

DECLASSIFIED

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

894.655/1-145 -- 12-3148 - 49



*1945*

**National Association of Textile Machinery Manufacturers**

P.O. BOX 1605, PROVIDENCE 1, R. I.

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

OFFICE OF THE PRESIDENT  
PROVIDENCE, RHODE ISLAND

Telephone • Williams 5200

March 1, 1948

Mr. Edwin M. Martin, Chief  
Division of Japanese and Korean Economic Affairs  
State Department  
Washington, D. C.

Dear Mr. Martin,

You will undoubtedly recall the correspondence you had with our previous President, Mr. Thomas H. West, on the subject of textile machinery production in Japan.

In this connection I thought you would be interested to receive a copy of Mr. West's letter of January 9th to Mr. Harry Riemer, Editor of the Daily News Record, together with a copy of the rechecked story which Mr. Riemer obtained from his correspondent in Japan as a result of Mr. West's letter.

We can hardly believe that this information is correct, in that it establishes a loom manufacturing production larger than the entire loom building facilities of the United States, and certainly this would not be in line with SCAP's policy, as we understand it.

Any information you can give us in this regard would be greatly appreciated.

RL:H

Faithfully yours,

Robert Leeson, President

Enc.

DOR - ITP Unit	
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Rev.	<i>ml</i>
Col.	<i>pc</i>
Dist.	

*Rec'd. N. OF. OCCUPIED  
DEPARTMENT 5/17/48  
Drafted  
STATE PHU*

894.655/3-148

APR 14 1948

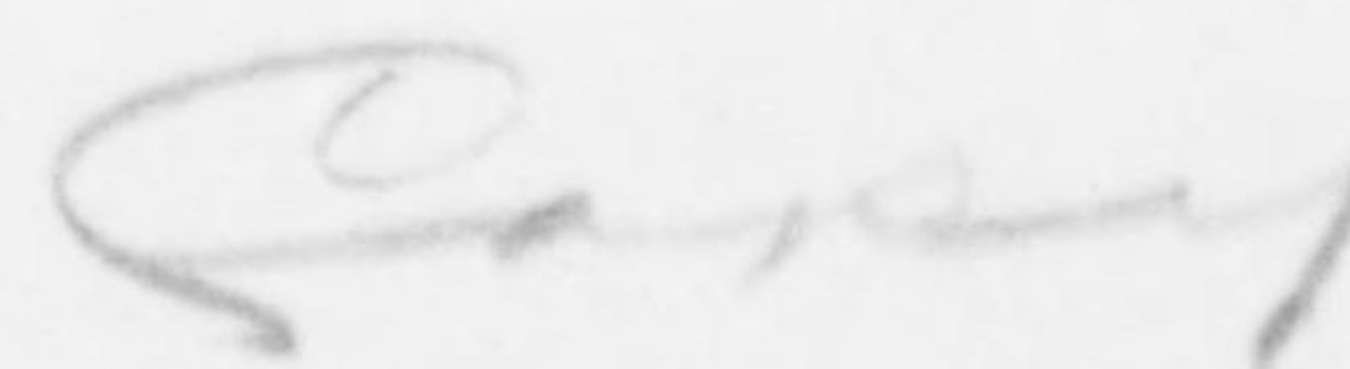
FILED

CS/V

*894.655/3-148*

*24*





January 9, 1948

Mr. Harry Riemer, Editor  
Daily News Record  
8 East 13th Street  
New York, N. Y.

Dear Harry:

In the Daily News Record of January 7, 1948 under the caption "Japanese Manufacturers Produce 2400 looms in October" you ran the following little article:

"TOKYO (Air Mail) - Japanese textile machinery manufacturers produced 2,400 looms in October, it was reported here by the Japanese Government's Ministry of Commerce and Industry. This figure represented an increase of 7.4 per cent over September, the Ministry said."

If the Japanese textile machinery manufacturers actually produced 2400 looms in October, they produced more looms than all of the loom manufacturing shops of the United States produced in that same period.

Our information from the State Department and from men working with the General Staff in Japan is that comparatively little textile machinery is being produced in Japan and that most of the effort of the textile machinery manufacturers in that country is being directed into the rehabilitation of existing equipment. Furthermore, we have been informed that the Japanese textile machine shops are operating at only a fraction of their pre-war capacity and it is doubtful whether in their period of greatest activity before the war the shops of Japan ever produced 2400 looms in any one month.

I would very much appreciate your writing me with regard to the source of this information. It is possible that what the report really stated was that 2400 of the existing looms were rehabilitated and put back into production during October.

I will greatly appreciate any information you can give me with regard to the foregoing.

With kind personal regards, I am

Sincerely yours,

THOMAS H. WEST, PRESIDENT

THW:NPG



*Copy*

TOKYO. - Japanese textile machinery manufacturers produced 2,593 new looms in October and repaired or rebuilt 789 in addition, reports made to the Textile Machinery Manufacturers Association showed. On January 7, the DAILY NEWS RECORD reported the preliminary production figure of 2,400, as published by the Japanese Government's Ministry of Commerce and Industry. The new production included an undisclosed number of looms for export, and production will continue to increase as export programs are developed, according to information in the trade here. Except for replacement parts and relatively minor repair work, the various Japanese weaving industries now have virtually all of the looms called for by the Government's short-term rehabilitation programs. As noted, Japan has already contracted to manufacture more than 4,000 looms for export during 1948.

Last October's production totals included 1,646 cotton looms, 827 silk and rayon looms, 110 wool looms and 10 linen looms. The category of repaired and rebuilt units included 350 cotton looms and 439 silk and rayon looms.

Commenting on these figures, a SCAP official said that the Japanese loom manufacturers have a production capacity of 48,000 units per year of all types. This potential, he said, is far in excess of United States production. He pointed out that Japan has always been able to produce large numbers of looms for export.



MAR 24 1948

In reply refer to  
OE

My dear Mr. Leeson:

This will acknowledge the receipt of your letter of March 1, 1948 addressed to Mr. Edwin M. Martin. Since Mr. Martin is out of the country I thought you might like to have an answer to your letter prior to his return.

The information available here indicates that a number of looms are being produced and does not contradict the data appearing in the Daily News Record of January 7, 1948.

As you know, Japan in pre-war years had a large capacity for the production of textile machinery and present capacity is probably well in excess of twenty-five hundred new looms a month. While most of the Japanese efforts in the first two years of the occupation were concentrated on repair of existing textile equipment, it is possible that at present capacity is available for new production. A sizable proportion of textile machinery now being produced, and to be produced in the future, is for export to Far Eastern markets which used Japanese textile machinery in pre-war years.

I am not entirely clear as to your reference to SCAP's policy regarding textile machinery. There is no policy which prohibits the production of textile

machinery

Mr. Robert Leeson,  
President,  
National Association of Textile  
Machinery Manufacturers,  
P. O. Box 1605,  
Providence 1, Rhode Island.

DCR - JEP Unit

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Dist.	JCC

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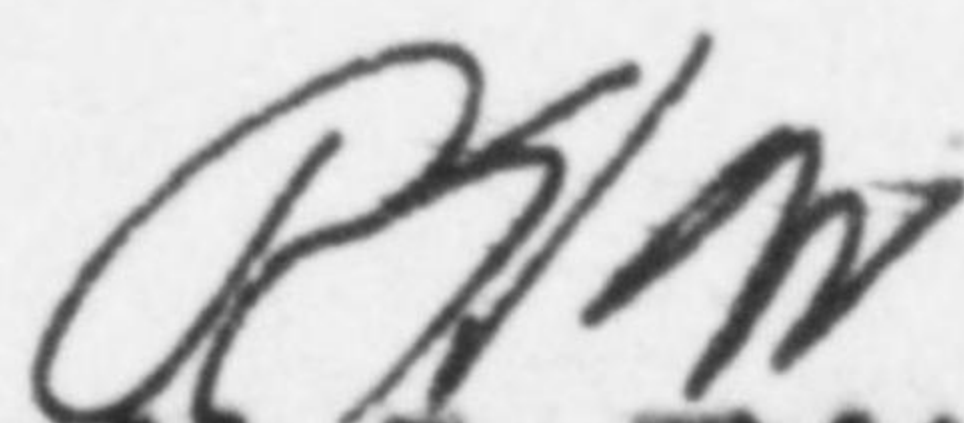
1945

- 2 -

machinery in Japan, <sup>either</sup> both for use by the Japanese textile industry and for sale for export. It may be that Mr. Martin's statement to Mr. West, in his letter of April 29, 1947, that shortage of steel and machine tools in Japan will prevent an undue expansion of the textile machinery industry was taken to mean it would be SCAP's policy to prevent operation of the textile machinery industry at a level justified by domestic needs and export markets. This was not the impression that Mr. Martin intended to convey since it is the Department's understanding that this is not SCAP's policy. It is essential if Japan is to regain a self-supporting status, both to end the burden of its support on the American taxpayer and to provide a suitable economic environment for reorientation and reform, that it be permitted to revive its peacetime industries and export trade.

Thank you for writing Mr. Martin. If the Department can be of further assistance in this matter please do not hesitate to write again.

Sincerely yours,



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

Ch KTD ✓  
MAR 24 1948 P.M.



OE:RHWhitman:emh 3-19-48

CP  
cleared by  
telephone  
Mr. Gay  
3/19/48

NA  
cleared by  
telephone  
Mr. Allison  
3/19/48

O  
gwh

245



National Association of Textile Machinery Manufacturers  
P.O. BOX 1605, PROVIDENCE 1, R. I.

*no action required*  
*cc/p*  
*W*

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

OFFICE OF THE PRESIDENT  
PROVIDENCE, RHODE ISLAND

Telephone • Williams 5200

March 26, 1948

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

DIVISION OF OCCUPIED AREAS  
ECONOMIC AFFAIRS  
*no action required*  
MAY 20 1948  
DEPARTMENT OF STATE  
*filed*

*FW*  
*894.655*  
*3-1-48*

Dear Mr. Whitman,

TEXTILE MACHINERY PRODUCTION  
IN JAPAN

This will acknowledge receipt of your letter of March 24th in  
reply to mine of March 1st on the above subject.

I appreciate very much your writing me so completely on the matter.

RL:H

Faithfully yours,

Robert Leeson, President

DO NOT WRITE IN THESE SPACES

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APR 29 1948  
FILED

*894.655*  
*3-1-48*



# INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

FROM

LONDON

DATED March 1 - 1948

RECD. March 19 1948  
10:58 a.m.

MESSAGE CENTER

1116  
1948 MAR 9 PM 2:23

DEPT OF STATE  
INTERNATIONAL TRADE  
POLICY

UNCLASSIFIED

INTERNATIONAL RESOURCES DIVISION  
MAR 9 - 1948  
DEPARTMENT OF STATE

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2  
ACTION: ITP  
INFO:  
DC/R  
O  
EUR  
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DC/L  
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OCD  
SIA

Secretary of State,

Washington

A-535

1. Reference is made to Embassy's airgram No. 1515, July 9, 1947, and previous in regard to Japanese textile production.

2. Following questions and answers on this subject exchanged in House of Commons on February 26, 1948:

Mr. Stanley Prescott (Conservative M.P. for Darwen) asked the President of the Board of Trade what request was made in 1947 by His Majesty's Government, through the Far Eastern Commission or otherwise, to the Supreme Commander for the Allied Powers in Japan, that Japanese textile production should be increased; what was the reason for such request; and what limit was indicated for Japanese textile production.

Mr. H. Wilson (President of the Board of Trade):  
"In February, 1947, the Far Eastern Commission, at the instance of the United Kingdom member, issued a directive to General MacArthur on Short Period Controls to Relieve World Shortages of which I am sending the hon. Member a copy. Among the objectives there stated are the restriction of Japanese consumption of textiles and the stimulation of Japanese production of textiles for export. The reason for this directive was the urgent need for cotton textiles in the Far Eastern Countries which had been devastated by the war, including British territories, at a time when no alternative source of supply was open. No overall limit was indicated in the directive for Japanese textile production, because of the low level of existing Japanese production as compared with pre-war capacity."

ITP/D

IR	ACTION INFORMATION
ITP	
CP	
ILH	✓
IR	✓
FED	

DEPARTMENT OF STATE  
LIAISON OFFICE  
DC/RECORDS  
MAR 10 1948

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

Mr. Prescott/

894.655/3-148

MAR 11 1948

HH



UNCLASSIFIED

Page 2.

A-  
March 1, 1948  
from London

Mr. Prescott: "Will the right hon. Gentleman formulate a policy on the level of Japanese production in the near future, and when formulating such a policy will he bear in mind the needs of Lancashire and the importance of the Lancashire textile trade of this country?"

Mr. Wilson: "As the hon. Member knows, we have been giving a lot of attention to the question of Japanese competition recently, and there have been certain talks across the Atlantic following discussions in which he and another hon. Member took part."

Mr. Sydney Silverman (Labor M.P. for Nelson and Colne): "Will my right hon. Friend bear in mind that Lancashire does not require to be protected against Japanese competition by imposing a ceiling on that production, but only by seeing that Japanese production is on a good labour standard so that we are not undercut?"

Mr. Prescott: "Is the right hon. Gentleman aware that at the moment in Japan standards of labour are not such as will ensure that in the future Lancashire will be able to compete on a reasonable basis?"

Mr. Wilson: "Yes, Sir, we have the point very much in mind about the quality of labour standards and the best safeguard against Japanese competition is to increase the level of efficiency of production here."

DOUGLAS

Copy to U.S. Political Advisor, SCAP, Tokyo

EDDrumright/wg  
2/27/48

UNCLASSIFIED



FORM DS-322  
7-18-46

OUTGOING TELEGRAM

CLASSIFICATION

INDICATE

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Charge Department

Department of State

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Charge to Allotment E-135333

Washington  
RESTRICTED

Control 2146

AMCONSUL

SHANGHAI (CHINA)

876

REURTEL 516, Mar 5, article on Japanese textile industry

**RESTRICTED**

May 12, 1948  
11 A.M.

*XR 740. 00119 Control (Japan)*

*894.655/3-5-48*

*XR 894.655*

*HJK*

contains factual errors re US and Allied policy. Following material for use your discretion. *Dept realizes lateness.*

Textile industry excluded from operation of reparations program because not rpt not war potential. This policy based Potsdam Declaration and FEC Basic Post-Surrender Policy, both approved by China. These policies state QUOTE Japan shall be permitted to maintain such industries as will sustain her economy ... but not those that would enable her to rearm for war UNQUOTE.

As editorial states, US has exported raw cotton to Japan on credit basis with repayment required from proceeds textile sales. This action in line with US policy to enable Japan regain self-supporting status as soon as possible, necessary for accomplishment Allied occupation purposes.

Japanese textile industry has received no imported iron

or steel

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*894.655/3-5-48*

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FORM DS-322  
7-18-46

OUTGOING TELEGRAM

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Charge Department

Department of State

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Charge to

Washington  
RESTRICTED

- 2 -

or steel for rehabilitation purposes. Rehabilitation of textile capacity to date from indigenous materials. Some inoperable spindles have been repaired but no new spindles have been produced. Desire to assist in rehabilitation Chinese textile industry has resulted in SCAP's according favorable consideration proposed barter arrangement whereby China would furnish raw materials to Japanese textile machinery manufacturers and receive in exchange spindles, looms and accessory equipment.

Japan completely incapable today of producing two million new spindles annually. Such hypothetical production would be larger than prewar.

FEC with Chinese approval has established 1930 to 1934 standard of living as peaceful needs of Japanese. Textile domestic consumption 1930 to 1934 was 8.7 pounds per capita annually of which 6.8 pounds were cotton. To provide population of 80 million Japanese with same amount per capita annually exclusive of exports would require 2.5 million operating spindles under most favorable and stable economic conditions. This level does not include spindles which will be needed to produce cotton textiles for export to pay for raw cotton used for domestic con-

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*MAY 10 1948*  
*12 1948*

sumption.

ADP:CElliot:mla:mp

Marshall  
MARSHALL (7/7)  
5-3-48 OIE FE

*AMR*  
*OE*  
*NA*

*See attached earlier draft for ADP initials. New draft cleared with Elliot.*

★ U. S. GOVERNMENT PRINTING OFFICE: 1946 O-706335

*AAZ*



FORM DS-322  
7-18-46

OUTGOING TELEGRAM

INDICATE

Collect

Charge Department

Charge to Allotment E-135333

CLASSIFICATION

**Department of State**

UNCLASSIFIED

Washington

AMCONSUL,

SHANGHAI, (CHINA).

REURTEL 516, Mar 5, article on Japanese textile industry contains factual errors re US and Allied policy. Following material for use your discretion.

Textile industry excluded from operation of reparations program because not <sup>RPT NOT</sup> war potential. This policy based Potsdam Declaration and FEC Basic Post-Surrender Policy, both approved by China. These policies state QUOTE Japan shall be permitted to maintain such industries as will sustain her economy ... but not those that would enable her to rearm for war UNQUOTE.

A

US exported raw cotton to Japan on credit basis with repayment required from proceeds textile sales.

Japanese textile industry <sup>has</sup> received no <sup>imported</sup> iron or steel for rehabilitation purposes. Rehabilitation of textile capacity to date from indigenous materials. <sup>Some inoperable spindles have been repaired but no new spindles have been produced.</sup> Japan completely incapable today of <sup>Reserve</sup> increasing capacity by <sup>producing two</sup> ~~two~~ million new spindles annually. <sup>If such hypothetical</sup> Such textile machinery production would be larger than prewar.

FED with Chinese approval has established 1930 to 1934 standard of living as peaceful needs of Japanese. Textile domestic consumption

1930

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FORM DS-322  
7-18-46

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Charge Department  
Charge to

Department of State

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Washington

- 2 -

1930 to 1934 was 8.7 pounds per capita annually of which 6.8 pounds were cotton. To provide population of 80 million Japanese with same amount per capita annually exclusive of exports would require 2.5 million operating spindles under most favorable and stable economic conditions. (c)

*Marshall*  
*(RHB)*

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ADF:JA Elliot:mla 4/27/48  
*RHB*

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# INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

*PBS*

OFFICE OF  
INTERNATIONAL TRADE  
POLICY

1948 MAR 16 PM 1 00

MESSAGE CENTER

DEPARTMENT OF STATE  
MAR 16 1948  
*File*

FROM 2301  
LONDON  
DATED March 12, 1948  
RECD. March 15, 2:03 p.m.

UNCLASSIFIED

2

LAF

Secretary of State,

ACTION: ITP  
INFO:  
DC/R  
DC/L  
EUR  
OFD

Washington

A- 649 March 12, 1948

Following written question and answer on the Japanese textile industry exchanged in House of Commons on March 10, 1948:

Mr. Prescott (Conservative M.P. for Darwen) asked the President of the Board of Trade whether His Majesty's Government are satisfied with conditions in the Japanese textile industry arising from reforms introduced by the Supreme Commander, Allied Powers, affecting working hours and conditions and rates of pay in that industry.

Mr. Bottomley (Secretary for Overseas Trade): "His Majesty's Government regard the progress so far made as reasonably satisfactory in view of the difficulties involved."

GALLIAN

Copy to U.S. Political Adviser, SCAP, Tokyo

EF Drumright/wg  
3/11/48

MAR 19 1948

**FILED**

DEPARTMENT OF STATE  
MAR 16 1948  
*EF Drumright*

124	ACTION
	INFORMATION
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	IR
	FED

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894.655/3-1248

HH



FORM 8817E

~~NA~~  
Can you draft  
reply -  
ack of?  
yep

# H & B AMERICAN MACHINE COMPANY

BUILDERS OF  
**TEXTILE MACHINERY**

EXECUTIVE OFFICE:  
PAWTUCKET, R. I.

SALES OFFICES:  
CHARLOTTE, N. C.  
ATLANTA, GA.

PAWTUCKET, R. I.

March 17, 1948

CODES IN USE:  
WESTERN UNION 5 LETTER  
A B C 5TH EDITION  
BENTLEY'S

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

MAR 19 1948

DEPARTMENT OF STATE

Reply drafted  
Mar 24  
RA

Mr. J. Penfield, Deputy Director  
Far East Areas Division  
Department of State  
Washington, D. C.

