounting prices but also that of how to readjust the existing disorganized price system to reorganize it on a rational basis."

"Only an entirely new price system alone," he further declared, "can all economic activities be based. Similarly, on this basis alone can financial reconstruction be predicated. If the war profit and property taxes are to be levied, it must be done so in a way that it may contribute to reorganization of the price system on a rational basis. At the same time, it must be pointed out that these taxes themselves can be rational only when they are levied on a rational basis of the price system."

He said that he noted that many people are inclined to think inflation is a problem impossible to solve. "I do not subscribe to this view," he said.

"The question of inflation," Viscount SHIBUSAWA continued, "centers primarily around currency, government bods and deposits. All these factors of inflation boils down to the fact that a section of people holds a credit on the people in general or the State. As such, the question again boils down to one of distribution of wealth among the people of the same country."

"If all the people are genuinely determined to overcome the national crisis in a spirit in which they overcame wartime hardships," the Finance Minister further continued, "it should be no difficult question to settle."

In this connection, he pointed out that reparations represent an entirely different thing in that it involves some goods being taken out of this country.

In a certain case, therefore, he said, it is quite possible that the question of reparations might drive national economy into a predicament.

"I said that

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

"I said that inflation boils down to the question of distribution of wealth within this country," Viscount declared, "and therefore, it should eventually be solved by ourselves. By this I don't mean to say that the question should be solved at the cost of the wealthy classes alone."

He said that he does not subscribe to the view that the wealthy classes alone should be forced to make sacrifices in tiding over the country's economic difficulties.

"It goes without saying that redistribution of wealth must be undertaken in our country. What is more urgent for this country at the present moment, however, is how to secure and increase the minimum requirements of our daily necessities," he further declared.

"We must be on guard against the possible danger of causing troubles among ourselves," he warned, "over the issue of redistribution of wealth, thereby impairing our efforts to secure and increase the minimum requirements of daily necessities."

"Let us be frank about it. It is no time we should be quarrelling among ourselves, clamoring for our shares in what we have little. Instead what we should do at the moment is to endeavor to bring about whole-hearted cooperation among ourselves in the effort to make it possible for us all to have more of what we have little at present," he declared.

"In other words, all consumers' goods should be shared among ourselves on the principle of absolute equality--I refer to the distribution of principal foodstuffs and other daily necessities. I maintain, however, that the question of sharing among oursleves the means of production or capital goods should be discussed in a few years from now," Finance Minister SHIBUSAWA declared in conclusion.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

JCC FN

Port Angeles, Wash. Dec 1st 1945.

Department of State
Washington, D. C.
Attention: Mr. James C. Corliss
Assistant Chief Division Financ Aff.

F.N. 894.51/10-2245

Dear Sir: Your favor of 26th ult has been duly received by the writer; it was a reply to a letter of Undersigned requesting information on the status of Japanese Bonds.

Your letter is clear and informative on the Department's attitude in matters of foreign securities. I fully appreciate and commend the Department for their attitude and point of view relative to foreign investors.

Thanking you for your nice letter I remain

Yours very Truly
J. P. Christensen.

J. P. Christensen.
Port Angeles Wn

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DEPARTMENT OF STATE

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

OFFICE OF THE UNITED STATES POLITICAL ADVISER

Tokyo, Japan, December 29, 1945

DIVISION OF COMMERCIAL POLICY
DEPARTMENT OF STATE

No. 148

Subject: Transmitting Copy of Law for the Establishment of the Foreign Trade Fund.

DEPARMENT OF STATE
JAN 23 1946
Division of Foreign Economic Development

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DC/R RECORDS BRANCH

The United States Political Adviser has the honor to transmit copies of Law for the Establishment of the Foreign Trade Fund passed by the recent 89th Imperial Diet and promulgated on December 21, 1945.

DIVISION OF FINANCIAL AFFAIRS
JAN 14 1946
DEPARTMENT OF STATE

Enclosure:

Copy of law as stated.

Original and hectograph to Department.

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DIVISION OF JAPANESE AFFAIRS
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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

Enclosure to despatch no. 148 dated December 29, 1945, from the United States Political Adviser, Tokyo, Japan, on the subject "Transmitting Copy of Law for the Establishment of the Foreign Trade Fund".

Law for the Establishment
of the Foreign Trade Fund

No. XXVI

We hereby give Our sanction to the Law for the Establishment of the Foreign Trade Fund approved by the Imperial Diet and cause the same to be promulgated.

This twentyfirst day of the twelfth month of twentieth year of Showa.

Signed: Hirohito

Seal of Emperor

Countersigned: Baron Kijuro Shidehara,
Prime Minister

Viscount Keizo Shibusawa,
Minister of Finance

Sankuro Ogasawara
Minister of Commerce and
Industry

Law No. 53

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Article 1. A foreign trade fund is hereby established for the settlement of account due to the foreign trade by the Government.

Article 2. This fund is fixed at ¥50,000,000 to be set aside from the surplus due to the settlement of the fiscal year of 1944-45's accounts belonging to the special account for the adjustment of the exchange and trade.

Article 3. In cases of this fund proving insufficient, the Government, on the responsibility of the Exchange and Trade Adjustment Special Account, may make a loan in order to temporarily supplement the fund.

The loan specifies in the preceding paragraph, at the latest, must be refunded in the following fiscal year.

The Government may appropriate the surplus of the National Treasury, in stead of the loan specified in Paragraph 1, within the fiscal year in view.

Article 4. This fund may be utilized for the acquisition of various goods for the foreign trade, the foreign currency, or different goods as may be specified by the Imperial Ordinance.

All businesses concerning the operation of this fund, as specified by the Minister of Finance, shall be treated by the Bank of Japan.

Article 5. The fund operation profit and the accompanying miscellaneous revenue arising from the operation of this fund, as well as the business expenses, the fund operation commission, the accompanying various expenses and the fund operation losses arising from the operation of this fund, are placed under the exchange and trade adjustment special account.

In cases of necessity for the disbursement of the expenditure which, in accordance with the provision of the preceding paragraph, is placed under the exchange and trade adjustment special account in question, the Government may make a loan on the responsibility of the same account.

Article 6. In cases of the property belonging to this fund either being lost or reduced in value, the Government, irrespective of the provision of Article 4 of the Exchange and Trade Adjustment Law providing for the establishment of the special account for the exchange and trade adjustment and other measures, must redeem such loss or decrease in value, either by means of the surplus arising from the settlement of account belonging to the exchange and trade adjustment special account, or by means of this fund.

