

CONFIDENTIAL

Enclosure No. 4 to Despatch No. 400 dated June 30, 1948 from the Office of the Political Adviser for Japan, Tokyo, on the subject, "Currency Arrangement between Japan and the Sterling Area".

(COPY)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section

FEP/WJK/sl
APO 500
21 June 1948

003 (21 Jun 48)ESS/FTC

MEMORANDUM FOR: The Head of the United Kingdom Liaison Mission in Japan

SUBJECT: Payments Arrangements between Japan and the Sterling Area

1. References:

a. Memorandum from the United Kingdom Liaison Mission in Japan to General Headquarters, Supreme Commander for the Allied Powers (Attention: Economic and Scientific Section), Ref. No. 60/450/48 dated 12 June 1948, subject: Payments arrangements between Japan and the Sterling Area: Participation of Ceylon.

b. Memorandum to the Head of the United Kingdom Liaison Mission in Japan, AG 003 (29 May 48)ESS/FTC dated 29 May 1948, subject: Payments Arrangements for Trade between Japan and the Sterling Area.

2. Receipt of reference memorandum, paragraph 1a above, is acknowledged, and the participation of the Government of Ceylon in the sterling payments arrangements between Japan and the Sterling Area, reference paragraph 1b above, retroactive from 31 May 1948, is acceptable.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

F. E. PICKELLE
Chief
Foreign Trade and Commerce Division

No Memo for Record necessary. F. E. P.

CONFIDENTIAL



THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

RECEIVED DEPARTMENT OF STATE

ACTION is assigned to

DC/M
OE

1948 JUL 14 PM 3 51

United States Political Adviser for Japan

Tokyo, July 8, 1948

DC/M FACILITIES BRANCH

No. 424

UNCLASSIFIED

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no action required
DIVISION OF OCCUPIED AREAS ECONOMIC AFFAIRS

JUL 20 1948

DEPARTMENT OF STATE

[Signature]
7/20/48

SUBJECT: Transmission of General Headquarters Staff Memorandum Regarding Japanese Government Financing.

OE
COPIES TO: *OTD*
FE

The Acting Political Adviser has the honor to transmit a copy of Staff Memorandum No. 8 of this Headquarters, dated February 18, 1948, on the subject of Japanese Government Financing.

Although this staff memorandum is not of recent issue, the files of this Mission indicate that it may not previously have been forwarded to the Department.

Enclosure: *att.*

✓ Copy of Staff Memorandum No. 8, dated February 18, 1948.

✓ Original and ozalid to Department

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Enclosure to Despatch No. 424 dated July 8, 1948 from the Acting Political Adviser for Japan, Tokyo, entitled "Transmission of General Headquarters Staff Memorandum Regarding Japanese Government Financing".

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(COPY)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
AND
FAR EAST COMMAND

AG 319 (10 Jan 48)ESS

APC 500
18 February 1948

STAFF MEMORANDUM)
:
NO.....8) (SCAP & FEC)

JAPANESE GOVERNMENT FINANCING

1. As a restraint on the current inflationary trend in Japan, expenditures by the Japanese Government will be kept to the absolute minimum consistent with the objectives of the Occupation. Effective implementation of this policy is essential to the ultimate stabilization of the economy of Japan.

2. With the purpose of reducing yen expenditures to the minimum, each staff section of General Headquarters, Supreme Commander for the Allied Powers and Far East Command, will review present and proposed Japanese Government revenues and expenditures on programs in which it has primary interest. Availability of funds within budgeted amounts under which the Japanese Government is operating will be considered prior to final action on any new program.

3. The Economic and Scientific Section is assigned the primary responsibility for the implementation of the provisions of this staff memorandum. All actions by other staff sections affecting the expenditures or revenues of the Japanese Government will be referred to the Economic and Scientific Section for concurrence prior to submission to the Chief of Staff.

BY COMMAND OF GENERAL MACARTHUR:

PAUL J. MUELLER,
Major General, General Staff Corps,
Chief of Staff.

OFFICIAL:

/signed/
R. M. LEVY
Colonel, AGD,
Adjutant General.

UNCLASSIFIED

INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

~~DEF~~
~~MEY~~
~~AMR~~

1017

FROM: LONDON
DATED: AUG. 3, 1948
REC'D: August 9, 10:22 a.m.

UNRESTRICTED

OFFICE OF FINANCIAL AND
DEVELOPMENT POLICY

AUG 10 1948

DEPARTMENT OF STATE

DIVISION OF FINANCIAL AFFAIRS

AUG 10 1948

DEPARTMENT OF STATE

2

Secretary of State
Washington

A-1554

DW
ACTION: DC/L
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FOR STATE AND TREASURY AND OTHER INTERESTED
AGENCIES

Contemplated Sterling Loan to Japan

The following written question and answer re the above subject appeared in HANSARD, House of Commons, July 27, 1948, Columns 1116-1117:

"Mr. Teeling asked the Chancellor of the Exchequer how far we have proceeded with the granting of a sterling loan to Japan; and how far will this be affected by Marshall Aid to this country.

"The Economic Secretary to the Treasury (Mr. Douglas Jay): The proposal referred to in my right hon. Friend's answer of 17th June was in general terms. My present expectation is that no final decision will be reached until more specific proposals have been received and considered by the commercial banks. The fact that we are receiving E.R.P. aid in United States dollars would not in itself affect the question of allowing a sterling loan to another country.

"Mr. Teeling: Is the hon. Gentleman aware that in the Marshall Aid to other countries, notably Italy and Southern Ireland, a most-favoured-nation clause is now being put in for Japan and accepted? Is he quite certain that no moneys from this sterling loan will in any way affect our exports to those countries?

"Mr. Jay: There is nothing in our E.R.P. agreement which will affect commercial credits which are envisaged here.

/Mr. Walter Fletcher;.....

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

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AUG. 3, 1948

"Mr. Walter Fletcher: Will the hon. Gentleman bear in mind, before making any loan to Japan, the very considerable claims for commodities and goods which have been found in Japan and which were robbed from British territory during the war, and that proper reparations should be made for those before money is loaned to Japan?"

"Mr. Jay: We have that very much in mind.

"Mr. Assheton: And will the hon. Gentleman remember the interest on our past loans?"

DOUGLAS

MR. BLISS
MR. HEBBARD
MISS CAMPBELL

KACampbell:ank

UNRESTRICTED

DEPARTMENT OF STATE

ASSISTANT SECRETARY

August 4, 1948

Mr. Hulick
Mr. Saltzman

This is a trivial matter on which EX-IM Bank wants an exchange of letters. State and Army have no objection to releasing this agreement to FEC members.

E
PPC

8/4/48

Mr. Claxton:

Phil: Attached is the proposed letter to Mr. Martin of the Ex-Im Bank, for Mr. Saltzman's signature; also the background papers, attached. If this looks all right to you I would appreciate your passing along the attachments to Mr. Hulick.