894.655/3-1748

Dear Jim:

I know you are a very busy man; however, the thought occurred to me that you might pass this on to one of your lieutenants who might be able to give me a bit of aid.

As I told you during our last meeting, I am now with H & B American Machine Company, manufacturers of basic textile machinery for use from the opening of baled cotton to the manufacture of finished yarn and thread.

We are interested in the possibilities of a market for our machinery in Japan. We have heard many conflicting stories. First, the Japanese do not have enough spindleage for their own requirements and have been finding it very difficult to even manufacture the spare parts for their own machinery, and that it was practically impossible for them to manufacture complete machinery that they require. Secondly, we have heard that they are able to manufacture machinery for a complete mill and that they have recently concluded negotiations with India to supply 100,000 spindles to that country. I would appreciate receiving some verification of either of these two statements together with what other information your man on the Japanese desk can give me.

Thanks again for your trouble.

Very truly yours,

Ben F. Schaberg, Jr.  
Manager - Foreign Sales

Anal.	
Rev.	
Dist.	
Dist.	B.F. Schaberg, Jr./jrt

*Handwritten initials: jk, mt, jrt*

CS/V

894.655/3-1748

OCT - 1 1948

FILED



MAR 29 1948

Dear Ben:

I have your letter of March 17 inquiring whether current conditions in the Japanese textile and textile machinery manufacturing industries are such as to offer a possibility that your concern, H & B American Machine Company, might develop a market for its textile machinery in Japan.

All the information I have been able to obtain on the subject indicates that Japan's role has been and will in the future continue to be that of an exporter rather than an importer of textile machinery. The Japanese, as you doubtless know, had a larger capacity for the production of textile machinery in the immediate pre-war period than any other nation, including the United States. A portion of this capacity was destroyed or otherwise rendered inoperative during the war. Nevertheless, the remaining capacity has been more than sufficient to provide repair parts and replacements to enable the textile industry to resume production on a level sufficient to process the raw materials thus far made available to Japan. In addition, significant quantities of textile machinery have been produced for export.

As of the end of 1947 approximately 1.8 million cotton spindles were in operation in Japan, while another 1.0 million operable spindles were idle, largely because of inability to find dollar markets for the fabrics already produced. With little or no domestic demand for new spindles, the industry is reported to have concluded several contracts for the manufacture and sale of spindles abroad, among them the contract for the sale of 100,000

spindles  
CS/N

Mr. Ben F. Schaberg, Jr.,  
Manager, Foreign Sales,  
H & B American Machine Company,  
Pawtucket, Rhode Island.

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- 2 -

spindles to India mentioned in your letter. Production of looms, according to the Oriental Economist for December 1947, rose from 1,093 in April 1947 to 2,400 in October 1947. It is understood that arrangements are being made with China and India under which those countries will provide the raw materials which will enable Japan to produce a number of looms for export to China and India.

The situation, in brief, is that Japan possesses a large textile machinery manufacturing capacity which, even though depleted by war, has been fully adequate to meet the requirements of the Japanese textile industry under present conditions of raw materials shortages and dollar market stringency, and even to manufacture a certain amount of machinery for export. There seems no question in view of the industry's large capacity, and in view of the necessity for utilizing all available dollars and other useful foreign exchange in Japan for the purchase of essential products unobtainable in Japan, that there will not be a market for imported textile machinery in that country in the foreseeable future.

I am sorry that the news is not more encouraging from your firm's point of view. If you should desire further information, or if you should wish to submit an offer for the sale of any of your products in Japan, I suggest that you write to the Foreign Trade Division, Headquarters of the Supreme Commander for the Allied Powers in Japan, at Tokyo.

With best personal regards.

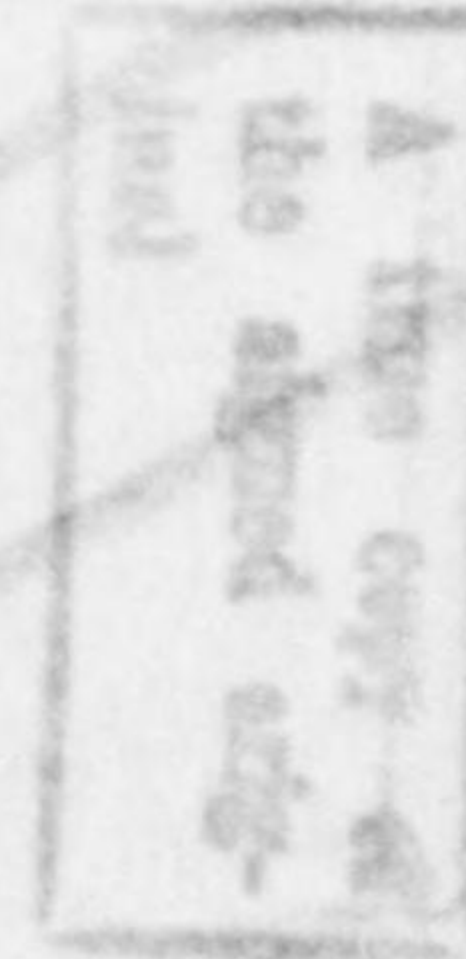
Very truly yours,

James K. Penfield  
Deputy Director  
Office of Far Eastern Affairs

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MAR 29 1948

NA:RAFearey/hhc  
March 24, 1948.

RBS  
OE





STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : IR - Mr. Evans  
FROM : IR - Miss Baldwin *qab*  
SUBJECT: Japanese Textile Industry

DATE: March 25, 1948

*File 00C/N  
om P/APS/M Lindberg  
12-6-51*

The report "The Japanese Textile Industry: Progress and Prospects" is thorough and generally accurate, I believe.

Certain comments on the Japanese textile situation which have been received from other sources recently may interest you.

India

Several months ago the Government of India contracted to buy 80,000,000 yards of Japanese textiles to be used to alleviate the acute Indian textile shortage. The price of the goods turned out to be from 35 percent to 85 percent above the controlled ex-mill price of corresponding varieties of Indian cloth. It was not possible to cancel the contract but plans were made to re-export the cloth. The plan was to substitute this Japanese cloth for normal Indian exports and consume more Indian cloth. Now it appears that India has been unable to find buyers for the high-priced Japanese goods.

China

China wants to become the major Oriental textile exporter in Japan's place. Criticism of the American policy for the Japanese textile industry is a favorite target. Rehabilitation of the Japanese textile industry with American help is viewed as a serious threat to Chinese textile development.

894.655/3-2548  
*FK*

United Kingdom

The British fear Japanese competition and do not want to sell textile machinery to Japan.

Japan - Despatch 79, February 7, 1948

Japanese goods are and will be faced with serious competition in export markets. The displacement of silk by nylon is one instance. The growth of the modern textile industries within the Asiatic countries with the largest cheap-goods market is another. Lower standards of living in European nations with technical skill equal to or superior to Japan may also introduce a new element of competition, as will major technical advances in other industrial nations. Finally, the general reputation for poor quality which Japanese goods have acquired in the past will not help them meet competition.

894.655/3-2548  
S/H

Belgian Congo

15 Here the tone is different. The natives prefer cheap Japanese cloth to expensive American cloth.

Anal  
Rev  
Cat *CB*

X 068119



-2-

Australia

A request has been made by SCAP to Australia whereby Australia will make available at the earliest possible date the outstanding debt of the Commonwealth to Japan for previous raw silk and rayon purchased. The proposal is that these funds be deposited in the Commonwealth Bank of Australia where they may be freely drawn upon for purchases of wool for Japan.

IR: IABaldwin:jmr



# OSCAR KOHORN & CO., LTD., NEW YORK



**BRANCHES:**

WASHINGTON 3344 RUNNYMEDE PLACE  
 LONDON 130 MOUNT STREET, BERKELEY SQUARE  
 PARIS 2 AVENUE EMILE ACOLLAS  
 GENEVA 9 AV. ERNEST HENTSCH  
 BRUSSELS BOULEVARD DU SOUVERAIN 88-A  
 BOMBAY 5 BANK STREET  
 SHANGHAI 34 HU CHIU ROAD

TELEPHONE:  
MURRAY HILL 7-7070

CABLE ADDRESS:  
KOHORN NEW YORK

501 FIFTH AVENUE  
NEW YORK 17, N. Y.

PLEASE ADDRESS YOUR  
REPLY TO THE COMPANY

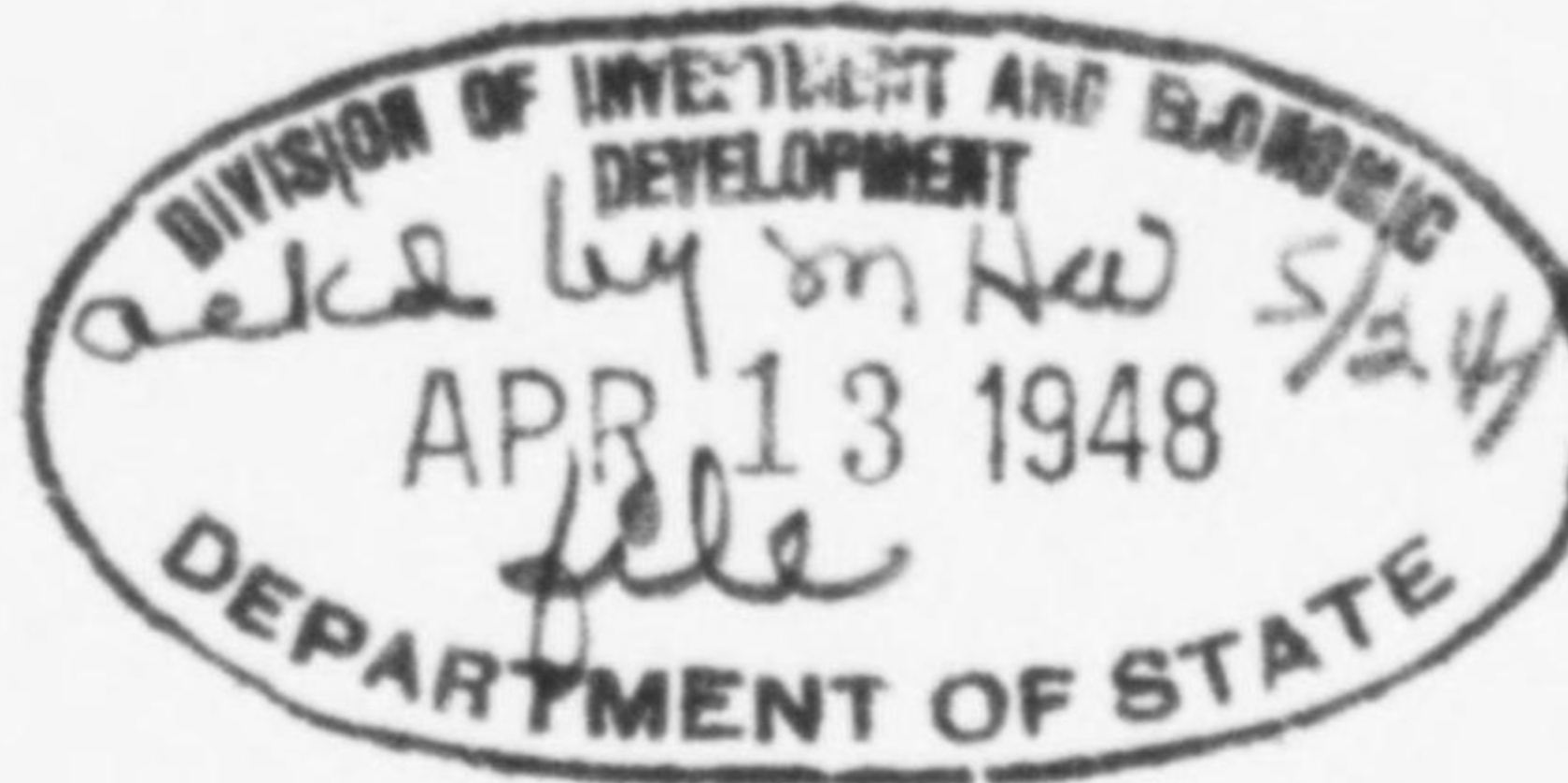
**MANUFACTURING DIVISION**  
QUEENS, N. Y. 42-36 21<sup>ST</sup> STREET

PLEASE REPLY TO:  
3344 RUNNYMEDE PLACE  
WASHINGTON 15, D. C.  
TEL. ORDWAY 1197

April 12, 1948

894 • 655 / 4 - 1248

Mr. Hubert F. Havlik, Chief  
Division of Investment and Economic  
Development,  
Department of State,  
Washington 25, D. C.



copy to ECA  
924

Dear Mr. Havlik:

Early in March you very graciously extended me an opportunity to express the views of my company with regard to the proposal of the Chinese Government to purchase Japanese rayon valued at Three Million Dollars over a three-year period, contingent upon additional financial assistance from the American Government.

At the close of our interview you asked that I give you a memorandum summarizing our views. Submission of this memorandum was delayed pending outcome of Congressional action on legislation for additional funds for relief of China. The recent passage by Congress of this legislation, which included funds for China substantially below the amount recommended by the Department and the earmarking of a substantial part of these funds for military purposes, leaves the suggestions made to you orally more or less in the academic category.

However, for the record, we would like to restate our position on the question of large scale purchases of Japanese rayon with dollars, either directly or indirectly provided by our Government:

1. China has no rayon industry except for a very small plant our company is now building in the Shanghai area. The needs of the Chinese textile industry for rayon filament and staple fibre are both substantial and urgent. Rayon is essential for blending with other fibres, such as silk and cotton, for the manufacture of textile fabrics sorely needed by the Chinese domestic

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FILED  
JUN - 9 1948

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APR 13 1948  
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OSCAR KOHORN & CO., LTD.

Mr. H. F. Havlik

- 2 -

April 12, 1948

economy. In addition, greater availability of rayon thread, embroidery yarns and rayon piece goods are essential for revival of the export trade in Chinese hand-decorated fabrics and apparel. Although this trade in the past has been a small one, it has always been continuous and is susceptible of further development. These exports were always to so-called hard currency areas and therefore provided a medium for acquiring dollars or their equivalent.

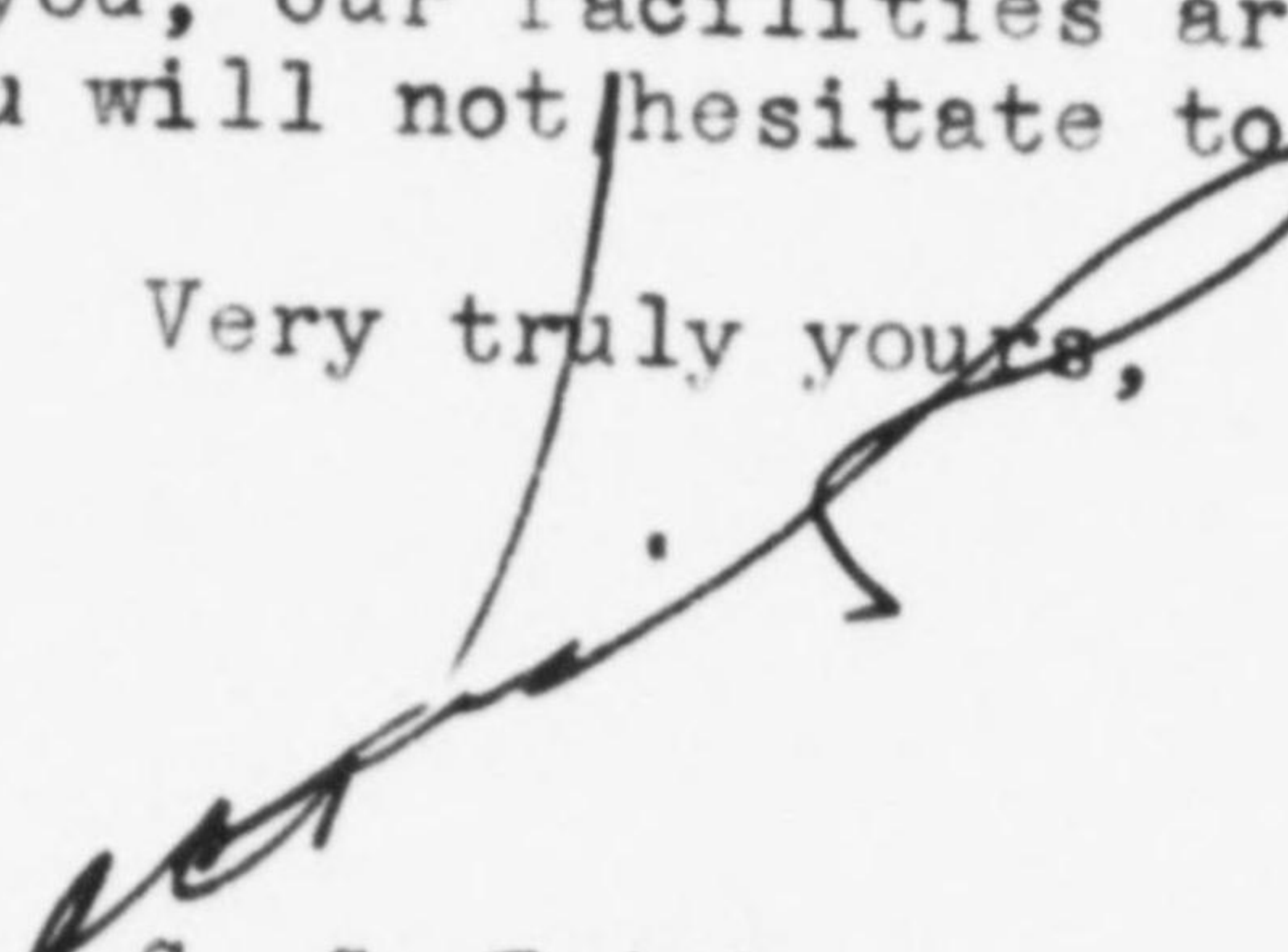
2. The expenditure of Three Million Dollars, at current costs, would pay for a rayon plant capable of producing 1500 tons of rayon filament annually. Assuming that China would be required to import all of the necessary raw materials, there would still be a saving of dollars of approximately 60 percent for every pound of rayon produced. Therefore, the continued dollar savings would quickly amortize the dollars advanced and effect a substantial savings in dollars over the years. Moreover, the export of a small percentage of the output of the plant could be sold for dollars or their equivalent sufficient to cover the cost of raw materials.

3. Establishment of a number of rayon mills for the production of filament and staple fibre are an essential part of the rehabilitation and rationalization of the Chinese textile industry. Staple fibre at today's costs is as cheap and, in many cases, cheaper than raw cotton, with the added advantage that quality can be controlled so as to blend readily with wool, cotton and silk. With the rehabilitation of the Chinese chemical industry caustic soda, the principal chemical raw material, should be available from local sources.

Until political and economic conditions are materially improved in China, we realize that the State Department is unlikely to foster large scale industrial projects in that country. When the time comes for matters of this kind to receive further consideration, we would appreciate an opportunity of submitting a more thorough and comprehensive memorandum on rayon plants.

Our firm has built more rayon plants than any other company in the world, and the economic data we have accumulated in connection with marketing and distribution is considerable. If at any time we can be of assistance to you, our facilities are entirely at your disposal and I hope you will not hesitate to call upon us.

Very truly yours,

  
C. C. Frick,  
Washington Office.



MAY 25 1948

In reply refer to  
ED

*see 894.655/10-1547*

894.655/4-1248

My dear Mr. Frick:

I have for acknowledgment your letter of April 12, 1948, to Mr. Hubert F. Havlik, in which you express the views of your company with respect to the large-scale purchase by the Chinese Government of Japanese rayon with dollars, either directly or indirectly provided by this Government. As you are aware, it is not contemplated at this time that funds will be used under the aid program for financing rayon imports into China from Japan. Your views, however, with respect to establishment of a rayon industry in China are being forwarded to Mr. Harlan Cleveland, Consultant, Economic Cooperation Administration, Room 614, 800 Connecticut Avenue, N.W., for his information and possible future reference in connection with the implementation of the China Aid Program.

It was a pleasure to talk with you early in March in Mr. Havlik's office, and your offer of assistance, should a more detailed memorandum be required on the possibilities for the rayon industry in China, is much appreciated.