Supplementary Provision:

The present law shall come into force as from the day of its promulgation.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

ACTION COPY

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE

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DIVISION OF FINANCIAL AFFAIRS
MAR 1 1946

DEPARTMENT OF STATE

10288
PLAIN
London
Dated February 27, 1946
Rec'd 5:30 p.m.

OFFICE OF FINANCIAL AND DEVELOPMENT POLICY
FEB 28 1946
DEPARTMENT OF STATE

Secretary of State

Washington

2355, Twenty-seventh

FOR STATE AND TREASURY

Financial column of TIMES this morning reports and comments on reply by Chancellor of Exchequer in Parliament yesterday to an inquiry about possibility of a resumption of the service of Japanese loans. Characterizing his reply as showing "more than lack of sympathy" paper states "Mr. Dalton thought that the prospects were not very bright. Asked then if the government would do everything in their power to promote resumption of payments the Chancellor said, "I cannot imagine why any Britisher should own Japanese bonds at all", a retort which brought Mr. Eden to his feet with the question "Was it not of interest that we should try to get these loans?" To this Mr. Dalton replied that if there was anything to be screwed out of the Japanese there were a lot of stronger claimants than prewar holders of Japanese bonds".

TIMES comments "The Chancellor's oblique aspersion on the patriotism of the present holders of Japanese bonds is unfortunate. It is not only unfortunate but quite misplaced for many of the loans in question were issued in London when Japan was officially an ally of this country".

"Underlying his remarks however there would seem to be the familiar automatic assumption that the claims of prewar bondholders are of small consequence compared with those of say war damage or reparation payments --- in any case it is only from the prewar investments in Europe

and the

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894.51/2-2746

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

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

ACTION COPY

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE

INCOMING TELEGRAM

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DIVISION OF FINANCIAL AFFAIRS
MAR 1 1946
DEPARTMENT OF STATE

10288

PLAIN

London

Dated February 27, 1946

Rec'd 5:30 p.m.

OFFICE OF FINANCIAL AND DEVELOPMENT POLICY
FEB 28 1946
file
DEPARTMENT OF STATE

894.51/2-2746

Secretary of State

Washington

2355, Twenty-seventh

FOR STATE AND TREASURY

582
2-28-46
MAR - 6 1946
LIAISON OFFICE

Financial column of TIMES this morning reports and comments on reply by Chancellor of Exchequer in Parliament yesterday to an inquiry about possibility of a resumption of the service of Japanese loans. Characterizing his reply as showing "more than lack of sympathy" paper states "Mr. Dalton thought that the prospects were not very bright. Asked then if the government would do everything in their power to promote resumption of payments the Chancellor said, "I cannot imagine why any Britisher should own Japanese bonds at all", a retort which brought Mr. Eden to his feet with the question "Was it not of interest that we should try to get these loans?" To this Mr. Dalton replied that if there was anything to be screwed out of the Japanese there were a lot of stronger claimants than prewar holders of Japanese bonds".

TIMES comments "The Chancellor's oblique aspersion on the patriotism of the present holders of Japanese bonds is unfortunate. It is not only unfortunate but quite misplaced for many of the loans in question were issued in London when Japan was officially an ally of this country".

"Underlying his remarks however there would seem to be the familiar automatic assumption that the claims of prewar bondholders are of small consequence compared with those of say war damage or reparation payments --- in any case it is only from the prewar investments in Europe

and the

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

PLAIN

and the Far East that any big increase in United Kingdom oversea investment income can be looked for to relieve this country's international financial difficulties. Is this not of national interest? It is going to be a poor lookout for the bondholders if it is not. If confiscation is to follow automatically on a change in political relations, yet this seems to be the ultimate implication of Mr. Dalton's reply".

GALLMAN

WTD

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Japan: Finance: Loans

DIVISION OF CENTRAL SERVICES TELEGRAPH SECTION

ACTION COPY

DEPARTMENT OF STATE

INCOMING TELEGRAM

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402

DIVISION OF FINANCIAL AFFAIRS
MAR 5 1946
DEPARTMENT OF STATE

PLAIN

London

Dated March 1, 1946

Rec'd 9:57 P.M., 1st

No action necessary

SECSTATE

2479, First.

OFFICE OF FINANCIAL AND DEVELOPMENT POLICY MAR 4 1946 DEPARTMENT OF STATE

DEPARTMENT OF STATE 3-2 TREAS COM MAR 2 1946 DC/L LIAISON OFFICE

FOR STATE AND TREASURY AND EMBASSY AND TAYLOR.

Strong protests continued to be raised in the financial press against the statement of the Chancellor of the Exchequer concerning the possible resumption of the service of Japanese loans as a result of the statement according to the FINANCIAL TIMES Japanese bonds slumped some 20 percent of their market value with substantial relapses in German and other ex-enemy bonds and general uncertainty among foreign issues.

DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS DEPARTMENT OF STATE MAR 6 1946

The FINANCIAL TIMES comments in part:

"Feeling in the market was that if all ex-enemy bonds are to be treated so cavalierly by the government confidence in the market for bonds of foreign nations constituting an important part of our remaining foreign investments would be destroyed. How were investors to tell which nation may become "ex-enemy" one day.

"The damaging effect of the Chancellor's statement was instanced yesterday in the case of Brazilian bonds. Directly owing to his remarks Brazilian bonds were sold and declined with the result that the Brazilian Government was able to make its substantial repurchases for sinking fund purposes at cheap prices to the national loss."

It was pointed out that all the Japanese loans were raised in this country under the soundest auspices when Japan was an ally of Britain. The 1924 issue arose out of the earthquake in 1923 and the five and a half per cent 1930 stock represented a refunding of the 1905 loan floated during the Russo Japanese war.

"In connection

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-2-#2479, First, from London

"In connection with German loans it was pointed out that the 1930 Young loan represented an actual funding of reparations the proceeds of which went to the British Treasury and were used for the national purposes. Could the Chancellor imagine I was asked why investors in this country held this "ex-enemy" stock.

"It is interesting to note that the German Dawes and Young loans were both issued at a time when a Labour Government was in power the Dawes loan in 1924 and the Young loan in 1930.

"A statement of this nature coming at a time when the countrys remaining foreign investments are a precious asset was particularly deprecated as it implies that the British Government has little care for UK assets held abroad and almost invites foreigners to default on their debts to this country."