CCM
C.C.H.

AUG 5 1948

Dear Mr. Martin:

The purpose of this letter is to outline to you, in confirmation of informal conversations between representatives of this Department and your bank, the present situation with respect to requests received recently by the Secretariat of the Far Eastern Commission from member nations of the Commission. This request is for the release to the member FEC nations of copies of the Agreement of May 13 between the Occupied Japan Export-Import Revolving Fund and the Controller thereof on the one hand, and, on the other, a consortium of American banks, headed by your institution.

The above mentioned request has been considered within the Department of State, and conversations have also taken place thereon between representatives of this Department and the Civil Affairs Division, Department of the Army, as well as with representatives of your bank. Mr. Sexton of your staff and Mr. Bachman of the Department of the Army are among those who have participated in these conversations. The resulting consensus is to the effect that, subject to a policy decision by the Department of State, there is no objection by the interested U.S. agencies to the distribution, by the Secretariat of the Far Eastern Commission to member nations of the Commission, of the above mentioned Agreement, and Exhibits, now printed in booklet form.

The document in question is, as you know, unclassified and is based on FEC documents which have been fully distributed to the member nations of the Commission. As a matter of policy, therefore, it is the view of this Department that the above mentioned Agreement should be made available to the member nations of the Commission. Although I am informed that a large part of the information contained in the Agreement has appeared in the press, all records of this nature are issued to the member nations of the FEC under "restricted" classification.

It is understood informally from Mr. Sexton that, in view of the policy

Mr. Wm. McC. Martin, Jr.,
Chairman, Export-Import Bank
of Washington,
Washington, D.C.

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policy decision reached by the Department of State in this matter, your bank is agreeable to the release of copies of the Agreement by the Secretariat of the Far Eastern Commission, as indicated above, with the proviso that there be a prior interchange of letters between the Department of State and your bank, as a matter of record.

An early reply would be appreciated. In the meantime, authorization for the above release by the Secretariat of the Commission of copies of the Agreement, and pertinent Exhibits, is being held in abeyance.

Yours sincerely,

Charles E. Saltzman
Assistant Secretary

Cleared, in substance, with:

- Mr. Claxton, O *-(full text cleared.)*
- Mr. Stenger, ED *-(" " " ")*
- Mr. Smith, EP
- Mr. Meeker, L
- Mr. Allison, NA *-(full text cleared)*
- Mr. Bachman, CAD, Army

cc: [handwritten initials]

O:CHilliard:eg
8/3/48

AUG 5 1948 P.M.



STANDARD FORM NO. 64

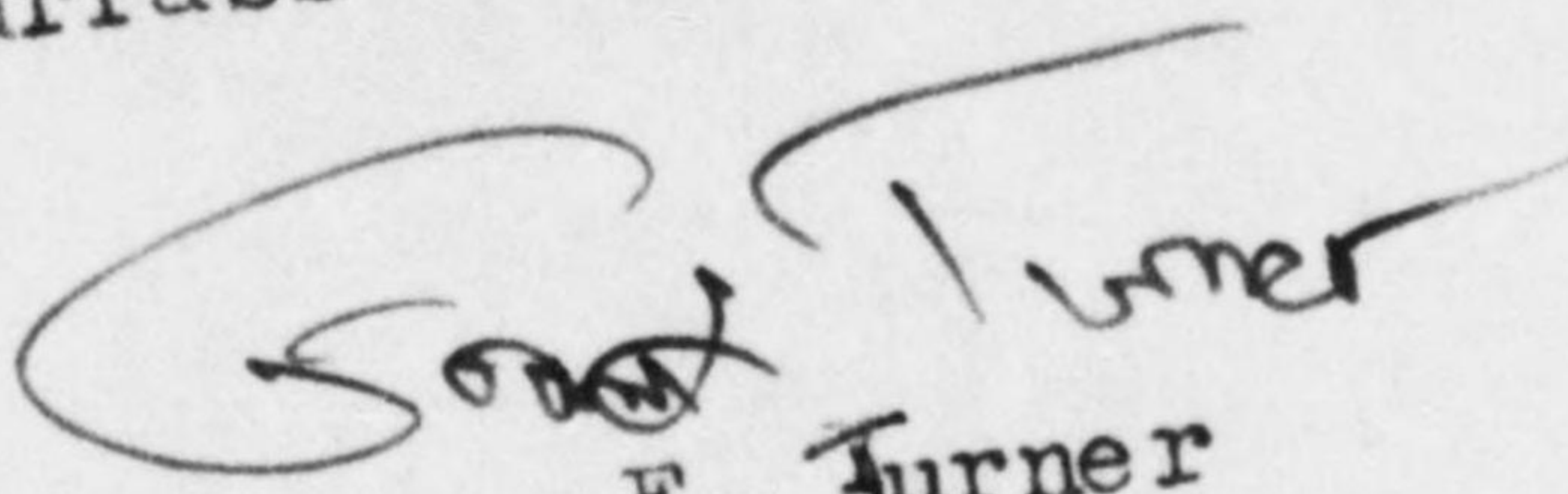
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Office Memorandum · UNITED STATES GOVERNMENT

DATE: 16 July

TO : Mr. Claxton
FROM : F. Turner, FEC Secretariat
SUBJECT: Enclosed document

The Indian delegation is pressing us to release this document which contains the 60 million loan agreement of May 13.

I wondered what your view would be since we are anxious to make it available to the FEC delegations, provided, of course, it would not embarrass State and Army.


F. Turner

8/23/48.

Document returned
to Miss Engle, FEC
by B. Ruffin -O".

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : O - Mr. Charles E. Saltzman

DATE: 29 August 1948

FROM : OFLC - Anson M. Bartlett *PGA*

SUBJECT: Letter from Baar, Bennett & Fullen dated 17 August

The attached letter is forwarded for consideration by your division pursuant to conversation this date with Mr. Noel Hemmendinger.

SEP 7 1948

SEP 9

FILE

fw 899.5118-177

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LAW OFFICES

29828

BAAR, BENNETT & FULLEN

29 BROADWAY
NEW YORK 6, N. Y.

EMIL N. BAAR
WILLIAM G. FULLEN
JOHN P. HURLEY
DAVID E. WINER
LAWRENCE J. LIEBERMAN
HERBERT S. CAMITTA
MILTON I. NEWMAN
CHARLES B. RUSSELL
HERBERT WIESENBERG
JOSEPH L. SCHILLING

TELEPHONE
DIGBY 4-6350
CABLE ADDRESS
"BARBENFUL"

August 17, 1948

Office of Foreign Liquidation Commission
Department of State
Washington 25, D. C.

