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DANIEL J. FLOOD
11th DIST. PENNSYLVANIA

HOME OFFICE:
1015 MINERS NATIONAL BANK
WILKES-BARRE, PENNSYLVANIA

COMMITTEE:
FOREIGN AFFAIRS

Congress of the United States
House of Representatives

Washington, D. C.

March 29, 1946

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS

DEPARTMENT OF STATE

APR 1 1946

Reply drafted by H.M. Whitman 4/5/46

Whitman S. Gille

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

My dear Mr. Martin:

I am enclosing a copy of a memorandum sent by me to General Hilldring, who is still on leave. I have talked with his Secretary at the Pentagon Building and told her I was going to send this through immediately and asked her to have General Eckols take care of it in view of the fact that he is replacing Hilldring in the War Department.

In view, however, of the full and complete cooperation that we have been so fortunate to receive from you and your Department, I knew that you would want a copy of this communication.

Kindest personal regards.

Sincerely yours,

Daniel J. Flood

Daniel J. Flood, M. C.

DJF: jc
Encl. (1)

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APR 15 1946

DANIEL J. FLOOD
11th DIST. PENNSYLVANIA

HOME OFFICE:
1015 MINERS NATIONAL BANK
WILKES-BARRE, PENNSYLVANIA

COMMITTEE:
FOREIGN AFFAIRS

Congress of the United States
House of Representatives
Washington, D. C.

March 27, 1946

Major General John H. Hilldring
Special Staff
Pentagon Building
War Department
Washington, D. C.

My dear General:

The following is a copy of a radiogram received by me from our mutual friend, Peter Magagna, who, you recall, was sent to Tokyo by you for the Army on assignment to the staff of General MacArthur.

"Many thanks your full cooperation stop please see Hilldring immediately and give him written memorandum for the record on following matter stop SCAP for some reason cabled Hilldring and states that I had advised I was representing State Department in this Japanese raw silk affair stop as you are well aware I am meticulously careful and positive on my statements and factual data stop I told SCAP that Hilldring had advised me that I was going to deal with the higher officials in SCAP including MacArthur and further that State Department assured me of their full cooperation and advised me that any plan along the lines I had discussed with them and Hilldring regarding silk they would go along with stop you were present at all these meetings and know the above to be factual stop therefore correct this matter with SCAP because I certainly know one cannot represent State Department and War Department at the same time and I do not want this matter to stand uncorrected stop incidentally thank Acheson stop his people out here have given me the fullest cooperation stop I will keep you informed of situation stop."

In view of the very apparent misunderstanding which somebody at SCAP in Tokyo has with reference to whom Magagna represents, what he is doing and who he is doing it for, I am taking the liberty of sending this memorandum to you in order that I may reaffirm my concurrence with the position taken by Magagna and express my concurrence with the statements made in the above-mentioned radiogram from him.

You will recall during the entire course of our conversations, just prior to Magagna's departure for Tokyo, that we all went to considerable pains to have it clearly understood that Magagna would go to Tokyo as an expert on silk on behalf of the Army; would be assigned to the staff of

Major General J. H. Hilldring

-2-

March 27, 1946

General MacArthur and would have the blessings of the State Department so that there would be no misunderstanding at any level as to what was being done and why. It was at my suggestion that the State Department was made acquainted with the purpose of Magagna's trip to Japan in order that every possible difficulty could be removed or misunderstanding prevented before Magagna reached Tokyo. The State Department assured me of their full cooperation and concurred in any plan consistent with the discussions held here in Washington, if it met with your approval and also met with their approval. At the time Magagna left for Tokyo I recall distinctly declaring that he was delighted with this arrangement whereby any future bickerings or misunderstandings would be cleaned up before they started; that the War Department and the State Department were in full agreement on Magagna's mission, his proposals and the determination that this was not to be a one-shot proposition, but would look to the re-establishment of the silk industry in the United States and a properly supervised and controlled silk industry in Japan.

At no time, any place, anywhere, did anyone think or suggest directly or indirectly that Magagna represented anyone or anything but the War Department. No one here at any idea that he represented the State Department. Any impression that SCAP now has that Magagna represents the State Department, or ever advised anyone that he did, is fully and completely erroneous.

I think it is of great importance that your office advise SCAP immediately of their error and suggest to them that Magagna was sent there by you to help them in this emergency and with specific reference to this very important matter of silk; that everybody here in both the War Department, the State Department and myself were concerned only with trying to help them and ask them for the general good of the purpose we are all trying to achieve that the lower levels of the SCAP headquarters discontinue their rather obvious practice of placing obstacles in the way of this man, Magagna.