The press generally agrees that the prospects for Japanese bonds are not bright. It is urged, however, that the bondholders claims must not be summarily dismissed but should be carefully weighed up with all other claims on Japanese reparations. The FINANCIAL TIMES suggests that in equity a strong case can be made for bondholders claims to take precedence over reparations. Editorial comment in the FINANCIAL TIMES is concluded as follows:

"Having regard to the manner in which these loans are charged can holders fairly be asked to subordinate their claims to those which are arising as a result of the last war if the government view is that they can (as must be assumed unless Mr Dalton is disclaimed quickly) then private claims should not be so subordinated to reparations that the individual bondholder is left to bear the loss otherwise reparations would be paid not only by the vanquished but also by his creditors including the victors own citizen. Of course a scaling down of bonded debts of the ex-enemy countries may prove necessary in the light of their capacity to pay once their economies have reached some sort of order again. But since such a course would be the direct result of the war should not the nation

bear the

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-3-#2479, First, from London

bear the burden of any loss rather than the individual bondholder who can ill afford to make the gesture even in the national interest. In the nation inflicts the loss and takes the reparations the nation should face the liability."

WINANT

MP

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DIVISION OF FINANCIAL AFFAIRS
MAR 1 1946
DEPARTMENT OF STATE

File 883 3-15-46

DEPARTMENT OF STATE MAR 11 1946 LIAISON OFFICE

FROM

LONDON

DATE March 6, 1946.

RECD. 9:11 a.m., Mar.14

UNRESTRICTED.

Secstate

Washington

A-235, March 6, 1946

OFFICE OF FINANCIAL AND DEVELOPMENT POLICY
MAR 1 5 1946
DEPARTMENT OF STATE

Reference is made to the Embassy's telegram No.2479, March 1, and Embassy's report No.288, March 2, 1946, subject: "1944 and 1945 Annual Reports of the Council of Foreign Bondholders and Council's Reaction to Mr. Dalton's Statement on Japanese Bonds".

On March 4 dealers in the Foreign Bond Section of the Stock Market sent a protest to the Stock Exchange Council against Mr. Dalton's statement on Japanese Bonds. Other bodies, including the Association of Investment Trusts, the British Insurance Association, and Council of Foreign Bondholders, have sent protests to the Chancellor of the Exchequer.

With regard to these protests, the following conjectures of Paul Einzig, published in the Financial Times, March 5, are quoted for what they are worth:-

"It is now possible to form a clearer idea about the attitude of the Chancellor of the Exchequer towards British-owned foreign loans. There is every reason to believe that his hostile reference to Japanese loans did not indicate his general attitude towards foreign loans, and that under him the Treasury will uphold the bondholders' claims against defaulting foreign debtors.

On the other hand, his statement indicating that in his view the claims of holders of Japanese

bonds/

894.51/3-646

APR 9 1946

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

A-235 / 1504 //

bonds ranked behind many other claims did indicate his considered attitude in the matter of the priority of reparations claims over pre-war claims. He is known to have held such views even before he came to the Treasury, though in the Coalition Government his views were over-ruled by those of members of the War Cabinet who had favoured the priority of bondholders' claims.

Now that Mr. Dalton is Chancellor of the Exchequer and a leading member of the Cabinet he is certainly in a position to make his views prevail, all the more so as those Ministers who, in the Coalition Government, were in favour of conceding priority to pre-war claims are no longer in the Government.

There can be no doubt that Mr. Dalton's attitude also applies to claims against Germany. It is not possible to ascertain, however, what views he takes of the Dawes and Young Loans, both of which had been issued under the patronage of the Treasury under a Labour Government."

GALLMAN

Mainton/jrm

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DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE

CTC -W

INCOMING TELEGRAM

PLAIN

London

Dated March 6, 1946

Rec'd 4:42 p.m., 6th

ACTION: DC/R
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2668, Sixth

Reference MYTEL 2479, March 1 and Embassy's airgram A-235 March 6, 1946.

In answer to questions in House of Commons on March 5 Mr. Dalton added little to his previous statement on compensation to holders of Japanese bonds except to inform House that he was going to discuss the problem with representatives of Council of Foreign Bondholders Association of Investment Trusts and the British Insurance Association. Hansard excerpts by airmail.

GALLMAN

MP

PLAIN

894.51/3-6-46

FILED
MAR 8 - 1946

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DC/R ROUTING SLIP

FROM Tokyo

NO. # 393

ACTION FR / FN

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UNITED STATES POLITICAL ADVISER
FOR JAPAN

DIVISION OF FOREIGN AND ECONOMIC AFFAIRS
DEPARTMENT OF STATE
JUN - 3 1946

DIVISION OF FINANCIAL AFFAIRS
MAY 16 1946
DEPARTMENT OF STATE

No. 393

Tokyo, April 25, 1946

SUBJECT: Application of Emergency Financial Measures and Proposed Tax Laws to Foreign Nationals

RECEIVED
DEPARTMENT OF STATE
APR 29 1946
FOR BRANCH

The United States Political Adviser has the honor to report that on March 2 this Mission forwarded to the Chief of Staff of this Headquarters copy of a letter from the Yokohama Branch of this Office (a copy of which is enclosed), in which information was requested in order to be able to reply to inquiries from American citizens in Japan who are not connected with the occupation forces, whether the emergency financial measures recently put into force by the Japanese Government are applicable to American citizens.

There is enclosed a copy of a memorandum dated March 28, 1946, from the Chief of Staff replying to our inquiry. It is stated in this reply that the emergency financial regulations are applicable to all "private foreign nationals (Allied as well as non-Allied)", who were permanently domiciled in Japan prior to September 1, 1945, and who are not "specifically accredited by the Supreme Commander for the Allied Powers to perform duties which he considers necessary". It is also stated that Allied and neutral nationals who have been given permission since September 1, 1945, to enter Japan for purposes of interest to the Allied nations "will be extended the same privileges as military personnel and persons assimilated to military personnel".

There is also enclosed a copy of our memorandum to the Chief of Staff dated February 18, 1946, in which there are presented questions raised informally with this Mission by the Swiss Diplomatic Representative in Japan, and by Mr. Oscar Morland, Chief Political Adviser to the Personal Representative of the British Prime Minister in Japan. These matters had to do primarily with the exemption of official and personal funds of diplomatic officials of neutral governments and with the question whether foreign firms or foreign nationals would be exempt from the proposed new taxes and capital levy in Japan. The Chief of Staff replied on March 4, 1946, in a memorandum, copy of which is also enclosed, to the effect that the Japanese Government has agreed to exempt "from deposit blocking" official and personal funds of all duly accredited Allied and neutral diplomatic and consular personnel. It was stated that in regard to the question of exemptions of foreign firms or foreign nationals from the proposed new taxes and capital levy, the matter was still under consideration and no decision has yet been

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been reached. In this connection, it may be noted that this Mission expressed previously to SCAP the informal opinion that the treatment of foreign firms and foreign nationals under the proposed new tax laws was a matter which should appropriately be referred to Washington for decision at a Governmental level, especially in view of the probable international complication. Such reference has been made by priority telegram of March 23 to the Chief of Staff for the Joint Chiefs of Staff.