Dear Sirs:

One of our clients is the owner of shares as indicated in the following Japanese industries:

<u>Name of Association</u>	<u>Face Value</u>
Japanese Cotton Textile Export Association	250 yen
Japanese Silk & Cotton Fabric Manufacturer Association	250 yen
Kobe General Merchandise Export Association for North America	100 yen
Japan South America Export Association	1000 yen

Will you please be good enough to advise us as to what disposition has been made of the assets of these associations, as to the current value of these securities and as to the appropriate channel to be used for the liquidation of same.

Very truly yours,

Bar, Bennett & Fuller

Reply drafted
DIVISION OF OCCUPIED AREAS
ECONOMIC AFFAIRS *KBP*

AUG 24 1948
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DEPARTMENT OF STATE

FOR OPD UNIT
<i>W.H.</i>
<i>L</i>

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SEP 7 1948

UNCLASSIFIED

No. 14

To the

Chief, United States

Reparations and Restitution Delegation,

Care of USPOLAD,

Tokyo. ✓

The Secretary of State transmits herewith a copy of a letter dated August 17, 1948, received from the law offices of Baar, Bennett & Fullen, 29 Broadway, New York 6, New York, requesting information as to the disposition made of the assets of certain specified associations in Japan, the current value of the shares of such associations, and the appropriate channel to be used for the liquidation of such shares.

It will be appreciated if the Delegation will investigate the matter and furnish the Department with the information requested for transmittal to the law offices of Baar, Bennett & Fullen.

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CS/A

UNITED STATES DEPARTMENT OF STATE
 OFFICE OF THE DELEGATION
 TOKYO, JAPAN

RECEIVED UNIT

SEP 3 1948 P.M.

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A true copy of the signed original.

Enclosure:

Letter (Copy) from Baar, Bennett & Fullen dated August 17, 1948.

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RBA

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In reply refer to
OE

Messrs. Baar, Bennett & Fullen,
29 Broadway,
New York 6, New York.

Sirs:

The receipt is acknowledged of your letter of August 17, 1948, in which you request information as to the disposition made of the assets of certain specified associations in Japan, the current value of the shares of such associations, and the appropriate channel to be used for the liquidation of such shares.

This is to inform you that the Department of State has raised the matter with the United States Reparations and Restitution Delegation, Tokyo, Japan, and will communicate further with you in respect thereto upon the receipt of a reply from the Delegation.

Very truly yours,

For the Secretary of State:

RHW

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

CS/A

A true copy of
the signed original.

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August 18, 1948

Dear Mr. Johnson:

Mr. Frank Turner of your secretariat has inquired whether the U. S. Government has any objection to the distribution by the Far Eastern Commission secretariat of the Agreement of May 13, 1948 between Occupied Japan Export-Import Revolving Fund, the Controller thereof, and a consortium of American banks, a copy of which had been furnished Mr. Turner by the Civil Affairs Division of the Department of the Army.

The U. S. Government has no objection to the distribution of this document to the members of the Far Eastern Commission as a restricted document.

Yours sincerely,

FLH
mm

Philander P. Claxton, Jr.
Special Assistant to the
Assistant Secretary for
Occupied Areas

Mr. Nelson T. Johnson,
Secretary General,
Far Eastern Commission,
2516 Massachusetts Avenue, NW
Washington, D. C.

C:PPC:claxton:br

*8/23 - Agreement 5/13/48
Returned to Mr. Johnson
B.K.*

894.51/8-1848

CC/A

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August 18, 1948

MEMORANDUM FOR THE FILE:

Subject: Attached letter to Mr. Nelson Johnson,
Secretary General of the Far Eastern Commission

Mr. Frank Turner asked me whether the U. S. Government had any objection to the distribution of the document referred to in the attached letter. This document is not classified and a copy of it was given to Mr. Turner by the Civil Affairs Division of the Department of the Army. Mr. Bachman of the Civil Affairs Division, the officer directly responsible for this matter in the Department of the Army, has stated firmly and repeatedly that there is no objection on the part of the Department of the Army to the distribution of this document in the FEC. He has stated that he feels it unnecessary to refer the matter to SCAP-OJEIRF. Mr. Hilliard has cleared the distribution of the document with all interested offices of the Department of State which have no objection. The Export-Import Bank officials have indicated they have no objection but have requested a letter from the Department of State. This has been sent and a reply received stating that the Export-Import Bank has no objection. Export-Import Bank has stated, however, that private bankers should be consulted. Mr. Stenger of ED has talked further with Export-Import Bank representatives and has expressed his own opinion, ^{to Mr. Koch} that it is unnecessary to consult private bankers. Mr. Bachman of CAD has made the same statement to Mr. Koch. Under the circumstances I feel there can be no objection whatever to the distribution of this document as a restricted FEC document and have so informed Mr. Johnson by the attached letter.

FLH

m m

Philander P. Claxton, Jr.
Special Assistant

Attachment

O:PPClaxton:br

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

UNITED STATES POLITICAL ADVISER FOR JAPAN

ACTION
is assigned to

~~OFD~~

No. 535

Tokyo, August 19, 1948.

UNCLASSIFIED

Subject: Currency Arrangement between Japan and the Sterling Area.

THE HONORABLE
THE SECRETARY OF STATE,
WASHINGTON.

Sir:

I have the honor to refer to this Mission's despatch No. 334 of June 8, 1948 on the above subject and in that connection to enclose copies of this Headquarters' Memorandum of August 17, 1948 to the Head of the United Kingdom Liaison Mission in Japan amending the Overall Payments Arrangement to provide for the sale of Japanese cotton textiles to sterling area purchasers on a one hundred per cent sterling basis, regardless of the source of the raw cotton.

Respectfully yours,

W. J. Sebald
W. J. Sebald.

Enclosure: *att.*
Memorandum of August 17, 1948 to Head of UKLM on the subject, "Payments Arrangements for Trade between Japan and the Sterling Area."

Original and ozalid to Department.

Copies to:

- American Embassy, London. ✓
- American Embassy, Canberra. ✓
- American Embassy, Karachi. ✓
- American Embassy, New Delhi. ✓
- American Embassy, Colombo. ✓
- American Embassy, Rangoon. ✓
- American Embassy, Baghdad. ✓
- American Legation, Pretoria. ✓
- American Legation, Rehkjavik. ✓
- American Legation, Wellington. ✓
- American Consulate General, Hong Kong. ✓
- American Consulate General, Singapore. ✓

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UNCLASSIFIED

Enclosure to Despatch No. 535 dated August 19, 1948 from the Office of the Political Adviser for Japan, Tokyo on the subject, "Currency Arrangement between Japan and the Sterling Area."

(COPY)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
APO 500

WFM/FEP/WJK/sl
17 August 1948

AG 003(22 May 48)ESS/FT

MEMORANDUM FOR: The Head of the United Kingdom Liaison Mission in Japan.

