

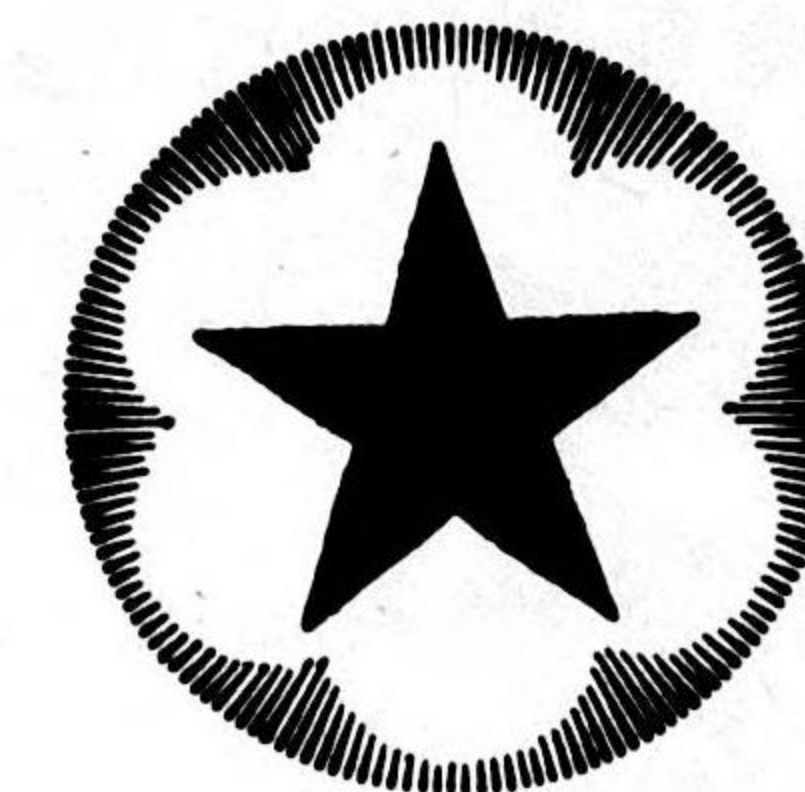
13

ARMY SERVICE FORCES MANUAL **M354-8B**

CIVIL AFFAIRS HANDBOOK

JAPAN

SECTION 8B: COMMERCE



RESTRICTED. DISSEMINATION OF RESTRICTED MATTER.—The information contained in restricted documents and the essential characteristics of restricted material may be given to any person known to be in the service of the United States and to persons of undoubted loyalty and discretion who are cooperating in Government work, but will not be communicated to the public or to the press except by authorized military public relations agencies. (See also par. 23b, AR 380-5, 15 Mar 1944.)

HEADQUARTERS, ARMY SERVICE FORCES

20 JULY 1944

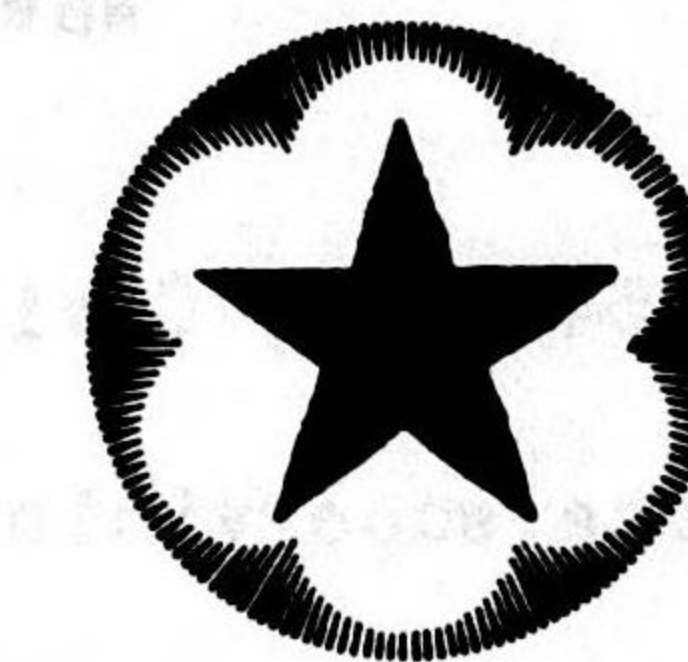
ARMY SERVICE FORCES MANUAL M354-8B

Civil Affairs

CIVIL AFFAIRS HANDBOOK

JAPAN

SECTION 8B: COMMERCE



Headquarters, Army Service Forces, 20 July 1944

RESTRICTED. DISSEMINATION OF RESTRICTED MATTER.—The information contained in restricted documents and the essential characteristics of restricted material may be given to any person known to be in the service of the United States and to persons of undoubted loyalty and discretion who are cooperating in Government work, but will not be communicated to the public or to the press except by authorized military public relations agencies. (See also par. 23b, AR 380-5, 15 Mar 1944.)