Magagna advised me that so far he has not seen MacArthur. This certainly does not make sense. If there are any amateur diplomats or amateur economists who don't know the silk worm from the hook worm on MacArthur's staff interfering with the excellent work that everybody else is trying to do on this silk problem I, for one, want to know who they are and why they are acting in such an obstructionist fashion.

It was our understanding that the reason Magagna was sent to Japan by the Army was because the Army in Japan did not have an expert on silk. That being the case, I respectfully suggest that the Army take advice from the expert on silk. It is obvious that General MacArthur is not aware personally of the difficulties Magagna must be encountering with some of the people in Tokyo on MacArthur's staff. That being the case, and because I was so deeply impressed by your clear and immediate understanding of the whole problem, I urge that your very immediate attention be given to pointing out to SCAP at once, as requested by Magagna in the radiogram quoted above, that he represents the War Department - not the State Department; but that he was assured of full cooperation by the

Major General M. H. Hilldring

-3-

March 27, 1946

State Department and that it was my idea and not his, and that if they have any objections to my ideas I want to know who objects and why.

Colonel Gross, of your office, has a full and complete understanding of this picture and has been most helpful and cooperative from the very beginning. I have discussed this whole thing with him on several occasions, and I think you will find that he will confirm the understanding as outlined above.

Sincerely yours,

Daniel J. Flood, M.C.

DJF:ah

APR 10 1946

In reply refer to
JK

My dear Mr. Flood:

Thank you for forwarding copy of the memorandum which you sent to General Hilldring on the subject of Mr. Magagna's position in Tokyo. I appreciate very much your keeping me informed on developments.

Sincerely yours,

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

The Honorable
Daniel J. Flood,
House of Representatives.

APR 10 1946
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4-5-46

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THE AGENT GENERAL FOR INDIA
2107 MASSACHUSETTS AVE..N. W.
WASHINGTON 8, D. C.

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aw

29th September, 1946

F.166/A/46

Dear Mr. Whitman,

Subject: Silk from Japan

Will you kindly refer to your letter dated 11th September, 1946, to Mr. Farookhi, regarding imports of raw silk from Japan? I understand that at the informal meeting held on Monday last, it was agreed that there is no objection to raising India's quota to the extent necessary to enable her to meet her full two million pounds requirements. We are grateful for this.

2. Our immediate requirements, however, are approximately 700,000 pounds in 20 x 22 deniers and 300,000 pounds in 13 x 15 deniers, both preferably of International Grade C, D and E. In case superior grades are not available we are prepared to accept grades F and G.

3. Incidentally, I may mention that silk prices in India are now going down and I shall be glad if you can give us an idea of the present trend of prices (F.A.S. Japanese port) of raw silk in which India is interested.

4. We have no objection to a separate quota of 900 bales being allotted to New Zealand but feel that this should be debited to Australia's share of available supplies.

Sincerely yours,

P. A. Menon

P.A. Menon,
Secretary,
India Supply Mission.

Mr. Roswell H. Whitman,
Associate Chief,
Division of Japanese and Korean
Economic Affairs,
Department of State,
Washington, D.C.

894.6225/9-2946

CS/HH

OCT 16 1946

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DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

OCT - 3 1946

DCR - IIP Unit

M.K.
E.P.

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XIP
894.5017
845.5017

Silk
W.P.T. India

OCT 11 1946

In reply refer to
JK

My dear Mr. Menon:

You will be interested to know that the War Department is advising the Supreme Commander in Tokyo of our discussions of September 9 and September 23, and suggesting that GHQ, SCAP open negotiations with appropriate authorities in India looking towards the early purchase and shipment of up to 15,000 bales of silk.

In your letter of September 29 you inquire regarding prices. We are recommending that silk sold to India be priced on the basis of the average prices obtained by the U.S. Commercial Company for the same grades and deniers in the New York market at sales nearest to the dates of sales to India, adjusted downward to allow for the ocean freight and insurance costs included in these prices. For your information the freight rate on raw silk, Japan to New York, in the recent past has been \$8.50 per hundred pounds or 8.5 cents per pound; and the marine and war risk insurance rate has been 70 cents per \$100. of value or .7 percent. A U. S. Commercial Company press release of September 20 gave the prices obtained for silk of various grades and deniers at the auction sale conducted on September 18. We do not have an extra copy of this press release but are informed that a copy was sent to the Agent General for India by the USCC. Of course this information is also made available to GHQ, SCAP. The second auction sale will be held in New York in a few days.

Sincerely yours,

DCR - ITP Unit
mik
epw
me

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

Mr. P. A. Menon,
Secretary,
India Supply Mission,
2107 Massachusetts Ave., N.W.,
Washington 8, D.C.