Enclosures:

1. Letter from Yokohama Branch Office, February 27, 1946.
2. Memorandum from Chief of Staff, March 28, 1946.
3. Memorandum to Chief of Staff, February 18, 1946.
4. Memorandum from Chief of Staff, March 4, 1946.

Original and hectograph to Department

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

Enclosure No. 1 to despatch No. 393 dated April 25, 1946, from the United States Political Adviser for Japan, Tokyo, on the subject "Application of Emergency Financial Measures and Proposed Tax Laws to Foreign Nationals".

COPY

Yokohama Branch of the Office
of the U.S. Political Adviser
% Hdqrs Eighth Army, APO 343
Yokohama, Japan
February 27, 1946

Max W. Bishop, Esquire
Acting U.S. Political Adviser
SCAP
APO 500

Sir:

This office has received several inquiries from American citizens who are resident in Japan and who are not connected with the Occupation Forces, asking if the new currency restrictions and freezing of bank deposits are applicable to them. They point out that it would be impossible for them to maintain anything even remotely approximating an American standard of living if they were limited to an income of but ¥300 per month for a family-head and ¥100 for each additional member of the family.

It would be appreciated if you would furnish this office with the information necessary to reply to these inquiries.

Very truly yours,

(U. Alexis Johnson)
U. Alexis Johnson
American Foreign Service
Officer in charge

MW/kah
851.5

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

Enclosure No. 2 to despatch No. 393 dated April 25, 1946, from the United States Political Adviser for Japan, Tokyo, on the subject "Application of Emergency Financial Measures and Proposed Tax Laws to Foreign Nationals".

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
28 March 1946

MEMORANDUM FOR: The United States Political Adviser

SUBJECT : "Freezing Regulations" as applied to American Citizens.

In reply to your letter of 2 March 1946 concerning the Japanese Emergency Financial Measures Ordinance and the exemptions from it which may be granted American citizens in Japan who are not connected with the occupation forces, the regulations of the Japanese Government apply as follows:

a. Private Foreign nationals (Allied as well as non-Allied) with permanent domicile in Japan established prior to 1 September 1945 and who are not specifically accredited by the Supreme Commander for the Allied Powers to perform duties which he considers necessary, shall be subject to the provisions of the Japanese Emergency Financial Measures Ordinance. Allied and non-Allied nationals in the category of this paragraph who are without current income from salaries and wages shall be permitted to pay for any special food rations which the Japanese Government may extend to them voluntarily or under SCAP directive by withdrawal of cash from their bank accounts or by use of restricted check.

b. Allied and Neutral nationals who have obtained permits from General Headquarters, Supreme Commander for the Allied Powers to enter Japan since 1 September 1945 for purposes of interest to the Allied Nations will be extended the same privileges as military personnel and persons assimilated to military personnel.

(S.J.Chamberlin)

S. J. CHAMBERLIN
Maj. Gen., GSC
Acting Chief of Staff

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

Enclosure No. 3 to despatch No. 393 dated April 25, 1946, from the United States Political Adviser for Japan, Tokyo, on the subject "Application of Emergency Financial Measures and Proposed Tax Laws to Foreign Nationals".

COPY

OFFICE OF THE UNITED STATES POLITICAL ADVISER

Tokyo, Japan, February 18, 1946.

MEMORANDUM FOR: Chief of Staff.

Mr. Pierre Micheli, Swiss Diplomatic Representative in Japan, called this morning and asked the following questions in regard to Japanese recent regulations concerning issuance of new Japanese currency and proposed new taxes and a capital levy:

(1) How are the personal and official funds of neutral governments and their officials to be converted and do the restrictive regulations apply to these funds?

(2) In view of the inability of foreign nationals to exist in Japan on the small allowance of 300 Yen a month, are the restrictive regulations to apply to foreign nationals and foreign firms?

(3) Are any exemptions to be made for foreign firms or foreign nationals in the proposed new taxes and capital levy in Japan?

With regard to the third question, Mr. Micheli pointed out that Swiss firms in Japan during the war had been unable to conduct their business in a normal manner and had been operating at a loss. They were therefore in no position to meet the probable high taxes without complete liquidation of their businesses. He mentioned in particular the firms of Nichisui, Leibermann, Walchli, Nestle S.A., all of Kobe; Siber Hegner, Kobe and Yokohama; and Schulthess and Company (formerly Charles Rudolph), Yokohama.

We informed Mr. Micheli that, in accordance with his specific request, we should be glad to lay these questions before SCAP, but it was suggested that he should himself approach SCAP through the regular liaison channels of G-2.

Mr. Oscar Morland, of the British Liaison Mission, has informally raised similar questions regarding British nationals residing in Japan.

Max W. Bishop
Foreign Service Officer in Charge

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MWBishop:vs

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

Enclosure No. 4 to despatch No. 393 dat
the United States Political Adviser for
subject "Application of Emergency Financia 1946, from
posed Tax Laws to Foreign Nationals". on the
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COPY

SUBJECT: Exemption of Certain Categories of Funds 1946
Blocking.

MEMORANDUM FOR UNITED STATES POLITICAL ADVISOR.

1. With reference to your memorandum of 18 Februa
requesting information on exemptions from the deposit bl
program, Imperial Japanese Government has agreed to the
ing exemptions from deposit blocking:

a. Official funds of all Allied and neutral gov
ments are exempt from blocking, and are permitted to be con
verted into or withdrawn in new currency.

b. Personal funds of duly accredited diplomatic an
consular personnel, of Allied and neutral nations are also
exempted from blocking and may be withdrawn in new currency.
This exemption is strictly limited to foreign nationals on of-
ficial missions for their own governments and duly accredited
to SCAP: it does not extend to nationals of Japan or of a third
country working temporarily for a duly accredited foreign re-
presentative or mission.

c. Private foreign nationals with permanent domicile
in Japan will be treated on the same basis as Japanese nation-
als, except that in those cases where a special food ration is
given to foreign nationals, either by the Imperial Japanese
Government on its own initiative or in compliance with SCAP
directive, permission will be given to withdraw funds necessary
to purchase the special ration in cash or by restricted check
as the case may require.

2. With reference to your question on exemptions for foreign
firms or foreign nationals from the proposed new taxes and capital
levy, this matter is still under consideration and no decision
has yet been made.

(S.J.Chamberlin)
S. J. CHAMBERLIN
Major General, GSC
Acting Chief of Staff

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

JAN 16 1947

In repl
FN

National City Bank of New York
New York, New York

Attention: Mr. R. W. Doyle
Assistant Comptroller

Sirs:

Reference is made to your letter of September 10, 1946, relative to the notice in the New York Times of August 2, 1946, regarding the filing of statements by American holders of securities or obligations of Japanese business enterprises.