Sincerely yours,

Melville H. Walker  
Assistant Chief  
Far Eastern Branch  
Division of Investment and  
Economic Development

Appr.	<i>as</i>
Rev.	<i>Mc</i>
Col.	<i>LC</i>
Dist.	

*vt* *GN*  
Mr. C. C. Frick,  
Oscar Kohorn & Co., Ltd., New York,  
3344 Rummel Place,  
Washington 15, D. C.  
MAY 25 1948 P.M.

ED:MHWalker:mhp 5/24/48

A true copy of the original  
noted.

CS/A

894.655/4-1248



STANDARD FORM NO. 64

# Office Memorandum

UNITED STATES GOVERNMENT

*Japan*  
*DC/R file*



TO : FE - Mr. Butterworth

DATE: June 9, 1948

FROM : NA - Mr. Allison *ma*

SUBJECT: Background Material on J & P Coats Interests in Japan.

In answer to your request the following background material is provided on the J & P Coats interests in Japan.

J & P Coats Ltd. own textile facilities in Japan manufacturing special, high quality yarns and thread, largely for export. They were one of the major pre-war British interests in Japan. During the war their properties were seized by the Japanese and the textile equipment scrapped, destroyed or otherwise disposed of. Some of the equipment may be recoverable, but not sufficient to permit the company to resume production.

Coats has been anxious for some time to restore its operations in Japan. Representations to this end have been made through the UK Reparations and Restitution Delegation in Tokyo to SCAP. Marshall Green reports that the Coats concern was one of those which SCAP is anxious to have resume operations, because of its possession of British patents which it alone can utilize in Japan, its ability to invest sterling funds, and the managerial skills possessed by its employees. Mr. Percival of the British Embassy has spoken to Mr. Smith of OE several times informally to see what might be done from this end to facilitate resumption of production by Coats in Japan.

Present FEC and SCAP policy permits the restoration to Allied owners of former property interests, real or intangible, in Japan. It also permits Allied interests to operate such properties, within existing general restrictions on the use and allocation of raw materials and foreign exchange, if such operation will promote the purposes of the occupation. However, until the Army Department approves the State-initiated policy paper now before SANACC on the restoration of United Nations property in Japan, no policy basis exists for compensation either in yen or in kind for damage to such property during the war. You may recall that the principal difficulty with the Army Department and SCAP on this paper has been over the establishment of a Claims Tribunal in

Japan

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Japan to adjudicate disputes between Allied claimants and the Japanese Government. We believe that the Tribunal should be set up and begin work as soon as possible, while SCAP has maintained that it should not be set up until after the Treaty. Efforts are now being made to resolve the difference.

Resumption of production by Coats, therefore, is prevented for the moment primarily by the destruction of the company's manufacturing equipment. The company has requested that the Japanese make restoration in equipment to replace that destroyed. Since textile equipment is generally in short supply in Japan, however, this request would necessitate transfer of equipment now in use, primarily for the export trade. It would be difficult for SCAP to justify such transfer on the grounds of increasing Japanese production for export, the principal criterion which he would have to apply. Compensation to the Coats Company in yen would of course not meet their problem.

Mr. Smith has informally suggested to Mr. Percival that in view of the above the only procedure whereby Coats could get back into operation at this time would be to use its bank balances in Japan, or yen borrowed from Japanese banks, to rent necessary productive equipment not now in use, if such can be found, from Japanese owners. This would permit production pending decision as to the company's claim against Japan. Also, it would not require large additional investment at present prohibitive exchange rates. <sup>sterling</sup>

The Commerce Department informs me that the address of the Clark Thread Company, Coats' American subsidiary, is 54 Clark Street, Newark, New Jersey.

RA  
NA:RAFearey:lt



# OSCAR KOHORN & CO., LTD., NEW YORK



**BRANCHES:**

WASHINGTON 3344 RUNNYMEDE PLACE  
 LONDON 130 MOUNT STREET, BERKELEY SQUARE  
 PARIS 2, AVENUE EMILE ACOLLAS  
 GENEVA 9 AV. ERNEST HENTSCH  
 BRUSSELS BOULEVARD DU SOUVERAIN 88-A  
 BOMBAY 5 BANK STREET  
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**MANUFACTURING DIVISION**  
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TELEPHONE:  
 MURRAY HILL 7-7070

CABLE ADDRESS:  
 KOHORN NEW YORK

501 FIFTH AVENUE  
 NEW YORK 17, N. Y.

PLEASE ADDRESS YOUR  
 REPLY TO THE COMPANY

June 14, 1948.

Mr. Melville H. Walker, Assistant Chief  
 Far Eastern Branch,  
 Division of Investment and Economic Development,  
 Department of State,  
 Washington 25, D. C.



Your Reference ED

Dear Mr. Walker:

*894.655/4-1248*

This is in acknowledgment and appreciation of your letter of May 25 to Mr. Frick. He left for Europe on May 14 -- and during a telephone call from Paris this evening he said he expected to leave for New York Wednesday or Thursday of this week. Your kind and informative letter will be brought to his immediate attention upon his arrival in Washington.

Very sincerely yours,

*C. C. Frick*

(Mrs. C. C. Frick)  
 Washington Office.

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JUN 22 1948

FILED





THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

ACTION is assigned to

FE

American Consulate General Shanghai, China, June 25, 1948

No. 611

UNCLASSIFIED

DEPARTMENT OF STATE JUL 1 1948

DCIR

RECEIVED DEPARTMENT OF STATE

27

SUBJECT: PARTICIPATION OF SHANGHAI COMMERCIAL INTERESTS IN ANTI-AMERICAN AID TO JAPAN PROGRAM.

THE HONORABLE THE SECRETARY OF STATE WASHINGTON, D.C.

SIR:

I have the honor to report that the China Economist of June 21 carries a lengthy summary of an article which originally appeared in Chinese in the Ta Kung Pao of April 22, 1948, entitled "Revival of Japanese Textile Industry Opposed." The sub-heading reads "Writer says Japanese will again use light industry to build up strength for militarism and aggression. Spindles allowed by U.S. declared above needs."

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The article appears of interest as substantiating the contention previously reported by this office that a great deal of the impetus behind the recent student demonstrations against the American aid to Japan policy originates in commercial circles in Shanghai. Although it has not yet been verified it is generally believed here that commercial interests, particularly those in the textile trade, supplied the financial support necessary to the students for their propaganda purposes.

The Ta Kung Pao article, as summarized in the China Economist, is characterized by such statements as

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"Unless the Chinese people resign themselves to a future role of being an exploited and down-trodden nation again, it is imperative that all efforts be exerted to rise against the diabolical plans to avoid the future enslavement of but recently liberated peoples."

Another statement in the same vein reads

"So unless we are prepared to be turned into a colony of Japan, how can we keep quiet and re-

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Army Navy Air Force CIA

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frain from doing our utmost to prevent the resurgence of Japan. The textile industry whose interests will first be affected must take the lead in the campaign against the restoration of Japan's textile industry under American sponsorship."

The article claims that the revival of Japan's textile industry under the auspices of the U.S. is like the laying of a time bomb in the Far East. The interest of the Chinese people in general and of the textile industry in particular is called to the dangers inherent in the plan sponsored by General Douglas MacArthur with the connivance of the U.S. authorities, not only to re-establish, but also re-develop the cotton industry of Japan.

The author claims that it was only with the huge profits earned from her textiles that Japan was able during the pre-war period to build up her heavy industries and her war plants to supplement her economic aggression with later armed aggression.

Attributing America's special favoritism for Japan, especially her textile industry, to the interests of the American Textile Association, the article claims that Dr. William Jacob, Chairman of that Association, expressed the opinion after his recent trip to Japan that he considered the linking into one of America's cotton, capital and management, Japan's cheap labor and China's market is an ideal program and that in spite of all opposition from Asiatic peoples the U.S. must revive Japan's textile markets in Asia and in the colonial territories.

After reviewing the decision of the Far Eastern Commission to designate the 1930-34 level as a standard to which Japan's industry should be restored, the writer claims that there were 7, 214,000 spindles in Japan in 1930 and 9, 126,000 in 1934. Such numbers of spindles it is claimed are sufficient to threaten the very existence of China's textile industry. The statement made by the China Textile Development Corporation is cited as proving that for purposes of self sufficiency Japan requires only 1, 180,000 spindles and 58,000 looms, for which she would need to import 475,000 bales of cotton per year. Since Japan's present textile equipment is already in excess of these levels, it is claimed further restoration cannot be justified on the grounds of self sufficiency but must be recognized as designed for the launching of a new campaign of economic aggression and for laying the foundations of a new military industry.

The further charges made that American business trusts have already established relations with Japan's major in-

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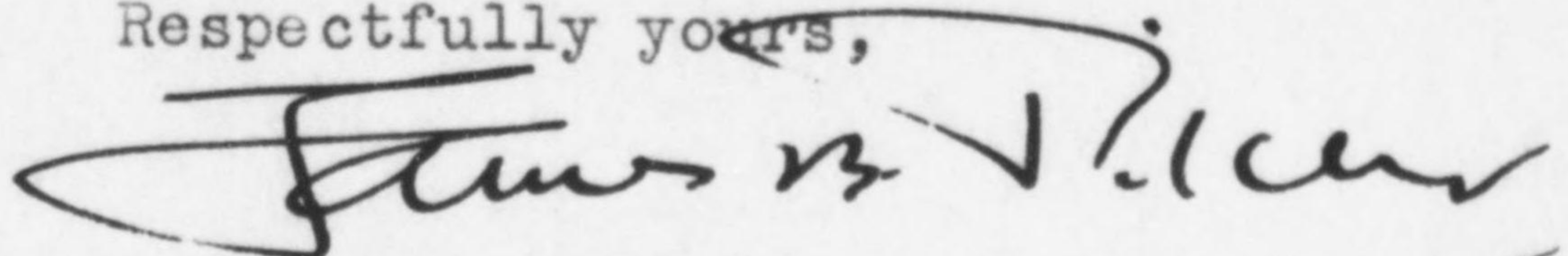


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dustries and that they look upon Japan as the American factory in Asia, Dr. Jacob is again quoted as saying "Japan's textile industry provides the safe insurance for U.S. industry. We believe the future protection for American industry is closely related to the smooth rehabilitation of Japanese industry and the restoration of the Far Eastern and colonial markets."

The article closed with the plea quoted above that "unless we are prepared to be turned into a colony of Japan, how can we keep quiet and refrain from doing our utmost to prevent the resurgence of Japan."

Respectfully yours,



James B. Pilcher  
American Consul

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Copy to Nanking  
Copy to Tokyo



*J. Martin*

*1948 JGM*  
*File DC/R*  
*OMP/APS/M Lindberg*  
*12-6-57*

DEPARTMENT OF STATE  
**Memorandum of Conversation**

DATE: July 8, 1948

SUBJECT: Policy regarding Japanese Textile Industry

**PARTICIPANTS:** (Department of State: Edwin M. Martin (ITP), Dean O. Bowman (OE), G.W. Lewis (O), J.G. Evans (IR), Stanley Nehmer (DRF), R.A. Fearney (NA), J.C. Montgomery (IR); Department of the Army: Brig. Gen. G.L. Eberle, Lt. Col. O.J. Baldwin, R.L. Bradshaw; Textile Industry: W.H. Suttentfield (American Yarn Processing Co.), W.C. Planz (Neuss Hesslein & Co.), W.P. Jacobs (American Cotton Manufacturers Association), C.T. Murchison (Cotton Textile Institute), H.L. Bailey and L.G. Trundle (Cotton Textile Institute), R.T. Stevens (J.P. Stevens & Co.), G.G. Caffrey (American Cotton Manufacturers" Assoc.), J.W. Murray (Textile Export Association)

~~COPIES DESTROYED~~

Copies to: Edwin M. Martin (ITP), Dean O. Bowman (OE), G.W. Lewis (O), Messrs: Gale, Shohan and Evans (IR), Stanley Nehmer (DRF), R.A. Fearney (NA), General Eberle, and Lt. Col. Baldwin (Dept. of the Army)

DC/R Central Files  
894.655/7-848

Dr. Murchison had requested an appointment with Mr. Thorp further to discuss the policy to be followed with respect to Japanese cotton textile production. A meeting was accordingly arranged for July 7, 1948 at 10:30 A.M. Since Mr. Thorp was not in Washington, Mr. Martin presided.

In indicating the reasons for his having requested the interview, Dr. Murchison again adverted to the conference recently held in England by representatives of the British and American textile industries. He said that at those conferences it had been agreed that Britain had a right to a continuing share in the cotton textile market; and that the United States textile industry desired to continue its exports of cotton textiles, which at present account for about 10% of total output. The conferees had then discussed probable Japanese textile competition and had agreed to recommend to their respective governments the advisability of limiting Japanese output at 2,500,000 spindles, and incorporating such limitation in the Japanese peace treaty. Dr. Murchison then referred to the large Japanese prewar exports at extremely low costs with which British and American exporters could not compete. Dr. Murchison suggested that instead of encouraging the recovery of the textile industry there should be an effort made to develop a balanced Japanese economy and to encourage a wide range of Japanese exports to pay for needed Japanese imports.

894.655/7-848  
CS/R

Mr. Stevens then said that the American textile industry is facing a discouraging domestic picture since production costs are high and it is increasingly difficult to sell products at the present high levels. As a consequence, inventories of sheetings and prints are developing and production is being cut back. The American industry therefore must regard Japanese competition with even greater concern.

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Anal  
Rev  
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Mr. Planz



-2-

Mr. Planz then discussed the Far Eastern textile market, pointing out that Japan had, before the war, depended on Manchuria and other north China markets for its export outlet. This outlet is now gone, and Japan's efforts to export textiles therefore now bring Japanese competition into areas not formerly supplied by Japan. Moreover, he said that Japan's small present output is effecting the whole world market, and a backlog of 400,000,000 yards has proved unsalable. Any expansion of output from the present levels would constitute a serious menace to American exports.

Mr. Bradshaw replied that SCAP has concentrated in making sales on markets previously furnished by Japan.

Mr. Bowman said that an effort is being made to develop a balanced Japanese economy, but that it was difficult to obtain needed materials (for example coking coal) at prices which would enable Japan to export economically. He stated that the long-range plan provides that textile exports would provide only 20% of all dollar exchange obtained from exports. It was pointed out in this connection that one of the fields in which Japan had been a large prewar exporter was that of finished metal products. This is an industry which has a greater war potential than textiles.

Mr. Martin then discussed the whole problem of Japanese recovery. He said that the United States had to decide whether:

1. It would permit the Japanese to export goods in order to pay for needed imports (especially food) which are increasingly necessary in view of the greatly increased Japanese population, or whether
2. It would continue to finance Japanese imports, at the expense of the American taxpayers. In this connection General Eberle commented that there appeared little likelihood of inducing Congress to appropriate for this purpose over the long-term, or whether
3. It would permit several million Japanese to starve. Mr. Martin pointed out that this course was not attractive, quite aside from any humanitarian considerations, because a chaotic Japan would be a definite liability.

Mr. Martin felt that the first possibility was the only viable one. It then became a question of what items Japan was to be permitted to export. Textiles were obviously a non-military field which loaned itself to the peacetime program for development. In addition, Mr. Martin felt that it was impossible to place arbitrary limitations on an industry which had no more war potential than cotton textiles. Moreover, he pointed out that it was currently felt that the limitations to be placed on Japan should be as few in number as possible and should be in matters of strategic importance. It is not felt that numerous restrictions should be imposed when it is realized that their enforcement would be impossible. Mr. Martin added that in his opinion American exports in general face a decided decline. In 1947 our export balance amounted to \$12,000,000,000. This could be balanced by Government underwriting of the deficit (like the ECA program), ~~or~~ by greatly increasing our imports. The latter course meets with universal opposition, since each American industry opposes imports which compete with its products.

Colonel



-3-

Colonel Baldwin here stated that the only Japanese export to this country which did not rouse opposition was seed oysters. Even Japanese toys could not be imported without creating opposition.

Mr. Martin then thanked the industry representatives for giving their viewpoints and said that while he felt that the problems were far from a solution, frank mutual exchange of views was of great usefulness.

*JCM*  
IR:JCMontgomery:dil 7/8/48



STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

Office of  
THE EASTERN AFFAIRS  
JUL 15 1948  
DATE 7/14/48  
DIRECTOR  
Department of State

*WNB*  
*WNB*  
*WNB*  
*WNB*

TO : NA - Mr. Allison  
FROM : NA - R. Fearsey  
SUBJECT: Restriction of Japanese Textile Industry.

The attached is a memo of conversation of the meeting with the textile moguls in Mr. Thorp's office last Thursday which you asked me to attend. The memo doesn't do justice to Martin who tactfully tore the textile people's arguments apart and threw them in the wastepaper basket. It almost turns the stomach to see these people with a billion dollar domestic business arguing that 80 million Japanese with desperate economic prospects should have their leading peacetime industry arbitrarily limited to a third of its prewar size so the American industry's 10% foreign business will not have to face the competition.

I should think Mr. Butterworth and Mr. Benninghoff would be interested in the memo.

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Cat. <i>W</i>



INTERNATIONAL RESOURCES DIVISION

DEPARTMENT OF STATE

JUL 9 1948

## Memorandum of Conversation

DEPARTMENT OF STATE

DATE:

July 8, 1948

## SUBJECT:

Policy regarding Japanese Textile Industry

## PARTICIPANTS

(Department of State: Edwin M. Martin (ITP), Dean O. Bowman (OE), G.W. Lewis (O), J.G. Evans (IR), Stanley Nehmer (DRF), R.A. Fearney (NA), J.C. Montgomery (IR); Department of the Army: Brig. Gen. G.L. Eberle, Lt. Col. O.J. Baldwin, R.L. Bradshaw; Textile Industry: W.H. Suttanfield (American Yarn Processing Co.), W.C. Flanz (Heuss Hesselein & Co.), W.P. Jacobs (American Cotton Manufacturers Association), C.T. Murchison (Cotton Textile Institute), H.L. Bailey and L.G. Trundle ((Cotton Textile Institute), R.T. Stevens (J.P. Stevens & Co.), C.G. Coffrey (American Cotton Manufacturers' Assoc.), J.W. Murray (Textile Export Association)

## COPIES TO:

~~XXXXXXXXXX~~ Edwin M. Martin (ITP), Dean O. Bowman (OE), G.W. Lewis (O), Messrs: Gale, Shehan and Evans (IR), Stanley Nehmer (DRF), R.A. Fearney (NA), General Eberle, and Lt. Col. Baldwin (Dept. of the Army)

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Mr. Flanz



-2-

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Colonel



-3-

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IR:JCMontgomery:dil 7/8/48

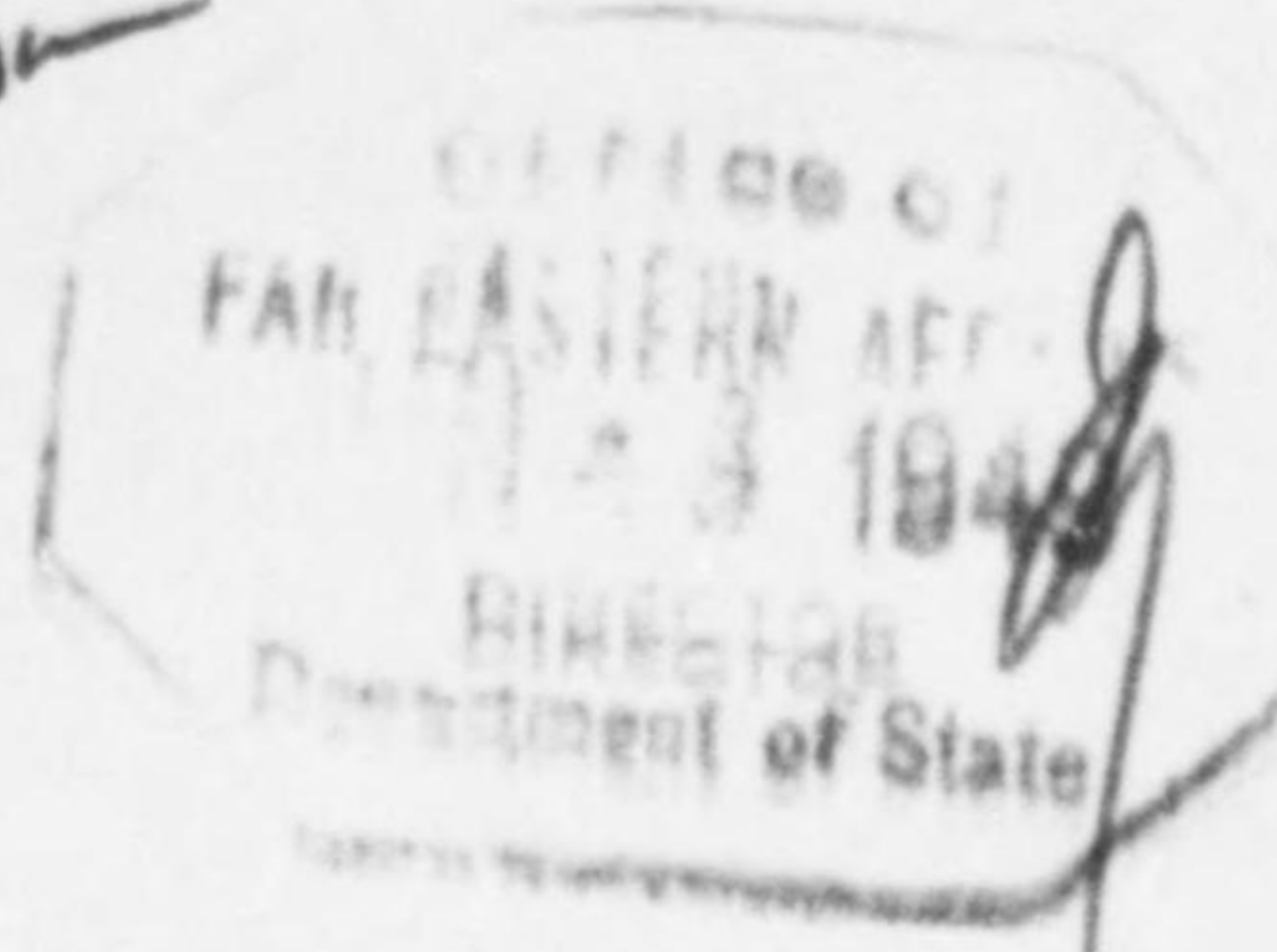


STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth  
CA - Mr. Sprouse  
FROM : Livingston T. Merchant  
SUBJECT:

DATE: June 8, 1949



54  
Tamm

On the morning of June 6, Mrs. Ogden Reed, publisher of the New York Herald Tribune, telephoned me to say that she was most anxious to see me to discuss Formosa and that Paul Hoffman had told her that morning that she should not fail to talk to me. I had about fifteen minutes with her and gave her in that time as thorough a briefing as I could on the general political, military and economic situation of the Island. I made clear that I was talking in confidence and for background only. Naturally, I did not discuss in any way policy decisions or other highly classified matters.