OCT 11 1946

RAW
cc: Mr. Trout USCC
JK:RMfaige:bc
10/10/46

A true copy of
the signed orig.
B...

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894.6225/9-2946

THE AGENT GENERAL FOR INDIA
2107 MASSACHUSETTS AVE., N. W.
WASHINGTON 8, D. C.

F.166/A/46

5th October, 1946

My dear Mr. Whitman,

Subject: Silk from Japan

Will you kindly refer to your letter JK dated September 30th, 1946, regarding import of silk from Japan.

894.6225

I shall be glad if you would be so kind as to send me a copy of the table distributed by you at the meeting held on September 23rd, showing the number of bales of various deniers and grades each country would be entitled to purchase under the previously announced percentage quotas.

Sincerely yours,

P. A. Menon

P.A. Menon,
Secretary
India Supply Mission

Mr. Roswell H. Whitman,
Associate Chief,
Division of Japanese and Korean
Economic Affairs,
Department of State,
Washington, D.C.

NOV 5 - 1946

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DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

OCT - 71946

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

OCT - 71946

Reply drafted 10/24

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DC/3

TO : A-H - JK Secretariat

DATE: October 23, 1946

FROM : JK - Mr. Whitman

RAW

SUBJECT: Sale of Silk to New Zealand.

Colonel Powles of the New Zealand Legation has advised us that he has had an inquiry from Wellington as to the terms and conditions (with particular reference to the currency) of sale of Japanese silk to New Zealand. I advised him these would be the same as the terms of sale to Australia and that arrangements should be made with SCAP.

To confirm these understandings I propose the following telegram to SCAP:

DRAFT TELEGRAM

SCAP

TOKYO

*XR
747 216225*

New Zealand Legation here has inquired regarding currency for which SCAP will sell Japanese silk to New Zealand. Pending acceptable agreement with British regarding convertibility sterling into other sterling area currencies and into dollars after 6 months if excess to SCAP requirements we advise offering New Zealand same payment plan offered Australia. Refer our W 81640 Sept 19. New Zealand Legation advising Wellington to communicate with you to finalize agreement.

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For your information Bank of New Zealand's selling rate for dollars is one New Zealand pound equals \$3.22.

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10/23/46

*FN
McGuire*

*JK/Sec.
Fisher
phone - Embroon*

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STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: 11/1/46

TO : Mr. Gross
FROM : Mr. Easton
SUBJECT: Silk to New Zealand

The New Zealand Legation has advised the Department that it has received an inquiry from Wellington as to the terms and conditions of sale of Jap silk to New Zealand. The Department has advised the New Zealand Legation that these would be the same as the terms of sale to Australia, and that arrangements should be made with SCAP.

War Department clearance has been secured through Lt. Col. Nagle, and I recommend your approval.

Easton

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SCAP

Action

State (Gen. Hilldring)

OPR-Mr. Petersen; CAB-State; CAD.

From WBSA. New Zealand Legation here has inquired regarding currency for which SCAP will sell Japanese silk to New Zealand. Pending acceptable agreement with British regarding convertibility sterling into other sterling area currencies and into dollars after 6 months if excess to SCAP requirements we advise offering New Zealand same payment plan offered Australia. Refer our W 81640 Sept 19. New Zealand Legation advising Wellington to communicate with you to finalize agreement.

rate of exchange, per WD circular 64 5 Mar 46

For your information Bank of New Zealand's selling rate for dollars is one New Zealand pound equals \$3.22.

*15
\$ 3.2442
= 1 £ N.Z.*

JK:RMPaige:beb
AH:ROEaston:bam

ah-419

BRITISH EMBASSY.

WASHINGTON 8, D. C.

December 13, 1946.

Mr. R. Whiteman,
State Department,
901 - 1818 "H" Street,
Washington, D.C.

Dear Mr. Whiteman:- Japanese Silk

We have just had a telegram from the Board of Trade which asks us to take up with the State Department the following two points:-

- (a) Can we have an agreement with the U.S.A. as to what charges per pound should be deducted from the U.S.A. auction prices in order to arrive at a system of prices f.o.b. Japan;
- (b) Can we arrange for immediate notification to the U.K. of any changes in the U.S.A. auction prices as they occur, since the U.K. must charge at prices known to them at the time of issue of supplies of silk in the U.K.

I should be grateful for a reply on these two points at your earliest convenience, and I am sending copies of this letter to Mr. Joyce of the U.S.C.C. and Mr. Percival of this Embassy.