RESTRICTED

- 11 -

NUMBERING SYSTEM OF
ARMY SERVICE FORCES MANUALS

The main subject matter of each Army Service Forces Manual is indicated by consecutive numbering within the following categories:

M1 - M99 Basic and Advanced Training
M100 - M199 Army Specialized Training Program and Pre-
Induction Training
M200 - M299 Personnel and Morale
M300 - M399 Civil Affairs
M400 - M499 Supply and Transportation
M500 - M599 Fiscal
M600 - M699 Procurement and Production
M700 - M799 Administration
M800 - M899 Miscellaneous
M900 - up Equipment, Materiel, Housing and Construction

* * * *

HEADQUARTERS, ARMY SERVICE FORCES,
Washington 25, D. C., 20 July 1944.

Army Service Forces Manual M 354 - 8B, Civil Affairs Handbook - Japan -
Commerce, has been prepared under the supervision of The Provost Marshal
General and is published for the information and guidance of all concerned.

[SPX 461. (21 Sep 43).]

By command of Lieutenant General SOMERVELL:

W. D. STYER,
Major General, General Staff Corps,
Chief of Staff.

OFFICIAL:

J. A. ULIO,
Major General,
Adjutant General.

RESTRICTED

RESTRICTED

- 111 -

This study on Commerce in Japan was prepared for the
MILITARY GOVERNMENT DIVISION, OFFICE OF THE PROVOST MARSHAL GENERAL

by the

FAR EASTERN UNIT, BUREAU OF FOREIGN AND DOMESTIC COMMERCE

UNITED STATES DEPARTMENT OF COMMERCE

OFFICERS USING THIS MATERIAL ARE REQUESTED TO MAKE SUGGESTIONS
AND CRITICISMS INDICATING THE REVISIONS OR ADDITIONS WHICH
WOULD MAKE THIS MATERIAL MORE USEFUL FOR THEIR PURPOSES. THESE
CRITICISMS SHOULD BE SENT TO THE CHIEF OF THE LIAISON AND STUDIES
BRANCH, MILITARY GOVERNMENT DIVISION, PMGO, 2807 MUNITIONS
BUILDING, WASHINGTON 25, D. C.

RESTRICTED

RESTRICTED

- iv -

INTRODUCTION

Purposes of the Civil Affairs Handbook

The basic purposes of civil affairs officers are (1) to assist the Commanding General by quickly establishing those orderly conditions which will contribute most effectively to the conduct of military operations, (2) to reduce to a minimum the human suffering and the material damage resulting from disorder, and (3) to create the conditions which will make it possible for civilian agencies to function effectively.

The preparation of Civil Affairs Handbooks is a part of the effort to carry out these responsibilities as efficiently and humanely as possible. The Handbooks do not deal with plans or policies (which will depend upon changing and unpredictable developments). It should be clearly understood that they do not imply any given official program of action. They are rather ready reference source books containing the basic factual information needed for planning and policy making.

RESTRICTED

RESTRICTED

- v -

CIVIL AFFAIRS HANDBOOKS TOPICAL OUTLINE

1. Geographical and Social Background
2. Government and Administration
3. Legal Affairs
4. Government Finance
5. Money and Banking
6. Natural Resources
7. Agriculture
8. Industry and Commerce
- BB Commerce
9. Labor
10. Public Works and Utilities
11. Transportation Systems
12. Communications
13. Public Health and Sanitation
14. Public Safety
15. Education
16. Public Welfare
17. Cultural Institutions

This study on Commerce in Japan was prepared for the MILITARY GOVERNMENT DIVISION, OFFICE OF THE PROVOST MARSHAL GENERAL by the FAR EASTERN UNIT, BUREAU OF FOREIGN AND DOMESTIC COMMERCE, UNITED STATES DEPARTMENT OF COMMERCE.