SUBJECT: Payments Arrangements for Trade between Japan and the Sterling Area

1. References are:

a. Memorandum from the United Kingdom Liaison Mission in Japan to the Supreme Commander for the Allied Powers, reference No. EA 24/450/48 dated 22 May 1948, subject same as above.

b. Memorandum from the Supreme Commander for the Allied Powers to the Head of the United Kingdom Liaison Mission in Japan, file AG 003(27 May 48)ESS/FTC dated 27 May 1948, subject same as above.

c. Memorandum from the Supreme Commander for the Allied Powers to the Head of the United Kingdom Liaison Mission in Japan, file AG 003(29 May 48)ESS/FTC dated 29 May 1948, subject same as above.

2. In conformity with the understanding reached in the course of the Sterling Area Trade Conference, paragraph 2a of reference, paragraph 1c above, is hereby amended to read as follows:

"All trade between Japan and the United Kingdom and Colonies (excluding Hong Kong) and such other parties of the Sterling Area as may desire to participate shall be conducted on a sterling basis. Any sterling acquired by the Supreme Commander for the Allied Powers in connection with such trade shall be fully utilizable for payments within the Sterling Area or for conversion to dollars in accordance with paragraphs 2c and 2d below."

FOR THE SUPREME COMMANDER:

/s/ Rehe

R. M. LEVY
Colonel, AGD
Adjutant General

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UNITED STATES

REPARATIONS AND RESTITUTION DELEGATION
TOKYO, JAPAN

23 September 1948

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Smith
Williams

No. 17

UNCLASSIFIED

Subject: Need for further information before investigation into disposition of certain assets -
Attorneys: Baar, Bennett & Fullen, 29 Broadway, New York 6, N. Y.

894.51/9-2348

The Honorable
The Secretary of State
Washington

Sir:

I have the honor to refer to the Department's Unclassified Despatch No. 14 of September 7, 1948, concerning an enquiry from the law offices of Baar, Bennett & Fullen, 29 Broadway, New York City 6, New York, in which certain information as to the disposition of assets of Japanese concerns was requested.

Preliminary enquiry here has indicated that the following information will be required before the requested investigation can be made:

1. The names of the Association should be furnished in Romanji spelling and in Japanese characters;
2. The date on which the securities were obtained and the name of the registered owner, if the securities were registered.

Respectfully yours,

Homer L. Baker
Homer L. Baker
Deputy Chief

DIVISION OF OCCUPIED AREAS
L. P. CIVIC AFFAIRS
OCT 7 1948
DEPARTMENT OF STATE

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OCT 16 1948

UNCLASSIFIED

No. 16

To the

Chief, United States

Reparations and Restitution Delegation,

Care of USPOLAD

Tokyo.

894.51/9-2348

The Acting Secretary of State acknowledges the receipt of the Delegation's despatch No. 17 dated September 23, 1948, transmitting a request for further information in connection with an inquiry by Baar, Bennett & Fullen, 29 Broadway, New York 6, New York with respect to the assets of certain Japanese associations.

There is enclosed for information a copy of a letter transmitting the points on which further information is required and suggesting that such information as may be developed be communicated directly to the Delegation.

CS/A

A true copy of the signed original.

Enclosure:

OCT 15 1948 P.M.

Letter to Baar, Bennett & Fuller, dated October 16, 1948.

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OCT 16 1948

Messrs. Baar, Bennett & Fullen
29 Broadway
New York 6, New York

Sirs:

Reference is made to your letter of August 17, 1948 concerning the assets of certain Japanese associations in which your client had an interest prior to the war and to the Department's reply dated September 7, 1948.

The United States Reparations and Restitution Delegation, to whom your request was directed, has advised that the following information will be required before a full investigation can be made:

1. The names of the Association should be furnished in Romanji spelling and in Japanese characters;
2. The date on which the securities were obtained and the name of the registered owner, if the securities were registered.

It is suggested that to the extent you can do so, this information be communicated directly to the Delegation in Tokyo whose address is:

United States Reparations
and Restitution Delegation,
Foreign Liaison, CPC-GHQ-SCAP,
APO 500, c/o Postmaster,
San Francisco, California.

Very truly yours,

For the Acting Secretary of State:

DCR-OPD UNIT

Anal. *B*
 Rev. *B*
 Col. *CE*
 Dist. *CE*

R. Burr Smith
Chief
Reparations and Property Branch
Division of Economic Property Policy.

A true copy of the signed original.

OCT 15 1948 P.M.

CFD:EP:RWilliams:mcm 10/13/48

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THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA UNITED STATES POLITICAL ADVISER FOR JAPAN

4091

ACTION is assigned to

Tokyo, September 28, 1948.

No. 636

UNCLASSIFIED

OCT 12 1948

DEPARTMENT OF STATE

Subject: Interests in Japanese Enterprises of South African Nationals--Property of Mrs. G. E. W. Hutchinson.

RECEIVED DEPARTMENT OF STATE

The Acting Political Adviser has the honor to refer to this Mission's despatch no. 1249, August 25, 1947, and to previous correspondence regarding the interests of various South African nationals in Japanese enterprises, and to enclose copy of an undated report submitted by the Japanese Government of an investigation of the claim of Mrs. G. E. W. HUTCHINSON.

The report states that after diligent search the five percent sterling bonds which are claimed in behalf of Mrs. Hutchinson are not to be found in Japan and were probably withdrawn from the London branch of the Yokohama Specie Bank prior to September 26, 1945.

In transmitting the enclosed report the Civil Property Custodian of this Headquarters suggested that, since overseas branches of the Yokohama Specie Bank are being liquidated by the governments of the countries in which they are located, inquiry be made of the British Government as liquidator of the London branch of the Yokohama Specie Bank in an effort to locate the bonds.

Copy of a memorandum dated March 25, 1948 to the United Kingdom Liaison Mission in Japan, concerning the treatment by the Japanese Government of dollar and sterling bonds during the war is also enclosed. In regard to the present problem, the memorandum states that the Japanese Government called in for conversion all Japanese external dollar and sterling bonds and issued in place thereof yen obligations of the Japanese Government; this phase of conversion covered all bonds physically located in Japan but does not appear to have applied to all foreign currency bonds owned by United Nations nationals in Japan. The Japanese Government also converted into yen bonds the sterling and dollar bonds which were located outside Japan but were owned by persons in Japan. This conversion was made on the basis of certification by the owners in Japan of such ownership and of the location of the bonds outside Japan. The Japanese Government has been instructed to supply details regarding the numbers and the owners of bonds which were not in Japan during the war but which the Japanese Government converted or took from the owners

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Tokyo's No. 636,
September 28, 1948.

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owners in Japan who were compensated in yen. The memorandum does not explicitly cover what appear to be the facts of the current case, that of bonds physically located outside of Japan and owned by a United Nations national outside of Japan.

Enclosures: *att' with orig*

1. Single copy of undated report by the Japanese Government.
2. Copy of memorandum dated March 25, 1948 to the United Kingdom Liaison Mission in Japan.