I pointed out the superficial strength of the Island with its natural wealth, gold stock and numbers of troops. I then attempted to describe the concealed and internal sources of weakness represented by the mismanagement of the present governing group, the resentment of the natives and the vulnerability of the military to Communist propaganda or outright deals.

Mrs. Reed made little comment but indicated that she appreciated the background. She also stated that her interest arose from her belief that Formosa is of great strategic importance to the United States and that it was her intention to treat this subject editorially.

Incidentally, she had received a long letter from K. C. Woo, to the contents of which she referred, although she did not show it to me. I believe it was identical or substantially identical to the letter which General Wedemeyer received from Dr. Woo.

LTM

LTMerchant:MF

DC/R  
Ancl. 4  
Rev  
Cat *[initials]*

Returned to  
894A.00/6-849  
CS/M  
894A.00/6-849



SUBJECT OR FILE NO. 894.655/7-2848		DATE DUE 7/31/52	
DATE OF DOC. 7/28/48	DOC. NO. Letter	SECURITY CLASS.	DATE CHARGED 7/2/52
TO/FROM Noonan, John		ENCLOSURES	
CHARGE TO Office		OFFICE SYMBOL Sg	

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

Rec'd in OE 7/30/48

HERRICK, SMITH, DONALD, FARLEY & KETCHUM

FIRST NATIONAL BUILDING  
1 FEDERAL STREET

TELEPHONE LIBERTY 2-4950  
CABLE ADDRESS "HESDOF"

BOSTON 10

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

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

July 28, 1948  
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DIVISION OF OCCUPIED AREAS  
ECONOMIC AFFAIRS  
JUL 30 1948  
DEPARTMENT OF STATE  
894.655/7-2848

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

Reference: OE

Dear Mr. Whitman:

Thank you very much for your letter of July 26th giving me additional data as to production of textile machinery in Japan. This additional information is very helpful and in particular helps to clear up the question in our minds as to the source of the raw material for the Japanese machinery production.

As you will recall when Mr. Leeson and I saw you in Washington we were somewhat concerned with information that we had been receiving as to the basis on which Japanese textile machinery was being priced for export purposes. Since that time we have made a considerable study of this situation and it may be that when the study is completed, which I think will be in the very near future, we will wish to talk with you about the matter and get your advice. The data which we have gathered together to date shows, I may say, that the Japanese prices are for the most part substantially under both American and British prices.

Again thanking you for your letter of July 26th, I am

Sincerely yours,

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

BCB - ITP Unit

Ancl. .... AD AD

Rev. ....

Cat. .... KW

Dist. JTN:KSJ

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JUL 30 1948



# INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

AIRGRAM SENT

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*File*  
NO FILE  
AUG 3 - 1948  
ACTION

From: American Consulate General  
Shanghai, China

No. : A-634

Date: July 29, 1948

Mailed: Jul 30, 1948

Rec'd: Aug. 2, 1948 3:05pm

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WASHINGTON

FAR EASTERN AFFAIRS  
AUG 3 1948  
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Department of State

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A-634, July 29, 1948

According to the local press the Textile Guild of this area has requested the Executive Yuan to protest to the American Government and to SCAP against a re-establishment of the textile industry in Japan.

The gist of the appeal is:

The number of spindles owned by the Japanese textile industry, which was approximately 1,000,000 at the time of Japan's capitulation, has now been increased to 3,500,000. This number far exceeds Japanese requirements for home consumption and can only indicate a return to pre-war levels reviving Japanese imperialistic economic aggression. A Japanese population of 70,000,000 needs only 1,500,000 spindles to turn out 700,000,000 yards of cloth a year. Thus, although the number of spindles now in operation is double the number required, still Japan clamors for the restoration of its pre-war 10,000,000 spindles. The number to be retained for the Japanese textile industry should on no account exceed the actual needs of her people for clothing, nor should it provide a living standard for the Japanese higher than that of the peoples of Asiatic countries who were victims of Japanese aggression. The maximum number of spindles retained should not exceed 3,000,000. All other textile machinery should be dismantled and moved to China as reparations.

Cabot

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Aug 30 1948

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DEPARTMENT OF STATE  
DEC 3 1948  
LIAISON OFFICE  
*W. S. Cabot*  
*fr*



CONFIDENTIAL

WC/IR Giles

## DEPARTMENT OF STATE

*Memorandum of Conversation*

DATE: January 10, 1949

SUBJECT: Proposals to limit Japanese cotton textile spindleage.

PARTICIPANTS: Agriculture - Dr. Arthur Palmer, OFAR  
Army - Col. Baldwin, Mr. Bradshaw, CAD  
Commerce - Mr. LutzState:  
Mr. Keyes - O  
Mr. Evans - IR  
Mr. Tyson - ED  
Mr. Nehmer - DRF  
Mr. Gay, Mr. McCornick, CPCOPIES TO: Participants  
Mr. Thorp, E  
Mr. Martin, Miss Brewster - ITP  
Mr. Willoughby - CP  
Mr. Barnett - OFD  
Mr. Green - NASw.  
874.655

894.655/1-1049

The meeting was held on January 10, 1949, in order to obtain interdepartmental agreement on the position to be taken in connection with British proposals to limit Japanese cotton textile spindleage. It had been learned that Sir Raymond Streat, Chairman of the British Cotton Board, was in this country, and that he may call upon representatives of this Government to discuss the matter with them.

Mr. Lutz, who had attended the recent ILO Conference reported that a similar proposal had been defeated at that Conference on the ground that only Japanese labor standards within the cotton textile industry should be discussed at such a meeting, and as a result, the British proposal to limit the number of spindles to 3,500,000 was considered out of order. Mr. Lutz felt that Sir Raymond might lay this proposal before U.S. Government representatives, and further that he was apt to propose a governmental meeting of "interested" nations, probably the five or six leading textile exporters.

For background, it was pointed out that in April 1948 the British textile industry invited American textile representatives to discuss this proposal, among other things, and as a result of the meeting, the industrialists of the two nations agreed upon a limit of 3,500,000 Japanese spindles, and further agreed to make these resolutions known to their respective governments, and to press for governmental action thereon.

The Americans presented their case to the Department of State on two occasions, to Mr. Thorp on May 11, 1948 and to Mr. Martin on July 7, 1948. They were told that with respect to Japan we face three alternatives: (1) expand Japanese exports, not an easy thing

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Mr. Lutz  
 Mr. Martin  
 Mr. Willoughby  
 Mr. Barnett  
 Mr. Green  
 Mr. Thorp  
 Mr. Keyes  
 Mr. Evans  
 Mr. Tyson  
 Mr. Nehmer  
 Mr. Gay  
 Mr. McCornick



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in the face of raw material shortages and world currency problems; (2) maintain American support of Japan, increasingly difficult in the face of mounting Congressional opposition to appropriations of funds for the occupation; (3) allow two million Japanese to starve each year, an unacceptable policy for humanitarian and political reasons. In answer to the industry representatives' suggestion that Japanese exports in fields other than textiles should be expanded, it was conceded that this was desirable, particularly in the long run, but there is at present still the problem of security when it comes to expanding such industries as machinery and chemicals, and also a problem of procuring such raw materials as coking coal and iron ore, largely available in areas under Soviet control. The future of Japan was described as a very important problem for which no adequate long-run solution had been found.

At the present meeting it was shown by Col. Baldwin that the question of limiting Japanese spindleage at this time is academic, for their exports have fallen off sharply in recent months, the figures showing a drop from a high of 42,000,000 square yards in July to 8,000,000 square yards in December. The recent agreement with the major portion of the Sterling Area by which Japanese textiles may be paid for in sterling has not created the increased sales which were anticipated. This, it appears, was due to the almost non-existent purchases of Japanese cotton textiles by the British, instead of purchases on the levels looked forward to under the terms of this Sterling Agreement. Col. Baldwin felt that the British were using that portion of the agreement that requires SCAP to purchase sterling for dollars from the Bank of England when it becomes necessary to pay for his sterling purchases from them. If they purchased the planned amount of cotton textiles from Japan, SCAP would not be placed in this position.

As of October 31, 1948, Japanese spindleage was 3.3 million installed, with slightly fewer operable, and 2.3 million spindles actually operating. SCAP in 1947 set an interim level of 4,000,000 spindles, to last only until the end of 1949, and feels that if conditions warrant, an increase would be justified. In fact, according to present SCAP estimates, 5,000,000 spindles will be required to create a self-sustaining industry in 1953. Thus, although present sales do not justify an immediate increase in the number of Japanese spindles, it would be a mistake to accede to the wishes of British and American textile interests, both of which are enjoying extra sales in territories largely supplied by the Japanese before the war. Figures show that in 1947, U.S. textiles in the amount of some 280,000,000 yards were sold in Asiatic and African areas where our pre-war sales were almost negligible. In 1936 Japan supplied these same areas with some 670,000,000 yards.

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The consensus of the meeting on the two points at issue was summarized by Mr. Gay as follows:

1. Sir Raymond Streat and his British and American colleagues should be given to understand that this Government could not agree to a policy limiting Japanese spindles to a given figure, because it is a "peaceful" industry, and is Japan's chief immediate means of becoming a self-supporting nation, and because such limitation is not in the spirit of the free development of world trade. Further, to perpetuate such a system of holding down a legitimate industry after the end of the occupation and the entry into force of a peace treaty would be contrary to U.S. Government policy.

2. If it develops that Sir Raymond wishes to obtain agreement to set up an international governmental body of "interested" nations, he should receive no encouragement, for the mere act of agreeing to such a proposal would be tacit admission that the governments concerned were willing to consider limitations of this sort.

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# INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH  
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FROM: USPOL.D, Tokyo.

Dated: January 22, 1949

Date of mailing: January 22, 1949

Rec'd: Jan 31, 1949, 2:10 PM

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Secretary of State,

Washington.

A-15, January 22, 1949.

*x R  
641-9431  
611-9431*

During a conversation this date between an officer of this Mission and an officer of the United Kingdom Liaison Mission concerning the extension of most favored nation treatment to Japan, the UKLM official stated that representatives of the British Embassy at Washington were planning to propose to the Department the constitution of an Anglo-American textile mission to visit Japan with a view toward exploring the possibility of reaching a mutually satisfactory Anglo-American-Japanese textile arrangement. It was emphasized that the purpose of the visit would be exploratory in nature, that any steps taken by it would be subject to the approval of the SCAP, and that the British proposal envisaged responsible Japanese participation. Furthermore, he stated, refusal to permit such an Anglo-American mission, representing Anglo-American textile interests, to visit Japan for such a purpose would be considered a matter of grave concern to the United Kingdom Government. The UKLM official was frank to state that his Mission and his Government regarded such an Anglo-American-Japanese textile arrangement as the only practicable solution to a probable future competitive textile war between the named countries. Although the view was expressed that British textile interests would not, in the final analysis, oppose a substantial increase in Japanese cotton spindles, they would wish, however, concrete assurances as regards future Japanese competition in the textile field. Admittedly, British textile interests can not meet sterling area textile needs at present; however, increased British production in the future must be taken into account. For that matter, the UKLM official stated, his Government took the view that Japanese textile interests would be served best in the long run by entering into such a mutually satisfactory arrangement.

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It was further stated that the head of the United Kingdom Liaison Mission in Japan approached General MacArthur last evening in this regard and reported that the General's reaction to the visit of such an exploratory mission was favorable. General MacArthur, when approached on the same matter, reacted favorably, according to the same source.

APR 2 1949

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Tokyo's 1-13,  
January 22, 1949.

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In this connection, this Mission understands that key persons in the Textile Division of IAS are sympathetic to the conclusion of a possible Anglo-American-Japanese textile arrangement which would in its effect control the future distribution of textile products from those countries in world markets. It is interesting to note that these persons do not anticipate an appreciable shift away from textiles in Japan's future export pattern or that increased costs will eliminate or neutralize the possible threat of future Japanese textile competition to U.S. and U.K. textile interests. One estimate made by a reliable source in that Division places Japanese textile costs at present at approximately one-eighth of those of comparable U.S. textile costs.

Reference is made to this Mission's despatch No. 757 of December 1, 1948 on the subject of "London Conference Concerning the Extension of Most Favored Nation Treatment to Japan" and to the statement on page 3 of the Memorandum enclosed thereto, as follows: "On the other hand, it is not believed that the United Kingdom, motivated largely by economic pressures predicated upon a genuine fear of Japanese competition, will agree to the extension of most favored nation treatment to Japan during the Occupation unless it receives assurances from the United States to the effect that Japan will not be permitted to become a serious competitor in the field of international trade (tantamount to what might be termed a "cartel arrangement")." In this regard, the UKLM official, referred to above, informed this Mission's officer that, even though a single general rate of exchange for the Japanese yen was to be established prior to the Geneva meeting in April, he doubted whether the United Kingdom would seriously consider the extension of most favored nation treatment to Japan in the absence of an Anglo-American-Japanese textile understanding or arrangement.

Further in regard to the above cited despatch and to comments made therein regarding inquiries by the Commonwealth representatives at the London meeting (including Australia) as to what possible benefit Japan might receive from the extension of most favored nation treatment to Japan, this Mission has learned through a reliable and confidential source that Australia does levy a differential duty on textile goods from Japan, Germany and Austria. This represents in the case of grey goods, for example, a levy of roughly 20 per cent above the "intermediate rate" as distinguished from the British preferential tariff. A UKLM Mission member, as well as a UK official (who participated in the London conference) while in Japan recently, could not understand why Australia failed to mention this point at the London Conference unless Australia's representatives had not been briefed properly. The UK official, having visited Australia prior to coming to Tokyo, informed the above mentioned officer of this Mission that he had discussed the matter of most favored nation treatment for Japan while in Australia and held little hope for that country's agreement at Geneva.

In view of the importance attached to the forthcoming meeting at Geneva and the desirability of obtaining most favored nation treatment for Japan, this Mission suggests that it would be desirable to permit such an Anglo-American textile mission to come to Japan for exploratory study with the understanding that all steps taken would be subject to

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Tokyo's A-13,  
January 22, 1949.

- 3 -

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ICAF approval. If this proposal is refused it would appear that we have little likelihood of obtaining most favored nation treatment for Japan within the foreseeable future.

This Mission is aware of the problems raised by the British proposal under the "Restrictive Business Practices" chapter of the Havana Charter; however, we would appreciate the department's comments relative to the applicability of the "Intergovernmental Commodity Agreements" chapter of the Charter to such a proposal in the event that a possible future burdensome textile surplus may be considered as likely to develop in the U.S., U.K. and Japan.

SEBALD

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FORM DS-323  
7-18-48

OUTGOING AIRGRAM

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Department of State

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NO. \_\_\_\_\_

Washington

2684

U.S. POLAD,

TOKYO.

A-28, Feb. 24, 1949

Reference your airgram A-15, January 22, 1949.

Y R 53  
641.9431  
611.9431  
56. AL  
894.655/1-2249  
ITP

(1) British Minister and aides meeting with Department representatives requested U.S. approval of joint U.K.-U.S. textile mission January 24, and indicated interest in reaching understanding with Japanese industry representatives and SCAP concerning long-range role of Japanese textiles in world trade. It was suggested that unless such understanding could be reached, discrimination against Japanese textiles might become necessary, and further, that without such understanding British industry hesitates to go forward with their own rehabilitation plans.

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In reply, it was stated that the request for a joint U.S.-U.K. textile industry mission would be discussed with the Department of the Army and with SCAP before determining the attitude of this government. It was also stated that Japan is expected to compete in the world markets in accordance with the rules of trade followed by other nations and in accordance with the principles of the ITO Charter when adopted, and that further it was not anticipated an industry such as textiles would be restricted as to its role in international trade either through the treaty of peace or government understanding.

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(2) Dr. Claudius Murchison of the Cotton Textile Institute requested a conference with government officials on behalf of five cotton textile associations. A meeting was arranged for February 3 with representatives of State, Commerce and Army. Representatives of the textile associations expressed concern over the softening of the export market in textiles and attributed price decline to the selling and pricing policies followed in disposing of Japanese textiles. They expressed sympathetic interest in the proposal of Sir Raymond Streat for a U.S.-U.K. textile mission to Japan but indicated that final decision of the industry's views was being withheld pending discussion of possible representation by the United States Government concerning discrimination against American textiles in the sterling area. However,

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## OUTGOING AIRGRAM

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## Department of State

CONFIDENTIAL

NO. A-28, TOKYO

Washington

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the U.S. textile industry representatives did not mention an agreement as to the future role of Japanese textiles in world trade as an objective of the mission. They stressed the importance of the general review with SCAP and with Japanese textile representatives of world textile trade prospects taking a long-run view. Furthermore, they showed no interest in an early departure of such a mission.

It was suggested to them that if the industry representatives decided to join with the U.K. in requesting that a mission be sent, a letter should be written to the Department setting forth the purposes of the mission and the results which they contemplated. In answer to a direct question from the industry group it was stated that the cotton textile industry of Japan has never been regarded as subject to control for security reasons and that no limitation to the rehabilitation of the industry in a peace treaty or otherwise had received consideration. The U.S. interest in encouraging the development of a well rounded and self-supporting Japanese economy in order to relieve the burden of American taxpayers was explained. That the U.S. Government would insist that Japan avoid resort to unfair trade practices such as may have characterized some of its deals in the 1930s was also emphasized. With respect to the question of lack of available dollar exchange in the sterling area for the purchase of U.S. textiles, it was suggested the Department be furnished with the facts of the situation including specific instances of limitations on U.S. textile exports whereupon the Department would consider taking the matter up with the U.K. Government.