The notice to which you refer was apparently motivated by a Press Release by the Department, dated August 1, 1946. The Department's release was intended to refer to equity in Japanese enterprises, rather than to notes, drafts or other documents evidencing a debtor-creditor or contractual relationship, which the Department would assume holders will enforce by availing themselves of the usual methods, when resort to such measures becomes practicable.

It is regretted that the reply to your inquiry has been so long delayed.

Very truly yours,

For the Secretary of State:

James C. Corliss, Assistant Chief
Division of Financial Affairs

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Rock Hall Md.
8/12/46

FN

~~FN~~

DC

Division of Foreign Service Administration
State Dept.
Washington D. C.

DIVISION OF JAPANESE AFFAIRS
AUG 26 1946
DEPARTMENT OF STATE

Gentlemen:

In accordance with your request of August 1st 1946, that holders of Japanese dollar securities file their holdings with you, I own the following bonds:-

9M Imperial Japanese Govt. 6 1/2 1954

any information you might have as to the possible value of these securities will be appreciated.

Yours truly,
Harry C. Green

894.51/8-1946

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

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In reply refer to
FN

My dear Mr. Green:

Reference is made to your letter of August 12, 1946, relative to certain Imperial Japanese Government dollar bonds due in 1954, which you hold.

Apparently your inquiry was motivated by a Press Release by the Department dated August 1, 1946. This Release was intended to refer to equity interests in Japanese companies rather than to bonds issued by the Japanese Government.

A definitive statement regarding the future position of Japanese dollar bonds is not now possible, but the following may be helpful to your understanding of the Department's policy with reference to such obligations.

The Department considers that investment in foreign securities is primarily a private transaction into which the purchaser voluntarily enters after calculation of the risks involved. In the case of securities issued by private entities, it is expected that holders will attempt to secure compliance with the contractual terms through the usual channels when resort to such measures becomes possible.

In case of default on dollar bonds guaranteed by or issued by a governmental entity, while the Department does not negotiate directly on behalf of American holders, it does endeavor to render such assistance as may be appropriate to such holders or their representatives. In this connection, attention may be called to the Foreign Bondholders Protective Council, Incorporated, 90 Broad Street, New York, New York, established several years ago to

serve

Mr. Harry Green,
Rock Hall,
Maryland.

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

serve as a central representative body. The Council was created with the encouragement of the Department, but operates on its own responsibility. It is understood that the Council is interesting itself in such securities as your Japanese Government bonds, and you may wish to write to it in this connection.

I think you will appreciate that the Department is unable to state at the present moment what provisions, if any, affecting such obligations may be included in the peace settlement, or what provision for prior payment of claims arising from the war may be agreed upon. As you are no doubt aware, there will be many claims and demands of different types against Japan and against persons and municipalities in that country, of which such bonds as those owned by you will probably constitute only a small part.

However, the Department will be glad to make a record, for such consideration as may be appropriate, of any information you may send to it regarding your holdings. This should include, in addition to the data contained in your letter, the face value, the purchase price, the manner and date of your acquisition of these securities, the date of the last interest payment, and the manner (whether by birth or naturalization) and date of your acquisition of American citizenship. In case you acquired citizenship by naturalization, the number of your naturalization certificate and the name and location of the court in which you were naturalized should also be stated.

If it should later be found appropriate for this Government to take any action with respect to such obligations as those you own, due announcement thereof will be made in order that interested American citizens may be properly informed.

Sincerely yours,

For the Secretary of State:

JC

James C. Corliss, Assistant Chief
Division of Financial Affairs

NOV 18 1946 F.M.

FN:VWJones:gs
10/30/46

OFD
JK

Lucy

A true copy of the signed original

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

Rock Hall
Maryland

Division of Foreign Service Administration
State Dept -
Washington D.C -

Let. redrafted
gv. purposes: gs
10/26/46

DIVISION OF FOREIGN SERVICE ADMINISTRATION
AUG 14 1946
DEPARTMENT OF STATE

Gentlemen -

In accordance with your request of August 1st 1946, that holders of Japanese dollar securities fill their holdings with you, I own the following bonds: -

3 M Imperial Japanese Govt - 6½ / 1954

Any information you might have as to the possible value of these securities

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

Will be appreciated

Very truly yours

Helen R. P. Green

August 13th 1946

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

DEC 6 1946

In reply refer to
FN

My dear Mrs. Green:

Reference is made to your letter of August 13, 1946, relative to certain 6-1/2% Imperial Japanese Government bonds due in 1954, which you hold.

Apparently your inquiry was motivated by a Press Release by the Department dated August 1, 1946. This Release was intended to refer to equity interests in Japanese companies rather than to bonds issued by the Japanese Government.

A definitive statement regarding the future position of Japanese Government dollar bonds is not now possible, but the following may be helpful to your understanding of the Department's policy with reference to such obligations.

The Department generally considers that investment in foreign bonds is primarily a private transaction into which the purchaser enters after calculation of the risks involved. In case of default on dollar bonds issued or guaranteed by foreign Governments, it is not the practice of the Department to negotiate directly for American holders, but it does endeavor to render such assistance as it appropriately can to them or their representatives. In this connection your attention may be called to the Foreign Bondholders Protective Council, Incorporated, 90 Broad Street, New York, New York, which was established several years ago as a central representative body. Although the Council was organized with the encouragement of the Department, it acts on its own responsibility. It is understood that the Council is now interesting itself in such bonds as those held by you, and you may wish to write to it in connection with your holdings.

You

Mrs. Helen R. P. Green,
Rock Hall,
Maryland.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

You will appreciate that the Department is unable to state at the present moment what provisions, if any, affecting such obligations may be included in the peace treaty or what arrangement for prior payment of claims and demands arising from the war may be made. As you probably know, there will be many such claims and demands against Japan and against persons and municipalities of that country, of which such bonds as those mentioned by you will probably constitute only a small part.

Nevertheless, the Department will make a record, for such consideration as may be appropriate, of any information you may submit regarding your bonds. In addition to the information contained in your letter of August 13, 1946, it is suggested that you furnish the Department with the pertinent details regarding the face value, the date of the last interest payment, the manner and date of acquisition, the purchase price and the manner (whether by birth or naturalization) and date of your acquisition of American citizenship. If it should later be found advisable that American holders take any further steps in connection with such obligations, due announcement will be made in order that the holders may be properly informed.

The Department very much regrets the delay in replying to your inquiry.