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Original and ozalid to the Department

cc: American Legation, Pretoria, Transvaal
(with enclosures)

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Enclosure No. 1 to Tokyo's No. 636,
September 28, 1948.

"Information and Inventory Report"
on the Property owned in Japan by
Mrs. G.E.W. Hutchinson (South Africa)

Ref: No. BLH/th Dated 17 June 1948.

- (1) In the Memorandum in reference we were requested to investigate the Sterling Bonds owned by Mrs. G.E.W. Hutchinson and safe deposited in the Yokohama Specie Bank, Ltd. However, the said bank was designated as closed institution and at present is being liquidated by the Closed Institutions' Liquidation Committee. Thus the Bank of Tokyo, Ltd., the second bank of the Yokohama Specie Bank, established on 1 January 1947, took over a part of the assets and met a part of the liabilities thereof, in other words, a part of the business operated in Japan by respective branches of the Yokohama Specie Bank were taken over by branches of the Bank of Tokyo respectively and the other part of the business operated in Japan and the remaining business oversea of respective branches of the Yokohama Specie Bank are, at present, being dealt all-inclusively by the Yokohama Specie Bank, the Closed Institution, located within the Bank of Tokyo.
- (2) The investigator has checked thoroughly at the head-office and the Yokohama Branch of the Bank of Tokyo but there did not exist the Sterling Bonds owned by Mrs. Hutchinson.
- (3) Next, the Yokohama Specie Bank, the Closed Institution, (through Tomoya Chihara of the said institution) was investigated and inquiries were made and was discovered that the Sterling Bonds owned by Mrs. Hutchinson are not safe deposited in any of the branch of the Yokohama Specie Bank and they never had been for any other reason.
- (4) Not all the records and documents of the oversea branches

of the Yokohama Specie Bank were permitted to be brought back to Japan and therefore, though full information is not available, it could be said in the least that there is no mention of the Sterling Bonds owned by the said person in the records sent back from the oversea branches of the said bank and at present in the custody of the Yokohama Specie Bank, the Closed Institution.

(5) The Mitsui, Mitsubishi, Sumitomo, and the Yasuda Trust Co., Ltd. respectively has never taken the property of the said person into enemy property custody during the war.

(6) Further, there is no deposit account in the name of the said person in the Special Property Administration Account of the Bank of Japan. And again there has never existed a fact that any of the enemy property custodian had taken the property of the said person into custody.

(7) According to the data provided by the Civil Property Custodian the said person had safe deposited 5% Sterling Bonds, £ 3,770.-, in the Yokohama Specie Bank, Ltd., London Branch.

(8) In regard with the afore-mentioned question the Yokohama Specie Bank, the Closed Institution, made further investigation but there is no mention of the Sterling Bonds owned by the said person in the records, as of 26 September 1945, of the safe deposited securities, forwarded to the head-office of the Yokohama Specie Bank, Ltd. from the London Branch thereof. Thus it is considered that the said Sterling Bonds must have been drawn prior to the afore-mentioned date.

(9) The records of deposit and draw of the said Sterling Bonds by the said person, the owner, at the London Branch of the Yokohama Specie Bank, Ltd., must be remaining in London but these documents are not allowed to be brought back to

Japan and thus it is not known here.

- (10) Thus we have used every means for investigation as mentioned above but the particulars of the property owned by Mrs. Hutchinson are not known.

Certificate - Information supplied above was made by me through personal inspection and is warranted to be true and correct.

The Tokyo Trust & Banking Co., Ltd.

Signed K. Kimura
Inspecting Official

Enclosure No. 2 to Despatch No. 636 dated September 28, 1948 from the Office of the United States Political Adviser at Tokyo, on the subject of: "Interests in Japanese Enterprises of South African Nationals--Property of Mrs. G. E. W. Hutchinson."

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CIVIL PROPERTY CUSTODIAN
APO 500

DHB/WRFS/ee

095 (25 Mar 1948)CPC/FP

25 March 1948

MEMORANDUM FOR: The Head of the United Kingdom Liaison Mission in Japan

SUBJECT: Japanese Pre-War Foreign Currency Bonds

1. Reference is made to the following memoranda to General Headquarters, Supreme Commander for the Allied Powers, Civil Property Custodian, from the United Kingdom Liaison Mission, subject, "Japanese Pre-War Foreign Currency Bonds":

a. No. EA 3/221/48, 14 January 1948;

b. No. EA 7/221/48, 27 February 1948.

2. With reference to paragraph 2 of reference 1b, no plan is now under consideration for the repayment of debts in depreciated yen. Resumption of service of pre-war bonds is not contemplated until an over-all policy is adopted for the handling of foreign currency bonds. Monies on deposit in the Special Property Administration Account representing interest on foreign currency bonds will be so held pending establishment of such policy and the determination of the ownership of bonds.

3. A summary of information upon foreign currency bonds furnished by the Japanese Government follows:

a. There was an amount of ¥69,638,156.53 in the Special Property Administration Account in the Yokohama Specie Bank earmarked "Fund for Interest on Foreign Obligations" which is now deposited with the Bank of Japan. The Japanese Government has submitted details of this amount which represents the conversion into yen of interest payments on Japanese Government, municipal and corporate foreign currency obligations, sterling and U.S. dollars. The conversion rate from dollars and sterling into yen varies from a little under ¥10 to the pound to ¥16.84 to the pound and in the case of dollars conversion from ¥4.25 to a little over ¥2 to the dollar. These figures are set forth in Exhibit "A" enclosed. Exhibit "A" gives the breakdown of each bond as to the dollar interest dates. Exhibit "E" gives the total interest payment in each series of bonds.

b. All of the payments made into this fund, with one exception, represented interest only and not sinking fund payments. The exception is set forth opposite the figure 48 on the left side of the Exhibit "A" which states "Sinking Fund for Redemption of Lottery Certificate" and the total of these two figures, namely £6,227 1/8 being

payment

Enclosure No. 2 to Tokyo's 636,
September 28, 1948.

- 2 -

payment of principal of the Osaka 4% Harbor Construction Loan Bonds which were redeemed by lot. In this connection see third page of Exhibit "E".

c. On March 15, 1943 the Japanese Diet passed a law, No. 60, entitled "Law Relating to the Treatment of Foreign Bonds," a translation of which is enclosed and marked Exhibit "B".

d. Also enclosed is a statement which goes into details as to how these bonds and debentures were treated under this law (Exhibit "C").

4. Briefly, the procedure was as follows and can be divided into the following categories:

a. The Japanese Government called in for conversion all Japanese external dollar and sterling bonds and issued in place thereof yen obligations of the Japanese Government. This phase of conversion covered all bonds physically located in Japan, but may not have applied to foreign currency bonds owned by United Nations nationals in Japan. It has been impossible to ascertain in detail to what extent this latter exemption applied.

b. The Japanese Government also converted into yen bonds the sterling and dollar bonds which were located outside of Japan but owned by persons in Japan. This conversion was made on the basis of certification of the owners in Japan of such ownership and of the location thereof outside Japan.