(3) On the afternoon of February 3, Sir Raymond Streat discussed the question of a textile mission with Department representatives. Sir Raymond followed the same approach as Dr. Murchison, stressing the desirability of a thorough review with SCAP and the Japanese textile industry representatives of the world cotton situation including the prospects for Japanese textiles in world trade. He made no mention of reaching an understanding concerning Japan's role in textile export trade. He considered it most important from the point of view of avoiding a further softening in the textile export trade and of giving reasonable encouragement to the rehabilitation of the British textile industry that the U.S. and the U.K. give the appearance of having the situation under control by sending a joint mission to Japan.

Sir Raymond

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Department of State

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NO. A-28, TOKYO

Washington

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Sir Raymond was anxious to have an early announcement made that a mission had been approved but he thought that September of this year would be an appropriate time for the mission's departure.

In reply, it was stated that U.S. textile industry representatives had not yet requested approval of the proposed mission but as soon as such a request was made the Department would consider the matter in consultation with other departments of the Government and SCAP and would inform the British Embassy of this Government's position.

(4) The Department recognizes that the U.K. will continue to relate its interest in Japanese textile production to the question of granting M-F-N treatment to Japan and that taking an hostile attitude toward the proposed mission would militate against success in this regard at the next GATT conference. The Department is concerned however that before a mission is undertaken its terms of reference be agreed to by both governments.

In Department's view, textile surplus alone cannot be made subject of intergovernmental commodity control agreement under Chapter VI of Charter. Inclusion of textiles in a commodity control agreement would only be possible in an agreement directed to a burdensome surplus in cotton, and then only in the contingency that inclusion of textiles significantly helped to alleviate the cotton problem.

It is believed that such a mission should operate strictly within an information giving, fact-finding framework. The mission should not be given authority to attempt arrangements which would be inconsistent with the Charter, e.g. arrangements for the fixing of prices, allocation of markets or limitation of production.

(5) It is suggested that the substance of the Department's position may appropriately be brought to SCAP's attention. The airgram under reference was very timely and helpful to the Department.

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RM/R 894.655/1-2449

Japanese Textile Industry  
DEPARTMENT OF STATE

- United Kingdom: Minister J. W. Taylor,  
Counselor Anthony E. Percival,  
Counselor H. A. Graves.
- United States  
Dept. of Army: Colonel Baldwin and Colonel Mastran.
- " of Commerce: Renne Lutz.
- " of State: ITP - E. M. Martin, Chairman  
CP - Merrill C. Gay,  
O - John W. Auchincloss,  
DRF - Stanley Nehmer,  
IR - J. G. Evans.

Mr. Taylor opened the conversation by stating that his Government had requested him to discuss with the Department of State the possibility of securing an invitation from the Supreme Commander for the Allied Powers in Japan to send a joint mission composed of three representatives from the British textile industry and three from the United States textile industry to Japan. The purpose of this mission would be to reach an understanding with representatives of the Japanese textile industry concerning the long-run role of Japanese textiles in the world market. The mission would also discuss this problem with the Supreme Commander.

Mr. Taylor intimated in the absence of such an understanding it might become necessary for the United Kingdom to take restrictive measures against Japanese textiles in the Empire markets. He said further that the United Kingdom textile industry needed assurances regarding probable extent of Japanese textile industry rehabilitation before rehabilitation in Britain could proceed.

(This request for a mission is apparently closely connected with the current visit of Sir Raymond Streat, who is prominent in the British textile industry and also holds an official position on the Board of Trade. He was in Washington about a year ago and at that time invited representatives

of the

*Textile Industry, Japan*  
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of the United States textile industry to visit Britain early in April. Representatives of the United States textile industry accepted the invitation and conferences were held in Manchester and London. Textile industry representatives of the two countries discussed the problem of future Japanese competition and agreed to recommend to their respective Governments that Japanese textile rehabilitation be restricted to the operation of three and one-half million spindles. United Kingdom representatives at the ILO Textile Committee Meeting in Geneva last fall, after failing to get approval for a strong resolution concerning Japanese textile rehabilitation, indicated that they would seek a conference of interested governments to consider the problem. Recent discussions between Sir Raymond Street and representatives of the United States textile industry may have led to this request for a mission to Japan.)

Mr. Taylor made it quite clear that the United Kingdom Government hoped that the representatives of the United Kingdom and the United States and the Japanese textile industries could reach some understanding with respect to the future role of Japan in world textile trade. Such an understanding would apparently involve agreement on total volume of Japanese exports and a division of market areas or of markets according to textile construction. Mr. Percival stated that even though no such agreement or understanding were reached, the fact that a mission reviewed the situation in Japan would have a beneficial psychological effect in Manchester. (There is a precedent for such an understanding in the agreement reached in the United States mission headed by Murchison in 1937 which had indirect Government sanction. This agreement limited Japanese exports to the United States).

Mr. Martin replied that Mr. Taylor's proposal would receive consideration, but he pointed out:

- (1) That a private agreement such as contemplated would be difficult to justify in view of United States' desire to adhere to the principles of the ITO Charter, and
- (2) United States' efforts to place Japanese economy on a self-supporting basis in order to relieve the burden of our tax-payers.

Colonel Baldwin expressed the opinion that such a mission as proposed by Mr. Taylor would probably serve no useful purpose.

It was further suggested that any official connection between the United States and the United Kingdom Governments with such a mission would appear to sanction a policy of long-range restriction of peaceful industries in Japan.

ITP:IR:JGEvans:kd



STANDARD FORM NO. 64

*Office Memorandum* · UNITED STATES GOVERNMENT

DATE: 1/28/49

TO : NA - Mr. Bishop

FROM : CP - Merrill Gay

SUBJECT:

I'm not sure I made clear to you that present intentions here are that no instructions will be sent to SCAP until after meeting with U.S. textile group on Feb. 3.

Present party line is delaying tactics on basis Royall mission and hope that SCAP will not get too far ahead of us.



DEPARTMENT OF STATE

**Memorandum of Conversation**

DATE: February 3, 1949

SUBJECT: Japanese textile competition; Sterling area currency restrictions.

PARTICIPANTS:

Representatives of American textile industry:

- Claudius T. Murchison, President, Cotton Textile Institute
  - Lewis S. Trundle, Cotton Textile Institute
  - William C. Planz, Textile Export Association of the U. S.
  - William de Min, Textile Export Association of the U. S.
  - John W. Murray, Textile Export Association of the U. S.
  - Robert T. Stevens, American Cotton Manufactures Association
  - Charles Caffrey, American Cotton Manufactures Association
  - Gordon W. Rule, Textile Industry Committee on Foreign Trade
  - W. Roy Bell, President, Association of Cotton Textile Merchants of N. Y.
  - Malcolm G. Chace, Jr., Berkshire Fine Spinning Associates
  - Paul B. Wells, Naumkeag Steam Cotton Co.
- 
- John M. Hughlett, Riverside-Dan River Cotton Mills
  - Percy S. Howe, Jr., American Thread Company

U. S. Government departments:

Department of State

- Edwin M. Martin, ITP
- Merill C. Gay, CP
- J. G. Evans, IR
- Robert Barnett, OFD
- Alexander Keyes, O
- Harold W. Moseley, O
- Robert Fearey, NA
- Joseph Lightman, IR
- Stanley Nehmer, DRF

Department of Army

- Lt. Col. O. J. Baldwin
- Lt. Col. L. F. Schockner
- Lt. Col. J. L. Mastran
- R. L. Bradshaw

Department of Commerce

- Rene Lutz

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The meeting was called at the request of representatives of the American cotton textile industry to discuss certain problems affecting American textile exports. Dr. Murchison, as spokesman for the industry group, presented two main points for discussion at the meeting --- (1) the problem of future competition of <sup>an</sup> expanding Japanese cotton textile industry with the American and British industries, and (2) the problem of sterling area currency restrictions on American cotton textile exports.

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Japanese Textile Competition

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In presenting the first point, Dr. Murchison referred to the April 1948 meeting in Manchester of American and British cotton textile industry representatives at which both industries agreed to recommend to their respective governments the fixing of Japanese spindleage at a maximum of 3.5 million spindles. He said that another proposal that had been suggested as a means of curbing future Japanese competition was an agreement among American, British, and Japanese textile manufacturers concerning the allocation of markets for their respective products. On this point, Dr. Murchison stated, the American industry had not yet reached any definite understanding although the British industry, through Sir Raymond Streat, head of the United Kingdom Cotton Board and now in the United States, had pressed for joint action in making representations to their respective governments to propose an Anglo-American mission to Japan for discussions on this point.

Mr. Planz developed this first point further by explaining that the world-wide decline in textile exports has been due in large part to the policy on Japanese textile prices which has permitted the reduction of these prices in order to conclude sales contracts. He claimed that markets were reluctant to buy when there always existed the possibility of getting the same or similar goods from the Japanese at a reduced price. What was needed, he said, was stability. He agreed that Japan must have textile exports but he did not think that textiles should be pushed further than other export items. Mr. Planz claimed that the American textile industry, which had been developed over the last several years for military purposes and which must maintain wage and employment levels in order to continue its preparedness, must seek agreement with its competitors to assure stability.

Mr. Martin confirmed press reports that the United Kingdom government had made official representations to the Department for the sending of a joint Anglo-American mission to Japan for the purposes stated by the industry members. No decision had been reached as yet and no decision would be reached, he said, until discussions had been held with SCAP and the Department of the Army. Mr. Martin said that a decision would be based on our basic policies towards Japan, which had not changed: (1) we were still opposed to establishing limits on peaceful industries, and (2) we wanted the Japanese economy to be self-supporting. He said that the advice that the government had received over the past year from various missions to Japan has been to limit rather than expand the list of industries which must have security restrictions. In-so-far as the achievement of a self-supporting economy in Japan is concerned, there is no solution in sight without a significant expansion in Japanese exports of all types of items. Actually Japanese textile exports



have lagged in recent months and this has been evidenced by the large number of operable but not operating spindles. If we do not try to achieve a self-supporting economy for Japan we are faced with the alternatives of supporting Japan with congressional appropriations indefinitely or of allowing one or two million Japanese to starve. Although we want Japan to expand its exports, Mr. Martin pointed out, we want this to be on a fair, competitive basis. Two factors which will affect this will be the determination of an exchange rate for Japan and the application of most favored-nation treatment to Japanese goods as widely as possible, at least by the signatories of GATT.

In reply to Mr. Planz's comment about the emphasis on textile exports, Mr. Martin said that SCAP was pushing exports of all goods. The reason textile exports have been expanded first was that the textile industry was the easiest to rehabilitate because of its importance in a prewar peacetime Japanese economy and because of the availability of textile raw materials. We do not want to over-emphasize textiles to the point where the textile industry must sell at a loss or sell its expanded production to the domestic Japanese market only. He said that our policy towards the rehabilitation of the Japanese economy had changed from the early emphasis on textile industry recovery to one of "pump-priming across the board." The latter has been evidenced in our desire to achieve a self-supporting economy.

Mr. Martin inquired whether there would be any value to the American and British industries of exchanging information with the Japanese as to types and grades of textiles which each would be producing. Mr. Planz replied that there would be considerable value in this since in the early post-surrender period the Japanese mills at SCAP's urging had been put on American types of cloth resulting in the present large unsold stocks. It has been only recently, Mr. Planz said, that the Japanese mills have returned to their prewar constructions with which they found good markets.

Mr. Martin pointed out that there would be a significant difference between the American industry mission that went to Japan in 1937 to conclude an agreement with the Japanese cotton textile industry and a mission that might go out now. Because of Japan's loss of the war and the existence of an occupation, such a mission today would have to be careful not to allow the Japanese to think that it was being dictated to but rather a mission would have to operate within an information-giving, fact-finding framework. Mr. Planz said that was agreeable to the U. S. industry representatives.

Mr. Stevens said that his main concern was to prevent a return to the chaotic conditions of the 1930's when Japan engaged in aggressive competition. The fact that the policy of the U. S. was to rehabilitate the Japanese economy without unbalanced emphasis on the textile industry was a hopeful sign. Mr. Martin reiterated his previous point that we are interested in preventing the return of Japanese prewar aggressive business practices.



Mr. Rule asked if the FEC will set a level on the Japanese textile industry. Mr. Bennett replied that we have not proposed the setting of such a level nor has any other government suggested that there be a level. Mr. Martin added that the present feeling was that there are few industries on which permanent levels are to be set. Most levels that will be set will be for purposes of determining reparations removals.


Mr. Martin said that if the American industry should come to an agreement about the sending of a mission to Japan, a letter should be sent to Mr. Thorp stating in detail what would be hoped to be accomplished by such a mission, what would the industry conceive as being the mission's relations with the government, and what would be the proposed timing. Col. Baldwin added that SCAP would have to be consulted about such a mission and that the present time might not be convenient for the sending of a mission because of the presence in Tokyo of the Royall-Dodge group.

#### Sterling Area Exchange Restrictions

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Mr. Murchison explained that currency restrictions imposed by sterling countries had resulted in a decrease in American textile exports to the sterling area in 1948. In that year, he pointed out, we exported only about 850 million yards of cotton cloth as compared with almost 1500 million yards in 1947. In discussions with British industry people on this problem, it was suggested that the American industry should ask the U. S. government to make strong representations to the British government on this question. Sir Raymond Streat has indicated that if this were done, the British cotton textile industry would support the U. S. representations.

Mr. Martin inquired why the British industry would support this if it might have the effect of increasing their competition. Mr. Planz replied that the British would take this action in order to get U. S. support for the sending of the proposed mission to Japan and also because the British industry itself is unable to meet the textile requirements of the sterling area.

Mr. Martin replied that the U. S. is concerned with the sterling area's dollar shortage and we cannot require the U. K. to spend more scarce dollars. What we might do, he said, is to take up the question of the distribution of the dollars that Britain spends if we have specific examples of cases where American goods are being discriminated against. Mr. Planz said that any approach made to the British should be on a broad basis and not be a request for relief in a specific market within the sterling area. Mr. de Min and Mr. Planz agreed to consult on this problem with a Department officer to be named by Mr. Martin in order to provide the Department with specific information.

  
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DER

## DEPARTMENT OF STATE

Memorandum of Conversation

DATE: Feb. 4, 1949

**SUBJECT:** United States and United Kingdom Textile Mission to Japan - Discussion held in Mr. Martin's office, Thursday, February 3rd, 3 p.m.

**PARTICIPANTS:** Sir Raymond Streat, Mr. A.E. Percival, Mr. J. Broatch---U.K. Mr. Martin, ITP; Mr. Gay, C.P.; Mr. Evans, IR.

**COPIES TO:** Mr. Nehmer, DRF; Mr. Keyes, O; Mr. Barnett, OFD; Mr. Gay, CP; Mr. Martin, ITP; Mr. Kennedy, IR; Col. Baldwin, CAD Army; Mr. Lutz, Dept. of Commerce.

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Sir Raymond Streat opened the discussion with a statement setting forth the United Kingdom's interest in sending a mission composed of representatives of the textile industry of the United States and the United Kingdom to Japan. He indicated that the purpose of such a mission would be to review with SCAP and with representatives of the Japanese textile industry the present and prospective world cotton textile situation. He made no mention of the desire to reach an understanding or gentleman's agreement concerning the future role of Japanese textiles in world trade. He hoped that a realistic review of world trade prospects in textiles would have a moderating effect on plans for rehabilitation of the Japanese textile industry in order that the mistakes of the 1930s might be avoided. He described the prewar Japanese textile industry as greatly over-expanded with at least one-third of the spindles always idle and provoking unfair competition in world markets on the part of the Japanese.

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Sir Raymond considered the sending of such a mission to be especially urgent for two reasons:

(1) The world textile market is softening at the present time, and there is a danger that the situation may develop in the direction of depression particularly in the United States, which would have a bad effect on the industry in all countries.

(2) Present

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(2) Present uncertainties in the world industry have a dampening effect on British plans for the rehabilitation of their own industry. He thought that the real objective of such a mission would be to allay suspicion and give at least the appearance of cooperation between the United States and the United Kingdom which would result in keeping the situation under control.

In reply Mr. Martin said that this government had under consideration the request of Minister Taylor that such a mission be permitted to go to Japan with the approval of both governments. Mr. Martin, however, indicated that representatives of the United States textile industry had not yet informed the Department of its attitude on the proposal and he had requested that in case the industry representatives do wish a mission sent, a letter to the Department be prepared setting forth the purposes and anticipated results.

Sir Raymond expressed surprise that the United States textile industry representatives had not already indicated approval of the proposed mission. He felt that closest cooperation between the textile industries of the two countries was highly desirable in view of the problems with respect to world trade that he anticipated would arise in the future. He stressed the desirability from the United Kingdom point of view of having an immediate decision concerning the proposed mission and an early public announcement if it is decided to send the mission. He considered it quite satisfactory from his point of view if the mission visited Japan in the fall of 1949.

*JL*  
ITP:IR:JGEvans:kd



# INCOMING AIRGRAM

*TR DC/R*

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH  
INTERNATIONAL TRADE POLICY

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MAR 8 - 1949

DEPARTMENT OF STATE

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MESSAGE CENTER

*International Resources Division*  
*No action required*  
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Date of Mailing: unknown

subject: Japanese textile industry

FOR STATE (CP) AND COMMERCE

There is quoted below excerpt from H. H. H. of February 23, 1949, under the above subject:

"MR. HAYBALL (Labor) asked the President of the Board of Trade what discussions are taking place with the United States Government concerning the desirability of not compelling Japan to rely almost entirely on her cotton industry to maintain her economy.

"MR. HON-BLACK (Conservative) asked the President of the Board of Trade whether he is aware of the agreement signed by the Allied Supreme Command to the Japanese concentration on textiles to build up their export trade; and what direction of policy in His Majesty's Government have been given to the British representative on the Allied Supreme Command in this matter.

"MR. H. H. H. (President of the Board of Trade): General MacArthur is the Supreme Commander in Japan for all the Allied powers. The training of policy is the responsibility of the Far Eastern Commission in Washington, whose policy decisions are transmitted as directives to General MacArthur. His Majesty's Government is represented on the Far Eastern Commission, and by the United Kingdom Liaison Mission in Tokyo, which is in close and continuous contact with General MacArthur's headquarters.

"Textiles have always represented the major part of Japan's export trade, and proportionately they still do so. It is not, as ever, the case that the occupational authorities are engaged in this country. On the contrary, despite the limitations on heavy industry, General MacArthur aims developing a more even balance of Japan's export trade both on the various industrial branches and on the pattern of exports. However, although the proportion of textiles to

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other exports is now about the same as pre-war the volume of such exports is very greatly reduced. No discussion is in any way in place, at present, with the United States Government on this point.

"Mr. HALL: Is not my right hon. friend aware of the very serious losses now existing in Lancashire, and will he do his best to bring about some discussions whereby those losses which exist in Lancashire and in the industry may be alleviated?"

"Mr. HALL: I am well aware of the position and, as the hon. Gentleman knows, there have been discussions between the two industries on this point.

"Mr. HALL: (Labor) Will my right hon. friend bear in mind that in the pottery and silk industries we are aware of this problem and would the Government be set into economic negotiations with the United States about the situation in Japan as soon as possible?"

"Mr. HALL: (Labor) Will my right hon. friend tell the House that from time to time the general policy to be pursued is discussed between His Majesty's Government and representatives in the Far East, and, if so, shall we have the opportunity of putting down questions as to that policy?"

"Mr. HALL: I hope to have the opportunity, in a week or later this week, to make a rather fuller statement on this general question. Perhaps the hon. Gentleman will wait until then."

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STANDARD FORM NO. 64

CONFIDENTIAL

*JR Evans*

Office Memorandum • UNITED STATES GOVERNMENT

TO : ITP - Mr. Martin

DATE: March 14, 1949

FROM : IR - Mr. Evans

*File DC/R  
on P/APS by Lundberg  
21-28-51*

SUBJECT: Japanese Rayon Industry

The Department of the Army's January 1949 confidential report, "Program for a Self Supporting Japanese Economy" for submission to Congress projects rayon production and exports through 1953.