Yours sincerely,

J.A.E. Smart

J.A.E. Smart.

cc: Mr. Joyce
Mr. Percival

DCR IIP Unit

[Handwritten initials and signatures]

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DEC 20 1946

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DEC 18 1946

In reply refer to
JK

My dear Mr. Smart:

We have your letter of December 13, in which you indicate that the Board of Trade has asked you to take up with the Department of State the charges to be deducted from U.S.A. auction prices to arrive at prices f.c.b. Japan for raw silk.

We are of the opinion that this is a proper matter to be decided in Tokyo. Some weeks ago we gave SCAP certain general instructions and suggestions for pricing silk and authorizing him to work out specific sales agreements with the UK and other trade representatives in Tokyo. Although we have not yet had a reply to this telegram we assume that SCAP has made definite proposals to the UK trade representative. We are sending a telegram to SCAP asking for the essential facts about the agreement or understanding reached in Tokyo covering the first shipment of silk to the UK. When we have a reply we will get in touch with you.

You have also asked to be notified of changes in U.S.A. auction prices as they occur. We have asked Mr. Joyce of the USCC to forward to you as soon as possible after each auction a price list showing the average price obtained for each grade and denier of silk sold. Mr. Joyce advises us that he can do this readily enough since it is his practice to send such price list to SCAP after each auction.

Sincerely yours,

cc: Mr. Joyce - USCC
POLAD-SCAP, Tokyo
Lt. Col. Hartman - WAR

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

Mr. J. A. E. Smart,
British Embassy,
Washington 8, D. C.

JK:RMR:igé:bc
12/17/46

DEC 18 1946 F.M.



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894.6225/12-1346

Handwritten initials and scribbles in the left margin.

WILLIAM S. CULBERTSON
MARSHALL R. DIGGS
CHARLES M. TRAMMELL
WILLIAM M. BRIGGS
CLYDE BRUCE AITCHISON, JR.
ROBERT S. TARNAY

TELEPHONES
NATIONAL 9127-9128-9117
CABLE ADDRESS "COLBERT"

CULBERTSON, AITCHISON & BRIGGS

ATTORNEYS AND COUNSELLORS AT LAW

COLORADO BUILDING

WASHINGTON 5, D. C.

December 9, 1948

Mr. William S. McCornick
State Department
Room 314 Potomac Park Apartments
21st & C Streets, N. W.
Washington, D. C.

My dear Mr. McCornick:

Referring to our conversations concerning Japanese silk, I quote for your information the following from a letter which I received this morning from Siber Hegner & Co., Inc., 183 Madison Avenue, New York 16, New York:

"I intentionally delayed answering your kind letters because I wanted to await the arrival of our Mr. Wolfgang E. Hegner, who just returned from Tokyo this morning. He seems to be quite certain that according to the information he obtained from SCAP in Tokyo there will be a price increase of about 10% as of January 1, 1949.

*x R
894. 5017*

"Furthermore, he confirmed that the French Government is now buying 7,000 bales under the Marshall Plan and in this connection I wish to mention that we again received a cable from Tokyo yesterday in which our office out there advised us that all further sales are suspended until the purchase by the French Government is completed. They also mentioned in their cable that with the exception of very high grades 20/22 dr., for which there is in this market but a very moderate demand, no other grades are available at present.

"You can readily see from this that the large purchase now being made by the French Government (for which they indirectly pay with our dollars) is seriously handicapping the operations of the American consumers of raw silk which our customers feel is not quite fair."

Very sincerely yours,

W.S. Culbertson
William S. Culbertson

DIVISION OF COMMERCIAL POLICY
REC 10 1948
DEPARTMENT OF STATE

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DEC 22 1948

In reply refer to
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My dear Mr. Culbertson:

This is in reply to your letter of December 9, 1948 to Mr. McCornick of this Division concerning your client's report that there will be a 10% increase in the price of Japanese silk on January 1, 1949, and his belief that the French have been receiving undue quantities of Japanese silk.

The Department of State has not been informed that there is an impending rise in the price of Japanese silk. It is known, of course, that the guaranteed period expires on January 1, 1949, and it is consequently expected that SCAP will make an announcement in the next few days.

I find it difficult to understand the statement of your client regarding French silk purchases in Japan which make it difficult for other buyers to enter the market. The Department accordingly has requested information in this regard from SCAP officials. When it is received I will communicate with you again.

If the Department can be of further service to you, please do not hesitate to write.

Sincerely yours,

Anal.	<i>at</i>
Rev.	<i>MR</i>
Dist.	<i>MR</i>

Merrill C. Gay
Assistant Chief
Division of Commercial Policy

Mr. William S. Culbertson,
Culbertson, Aitchison & Briggs,
Colorado Building,
Washington 5, D. C.

DEC 21 1948

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