5. There is inclosed a schedule (Exhibit "E") which shows for each series of bonds the bonds outstanding at the outbreak of the war and the bonds purchased or redeemed in accordance with the law referred to in 3c above and also the bonds outstanding after the conversion into yen bonds was made.

6. The Japanese Government 4% sterling bonds of 1910 and the Tokyo 5% sterling loan of 1912 contained a provision that the interest could be paid in Swiss francs in Switzerland. Enclosed is a schedule, Exhibit "F", showing the remittances made in Switzerland. The officials of the Japanese Government state that these remittances were made on the certification by the Japanese Minister in Switzerland that the coupons or bonds owned by a neutral or a national whose government was friendly to Japan during the war. They further stated that so far as they know coupons which were paid in Switzerland have not been returned to Japan nor does the Japanese Government have a record of the owners of the coupons or bonds. Regarding 4b above, the Japanese Government has been instructed to supply details of the numbers and owners of bonds which were not in Japan during the war but which the Japanese Government converted or paid to the owners in Japan in yen. Attention of the Ministry of Finance officials was called to the fact that it was quite possible that Japanese foreign currency bonds could be situated in New York or London and have been taken possession of by the Alien Property Custodians in those countries and yet the owners in Japan long since received yen for these bonds. The Japanese Government officials admitted that this was so and when we

called

Enclosure No. 2 to Tokyo's No. 636,
September 28, 1948.

- 3 -

called their attention to the possibility that an agency of the Yokohama Specie Bank in America may have had some of these bonds the Japanese officials referred to their records and stated that the agency of the Yokohama Specie Bank in San Francisco owned approximately \$3,000,000 face value of 6-1/2% dollar bonds which were on deposit in the New York Agency of the Yokohama Specie Bank and that the bank had received yen in Japan for these bonds.

7. Of all the Japanese foreign currency obligations issued, according to the figures supplied by the Japanese Government the following are now outstanding:

Foreign Currency Bonds	\$ 67,592,000
	L 61,144,253
	Fcs 648,057,559
Divided into Japanese Government Bonds	\$ 21,354,000
	L 51,550,780
	Fcs 400,238,000
Local Government Bonds	\$ 6,342,000
	L 6,585,797
	Fcs 247,819,559
Corporation Bonds	\$ 39,896,000
	L 3,007,676

These figures may be qualified if the actions of the Japanese Government set forth in 3b above are set aside.

8. There is to be added to these figures unpaid interest during the war.

PATRICK H. TANSEY
Brig Gen, USA
Custodian

- 6 Incls
1. Exhibit "A"
 2. Exhibit "B"
 3. Exhibit "C"
 4. Exhibit "D"
 5. Exhibit "E"
 6. Exhibit "F"

Note: Enclosures not available.

I discussed this matter with Mr. Guy de Rhem of the Swiss Legation and explained to him the procedure the Dept follows in the case of inquiries from American holders. He seemed quite satisfied to have all of these sent to the Foreign Bondholders Council in NY but said that the Legation had sent them ~~in~~ to the Dept upon instruction of the Foreign Office and asked that we send him a memo on our usual procedures so that he could transmit it to the Foreign Office and request new instructions along these lines.

FN- JCC *[Signature]*

Handwritten initials/signature

62-6

MEMORANDUM

The Department of State refers to the memoranda from the Swiss Legation dated March 14 and 24, 1947, August 22, 1947, October 1, 1947, and April 9, 1948 regarding Japanese securities held by Swiss nationals, which the Legation desired to be transmitted to the Supreme Commander for the Allied Powers, at Tokyo, Japan, pursuant to the Department's Press Release of August 1, 1946, and which the Department, in its Memorandum of December 1, 1946, stated that it would forward to the United States Political Adviser to the Supreme Commander.

894.51/9-2848

In view of certain facts of which the Legation may not have knowledge, the Department suggests an alternative course, described below, which it recommends to American citizens holding similar obligations.

The Department has observed that all of the securities listed in the various memoranda from the Swiss

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[Signature]

Legation

CS/JEC 894.51/9-2848

- 2 -

Legation mentioned above are dollar bonds issued or guaranteed by the Japanese Government. The Department's Press Release of August 1, 1946, was intended, however, to refer to equity participations, rather than to bonds or other evidences of indebtedness, and American holders of Japanese utility dollar bonds have consistently been informed by the Department of this fact.

The Department considers that investment in foreign securities is primarily a private transaction into which the purchaser enters after calculation of the risks involved. In case of default on dollar obligations issued or guaranteed by foreign governmental entities, as were all of these listed in the various declarations submitted by the Legation, it is not the usual practice of the Department to negotiate directly for American holders but it does endeavor to render to such holders or their representatives such assistance as it properly can. In this connection the Department takes occasion to call attention to the Foreign Bondholders Protective Council, Incorporated, 90 Broad Street, New York, New York, a non-profit

- 3 -

profit organization established several years ago to serve as a central representative body. Although the Council was created with the encouragement of the Department, it operates on its own responsibility. The Department frequently suggests to American inquirers that they may wish to write to the Council and ask that it keep them informed of any important developments affecting their holdings.

Some time ago, at the request of the Council, the Department transmitted to the United States Political Adviser to the Supreme Commander for the Allied Powers, at Tokyo, a complete statement of the Japanese dollar bonds which were direct or guaranteed obligations of the Japanese Government, or of Japanese Municipalities, for such consideration as might be appropriate in the protection of the interests of the holders. The statement made no distinction between holders on the basis of nationality. Subsequently the Department transmitted another request of the Council that mortgages previously securing

dollar

- 4 -

dollar bonds of the Japanese utility companies, which had been cancelled by the Japanese Government during the war, be reinstated. In transmitting this request, the Department requested its representatives to secure the views of the United States Reparations and Restitution Delegation regarding the matter. No reply has yet been received, but when one reaches the Department, a copy will be sent to the Foreign Bondholders Protective Council. The Department has suggested to inquirers that they write to the Council and request it to inform them of any developments relative to this aspect of the situation.

It will be appreciated that the Department is not in a position at present to indicate what provisions, if any, affecting such obligations may be contained in the Treaty of Peace with Japan, or what arrangements may be made for payment of obligations arising from the war. Holders of these obligations are doubtless aware that there will be many claims and demands against Japan, and against persons and municipalities of that country, of which

which such obligations as those under discussion will probably constitute only a small part.

The Department would suggest, therefore, that instead of sending the various declarations to Japan, they be sent to the Foreign Bondholders Protective Council, Incorporated, for appropriate consideration at such time as the Council may act with respect to similar obligations held by American citizens, by whom the great majority of the dollar obligations of the Japanese Government and Japanese utility companies are held.