RESTRICTED

TABLE OF CONTENTS

	Page
FOREWORD	1
I. TRADE OF JAPAN PROPER (including Karafuto) WITH FOREIGN COUNTRIES	1
A. Introduction	1
1. Development of Foreign Trade	2
2. General Trade Statistics	5
B. Import Trade	5
1. Nature of Import Trade	5
2. Principal Import Commodities	8
3. Sources of Supply for Leading Imports	10
4. Importance of Imports of Foodstuffs and Fertilizers	14
5. Imports of Medical Supplies	14
C. Export Trade	14
1. Nature of Export Trade	14
2. Principal Export Commodities	16
3. Principal Markets for Leading Export Commodities	17
D. Trade by Geographic Areas and Leading Countries	20
1. Imports	20
2. Exports	20
3. Trade with the United States	23
4. Exports from the United States to Japan of Specified Commodities	23
E. Wartime Overseas Trade	26
1. Imports	26
2. Exports	26
II. TRADE OF JAPAN PROPER WITH THE COLONIES	29
A. Korea (Chosen)	29
1. Japan's Share of Korea's Trade	29
2. Excess of Imports	30
3. Trade by Commodity Groups	30
B. Taiwan (Formosa)	42
1. Japan's Trade with Taiwan	42

	Page
2. Export Balance: Basis for Imports	42
3. Probable Shift in Character of Imports	43
4. Export Problems	43
III. BALANCE OF PAYMENTS - JAPANESE EMPIRE	49
A. Introduction	49
B. Summary of Balance of Payments of Japanese Empire	50
C. Pre-war History of Japanese Empire Balance of Payments	51
1. 1920-1931	51
2. 1932-1936	53
3. 1937-1940	57
D. Wartime Balance of Payments	60
E. Balance of Payments of Japan Proper	61
F. Manchuria - The Problem of the Yen-Bloc	65
IV. TARIFF SYSTEM	67
A. Tariff System Dates from 1910	67
B. Enactment of Tariff Laws	68
C. General Level of Duties	68
1. Conventional Duties	69
2. Luxury Duties	70
3. Specific Duties	71
4. Differential Duties	71
5. Internal Revenue Taxes Applicable to Imported Goods	73
D. Administration of Tariff System	73
1. Classification of Goods for Duty Purposes	73
2. Dutiable Weight and Value	74
3. Temporary Admission of Imports	74
4. Drawbacks	75
5. Collection of Duties	76
E. Customs Procedure and Regulations	76
1. Documentation	76
2. Entry of Goods	77
3. Storage	77
4. Protest and Appeal	77
5. Parcel Post Shipments	78

	Page
F. Packing and Invoicing	78
G. Pure Food and Drug Regulations	78
1. Prohibited Coloring Substances	79
2. Prohibited preservatives	80
3. Artificial Sweetening Substances	80
4. Medicines	80
5. Dyestuffs	80
H. Plant Quarantine Import Restrictions	80
1. Wartime Changes in Tariff System	81
V. GOVERNMENT ENCOURAGEMENT AND CONTROL OF TRADE	82
A. Subsidies	82
B. Other Governmental Assistance to Exports	83
C. Export Indemnity System	83
D. Control of Imports	84
1. Exchange Control Prior to 1937	84
2. Exchange Control Becomes Trade Control	85
3. Tightening Control of Imports through Exchange Control	86
4. Direct Control of Imports	86
E. Agencies of Trade Control	87
F. The Link System	88
1. Foreign Exchange Revolving Fund	89
2. Operation of the Link System	89
3. Eliminating the Yen-Bloc from the Link System	89
4. Limitation of Exports to Yen-Bloc Areas	90
5. Further Control of Yen-Bloc Trade	90
G. Exporters' Associations	90
1. Functions of Exporters' Associations	91
2. Distribution Control of Export Goods	92
H. Bilateral Trade	92
1. Positive Trade Control	93
2. Bilateral Trade and Clearing Agreements	93
I. Trade Control Corporation	94
VI. TARIFFS AND TRADE CONTROLS IN KOREA	95

	Page
VII. TARIFFS AND TRADE CONTROLS IN TAIWAN	96
VIII. TABLES	
1. Value of Foreign Trade of Japan Proper and Karafuto, 1901-September 1940	3
2. Import Trade of Japan Proper and Karafuto by Economic Classes, 1936-1939	4
3. Leading Imports into Japan Proper and Karafuto, 1935-1939	6
4. Imports of Foodstuffs and Fertilizers into Japan Proper (including Ryukyu Islands) and Karafuto, 1935-1939	12
5. Export Trade of Japan Proper and Karafuto by Economic Classes, 1935-1939	15
6. Leading Exports from Japan Proper and Karafuto, 1935-1939	18
7. Import Trade of Japan Proper and Karafuto by Geographic Areas and Leading Countries, 1935-1939	21
8. Export Trade of Japan Proper and Karafuto by Geographic Areas and Leading Countries, 1935-1939	22
9. Leading Commodities in the Trade of Japan Proper and Karafuto with the United States, 1935-1939	24
10. Exports from the United States to Japan (including Korea and Taiwan) of Metals and Manufactures, Machinery and Vehicles, and Petroleum Products, 1937-1941	25
11. Foreign Trade of Korea, 1904-1940	28
12. Summary Table of Trade of Korea, 1935-1940	31
13. Chief Exports of Korea to Japan, 1935-1940	33
14. Chief Imports of Korea from Japan, 1935-1940	37
15. Summary Table of Trade of Taiwan, 1935-1939	44
16. Chief Exports of Taiwan to Japan, 1935-1939	45
17. Chief Imports of Taiwan from Japan, 1935-1939	46
18. Japanese Empire Balance of International Payments, 1924-1936	97
19. Trade of the Japanese Empire with the Yen-Bloc and with Other Countries, 1936-1940	58
20. Annual Japanese Investments in "Manchukuo," 1937-1940	59
21. Trade of Japan Proper with the Colonies and	61
22. Estimated Balance of Payments of Japan Proper, 1934-1936	63