Rayon production is anticipated at 250 million pounds which compares with peak production of 541 million pounds in 1938. Japan was the world's largest producer for the period 1936 through 1938 but was exceeded by Germany in 1939 through 1944 and by the United States in 1941 through 1948.

Exports of rayon yarn, staple, and fabric are estimated at 82.5 million pounds in 1953 compared with 306.7 million in the peak year 1938. Japan was the largest exporter of rayon fabrics in the world in the late 1930's and shared the top export position in rayon yarn with Italy.

Rayon can be produced in Japan with less dependence on raw materials than other textiles. Most of the raw materials needed for rayon production can be obtained in Japan although not always in sufficient quantities. Rayon pulp can be obtained in part from local forests. Salt, needed for caustic soda for the chemical process, is manufactured and recently has been in adequate supply. Coal is in the ground and electric power can be developed. As the import price of a short ton of rayon pulp is approximately that of a 500 pound bale of cotton, it is considered economical to produce rayon rather than cotton goods for domestic consumption.

Although the projected program for the Japanese rayon industry is only 46 percent of peak production and 27 percent of peak exports, there is some basis for the fear of its future competition with the American industry. Its rapid rise in the 1930's and its ability to meet its raw material requirements would point to probable success in the future.

Incidentally, the Japanese rayon industry was the only one in the world not in some way connected with the prewar cartel which functioned through exchange of patents, allocated markets, and interlocking directorates. The Japanese are adept at copying and had reproduced the machinery of others.

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## RAYON PRODUCTION: WORLD, UNITED STATES, AND JAPAN

Unit: 000 Pounds

<u>Year</u>	<u>World</u>	<u>United States</u>	<u>Japan</u>
1930	457,370	127,685	37,150
1931	507,680	151,760	48,835
1932	534,165	135,770	70,535
1933	694,320	215,600	98,960
1934	823,280	210,520	156,605
1935	1,074,310	262,155	237,670
1936	1,321,105	287,940	325,210
1937	1,822,395	340,800	511,460
1938	1,924,140	287,485	541,115
1939	2,239,610	379,940	539,825
1940	2,471,005	471,170	501,910
1941	2,816,890	573,230	464,700
1942	2,648,335	632,615	269,860
1943	2,539,885	663,145	172,170
1944	2,080,050	723,955	106,120
1945	1,397,975	792,035	27,515
1946	1,673,475	853,915	29,655
1947	1,990,710	975,145	35,555
1948	2,450,000	1,124,000	71,000
1949 (est.)			128,000

This table covers rayon filament yarn and staple.

Source: Rayon Organon, June 1948, Statistics for 1930-47.  
 Feb. 1949, World and U.S. for 1948  
 SCAP Economic & Scientific Sec., Textile Production  
 Review, 2/18/49 for 1948 Japanese Production.  
Daily News Record, March 1, 1949 for Japanese 1949  
 Estimate.

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CONFIDENTIALRAYON, CAPACITY, PRODUCTION, AND MARKETS, AVERAGE 1930-34 FY 1948  
AND PROJECTIONS FOR FY 1949-53

	Unit	Average 1930-34	Peak Pro- duction Yr. (1938)	FY 48	Projections				
					FY 49	FY 50	FY 51	FY 52	FY 53
<u>Capacity</u>									
Spindles installed	Thous.	n.a.	n.a.	200	250	300	350	450	500
Looms installed	"	"	"	60	80	90	100	110	120
<u>Production, total</u>									
Rayon yarn	Mil. lbs.	85.0	541.0	53.0	90 <sup>3/</sup>	115.0	160.0	205.0	250.0
Rayon staple	"	82.6	213.8	25.0	50.0	68.8	88.8	112.7	137.5
	"	2.4	327.2	28.0	40.0	56.2	72.0	92.3	112.5
<u>Addition to stock for export</u>									
	"	-	-	23.5	-	-	-	-	-
<u>Dom. Consumption, total</u>									
Rayon yarn	"	26.0	389.0	20.0	65.0	86.0	115.0	143.5	167.0
Rayon staple	"	23.9	72.5	4.0	27.0	38.0	47.0	55.5	60.0
Exports as % of Produc.		2.1	316.5	16.0	38.0	48.0	68.0	88.0	107.0
		69	28	62	18	25	28	30	33
<u>Imports:</u>									
Rayon wood pulp, qty (Includes cot. linters, pulp) value 1/	Thous. MT	50.0	295.7	15.4	15.7	23.1	29.7	43.8	57.0
Raw cot. Linters, qty Value 1/	Mil. \$ Thous. MT Mil. \$	13.0 2.5 0.4	76.9 7.7 1.4	4.0 2.2 0.4	4.2 2.0 0.4	6.0 6.8 1.3	7.7 14.0 2.6	11.4 14.0 2.6	15.0 14.0 2.0
<u>Exports: Qty, total</u>									
Rayon yarn	Mil. lbs.	44.4	306.7	9.5	16.0 <sup>3/</sup>	29.0	45.0	61.5	82.0
Rayon staple	"	9.3	296	8.5	10.0	16.0	22.0	28.0	35.0
Rayon woven goods--	Mil. sq. yds <sup>2/</sup>	135.1	450.0	4.9	30.0	65.0	115.0	165.0	240.0
<u>Value, total 1/</u>									
Rayon yarn & staple	Mil. of \$	46	165.2	8.0	15.0	31.0	50.0	69.0	95.0
Rayon woven goods	"	6	30.2	6.5	7.0	11.0	15.0	19.0	23.0
		40	135.0	1.5	8.0	20.0	35.0	50.0	72.0

1/ Expressed in 1948 prices  
2/ Converted at the rate of  
5 yds. to one pound.

3/ Of the total of 90 million pounds produced it  
assumed that 9 million are added to stocks.

Source: Program for a Self Supporting Japanese Economy - November 1948

ITP:IR:IABaldwin:kd - 3/14/49







## FILAMENT RAYON FABRICS: EXPORTS FROM JAPAN PROPER

	Unit: 000 Square Yards					
	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1947</u> <sup>1/</sup>
Total	503,303	621,905	598,850	616,943	408,799	2,654
Empire Areas						
Korea	79,110	94,358	113,721	179,821	98,828	
Kwantung	26,541	56,630	39,334	49,553	32,012	
Manchuria	1,822	2,189	7,188	47,401	33,378	
British India	75,142	92,081	94,854	32,448	49,843	
Australia	65,801	58,061	42,344	40,657	44,038	
Netherlands Indies	49,987	51,556	46,780	26,688	32,051	486
Philippine Islands	18,720	35,443	25,303	10,610	2,541	705
Hong Kong	12,893	26,987	27,253	8,704	9,323	638
Uruguay	17,534	23,348	13,466	4,707	2,546	
Iraq	15,203	16,161	22,126	8,663		
All other	140,550	165,091	166,481	107,691	104,239	
Belgium						7
United States						818

<sup>1/</sup> Includes spun-rayon fabrics which were not separately classified.

Source: Japanese Trade Studies, Rayon Fabrics, U.S. Tariff Commission, October 1945.



## SPUN-RAYON FABRICS (STAPLE FIBER): EXPORTS FROM JAPAN PROPER

Unit: 000 Square Yards

	<u>1937</u>	<u>1938</u>	<u>1939</u>
Total	20,994	90,857	106,827
Empire Areas			
Korea	4,239	30,404	58,097
Kwantung	6,213	19,407	a/
Manchuria	2,039	25,422	a/
Hong Kong	1,490	1,189	a/
Finland	1,539	942	a/
Australia	770	396	a/
British India	688	211	a/
Siam	612	457	a/
All other	3,404	12,429	a/

a/ Not reported.

Source: Japanese Trade Studies, Rayon Fabrics, U.S. Tariff Commission, October, 1945.



## RAYON YARN: EXPORTS FROM JAPAN

	Unit: 000 Pounds					
	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1947</u>
Total	35,867	47,939	59,496	29,808	40,819	5,837
Empire Areas						
Kwantung	7,184	13,037	1,560	762	333	
Manchuria	4	123	113	1,964	a/	
Korea	5,439	3,640	3,064	7,770	4,077	
India	10,133	14,112	30,670	6,087	19,457	2,200
Mexico	2,373	3,757	7,163	1,729	2,796	
China	3,171	2,940	5,438	8,506	3,930	1,854
Netherlands Indies	699	1,264	3,368	644	a/	
Australia	1,540	1,631	627	725	1,372	301
Other	5,324	7,435	7,493	1,621	8,854	
Egypt						200
Hong Kong						1,280
Singapore						2

a/ Not reported

Source: Japanese Trade Studies, Rayon Yarn and Staple Fiber,  
U.S. Tariff Commission, Sept. 1945 - for 1935-39.  
Summation of Non-military Activities in Japan, Jan. 1948  
for 1947.

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RAYON STAPLE FIBER:<sup>1/</sup> EXPORTS FROM JAPAN

	Unit: 000 Pounds		
	<u>1937</u>	<u>1938</u>	<u>1939</u>
Total	14,771	291	46,761
Empire Areas			
Kwantung	2	10	<u>2/</u>
Manchuria	3	116	<u>2/</u>
Korea			13,768
United States			
China	10,478	5	<u>2/</u>
Other	3,482	141	<u>2/</u>
	806	19	<u>2/</u>

1/ Not separately classified prior to 1937, not shown in 1947.

2/ Not reported.

Source: Japanese Trade Studies, Rayon Yarn and Staple Fiber,  
U.S. Tariff Commission, September 1945.



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DEPARTMENT OF STATE

*Memorandum of Conversation*

DATE: March 15, 1949

SUBJECT: Development of Japanese rayon industry

PARTICIPANTS: Rayon Industry:

H. Wickliffe Rose, American Viscose Corporation  
 Matthew H. O'Brien, Rayon Yarn Producers Group

Department of the Army:

COPIES TO:

Lt. Col. O. J. Baldwin, Civil Affairs Division  
 Mr. R. L. Bradshaw, Civil Affairs Division

Department of Commerce

Mr. Rene Lutz, Office of International Trade

Department of State

Mr. Edwin M. Martin, ITP  
 Mr. James G. Evans, IR  
 Mr. Noel Hemmendinger, NA  
 Mr. John F. Shaw, CP  
 Mr. Stanley Nehmer, DRF

COPIES TO:

Government participants; ITP files

This meeting was called at Mr. Rose's request for the purpose of exchanging views on the present and future status of the Japanese rayon industry. Mr. Rose explained that he had been in touch with representatives of the American cotton textile industry and with people from the British cotton and rayon industries and had learned of their concern over the possibility of renewed Japanese competition in these industries. Mr. Rose said that he does not have the same fears as the British rayon people over future Japanese competition because the American rayon industry is not a large exporter in normal times. What he was interested

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in, however, was a statement from the Government on what our current policy is concerning the Japanese textile industry in general and, specifically, the rayon industry, in the immediate future and over the long-term.

Mr. Martin replied that the latest thinking on the future of the Japanese economy did not extend beyond 1953. He said that for the period of the next five years this Government wants Japan to expand its exports in order to help achieve a self-supporting economy. Japanese exports, however, should be on an economical and non-aggressive basis. In the long-term we want Japan to have responsibility for its own future.

Mr. Rose said that he had seen many conflicting reports on future plans for expanding the Japanese rayon industry. One plan indicated that Japanese rayon exports were estimated at about 200 million pounds which would be higher than the prewar peak of about 120 million pounds reached in 1940. He added that the British were mainly concerned with this possible threat to their exports.

Mr. Rose pointed out that the American rayon industry was presently curtailing its production by roughly 20 percent because of reduced demand. He said that the U.S. does not need imported rayon. Before the war the Japanese were able to deliver rayon staple to mills in the U.S. at a price lower than the production costs of the American rayon industry. Mr. Rose added that there was some fear that if U.S. tariff concessions on rayon are granted, Japan will again be able to undersell the American rayon industry in this country.

Mr. Rose explained that in the immediate prewar period the Japanese became one of the world's largest rayon producers and exporters. When a peak production of 541 million pounds was reached in 1938 only half of the industry's capacity was utilized. In answer to Mr. Hemmendinger's question as to what had happened to the large capacity built up before the war. Mr. Rose replied that some was destroyed by bombing but much of it was scrapped to provide metal for munitions during the war. The future rayon level of 330 million pounds contemplated by SCAP in its June 1947 "Rayon Program for Japan," represents somewhat less than the industry's capacity that remained at the end of the war.

Mr. Rose said that he fears that Japan may overbuild its rayon capacity again beyond a level of effective utilization. He said that he has had indications that many Japanese rayon people are biding their time and hope to rebuild along prewar lines. Mr. Rose added that we should give the Japanese guidance to prevent them from overbuilding their capacity.

Mr. Martin said that we have a definite responsibility towards the Japanese to guide them in their future industrial development. He suggested that inquiries be made to SCAP and the Japanese rayon industry as to their recent thinking about the future of that industry.

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Mr. O'Brien suggested that someone should investigate the present status of Japan's prewar rayon markets so that the Japanese might be informed as to possible postwar limitations on their exports to these markets.

Col. Baldwin said that one of the principal restrictions on the expansion of the Japanese rayon industry was the inability to import sufficient pulp or to produce sufficient coal. Mr. Rose commented that Japan has sufficient pulp resources for the rayon industry but SCAP has allocated this pulp to the paper industry, forcing Japan to import high cost pulp for rayon. In answer to Mr. Nehmer's inquiry as to whether or not the quality of Japan's domestic pulp was good enough to produce export-quality rayon, Mr. Rose replied that at present it was not but that the quality could be raised by the Japanese without too much difficulty.

Mr. Rose said that another problem in the Japanese rayon industry that might be looked into was the scattering of production over almost all of the plants in the industry, resulting in inefficient operations and low output levels for each. He added that recently he learned about two plants, inoperable since the end of the war, that had received permission from SCAP to install new equipment and begin operations despite the existence of surplus capacity in the industry. Col. Baldwin pointed out that because of labor problems, SCAP has had to sanction uneconomic production in certain industries. He said that he would look into the question of the two plants that Mr. Rose named.

Mr. Rose raised two additional points on other problems - the possibility of ECA funds being used for the rehabilitation of the Austrian rayon industry and our policy towards Japanese patents. A further meeting to discuss the Austrian rayon question was agreed upon for Tuesday, March 29th at 11:00 A.M. in Mr. Martin's office. Mr. Rose asked three questions on Japanese patents, as follows: (1) Are Japanese allowed to take out patents in Japan? (2) Can American inventors take out patents in Japan now? (3) Do Americans have access to prewar Japanese patents? Mr. Martin asked Mr. Evans and Mr. Nehmer to provide Mr. Rose with some answers to these questions.

  
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APR 8 1949

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No. 57

To the

Acting United States Political Adviser for Japan,  
Tokyo.

The Secretary of State encloses for the informa-  
tion of the Acting United States Political Adviser  
a copy of a memorandum of conversation dated March 15,  
1949 regarding the development of Japanese rayon  
industry.

894.6555/3-1549

Enclosure:

As stated.

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APR 8 1949

*[Handwritten signature]*



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DEPARTMENT OF STATE

*Memorandum of Conversation*

DATE: March 15, 1949

SUBJECT: Development of Japanese rayon industry

PARTICIPANTS: Rayon Industry:

H. Wickliffe Rose, American Viscose Corporation  
Matthew H. O'Brien, Rayon Yarn Producers Group

COPIES TO: Department of the Army:

Lt. Col. O. J. Baldwin, Civil Affairs Division  
Mr. R. L. Bradshaw, Civil Affairs Division

Department of Commerce

Mr. Rene Lutz, Office of International Trade

1-1408

Department of State

Mr. Edwin M. Martin, ITP  
Mr. James G. Evans, IR  
Mr. Noel Hemmendinger, NA  
Mr. John F. Shaw, CP  
Mr. Stanley Nehmer, DRF

COPIES TO: Government participants; ITP files

This meeting was called at Mr. Rose's request for the purpose of exchanging views on the present and future status of the Japanese rayon industry. Mr. Rose explained that he had been in touch with representatives of the American cotton textile industry and with people from the British cotton and rayon industries and had learned of their concern over the possibility of renewed Japanese

competition

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- 2 -

competition in these industries. Mr. Rose said that he does not have the same fears as the British rayon people over future Japanese competition because the American rayon industry is not a large exporter in normal times. What he was interested in, however, was a statement from the Government on what our current policy is concerning the Japanese textile industry in general and, specifically, the rayon industry, in the immediate future and over the long-term.

Mr. Martin replied that the latest thinking on the future of the Japanese economy did not extend beyond 1953. He said that for the period of the next five years this Government wants Japan to expand its exports in order to help achieve a self-supporting economy. Japanese exports, however, should be on an economical and non-aggressive basis. In the long-term we want Japan to have responsibility for its own future.

Mr. Rose said that he had seen many conflicting reports on future plans for expanding the Japanese rayon industry. One plan indicated that Japanese rayon exports were estimated at about 200 million pounds which would be higher than the prewar peak of about 120 million pounds reached in 1940. He added that the British were mainly concerned with this possible threat to their exports.

Mr. Rose pointed out that the American rayon industry was presently curtailing its production by roughly 20 percent because of reduced demand. He said that the U.S. does not need imported rayon. Before the war the Japanese were able to deliver rayon staple to mills in the U.S. at a price lower than the production costs of the American rayon industry. Mr. Rose added that there was some fear that if U.S. tariff concessions on rayon are granted, Japan will again be able to undersell the American rayon industry in this country.

Mr. Rose explained that in the immediate prewar period the Japanese became one of the world's largest rayon producers and exporters. When a peak production of 541 million pounds was reached in 1938 only half of the industry's capacity was utilized. In answer to Mr. Hemmendinger's question as to what had happened to the large capacity built up before the war, Mr. Rose replied that some was destroyed by bombing but much of it was scrapped to provide metal for munitions during the war. The future rayon level of 330 million pounds contemplated by SCAP in its June 1947 "Rayon Program for Japan," represents somewhat less than the industry's capacity that remained at the end of the war.

Mr.

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- 3 -

Mr. Rose said that he fears that Japan may overbuild its rayon capacity again beyond a level of effective utilization. He said that he has had indications that many Japanese rayon people are biding their time and hope to rebuild along prewar lines. Mr. Rose added that we should give the Japanese guidance to prevent them from overbuilding their capacity.

Mr. Martin said that we have a definite responsibility towards the Japanese to guide them in their future industrial development. He suggested that inquiries be made to SCAP and the Japanese rayon industry as to their recent thinking about the future of that industry.

Mr. O'Brien suggested that someone should investigate the present status of Japan's prewar rayon markets so that the Japanese might be informed as to possible postwar limitations on their exports to these markets.

Col. Baldwin said that one of the principal restrictions on the expansion of the Japanese rayon industry was the inability to import sufficient pulp or to produce sufficient coal. Mr. Rose commented that Japan has sufficient pulp resources for the rayon industry but SCAP has allocated this pulp to the paper industry, forcing Japan to import high cost pulp for rayon. In answer to Mr. Nehmer's inquiry as to whether or not the quality of Japan's domestic pulp was good enough to produce export-quality rayon, Mr. Rose replied that at present it was not but that the quality could be raised by the Japanese without too much difficulty.

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Mr. Rose raised two additional points on other problems - the possibility of ECA funds being used for the rehabilitation of the Austrian rayon industry and our policy towards Japanese patents. A further meeting to discuss the Austrian rayon question was agreed upon for Tuesday, March 29th at 11:00 A.M. in Mr. Martin's office. Mr. Rose asked three questions on Japanese patents, as follows: (1) Are Japanese allowed to take out patents in Japan? (2) Can American inventors take out patents in Japan now? (3) Do Americans have access to prewar Japanese patents? Mr. Martin asked Mr. Evans and Mr. Nehmer to provide Mr. Rose with some answers to these questions.

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In reply refer to  
IR

My dear Mr. Rose:

Reference is made to our meetings of March 15 and March 29 for the purpose of exchanging views on rayon industry developments in Japan and Western Europe.

In connection with these meetings, I have secured the answers to your questions regarding Japanese patents, namely: (1) Are Japanese allowed to take out patents in Japan? (2) Can American inventors take out patents in Japan now? (3) Do Americans have access to prewar Japanese patents?