Sincerely yours,

For the Secretary of State:

James C. Corliss, Assistant Chief
Division of Financial Affairs

FN:VWJones:gs
11/26/46

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CR

DEC 8 1946 F.M

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

FN

NOV - 8 1946
DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

NOV 13 1946

UNRESTRICTED

No. 313

To the

United States Political Adviser to the Supreme

Commander for the Allied Powers,

Tokyo.

The Secretary of State transmits herewith copies of an excerpt from a letter dated August 13, 1946, and of the enclosures thereto, addressed to the Department by the Foreign Bondholders Protective Council, Incorporated, relative to the American interest in Japanese dollar bonds floated in the United States. The Political Adviser will note that part of this interest may pertain to Japanese companies that may be affected by the monopoly dissolution program, and is therefore reported as requested in telegram C-62853 of July 9, 1946. The remaining interest, represented by bonds of the Japanese Government and Japanese Municipalities, will provide the Political Adviser with data regarding the nature and extent of American holdings of such bonds.

This correspondence is forwarded for the information and use of the Political Adviser and of the appropriate section of the Staff of the Supreme Commander for the Allied Powers, and for whatever action may be deemed appropriate at this time in the protection of the American interest involved.

There are also enclosed two copies of the Report of the Foreign Bondholders Protective Council, Incorporated, covering the activities of the Council in the years 1941-1944, inclusive. The origin and purposes of the Council are described on page XIV of this report. It is the policy of the Department to give to the Council, as the representative of American holders of dollar bonds issued or guaranteed by foreign governments or their political subdivisions, such assistance as it properly can.

Enclosures:

As above-described.
(Letter and enclosures are 2 copies of report attached)

FN:JCCorliss:gs-11/4/46

A true copy of the signed original.

Dist.

894.51/8-1346

NOV 13 1946

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

EXCERPT FROM LETTER OF FOREIGN BONDHOLDERS PROTECTIVE COUNCIL, INCORPORATED, TO DEPARTMENT DATED AUGUST 13, 1946

"There is enclosed a statement which may give the information the Department had in mind as to the ten dollar bond issues of Japanese corporations, three of which carried the guarantee of the Imperial Japanese Government at the time of their issuance, and seven of which were assumed by the Japanese Electric Generation and Transmission Company and the Imperial Japanese Government. We were able to arrive at the amount of bonds held in Japan through reports from the Fiscal Agents, including the Yokohama Specie Bank, before it was in liquidation, by means of the cancelled coupons which were presented in lieu of cash at the last interest date for which funds were made available in 1941. We believe these figures to be reasonably accurate, and by deducting the principal amount of bonds, as represented by those cancelled coupons, we have arrived at a balance of $43,534,500 outstanding bonds for these ten issues held other than in Japan. You will, of course, note from the enclosures that the Mitsui Bank Ltd. is Trustee for four of these corporate issues, and that the Industrial Bank of Japan is Trustee for three, both trustees, of course, being Japanese institutions.

Sincerely yours,

A. H. Wylie, /s/
A. H. Wylie,
Secretary."

Enclosures.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

TRUSTEES FOR DOLLAR LOANS

According to the indentures covering the loans listed hereafter, Japanese banking corporations were not only trustees, but the bond contract itself was made between the obligor and the Japanese banking institutions as trustees, as follows:

Mitsui Bank, Ltd. as Trustee for -

Nippon Electric Power Co. Ltd. 6-1/2% 1928-1953
Toho Electric Power Co. Ltd. 7% 1925-1955
Tokio Electric Light Company, Ltd. 6% 1928-1953
Shinyetsu Electric Power Co. 6-1/2% 1927-1952

Industrial Bank of Japan, Ltd. as Trustee for -

Great Consolidated Electric Power Co. Ltd. 7% 1924-1944
Great Consolidated Electric Power Co. Ltd. 6-1/2% 1925-1950
Ujigawa Electric Power Co. Ltd. 7% 1925-1945

Yokohama Specie Bank, Ltd. as Trustee for -

Imperial Japanese Government 6-1/2% 1924-1954
Imperial Japanese Government 5-1/2% 1930-1965
Tokio, Gtd. by Japanese Govt., 5-1/2% 1927-1961
Yokohama, Gtd. by Japanese Govt. 6% 1926-1961
Taiwan Electric Power, Gtd. by Japanese Govt. 5-1/2% 1931-1971

The loan contracts for these five issues, for which the New York Agency of the Yokohama Specie Bank, Ltd. is Fiscal Agent of the obligor, provide for the continuation of that Agency so long as any bonds are outstanding, or that the obligor will designate a Successor Fiscal Agent in the Borough of Manhattan, City of New York, notice thereof to be given the purchasers or their successors.

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FISCAL AGENTS FOR DOLLAR LOANS

Yokohama Specie Bank Ltd. (in N. Y.) in liquidation by N. Y. State Banking Commission.

		Total Outstanding	Presumably Held Outside Japan
2 Natl.	Imp. Japanese Govt. 6-1/2	93,914,700	30,880,300
	Imp. Japanese Govt. 5-1/2	58,740,000	11,879,500
2 Munic.	Tokio 5-1/2	12,438,000	1,368,400
	Yokohama 6	12,464,000	1,163,000
1 Corp. Gtd.	Taiwan El. Pwr. 5-1/2	19,573,000	3,935,000
		197,129,700	49,226,200
Dillon, Read & Co.			
3 Corp. Gtd.	Great Consol. 7	2,397,000	1,132,000
	Great Consol. 6-1/2	2,337,000	419,000
	Shinyetsu 6-1/2	4,194,000	1,309,000
		8,928,000	2,860,000
National City Bank			
3 Corp. Gtd.	Oriental Develop. 6	10,366,000	7,211,000
	Oriental Develop. 5-1/2	11,057,000	4,202,000
	Ujigawa El. Pwr. 7	2,859,500	1,140,500
		24,282,500	12,553,500
Guaranty Trust			
2 Corp. Gtd.	Toho El. Pwr. 7	712,000	547,000
	Tokyo El. Light 6	47,393,000	20,393,000
		48,105,000	20,940,000
Harris Trust			
1 Corp. Gtd.	Nippon Elect. Pwr. 6-1/2	4,952,000	3,246,000
	Grand Totals	283,397,200	88,825,700

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

STATEMENT OF JAPANESE DOLLAR LOANS
(Thousands of Dollars)