RESTRICTED

- x -

FOREWORD

In preparing this Handbook, an effort was made to visualize the foreign trade problems Japan may face during and after the period of occupation. Thus tables have been prepared showing trade between Japan proper and Korea, Manchuria, and Formosa. A balance of payments was worked out in a similar fashion. Although this can hardly be considered "normal", it does bring out the character of the dependence of Japan proper on the other areas. Since official figures are not presented in this way, a large amount of work was involved in preparing this material, and it inevitably contains a few gaps which could not be filled.

Yen value figures in this report may be converted to United States currency at the following average exchange rates (cable transfers, New York on Tokyo):

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1920	\$0.5037	1931	\$0.4885
1921	.4825	1932	.2811
1922	.4780	1933	.2565
1923	.4858	1934	.2972
1924	.4119	1935	.2871
1925	.4104	1936	.2902
1926	.4712	1937	.2879
1927	.4741	1938	.2845
1928	.4641	1939	.2596
1929	.4610	1940	.2344
1930	.4930		

Note: The average exchange rate for the yen in years prior to 1920 was around the old par value of \$0.4985, although it slightly exceeded \$0.50 during the years 1916-1920.

RESTRICTED

RESTRICTED

I. TRADE OF JAPAN PROPER (including Karafuto)
WITH FOREIGN COUNTRIES

A. INTRODUCTION

Japan, more than any other world power except Great Britain, is dependent on foreign commerce for its economic livelihood and position as a modern industrial nation. Possessed of limited natural resources, it must import from abroad about one-third^{1/} of the total raw and other materials required by its manufacturing industries. More impressive is the fact that all of the raw cotton, wool and crude rubber consumed in Japanese factories must come from outside sources, while the greater part of the requirements in iron and non-ferrous metals (notably copper, lead, zinc, nickel, antimony and tin), coking coal, petroleum, phosphorous ores, and industrial salt also is imported.

Equally striking is the importance of export trade. In normal times Japan not only depends to a remarkable degree on the proceeds from its merchandise exports to pay for import necessities, but the production of raw silk, cotton textiles, and miscellaneous manufactured products for export markets provides employment for a large section of the population.

1. Development of Foreign Trade

Japan's import and export merchandise trade has moved in a general upward direction ever since the country was opened to foreign commerce in 1854. Victorious participation in three wars — the Sino-Japanese war of 1894-95, the Russo-Japanese war of 1904-05, and the World War of 1914-18 — exerted considerable influence on the economic development of the country. Following each conflict new industries came into production and foreign trade was expanded. Largest gains occurred during the period of the first World War when demand for Japanese manufactured products from war-torn countries, as well as from Far Eastern areas which the United States and European countries were temporarily unable to supply, gave Japan a strong footing in world markets. Although part of the gains secured from 1914 to 1920 were relinquished in the post-war period, the decade of the thirties found Japan again a large participator in world commerce. Exports flourished in response to the demand from abroad for inexpensive Japanese products following depreciation of the yen in December 1931. The resultant expansion of export industries, and the boom in munitions industries subsequent to the Manchurian Incident of 1931, necessitated larger annual imports of industrial materials. Foreign

^{1/} Estimated on the basis of 1933 production and imports.

RESTRICTED

RESTRICTED

- 2 -

trade had so increased by 1937 that Japan held sixth place in world exports and fifth place in imports for that year. By way of contrast, it held the comparatively unimpressive position of fifteenth place in world exports and fourteenth place in imports in the prewar period of 1911-1913.