With regard to the first two questions, all restrictions on the filing of patent applications in Japan by foreigners as well as Japanese have now been removed. With regard to question 3, it is assumed that you are referring either to Japanese-owned patents in the United States which have been vested, or patents in Japan formerly owned by American nationals. If the question refers to Japanese patents in the United States which have been vested, it has been the policy of the Office of Alien Property, subject to qualification in particular cases, to grant non-exclusive, royalty-free, revokable licenses under them. If reference is being made to former American-owned patents in Japan, the pertinent policy regarding this subject is set forth in the Department's Press Release No. 198 of March 29, 1949, entitled "Extension of Time for Exercising Right of Priority for Patent Applications in Japan", and Press Release No. 52 of March 28, 1949, issued

by

894.655

Mr. H. Wickliffe Rose,  
American Viscose Corporation,  
1617 Pennsylvania Boulevard,  
Philadelphia 3, Pennsylvania.

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-2-

by the Far Eastern Commission, entitled "Policy Toward Patents, Utility Models, and Designs in Japan", copies of which are attached.

I greatly appreciate having had the opportunity to discuss rayon fiber and yarn problems with you and Mr. O'Brien. I believe these meetings have been helpful to all concerned.

Sincerely yours,

*Ed*  
Edward M. Martin  
Deputy Director  
Office of International Trade Policy

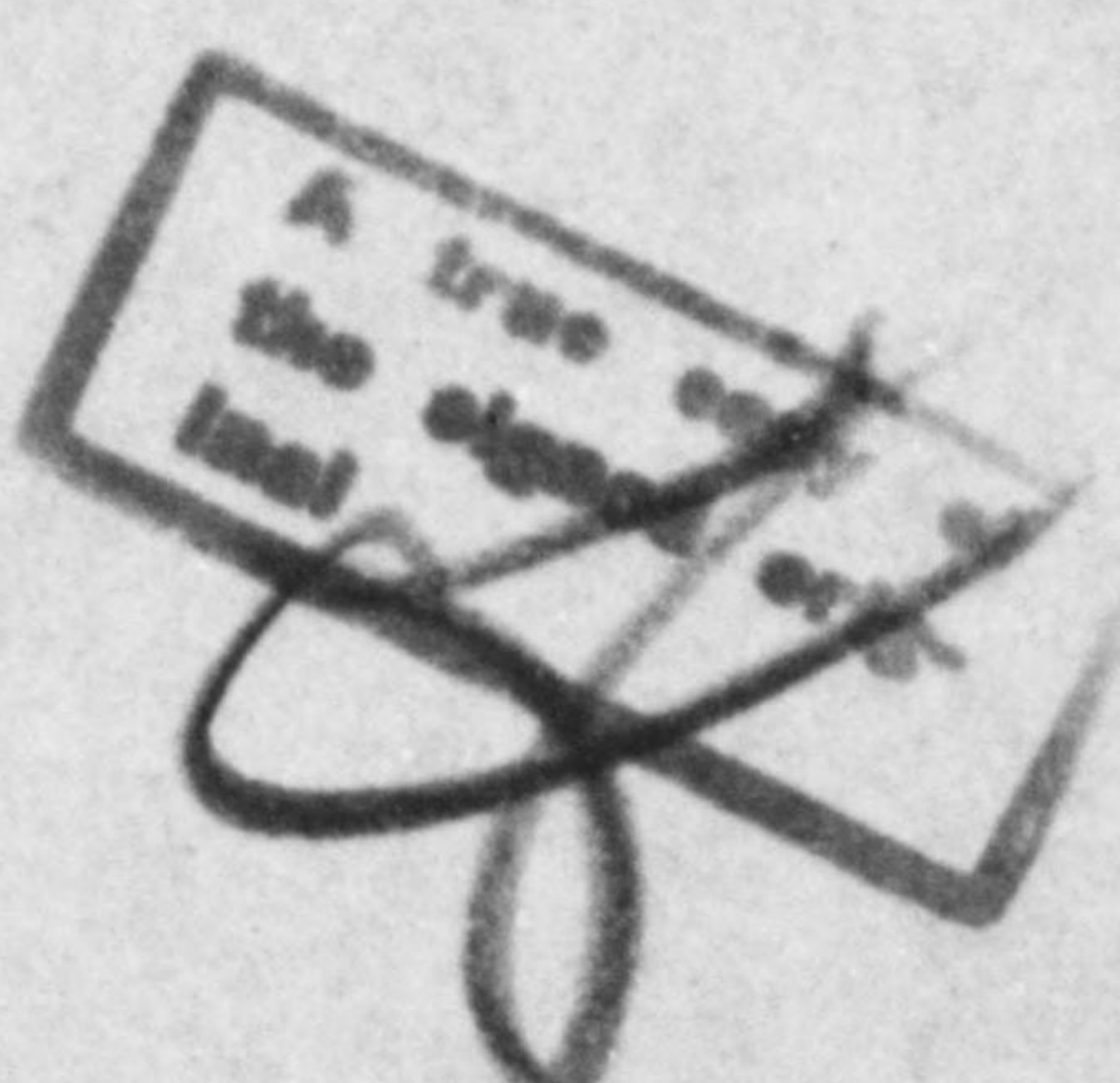
Enclosures:

- 1. Press Release No. 198.
- 2. Press Release No. 52.

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APR 13 1949

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**RAYON YARN PRODUCERS GROUP**

350 FIFTH AVENUE • NEW YORK 1, N. Y.

LONGACRE 3-4673

MATTHEW H. O'BRIEN  
SECRETARY

*Reply drafted 5/2/49*  
INTERNATIONAL RESOURCES DIVISION

May 5, 1949

MAY 9 1949  
*File*  
DEPARTMENT OF STATE

Mr. Edward G. Cale  
Division of International Resources  
Department of State  
Washington 25, D. C.

Dear Mr. Cale:

At the suggestion of Mr. H. Wickliffe Rose,  
I am having sent to you, under separate cover, a copy  
of his book entitled "The Rayon and Synthetic Fiber  
Industry of Japan".

I believe you will find that this book con-  
tains much interesting data.

Very truly yours,

*Matthew H. O'Brien*  
per OAD

mh:s

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Rev.	<i>WAO</i>
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MAY 31 1949  
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894.655-5-549



MAY 13 1949

In reply refer to  
IR

My dear Mr. O'Brien:

This will acknowledge receipt of your letter of May 5 stating that at the suggestion of Mr. H. Wickliffe Rose you were sending me, under separate cover, a copy of his book entitled "The Rayon and Synthetic Fiber Industry of Japan". I am looking forward to reading this book and wish to thank you for sending it to me.

Sincerely yours,

*EGC*

Edward G. Cale  
Associate Chief  
International Resources Division

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OS/F/L 894,655/5-549

DOR - ITP Unit	
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Rev.	<i>WAS</i>
Dist.	<i>Clyde F. Roberts, Jr.</i>

Mr. Matthew H. O'Brien,  
Secretary,  
Rayon Yarn Producers Group,  
350 Fifth Avenue,  
New York 1, N.Y.

CR  
MAY 13 1949

ITP:IR:EGCale:gv  
5/12/49

*LTP*



# INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

AIRGRAM

5835

FROM: USPOLAD, Tokyo.

Dated: May 26, 1949.

Date of mailing: May 27, 1949

Rec'd: MAY 30, 1949 9:54AM

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ACTION Secretary of State,  
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INFO: Washington.  
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FE A-128, May 26, 1949.  
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Forwarded as of possible interest to Department is following information submitted to United Kingdom Liaison Mission by the Textile Division, Economic and Scientific Section, General Headquarters, on May 23, 1949, in reply to a memorandum of May 19, 1949:

1. Reference is your memorandum dated 19 May 1949, subject: Japanese Cotton Textile Finishing Capacity.

2. In accordance with your request in reference memorandum above, the following information is hereby forwarded.

a. The total number of dyeing and finishing plants in Japan which can process cotton is 152.

b. Maximum monthly mechanical capacity of these mills is estimated to be:

Bleaching	22,248,249 sq.yds.	Printing	12,057,690 sq.yds.
Dyeing	33,610,980 sq.yds.	Other finishing	10,644,420 sq.yds.
Total		78,561,330 sq.yds.	

c. As an indication of actual monthly processing as compared to mechanical capacity, the following production figures for November 1948 and April 1949 are forwarded. November 1948 production of dyeing and finishing plants is the postwar high record.

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

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Tokyo's A-128,  
May 26, 1949.

- 2 -

November 1948		April 1949	
Bleaching	18,088,000 sq.yds.	Bleaching	15,085,000 sq.yds.
Dyeing	27,326,000 sq.yds.	Dyeing	15,830,000 sq.yds.
Printing	9,803,000 sq.yds.	Printing	10,498,000 sq.yds.
Other		Other	
finishing	8,654,000 sq.yds.	finishing	7,294,000 sq.yds.
Total	63,871,000 sq.yds.	Total	48,707,000 sq.yds.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

F. A. WILLIAMS  
Chief,  
Textile Division"

HUSTON

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DEPARTMENT OF STATE

**Memorandum of Conversation**

DATE: August 3, 1949

SUBJECT: Recent Developments in the Japanese Textile Industry

PARTICIPANTS: Mr. Richard D. Cleaves, Chief, SCAP Textile Division

Department of Agriculture

Mr. E. D. White  
Mr. Arthur Palmer

Department of State

Mr. Merrill Gay, CP  
Mr. James G. Evans, IR  
Mr. Marshall Green, NA  
Mr. C. Robert Moore, CP  
Mr. Philip B. Sullivan, ILS  
Mr. William G. Jones, ED  
Mr. Stanley Nehmer, DRF

Department of Commerce

Mr. Robert Skliar

COPIES TO: Agriculture, Commerce, and State Department representatives  
Mr. Edwin Martin, ITP

1-1408

This meeting was called to give interested government representatives the chance to discuss with Mr. Cleaves recent developments in the Japanese textile industry.

Cotton.

Mr. Cleaves summarized Japan's current cotton industry situation for the group. He pointed out that:

1. Since April 1st, orders for Japanese cotton textiles have dropped off considerably owing to (1) the lack of dollars on the part of the NEI and India, (2) the recent decision on the part of the sterling area to reduce imports from dollar markets, and (3) the actions of American exporters who are dumping American-made goods in order to reduce large stocks. There are no current orders to speak of and there is no sign that Japan's export business in cotton textiles will improve in the next few months.

2. At present, the floor prices for Japanese cotton textile exports are the current prices for comparable constructions in the N.Y. market although Japanese production costs still appear to be lower than American costs. Inasmuch as the N.Y. market price represents the higher domestic price rather than the significantly lower export price, Japan is not able to compete

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with the U.S. in cotton textiles today. When U.S. exporters stop dumping and Japanese commercial representatives go abroad to re-establish old contacts and establish new ones, Japan will eventually take certain markets away from the U.S.

3. In order to keep the Japanese mills active, they are currently producing for Japanese domestic consumption. Unless there is some improvement in exports soon, production will have to be curtailed.

4. During the last year, the Japanese were able to dispose of all new production plus 250 million yards out of the 500 million yards of stocks that had accumulated. In addition, 150 million yards of stocks have recently been allocated to the domestic economy. Current stocks are about 100 million yards.

5. Raw cotton mill consumption reached a peak of about 68,000 bales in February or March. As a result of reduced business, consumption in May was about 60,000 bales.

6. Per capita consumption of cotton has never reached the level based on the FEC policy statement of February 27, 1947, "Short Period Controls Over the Japanese Economy to Relieve World Shortages." (N.B. This policy statement set household textile consumption of all fibers at a total of 2.5 pounds per capita in addition to textiles used as incentive goods for maximizing food deliveries. This policy expired on December 31, 1947.)

7. Currently installed and operable spindleage is about 3.5 million, with only about 2.25 million operating. The "Big Ten" cotton spinners have ceased adding to their capacity because of uncertain prospects.

In reply to Mr. Jones's question concerning the prospects for Japanese cotton textile trade with the sterling area in fiscal year 1950, Mr. Cleaves replied that Japanese cotton textile exports to the sterling area in FY 1950 are expected to be at least as large as they were in FY 1949.

Mr. Skliar asked what labor costs were in the Japanese cotton textile industry today as compared with the prewar period. Mr. Cleaves replied that real wages in the industry have increased over the prewar period, but Japanese labor costs are still lower than in the U.S. even after taking into consideration the lower efficiency of Japanese workers, the dormitory and food costs borne by the Japanese mill owner, the periodic and special bonuses paid to Japanese workers in addition to their wages, and the higher turnover rate that requires additional costs for labor recruitment. No study has yet been made by the Japanese or SCAP of post-war production costs in the industry, Mr. Cleaves said.

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Mr. White pointed out that some thought has been given to Japan's future problem of procuring raw cotton by using surplus American raw cotton in exchange for Japanese cotton textiles. The U.S., in turn, would use the Japanese goods in exchange for strategic raw materials, especially from the sterling area.

Woolen Knit Gloves.

Mr. Cleaves said that the charges made by the American woolen knit glove industry were not based on fact. He pointed out that:

1. U.S. glove production does not satisfy demand. For example, in the period from 1935 to 1939 when Japanese woolen knit glove exports to the U.S. were at their highest, consumption of these gloves -- 700,000 dozen pairs annually on the average -- was at its peak. When these imports from Japan dropped off after 1939, US production did not increase. The leading American woolen knit glove producer has not taken a new customer in 10 years.

2. The price comparisons used by the American industry are misleading. They generally compare the U.S. wholesale price with the Japanese f.o.b. price, without taking into consideration the importer's handling costs of about 20% as well as shipping and insurance costs. The American industry uses average prices including all types of these gloves, whereas Japanese gloves are 25% lighter in weight than American gloves and are much less stylized than the American product. Likewise, the quality of Japanese gloves is inferior to that of American gloves.

3. When prices are compared for gloves of a comparable nature, the actual prices do not show Japanese gloves to be significantly cheaper than the American product. The Japanese could probably have gotten more for their gloves without difficulty.

4. Figures used by the American industry on the volume of Japanese woolen knit gloves shipped to the U.S. are likewise misleading. The industry said that 325,000 dozen pairs were shipped to the U.S. during the first ten months of 1948, when actually only about 34,000 dozen pairs were shipped. When this error was pointed out to the industry, they never corrected it and continued to use the wrong figures.

Silk.

Mr. Cleaves said that stocks of raw silk and of silk fabrics were piling up in Japan due to (1) a decline in U.S. silk consumption, (2) heavy raw silk sales prior to December 31, 1948 in anticipation of first-of-year price increases, and (3) large reductions in rayon prices which now prevent silk fabrics from competing with rayon goods. Mr. Cleaves pointed out that the complaints of the Patterson, New Jersey silk weavers were not justified because over 90% of silk fabric imports from Japan

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consisted of light-weight fabrics (habutae) which these weavers could not produce. In answer to a question on what was being done to increase domestic silk consumption in Japan, Mr. Cleaves pointed out that much silk had been turned over to the Japanese, but that a 40% sales and luxury tax on silk purchases had limited domestic silk consumption. The Textile Division, he said, has recommended to the Shoup Tax Mission that this tax be eliminated.

Rayon.

The Japanese rayon industry, Mr. Cleaves said, was currently in an unfavorable position because its major postwar market, India, had suspended rayon imports from Japan after March, and because Japanese rayon mills are inefficiently operated and incapable of consistently turning out rayon of exportable quality.

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STANDARD FORM NO. 64

RESTRICTED

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth

FROM : PSA - Mr. Shohan

SUBJECT: Japanese Inability to Meet Indonesian Textile Needs



DATE: November 3, 1949

PSA-SEA

*Please  
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Japanese textile supply and production policy is about as inflexible as we feared. There follows the gist of a SCAP telegram in answer to the inquiry we initiated. You may wish this paragraph in advance of the actual message.

To supply an Indonesian requirement of about 125 million yards from Japan as proposed by the Dutch under the ECA Program, Japan can quickly supply only 65 million yards from present port stocks. This yardage is valued at \$7,000,000 after finishing, less than 10 cents a yard. This suggests that they are the cats and dogs of the Japanese inventories, and they are stated to be no more than 20 to 34 inches in width. Of the 65 million yards, 55 million are gray goods and would take another 60 days for delivery if bleached or dyed.

Other stocks amounting to 112 million yards have apparently been completely allocated for export for domestic use, and SCAP indicates no willingness to adjust such commitments.

Present production capacity for export is 50 million yards monthly. An order to come out of new production could not start for one month after the order is placed. We do not believe that such an order could be made available dockside for another 6 weeks or so after production commences, and we do not believe production could be stepped up quickly for more than another 50 million yards.

Attached is my earlier memorandum on this subject.

Attachment:

Memorandum of October 31, 1949.

DC/R
Anal 39
Rev
Cat NA

cc: NA-Mr. Hemmindinger  
PSA-Mr. Lacy

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FE:PSA:CJS:Shohan:pl  
Philippine and Southeast Asian Affairs Office

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STANDARD FORM NO. 64

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~~LTM~~

Office Memorandum • UNITED STATES GOVERNMENT

PSA-CJS

TO : FE - Mr. Butterworth

FROM : PSA - Mr. Shohan

SUBJECT: Japanese Textile Availabilities for Indonesia

Office of  
**FAR EASTERN AFFAIRS**  
 OCT 31 1949  
 DIRECTOR  
 Department of State

DATE: October 31, 1949

Revised information I received after our conversation Friday presents the following Japanese textile supply situation:

Japanese production, planned on a quarterly basis, is about 85 million yards monthly. Current mill inventories are about 100 million yards, in addition to which there are thought to be as much as 50-75 so-called port stocks which I gather constitute the hitherto unsaleable dregs and remnants. The Japanese inventories are thought to average about 16 cents a yard.

The Dutch propose (TOECA 581, October 25, The Hague) to purchase 120 to 130 million yards from Japan at about 12 cents per yard. This might raise difficulties in view of the Japanese supply position. The Department of the Army has cabled SCAP to ascertain more precisely the Japanese capacity to meet this or any future exceptional orders from Indonesia.

cc: NA-Mr. Hemmindinger  
PSA-Mr. Lacy

*cf*  
FE:PSA:CJShohan:pl

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DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE

ACTION COPY

Action Assigned to *NH* INCOMING TELEGRAM

15

Action Taken *DC/L notified DC/ECA by BEA copies to be supplied* DIVISION OF CONFIDENTIAL AFFAIRS

Action: Info: Date of Action *Nov 27* NOV 28 1949

E L Action Office Symbol *DC/L* DEPARTMENT OF STATE Control 10671

OLI CIA EFAA ITP OFD DCR Name of Officer *Pat Casey* Rec'd November 26, 1949 4:08 a.m.

Direction to DC/R *File*

FROM: Tokyo  
TO: Secretary of State  
NO: C-5368, November 26 (Army Message)

PRIORITY  
TO STATE FOR ECA

Subject: Financial arrangements for NEI Japanese textile procurement. This message in three parts.

Part 1. REURMSG 090449Z, November.

*XR 840,50 Recovery*

Two SCAP discussions with NEI representative here suggest desirability simplified arrangement whereby ECA funds allocated for procurement may be paid directly into a SCAP account upon presentation of appropriate documents to SCAP licensed bank Tokyo. This procurement would be handled outside NEI open account.

Part 2. Following procedure suggested for ECA consideration:

A. ECA issues letters of commitment to US bank for cotton fabrics, cotton yarn and any other major category of cotton textiles for which funds approved.

B. US bank notifies correspondent or branch bank Tokyo that specified amounts are available.

C. Tokyo bank

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-2- #C-5368, November 26 (Army Message) from Tokyo

C. Tokyo bank notifies Indonesia representative Tokyo who advises Batavia import authorities.

D. Indonesia authorities allocate import permits to local firms which negotiate and close contracts on or before 31 December with Japanese suppliers.

E. Indonesia importers open letters of credit in local bank which will advise such credits to specified Tokyo bank.

F. Upon shipment of goods Japanese supplier will submit documents complying with ECA requirements to local bank which will pass for yen payment and forward to Tokyo correspondents or branch of US bank.