	Int.	Issued	Matures	Amount Issued	Total Amt. Outstanding(d)	Reported as Held in Japan
National						
Impl Japanese Govt.	6-1/2%	2/1/24	2/1/54	$150,000	$ 93,915	$ 63,035
Imp. Japanese Govt.	5-1/2%	5/1/30	5/1/65	71,000	58,740	46,860
Municipal						
Tokio	5-1/2%	4/1/27	4/1/61	20,640	12,438	11,070
Yokohama	6%	12/1/26	12/1/61	19,740	12,464	11,301
Corp. Gtd.						
Gt. Consolidated a	7%	8/1/24	8/1/44	15,000	2,397	1,265
Gt. Consolidated a	6-1/2%	7/1/25	7/1/50	13,500	2,337	1,918
Nippon Elect. Pwr. a	6-1/2%	1/2/28	1/1/53	9,000	4,952	1,706
Oriental Development c	6%	3/15/23	3/15/53	19,900	10,366	3,155
Oriental Development c	5-1/2%	11/1/28	11/1/58	19,900	11,057	6,855
Shinyetsu El. Pwr. b	6-1/2%	12/1/27	12/1/52	7,650	4,194	2,885
Taiwan El. Pwr. c	5-1/2%	7/1/31	7/1/71	22,800	19,573	15,638
Toho El. Pwr. a	7%	3/15/25	3/15/55	15,000	712	165
Tokyo El. Lt. a	6%	6/15/28	6/15/53	70,000	47,383	27,000
Ujigawa El. Pwr. a	7%	3/15/25	3/15/45	14,000	2,859	1,719
14 Issues		Grand Totals		$468,130	$283,397	$194,572

a Assumed by Japanese Elct. Generation & Transmission Co. and the I.J.G. beginning April 1, 1939.

b. Assumed also by Japanese El. Gen. & Trans. Co. at some later date in 1940.

c Guaranteed at time of their issuance by I.J.G.

d End of 1944

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] 760050

FN

Telephone
Whitehall 4-7455

Cable Address
Bondholder

Foreign Bondholders Protective Council, Inc.

Ninety Broad Street, New York 4

August 13, 1946

OFFICE OF FINANCIAL AND DEVELOPMENT POLICY
AUG 16 1946
DEPARTMENT OF STATE

Dear ~~Mr. Livesey:~~

I am ~~enclosing copies of two office memos, which~~ ~~I wrote~~ November 7th last, concerning Japanese ~~dollar bonds.~~ I believe ~~the enclosure to one of these memos~~ may give ~~you~~ the information ~~you~~ had in mind as to the ten dollar bond issues of Japanese corporations, three of which carried the guarantee of the Imperial Japanese Government at the time of their issuance, and seven of which were assumed by the Japanese Electric Generation and Transmission Company and the Imperial Japanese Government. We were able to arrive at the amount of bonds held in Japan through reports from the Fiscal Agents, including the Yokohama Specie Bank, before it was in liquidation, by means of the cancelled coupons which were presented in lieu of cash at the last interest date for which funds were made available in 1941. We believe these figures to be reasonably accurate, and by deducting the principal amount of bonds, as represented by those cancelled coupons, we have arrived at a balance of $43,534,500 outstanding bonds for these ten issues held other than in Japan. You will, of course, note from the enclosures that the Mitsui Bank Ltd. is Trustee for four of these corporate issues, and that the Industrial Bank of Japan is Trustee for three, both trustees, of course, being Japanese institutions.

If this enclosure does not give you the exact information you had in mind, please let me know. I would presume that an additional source of information as to American holdings of Japanese corporate bonds would be, if they are available to the State Department, the reports filed by the bondholders on Treasury Department Form TFR-500.

~~With best wishes, believe me~~

Sincerely yours,

A. H. Wylie

A. H. Wylie,
Secretary.

Frederick Livesey, Esq.,
Adviser, Office of Financial
and Development Policy,
1818 "H" St., N. W.,
Washington, D. C.

Enclosures.

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Trustees for Dollar Loans

[redacted]

According to the indentures covering the loans listed hereafter, Japanese banking corporations were not only trustees, but the bond contract itself was made between the obligor and the Japanese banking institutions as trustees, as follows:

Mitsui Bank, Ltd. as Trustee for -

Nippon Electric Power Co. Ltd. 6½% 1928-1953

Toho Electric Power Co. Ltd. 7% 1925-1955

Tokio Electric Light Company, Ltd. 6% 1928-1953

Shinyetsu Electric Power Co. 6½% 1927-1952

Industrial Bank of Japan, Ltd. as Trustee for -

Great Consolidated Electric Power Co. Ltd.
7% 1924-1944

Great Consolidated Electric Power Co. Ltd.
6½% 1925-1950

Ujigawa Electric Power Co. Ltd. 7% 1925-1945

In view of the reports of the siezure by our troops of the financial institutions within Japan, and in order to protect the interests of the American holders of the issues listed above, it would seem consideration should be given to the appointment of a Successor Trustee, preferably an American institution, particularly in view of the contract provisions under which the properties covered by these loans are mortgaged in favor of the bonds.

~~E. H. Lytle.~~

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

Yokohama Specie Bank, Ltd, as Trustee for ~~November 7, 1945.~~

Imperial Japanese Government 6½% 1924-1954

Imperial Japanese Government 5½% 1930-1965

Tokio, Gtd. by Japanese Govt., 5½% 1927-1961

Yokohama, Gtd. by Japanese Govt. 6% 1926-1961

Taiwan Electric Power, Gtd. by Japanese Govt.
5½% 1931-1971

Indeed whole thing

The loan contracts for these five issues, for which the New York Agency of the Yokohama Specie Bank, Ltd. is Fiscal Agent of the obligor, provide for the continuation of that Agency so long as any bonds are outstanding, or that the obligor will designate a Successor Fiscal Agent in the Borough of Manhattan, City of New York, notice thereof to be given the purchasers or their successors.

Since the New York Agency of the Yokohama Specie Bank Ltd. is in liquidation, and since all of the five issues are obligations of or guaranteed by the Japanese Government, in order to protect the interests of the holders of dollar bonds of the foregoing issues, for which that Agency was designated Fiscal Agent in the loan contracts, it is suggested that the Japanese Government, through the Supreme Allied Commander, be called upon to designate a Successor Fiscal Agent, as provided by the bond contracts for the five designated loans.

~~A. H. Wylie.~~

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

Fiscal Agents for Dollar Loans

Yokohama Specie Bank Ltd (in N. Y.) in liquidation
by N. Y. State Banking Commission.