[Handwritten signature]
[Stamp: A stamp with a diagonal line through it, containing the text "A stamp with original" and some illegible numbers.]

Department of State,

Washington, September 28, 1948.

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SEP 28 1948
*note of March 14 1947
only one attached*

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DEPARTMENT OF STATE

PROTECTIVE
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DEPARTMENT OF STATE
Memorandum

The Legation of Switzerland acknowledges receipt
of the State Department's memorandum dated September 28,
1948, regarding Japanese securities held by Swiss national-
als. The Legation has informed the Swiss Authorities
and wishes to thank the State Department for its report.

894.51/9-2848
DS-FIX OFD L/C WE

894.51/10-748

Washington, D.C.,
October 7, 1948.

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JCC

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- 5 -

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Department of State,

Washington, SEP 28 1948

FN:JCCorliss:gve 7/20/48

S/S-CR



THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

United States Political Adviser for Japan

41815

ACTION is assigned to

Handwritten initials and stamps in the ACTION box.

Tokyo, November 26, 1948.

No. 747

Handwritten notes: 'DEC-6 1948 DEPARTMENT OF STATE' and '12/27'.

Handwritten notes: '10-708', '9-2849', '9-73', '894.51/8-1748', 'OFD'.

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894.51/11-2648

RECEIVED DEPARTMENT OF STATE

1948 DEC 3 AM 27

DEPARTMENT OF STATE FACILITIES BRANCH

Subject: Forwarding SCAP Memorandum for the Japanese Government Concerning Disposal and Acquisition of Securities of Restricted Concerns.

The Acting Political Adviser has the honor to forward five copies of a SCAP memorandum for the Japanese government (SCAPIN 403/1) of November 9, 1948, entitled "Disposal and Acquisition of Securities of Restricted Concerns".

SCAPIN 403/1 modifies SCAPIN 403 of December 8, 1945, "Establishment of a Schedule of Restricted Concerns". SCAPIN 403 allowed transfers of securities of restricted concerns if the owner of the securities held no more than one per cent of the issue of which the securities to be transferred were a part, and if the person acquiring the securities did not by the acquisition come to own or control more than one per cent of that issue. Such transfers had been absolutely prohibited under SCAPIN 215 of October 31, 1945. SCAPIN 403/1 further relaxes the controls to allow transfers of stock without SCAP's approval if the share capital of the restricted concern in question is less than 5 million yen; transfer of shares of firms with a capital of 5 million yen or more is allowed if the conditions specified in SCAPIN 403 are present, and if the transfer is not in conflict with Imperial Ordinance No. 567 of 1946. Imperial Ordinance No. 567 prohibits restricted concerns or their officers from holding stocks in another company.

SCAPIN 403/1 also allows the sale of securities of restricted concerns with a capital of more than 5 million yen by banks, trust companies, and insurance companies if the total amount of holdings by the financial institution in question does not exceed ten per cent of the share capital of the issuing concern, and if no more than one per cent of the issue is sold to any one buyer, the restrictions against holdings of more than one per cent by any one individual of course still being applicable. The purchase, sale, and use as collateral of securities of restricted concerns whose share capital is 5 million yen or more by registered security dealers is also allowed provided that no more than one per cent of the issue in question is sold to one purchaser, and that the provisions of Article 11 of Law No. 54 of 1947 (Anti-Monopoly Law) are respected. Article 11 of Law No. 54 provides that no financial institution may hold stocks in a competing company, and that no

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Tokyo's Despatch No. 747
November 26, 1948

-2-

financial institution whose total assets exceed 5 million yen may hold more than 5 per cent of the stock of any company, but that security dealers are exempt from its provisions unless they hold a stock for more than a year. In the latter case the permission of the Fair Trade Commission is required.

SCAPIN 403/1 also exempts from the provisions of SCAPIN 403 the exercise of pre-emptive rights by shareholders of restricted concerns.

Enclosure: *att. ✓ K.* *with orig*

Five Copies of GHQ, SCAP Memorandum
(SCAPIN 403/1) dated November 9,
1948 on the subject "Disposal and
Acquisition of Securities of Re-
stricted Concerns".

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Enclosure to Despatch No. 747 dated
November 26, 1948 from the United
States Political Adviser for Japan,
Tokyo on the subject: "Forwarding
SCAP Memorandum for the Japanese Government
GENERAL HEADQUARTERS Concerning Disposal and Acquisition
SUPREME COMMANDER FOR THE ALLIED POWERS of Securities of Restricted
APO 500 Concerns".

AG 004(8 Dec 45)ESS/AC
SCAPIN 403/1

9 November 1948

MEMORANDUM FOR: JAPANESE GOVERNMENT

SUBJECT: Disposal and Acquisition of Securities of Restricted
Concerns

1. Reference the following memoranda for the Japanese Government
from General Headquarters, Supreme Commander for the Allied Powers:

a. AG 004(31 Oct 45)ESS, SCAPIN 215, 31 October 1945, subject:
Sale or Transfer of Securities of Certain Business Concerns.

b. AG 004(8 Dec 45)ESS/AC, SCAPIN 403, 8 December 1945, subject:
Establishment of a Schedule of Restricted Concerns.

c. AG 095(20 May 47)ESS/AC, SCAPIN 1690, 20 May 1947, subject:
Amendments to Regulations Affecting Restricted Concerns.

2. Paragraph 3a of reference memorandum 1b, above, is hereby amended
to read as follows:

"3. a. Sales, trades, pledges or other forms of transfer of
securities of restricted concerns whose share capital is less than
¥5,000,000. are hereby exempted from the requirements of reference
memorandum 1, above. Also, sales, trades, pledges or other forms
of transfer of securities of restricted concerns whose share capital
is ¥5,000,000. or more will be exempted from the requirements of
reference memorandum 1, above, if the following exist:

"(1) Neither the beneficial owner nor the record
owner of the securities desired to be trans-
ferred or otherwise dealt in owns or controls
directly or indirectly more than one (1) per-
cent of the outstanding securities of the
issue of which his securities are a part.

"(2) The person by whom or on whose behalf the
securities are to be acquired does not by such
acquisition, own or control directly or in-
directly more than one (1) percent of the
securities of the issue proposed to be acquired.

"(3) The sale, trade, or other form of transfer of
the securities herein mentioned is not in conflict
with the provisions of Imperial Ordinance 567."