G. Tokyo bank receives documents and makes payment to appropriate SCAP account.

Part 3. In order that deliveries may be completed within time schedule indicated your message, urgent that initial action be taken immediately. Since terms of present financial arrangement with Netherlands East Indies provide for regular administrative open account to be operated through two Dutch banks here, recommend that letters of commitment be opened by ECA through one or more of following US banks all of whom are correspondents of both Dutch banks, that is: Bank of Manhattan Company, Brown Brothers, Harriman Company, Central Hanover Bank and Trust Company, Chemical Bank and Trust Company, Guaranty Trust Company, Irving Bank and Trust Company, Manufacturers Trust Company. If ECA desires to open letters of commitment through one of three US banks having branches here, suggest that they give consideration to Bank of America since Chase and City Bank have already been assigned important administrative open account responsibilities under other trade arrangement.

SMD:MEW

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THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

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Office of the U. S. Political Adviser  
for Japan

Tokyo, November 28, 1949.

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DEC 2

No. 826

ACTION  
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625,443/11-28-49

Subject: Transmission of Publications on  
Polyvinyl Synthetic Fiber.

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- FR
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- FE
- OFD
- OLI
- ITP-enc
- AGRI-enc
- TARenc
- TREAS
- FRB
- LABOR

The Acting Political Adviser has the honor to refer to this Mission's despatch no. 790 dated November 14, 1949, on the subject of "Availability in Japan of Raw Materials for Plastic Industry," and to enclose copies of publications entitled On the Development of Polyvinyl Fiber, and Exhibition of Vinylon Textiles, issued by the Kurashiki Rayon Company, Limited, one of the largest rayon manufacturing companies in Japan and with head office in Osaka. It will be noted that the first cited publication presumably contains a translation of an address delivered on February 19, 1949, by Dr. T. TOMONARI, representative of the Osaka firm, before the Kansai branch of the (Japanese) Textile Society, while the second publication was issued in November, 1949, in connection with an exhibition of textiles held at Tokyo during the latter part of that month.

Dr. Tomonari is quoted in On the Development of Polyvinyl Fiber to the effect that, of the various kinds of polymerized synthetic fibers, vinylon has been most extensively studied in Japan and that, with the passage of 10 years of experimental work, techniques have now been developed for its industrial production. Dr. Tomonari assertedly stated that vinylon, which is made principally from carbide, can be produced in large quantities in Japan by utilization of available domestic raw materials; that its products are very important for domestic consumption as well as for export purposes, and that this fiber will contribute greatly to the economic rehabilitation of Japan.

According to information regarding the Kurashiki Rayon Company published in the 1948-49 issue of the Overseas Buyers Guide, issued by the Tokyo Chamber of Commerce and Industry, that firm's head office is located at no. 1, 4-chome, Imabashi, Higashi-ku, Osaka; it is said to have a capital of Yen 250,000,000 (Yen 360 equals \$1.00). Plants in operation include the Maruoka Mill in Fukui Prefecture, which specializes in production of twisted yarn; the Okayama Mill in Okayama City, Okayama Prefecture, which specializes in manufacture of rayon staple yarn; the Kurashiki Plant at Kurashiki City, Okayama Prefecture, which is noted primarily for production of rayon filament and other synthetic fibers, and the Saijo Plant at Saijo City, Ehime Prefecture, with production primarily of rayon filament and staple.

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DC/R 12/12/49 jem.

ACTION COPY

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

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Tokyo's Despatch No. 826,  
November 28, 1949.

- 2 -

It is believed that the enclosed publications will prove of special interest to the Department of Commerce. Meanwhile, officials of that Department may wish to note that this Mission will expect in the near future to forward to it copies of the above cited Overseas Buyers Guide, a publication that should prove of value in connection with that Department's recently announced policy of encouraging imports of foreign merchandise into the United States.

Enclosures:

- 1/ Copy of pamphlet entitled On the Development of Polyvinyl Synthetic Fiber (5 copies to Department):
- 2/ Copy of pamphlet entitled Exhibition of Vinylon Textiles (5 copies to Department).

Parchment Mat to the Department.

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## DEPARTMENT OF STATE

## Memorandum of Conversation

DATE: Dec. 5, 1949

SUBJECT: British-American Cotton Textile Industry Conference

PARTICIPANTS: Cotton Textile Industry Representatives: Mr. Robert T. Stevens,  
Mr. William C. Planz, Dr. Claudius Murchison, Mr. Charles Caffrey,  
Mr. Gordon Rule.  
Department of Commerce: Mr. Bishop - OIT  
Department of the Army: Mr. Friele - OUS  
Department of State: Mr. O'Gara-E, Mr. Leddy-ITP, Mr. Dixon-BP,  
Mr. Beale-CP, Mr. White-NA, Mr. Nehmer-DRF, Mr. Evans-ER.

COPIES TO: Mr. Dixon, Mr. White, Mr. Nehmer.

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Mr. Stevens, speaking for the representatives of the American Cotton Manufacturers Institute, described the background of the British-American Cotton Textile Industry Conference which has been in progress since November 30. He pointed out that this was the second such conference, the first having been held in the spring of 1948 in Manchester and London. The purpose of these conferences has been to afford an opportunity to discuss mutual problems, the shortage of dollars in the sterling area which limits the procurement of American cotton and cotton textiles, and particularly the impact of the revival of the Japanese industry on world textile supplies. During a visit to the United States in January 1949, Sir Raymond Street of the United Kingdom Cotton Board had proposed a joint British-American industry mission to Japan, but that, until the present conference, American textile industry representatives had not been able to agree on the desirability of such a mission. They now feel that a joint mission would be desirable in view of the recently announced intention of SCAP to place upon the Japanese cotton textile industry full responsibility for the development of its production and its export trade. A survey of the joint mission might be helpful in allaying fears especially of the British textile interests concerning the nature of the prospective Japanese competition, and also might be helpful to the Japanese in that they would be informed of the facts regarding developments in the world textile situation. Stress was placed on the survey aspect of the proposed mission and the suggestion was made that its purpose would be to develop a factual report as a means of dispelling misunderstanding.

Their purpose in asking for a meeting of representatives of the Departments of State, Commerce, and Army was to determine whether the U.S. Government would raise any objection to such a mission. He read a formal statement describing the agreed position of the British-American conferees which was expected to provide the basis for a release to the press and welcomed suggestions as to the appropriateness of the statement.

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Mr. O'Gara

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Mr. O'Gara said that he was glad to be informed of the results of the conference between representatives of the U.K. and the U.S. cotton textile industries. He agreed to review the formal statement read by Mr. Stevens to determine whether or not it contained any objectionable features. He asked Mr. Stevens to indicate more specifically the possible results of a joint textile industry mission to Japan which would not constitute an interference with Japan's freedom to trade. Mr. Stevens replied that the purpose of the mission was exploratory and constituted an effort to determine the actual situation. He considered a contact with the leaders of the Japanese textile industry would serve to dispel fears about the future. Mr. O'Gara said that he felt sure that Mr. Stevens and his associates were well aware that it was a fundamental U.S. policy to aid in creation of conditions under which both the United Kingdom and Japan would not be dependent upon United States' aid. He said that he did not believe the proposed joint U.K.-U.S. textile industry mission could receive or would require government approval. Mr. Stevens replied that his group was aware that it would not be appropriate to restrict the development of the Japanese textile industry and, further, that what they really sought was not government approval of the proposed mission but rather to determine whether or not there would be objection.

Mr. Rule disclaimed any intention to reach an agreement to restrict Japanese trade and said that he had discussed both the U.S.-U.K. textile industry conference and the proposed mission to Japan with the Department of Justice. Mr. Stevens pointed out that his group's understanding with the U.S. representatives limited the subjects to be discussed at the conference and on the proposed mission to those receiving unanimous approval so that efforts to limit the Japanese textile industry would not be made because the U.S. industry representatives would not agree.

Mr. Leddy considered it proper to discuss this matter frankly so that there would be no misunderstanding regarding the U.S. Government's position. He thought it should be made quite clear that any mission going to Japan should not have government sanction in the sense that it had authority to reach an understanding with the Japanese textile industry such as had occurred in 1937, but would be entirely a fact-finding mission. Mr. Dixon was apprehensive that any discussion of trade practices and developments could be kept on a purely information level. Mr. Stevens and Mr. Rule gave assurances that the purpose of the mission would be to learn more about the policies which the Japanese Government expected to follow in the marketing of textiles in view of the increased freedom of action which had been granted to Japanese businessmen by SCAP. Their purpose was to learn the real competitive situation.

Mr. Planz expressed the belief that since the Japanese textile interests have been out of touch with the world market since before the war the proposed mission might be of considerable help to the Japanese in informing them of changes which had occurred.

Mr. Murchison pointed out that the reestablishment of Japanese textile export markets was an appropriate subject for discussion particularly with the British textile industry representatives since 80 percent of Japanese textile exports went to the sterling area.

Mr. White



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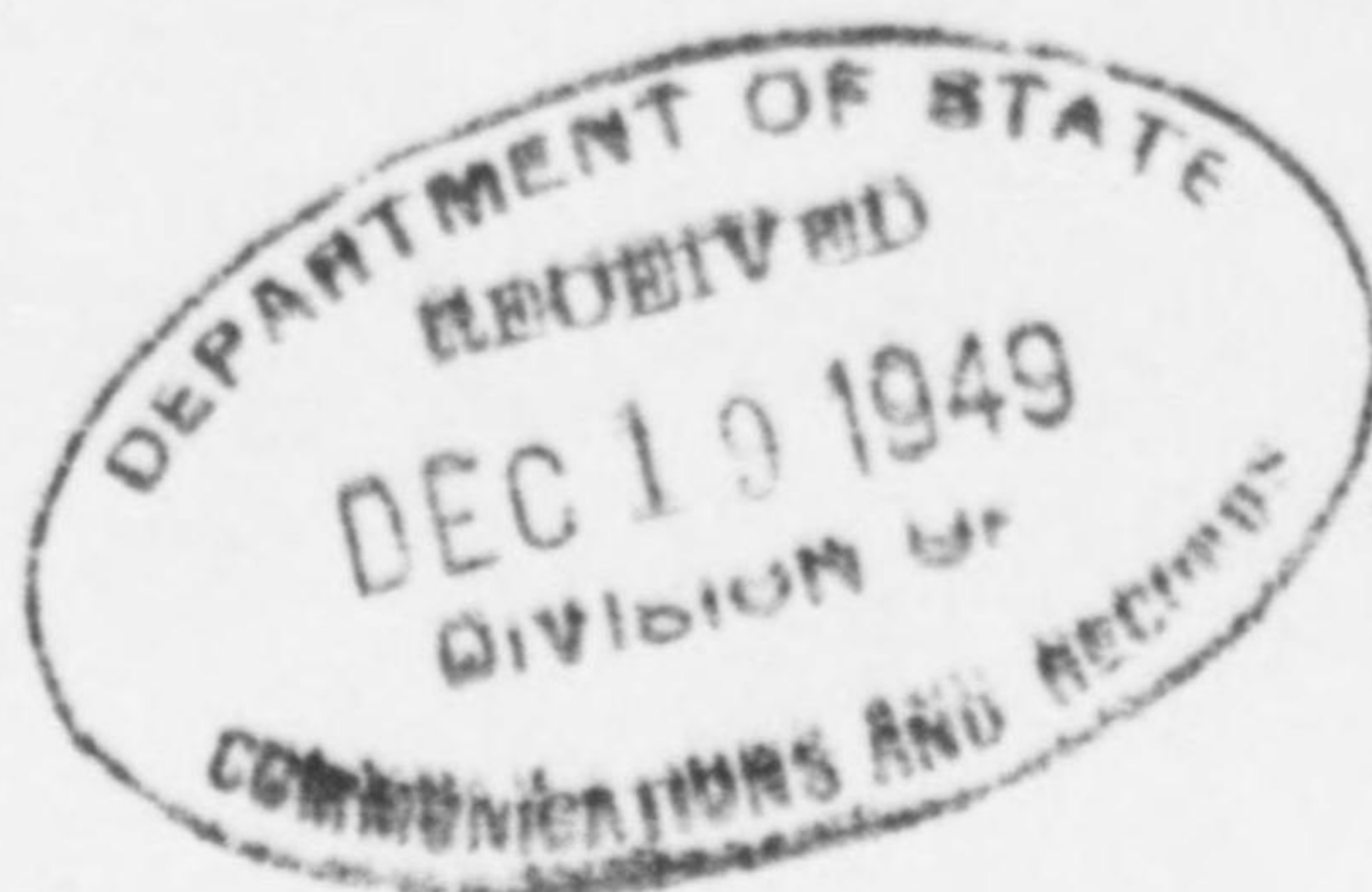
Mr. White inquired whether it was generally understood that the establishment of contacts and the exchange of information was a two-way matter involving visits from the Japanese textile industry to the United States and the United Kingdom, as well as other areas. Mr. Friele stated that Japanese businessmen could go abroad and that provisions were being made to facilitate such travel where it would benefit Japanese export trade. Mr. Rule and Mr. Stevens indicated that they were aware of and approved the provisions which were being made for the Japanese businessman to make business contacts in world markets.

Mr. Caffrey stressed the importance of the textile industry in a period of emergency, and together with Mr. Stevens emphasized the advantage to the industry of an export market in its effort to maintain a high level of efficiency and output as a defense factor.

Mr. O'Gara expressed his appreciation of the opportunity to have the views of the American Cotton Manufacturers Institute, and said that their request for the views of the United States Government and SCAP on the proposed visit of British and American textile representatives to Japan would be made known to them as soon as possible.

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DEPARTMENT OF STATE



DC/R

Memorandum of Conversation

DATE: December 7, 1949.

SUBJECT: Abolition of Floor Prices by Japan.

PARTICIPANTS: Mr. G. J. Jobsis, Netherlands Embassy  
Mr. Noel Hemmendinger, NA.  
Mr. C. Thayer White, NA

COPIES TO: Mr. Ormond Freille (Army Department)  
CP  
Mr. Ogburn (FE)  
USPOLAD  
WE  
The Hague

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Mr. Jobsis stated that his Government is very much concerned by the removal of floor prices in Japan. He stressed particularly the advantages the Japanese have in the textile field because of "cheap" labor. He said he had reports that the Japanese are selling 40 percent below other suppliers. He wondered whether there would be any other type of control exercised over prices to ensure against dumping.

In reply it was pointed out (1) that wages in the textile industry had increased greatly since the war, and the establishment of a free labor movement has tended to remove exploitative labor elements; (2) other cost elements should be considered; (3) most allegations of unduly low prices made by our own businessmen have been found to be unwarranted when all details have been checked; (4) a letter from American businessmen had cited offerings of towels by Japan 40 percent below any price American mills could quote, but these were obviously of a very flimsy material of a type not usually produced in this country; (5) the Supreme Commander is desirous of maximizing receipts of foreign exchange and has no desire for unduly low prices; (6) there will continue to be a surveillance of prices in Japan in the form of a "post audit" based on the general principle that export prices should not be less than comparable prices for like products offered in Japan, and that for items produced solely for export not less than cost to the manufacturer plus an addition for handling charges and a reasonable profit; (7) the best method of assuring fair pricing is to preserve competition in export markets;

and (8)

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and (8) there will undoubtedly be some industries which can compete abroad on a sound economic basis, and since Japan can not become a politically and economically stable and self-supporting country without a restoration of sound trade, it is in the interest of all countries that it be promoted.

Mr. Jobsis inquired what instructions had been issued with respect to the "post audit" of export prices. It developed that he wished to see the SCAPIN or other type instruction carrying the order. It was explained that because of the shortness of time since the floor prices were abolished the Department had not received an official report, and that our information came largely from a press release issued by SCAP on October 25. He requested and was promised a copy when it is received. (To date, the Department has received no formal report).

*JA* *CTW*  
FE:NA:CTWhite:hb.  
*EWB*



**RESTRICTED**

December 7, 1949.

Acting United States Political Adviser for  
Japan, Tokyo.

For the information of the Supreme  
Commander for the Allied Powers.

Attached: Copy of Memorandum of  
Conversation, dated December 7, 1949,  
re Abolition of Floor Prices by Japan.

Edward W. Doherty,  
Office of Northeast Asian Affairs  
**RESTRICTED**



December 7, 1949

the Officer in Charge of the American Mission,  
The Hague, Netherlands.

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in lieu of blue  
copy*

Attached: Copy of Memorandum of Conversation,  
Dated December 7, 1949, re Abolition of Floor  
Prices by Japan.

Edward W. Doherty,  
Office of Northeast Asian Affairs.

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**CLASSIFIED**  
INCOMING  
**MESSAGE**

**CONFIDENTIAL**

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

*Copy for  
Miss Williams  
copy file  
JMD/ymh*

CONFIDENTIAL

PARAPHRASE NOT REQUIRED

From: Secretary of State sgd Acheson (AIRGRAM)  
To: USPOLAD Tokyo Japan  
Nr: A-248

**DC/R COPY**  
This copy must be returned  
to the DCS document files.  
24 Dec 49

Because of the possibility that you may not otherwise see it, the following telegram (WAR 97613, 16 Dec 49) from the office of the Undersecretary of the Army, Mr. West, is repeated for your information:

"Please refer to State Dept msg number 652 for POLAD.

"Through misunderstanding, this cable was dispatched without proper clearance with Dept of Army. Fred Williams participated in these discussions between US-UK textile interests. He discussed this whole matter with me and Mister Voorhees. I had a letter for dispatch to you in respect to this about to be mailed when I heard of this State cable.

"It is our view, concurred in by Mister Voorhees, Mister Williams, and myself, that this mission is inappropriate. It occurs to us that the problems with which you have to deal in connection with (A) the revisions under way in Japan's trade procedures, (B) the necessity of promoting textile exports (particularly Far Eastern areas) as one of the fundamentals of Jap recovery, and (C) possible reaction of Japanese, are such that the preemption of your time, brought about by conferences and discussions with such a mission, is not warranted. It is entirely possible that at some later date a mission of this sort might prove to be useful, but our feeling here is that at the present time, and in consideration of the exigencies under which you are working, the only missions which should be encouraged are those particularly needed by you as being of assistance to you in discharging the interests of the occupation. We appreciate the difficulties which might surround denial of this request but believe you and we would be fully justified in stating that such a survey of Japanese textile activities and plans would serve

CM IN 2953

(28 Dec 49)

Stamp with fields: **DC/R**, **Rev**, **Est**. Handwritten initials **40** and **LC** are present.

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Rec'd

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**CONFIDENTIAL**

COPY NO.



**CLASSIFIED**  
INCOMING  
**MESSAGE**

**CONFIDENTIAL**

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Nr: A-248

Page 2

no useful purpose at this time. The decision in the matter, of course, will rest with you, but I am anxious to get our views to you on this subject."

Mr. West has indicated that he does not hold the Department responsible for the lack of "proper clearance", stating that "it was just a misunderstanding". The Department had cleared the telegram with Mr. Priele, who gave every evidence of being a responsible officer for clearance purposes.

Note: 652 is CM IN 1142 (15 Dec 49) OUSFE

ACTION: OUSFE

INFO: FAOA, ID, OUS, PO

CM IN 2953

(28 Dec 49) DTG: 24 Dec/NFT mlf/4

**CONFIDENTIAL**



DEPARTMENT OF THE ARMY  
STAFF MESSAGE CENTER  
OUTGOING CLASSIFIED MESSAGE

*Cy for  
Miss Williams*

CONFIDENTIAL  
PRIORITY

PARAPHRASE NOT REQUIRED

Office Under Secretary of  
Army/Robert R West/71301

To : SCAP

Nr : WAR 97613

16 Dec 49

From SAOUS for Marquat from West

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NOTE: 652 is CM IN 1142 (15 Dec 49)

ORIGIN: OUS(FE)

DISTR: ID, OUS, PO, FAOA, SDLO

CM OUT 97613 (Dec 49)

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OUTGOING AIRGRAM

CLASSIFICATION

Department of State

CONFIDENTIAL

NO. \_\_\_\_\_

Washington,

USPOLAD,

2663 2863

Tokyo.

A-248, Dec. 24, 1949

*see 894.655*

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"Please refer to State Dept msg number 652 for POLAD.

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