		Total Outstanding	Presumably Held Outside Japan
2 Natl.	Imp. Japanese Govt. 6½	93,914,700	30,880,300
	Imp. Japanese Govt. 5½	58,740,000	11,879,500
2 Munic.	Tokio 5½	12,438,000	1,368,400
	Yokohama 6	12,464,000	1,163,000
1 Corp. Gtd.	Taiwan El. Pwr. 5½	19,573,000	3,935,000
		197,129,700	49,226,200
Dillon, Read & Co.			
3 Corp. Gtd.	Great Consol. 7	2,397,000	1,132,000
	Great Consol. 6½	2,337,000	419,000
	Shinyetsu 6½	4,194,000	1,309,000
		8,928,000	2,860,000
National City Bank			
3 Corp. Gtd.	Oriental Develop. 6	10,366,000	7,211,000
	Oriental Develop. 5½	11,057,000	4,202,000
	Ujigawa El. Pwr. 7	2,859,500	1,140,500
		24,282,500	12,553,500
Guaranty Trust			
2 Corp. Gtd.	Toho El. Pwr. 7	712,000	547,000
	Tokyo El. Light 6	47,393,000	20,393,000
		48,105,000	20,940,000
Harris Trust			
1 Corp. Gtd.	Nippon Elect. Pwr. 6½	4,952,000	3,246,000
	Grand Totals	283,397,200	88,825,700

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

STATEMENT OF JAPANESE
(Thousands of dollars)

	Int.	Issued	Matures	Amount Issued	Total Amt. Outstanding (d)
National ~~(2)~~					
Imp. Japanese Govt.	6½%	2/1/24 Feb. 1, 1924	2/1/54 Feb. 1, 1954	$150,000,~~000~~	$93,914,~~700~~
Imp. Japanese Govt.	5½%	6 May 1, 1930	May 1, 1965	71,000,~~000~~	58,740,~~000~~
Municipal ~~(2)~~					
Tokio	5½%	4 Apr. 1, 1927	Apr. 1, 1961	20,640,~~000~~	12,438,~~000~~
Yokohama	6%	12 Dec. 1, 1926	Dec. 1, 1961	19,740,~~000~~	12,464,~~000~~
Corp. Gtd. ~~(10)~~					
Gt. Consolidated a	7%	8 Aug. 1, 1924	Aug. 1, 1944	15,000,~~000~~	2,397,~~000~~
Gt. Consolidated a	6½%	7 July 1, 1925	July 1, 1950	13,500,~~000~~	2,337,~~000~~
Nippon Elect. Pwr. a	6½%	1 Jan. 2, 1928	Jan. 1, 1953	9,000,~~000~~	4,952,~~000~~
Oriental Development c	6%	3 Mar.15, 1923	Mar.15, 1953	19,900,~~000~~	10,366,~~000~~
Oriental Development c	5½%	11 Nov. 1, 1928	Nov. 1, 1958	19,900,~~000~~	11,057,~~000~~
Shinyetsu El. Pwr. b	6½%	12 Dec. 1, 1927	Dec. 1, 1952	7,650,~~000~~	4,194,~~000~~
Taiwan El. Pwr. c	5½%	7 July 1, 1931	July 1, 1971	22,800,~~000~~	19,573,~~000~~
Toho El. Pwr. a	7%	3 Mar.15, 1925	Mar.15, 1955	15,000,~~000~~	712,~~000~~
Tokyo El. Lt. a	6%	6 June15, 1928	June15, 1953	70,000,~~000~~	47,393,~~000~~
Ujigawa El. Pwr. a	7%	3 Mar.15, 1925	Mar.15, 1945	14,000,~~000~~	2,859,~~000~~
14 Issues			Grand Totals	$468,130,~~000~~	$283,397,~~000~~

a Assumed by Japanese Elect. Generation & Transmission Co. and the I.J.G. beginning April 1, 1939.
b Assumed also by Japanese El. Gen. & Trans. Co. at some later date in 1940.
c Guaranteed at time of their issuance by I.J.G.
d End of 1944

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

JAPANESE — LOANS

(Thousands of dollars)

...res	Amount Issued	Total Amt. Outstanding (1)	Reported as Held in Japan	Outstanding Balances Supposedly Held Outside Japan	Trustee	Fiscal Agent
1954	$150,000,000	$93,914,700	$63,034,400	$30,880,300		Yok. Sp. Bank
1965	71,000,000	58,740,000	46,860,500	11,879,500		Yok. Sp. Bank
1961	20,640,000	12,438,000	11,069,600	1,368,400		Yok. Sp. Bank
1961	19,740,000	12,464,000	11,301,000	1,163,000		Yok. Sp. Bank
1944	15,000,000	2,397,000	1,265,000	1,132,000	Ind.Bk.of Japan	Dillon, Read
1950	13,500,000	2,337,000	1,918,000	419,000	Ind.Bk.of Japan	Dillon, Read
1953	9,000,000	4,952,000	1,706,000	3,246,000	Mitsui	Harris Trust
1953	19,900,000	10,366,000	3,155,000	7,211,000		National City
1958	19,900,000	11,057,000	6,855,000	4,202,000		National City
1952	7,650,000	4,194,000	2,885,000	1,309,000	Mitsui	Dillon, Read
1971	22,800,000	19,573,000	15,638,000	3,935,000		Yok. Sp. Bank
1955	15,000,000	712,000	165,000	547,000	Mitsui	Guaranty Trust
1953	70,000,000	47,393,000	27,000,000	20,393,000	Mitsui	Guaranty Trust
1945	14,000,000	2,859,500	1,719,000	1,140,500	Ind.Bk. of Japan	National City
	$468,130,000	$283,397,200	$194,571,500	$88,825,700		

...on Co. and the I.J.G. beginning ...some later date in 1940.

42,759,800
2,531,400
43,534,500
88,825,700

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND [redacted] # 760050

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NOV 20 1946

In reply refer to
FN

My dear Mrs. Ryugo:

Reference is made to your letter of August 24, 1946, relative to certain Imperial Japanese Government and Tokyo Electric Light Company, Limited, dollar bonds which you hold.

Apparently your inquiry was motivated by a Press Release by the Department dated August 1, 1946. This Release was intended to refer to equity participation in Japanese business enterprises rather than to bonds or other obligations of such companies or of the Japanese Government.

A definitive statement regarding the future position of Japanese dollar bonds is not now possible, but the following may be helpful to your understanding of the Department's policy with reference to such obligations.

The Department considers that investment in foreign securities is primarily a private transaction into which the purchaser voluntarily enters after calculation of the risks involved. In the case of securities issued by private entities, it is expected that holders will attempt to secure compliance with the contractual terms through the usual channels when resort to such measures becomes possible. This would apply to your Tokyo Electric Light Company, Limited, bonds.

In the case of dollar bonds guaranteed by or issued by a governmental entity, a classification which would include all of the bonds you hold, while the Department does not negotiate directly on behalf of American holders, it does endeavor to render such assistance as may be appropriate to such holders or their representatives. In this

Mrs. Mutsu Ryugo,
5049 Kensington Avenue,
St. Louis 8, Missouri.

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