AG 004 (8 Dec 45)ESS/AC, 9 Nov 48 SCAPIN 403/1

3. In addition to the foregoing amendments of paragraph 3a of reference memorandum lb, above, the following shall also be permitted:

a. The sale of securities of restricted concerns under references la, b and c, above, whose share capital is ¥5,000,000. or more by banks, trust companies and insurance companies, whether restricted concerns or not, if the total amount of such security holdings does not exceed ten (10) percent of the share capital of the issuing company, provided, however, no such sale shall be made to any one individual in excess of one (1) percent of the securities of the issue being sold; and provided, further, that the foregoing shall not in any manner be construed as affecting existing limitations on the acquisition of such securities in excess of one (1) percent of the securities of the issue to be acquired nor apply to securities subject to the provisions of Imperial Ordinance 567 of 1946.

b. The purchase, sale or use as collateral of securities of restricted concerns whose share capital is ¥5,000,000. or more, under references la, b and c, above, by registered security dealers and brokers, provided, however, no sale shall be made to any one individual in excess of one (1) percent of the securities of the issue being sold and provided, further, that the foregoing shall be subject to the provisions of Article II of Law No. 54 of 1947. It is further provided that the foregoing shall exclude disposal of any securities held by any such security dealers and brokers which are subject to the provisions of Imperial Ordinance 567 of 1946.

c. The exercise of pre-emptive rights by shareholders of restricted concerns under references la, b and c, above.

FOR THE SUPREME COMMANDER:

for R. M. LEVY
Colonel, AGD
Adjutant General

STANDARD FORM NO. 64

CONFIDENTIAL*Office Memorandum* • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth

DATE: November 22, 1948

FROM : NA - Mr. Bishop

SUBJECT: Summary of Attached Report on London MFN Conference

694.0031
 The attached report contains a considerable amount of interesting material not merely on the question of MFN for Japan but also regarding official British thinking on broader questions of Japan policy. I suggest that you read Mr. Barnett's immediately underlying 2-page memorandum of November 9 to Mr. Nitze and look through the Agreed Summary at Tab A. The following is an abbreviated presentation of the U.S. and U.K. positions at the conference derived from the Agreed Summary and the U.S. Minutes, followed by quoted highlights from Mr. Barnett's memoranda of private conversations with British officials.

The essential American position as expressed by Ambassador Douglas at the opening session was that the U.S. taxpayer is bearing a heavy burden in Japan, that this burden reduces our resources available for other purposes in the world, that the drain in Japan could only be reduced through expanded Japanese trade, and that MFN for Japan would be of material assistance toward that end.

British questioning of the necessity or advisability of according reciprocal MFN treatment to Japan at this time was based on four main arguments:

1. MFN for Japan at this time is of purely academic importance. The recently concluded sterling arrangement provides for the maximum expansion of British Commonwealth-Japanese trade now possible in the light of present and prospective currency availabilities, and MFN could not increase that trade.

2. Japan was recently a brutal enemy and is still hated in Commonwealth countries. Any attempt to secure MFN now would be popularly interpreted as a move for Japan's benefit (even though it was appreciated by those present that it would really be more for U.S. than Japanese benefit for some time to come) and would be explosive politically.

3. It would be dangerous to grant MFN to Japan until the Japanese price structure and cost factors have become better known. Japan's expanded and expanding population and difficult economic situation create a serious danger that before very long after the occupation Japan will again be forced to resort to

dumping

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dumping and other predatory trade practices to survive. British industry's fear of revived Japanese competition of this type should not be underestimated.

4. It would be difficult if not entirely impractical to accord MFN to Japan under its present "multiple exchange rate" system. Establishment of a commercial exchange rate for the yen must be considered a virtual prerequisite to the granting of MFN by the Commonwealth countries.

The U.S. Delegation's counter-arguments to these points, correspondingly numbered, were essentially as follows:

1. While it might be true that MFN will produce no immediate increase in trade over that expected under the sterling arrangement, it is of immediate practical importance for the following reasons: (A) it would eliminate existing discriminations (the only one cited at the conference was a 40 percent discriminatory tax against Japanese imports levied by the Egyptian Government) and prevent the establishment of any new discriminations; (B) it would prevent the use of threatened discriminations as a bargaining weapon in future trade negotiations with Japan; (C) it would provide a basis for gradually moving away from trade balancing arrangements such as the Sterling Agreement toward a fuller degree of multilateral trade; and (D), the argument most emphasized, it would provide a degree of certainty, which would otherwise be lacking because of the possibility of major discriminations, as to the availability of future export markets, which is necessary for intelligent long-range planning for Japanese recovery.

2. While, it was stated, the political factor of popular opposition to MFN was appreciated, it seemed unjust that the American people, who had equal reason with the Commonwealth countries to hate the Japanese, should have to bear all the responsibilities and sacrifices involved in Japan's support.

3. As regards Japan's future cost-price structure and fear of a renewal of predatory trade practices, it seems unlikely in light of Japan's greatly strengthened labor movement, the power which democratic reforms have given the Japanese masses to secure their just proportion of the national product, and lifting of the burden of armaments from the national economy, that Japanese export prices will be unduly low in future or that there will be a revival of predatory trade practices. The proposed MFN agreement would in any event operate only until the peace conference, when the whole matter would be reviewed in the light of Japanese performance. (The British response to this point was that it would be difficult for them to withdraw MFN once granted.)

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4. SCAP and the U.S. Government are agreed that an exchange rate should be established as soon as possible, and the matter is now under intensive study in Washington and Tokyo.

Although other considerations and counter-arguments were advanced, the above represented the main divisions of opinion, which remained unreconciled when the conference broke up. It is apparent that the British are, and will probably remain, most reluctant to commit themselves to MFN treatment for Japan (even though theoretically free to reverse that position at the peace conference) until it has become much clearer than it is now that they will not again have to face cut-throat competition from the textile, shipbuilding and metal-working industries of an overpopulated and economically desperate Japan. Although it is fully understandable why we should wish the added assurance of an MFN agreement in our planning for Japanese recovery, the possibilities of our persuading the almost equally straightened British to conclude such an agreement in the immediately foreseeable future seem remote. In connection with Mr. Barnett's recommendation that we raise the question of MFN for Japan during the diplomatic discussions based on NSC 13/2, it would seem unwise to emphasize the issue, in view of the probable lack of response and the poor bargaining position we will be in due to the unwelcome character of most of our other pronouncements and proposals from NSC 13/2, notably those on reparations. *M*

Perhaps the most important expression of opinion at the conference from a practical point of view was the unanimous position of the Commonwealth countries that the absence of an exchange rate for the yen had already proved to be a serious obstacle to the development of trade with Japan, and that this situation must be remedied before there could be any real possibility of an MFN agreement. It is difficult to see how the Army and SCAP can help but be impressed by this position in their consideration of our longstanding proposals on this question.

The agreed conclusions of the conference regarding further action on the MFN problem was that the substance of the discussions would be reported to governments, and that it was assumed that further consultations on the matter would be held through normal diplomatic channels before the next GATT meeting in April, 1949. The U.S. representatives stated that the U.S. Government would at an early date prepare, either alone or in consultation with one or two of the other Governments represented, a draft agreement which could serve as a basis of further consideration and discussion, and would communicate the draft to the other governments represented at the conference.

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