The invasion of China in 1937 brought immediate repercussions on Japanese foreign trade. Establishment by the Japanese Government of an increasingly rigid system of exchange and import controls sharply reduced purchases of luxury and unimportant commodities while even imports of materials essential to war and export industries were affected by the control measures. The value of total import trade dropped from a peak of 3,783,177,000 yen in 1937 to 2,917,666,000 yen in 1939. Although trade statistics for Japan Proper are not available after September 1940, it is apparent from the export statistics of leading countries of supply that a further recession occurred in Japan's imports after September 1940 as a result of embargoes on exports of strategic materials imposed by the United States and countries engaged in the European war.

While imports were cut to the bone after 1937, strenuous efforts were exerted to promote export trade, despite boycotts of Japanese goods in many markets. The total value of exports advanced to a new high of 3,576,370,000 yen by 1939 from 3,175,418,000 yen in 1937. Some of the gain, however, was brought about by high commodity prices and by the expansion of exports to the areas under Japanese military control—Manchuria and occupied China—which failed to bring in needed foreign exchange. This trend was accelerated after 1939 when exports to foreign currency countries moved in a downward curve as a result of the war in Europe and because of import control measures enforced by a number of countries. By July 1941, when Japanese credits were frozen in the United States and in British and Dutch areas, trade with countries outside the yen-bloc had already declined to a mere trickle.

2. General Trade Statistics

Value figures of the foreign trade of Japan Proper and Karafuto from the turn of the century through September 1940, when Japan discontinued publication of its foreign trade statistics, are given in Table No. 1 below. It should be noted that the statistics in this table, and in subsequent tables of Japan's merchandise trade with foreign countries, are based on the official trade returns published by the Japanese Department of Finance, unless otherwise stated. These cover only the trade of Japan Proper and Karafuto. They do not include the trade of the Japanese colonies of Korea (Chosen) and Taiwan, or that of the Japanese Mandated Islands, either with foreign countries or with Japan Proper. They do include, however, all goods

RESTRICTED

RESTRICTED

- 3 -

Table No. 1

Value of Foreign Trade of Japan Proper and Karafuto

(Thousands of Yen)

1901-September 1940

Yearly Average or year	General Imports	General Exports	Total Exports and Imports	Excess of Imports over Exports	Excess of Exports over Imports
1901-5	340,916	288,190	629,106	52,726	—
1906-10	441,588	421,191	862,779	20,397	—
1911-15	598,083	581,257	1,179,340	16,826	—
1916-20	1,594,004	1,747,968	3,341,972	—	153,964
1921-25	2,102,551	1,690,133	3,792,684	412,418	—
1926-30	2,103,049	1,925,494	4,028,543	177,555	—
1931-35	1,867,839	1,817,803	3,685,642	50,036	—
1913	729,432	632,460	1,361,892	96,972	—
1914	595,736	591,101	1,186,837	4,635	—
1915	532,450	708,307	1,240,757	—	175,857
1916	756,428	1,127,468	1,883,896	—	371,040
1917	1,035,811	1,603,005	2,638,816	—	567,194
1918	1,668,144	1,962,101	3,630,245	—	293,957
1919	2,173,460	2,098,873	4,272,333	74,587	—
1920	2,336,175	1,948,395	4,284,570	387,780	—
1921	1,614,155	1,252,838	2,866,993	361,317	—
1922	1,890,308	1,637,452	3,527,760	252,856	—
1923	1,982,231	1,447,751	3,429,982	534,480	—
1924	2,453,402	1,807,035	4,260,437	646,367	—
1925	2,572,658	2,305,500	4,878,158	267,158	—
1926	2,377,484	2,044,728	4,422,212	332,756	—
1927	2,179,154	1,992,317	4,171,471	186,837	—
1928	2,196,315	1,971,955	4,168,270	224,360	—
1929	2,216,240	2,148,619	4,364,859	67,621	—
1930	1,546,051	1,469,852	3,015,903	76,199	—
1931	1,235,675	1,146,981	2,382,656	88,694	—
1932	1,431,461	1,409,992	2,841,453	21,469	—
1933	1,917,220	1,861,046	3,778,266	56,174	—
1934	2,282,602	2,171,925	4,454,527	110,677	—
1935	2,472,236	2,499,073	4,971,309	—	26,837
1936	2,763,681	2,692,976	5,456,657	70,705	—
1937	3,783,177	3,175,418	6,958,595	607,759	—
1938	2,663,440	2,689,677	5,353,117	—	26,237
1939	2,917,666	3,576,370	6,494,036	—	658,704
Jan.-Sept. 1939	2,160,720	2,453,870	4,614,590	—	293,150
Jan.-Sept. 1940 ^{1/}	2,492,042	2,743,223	5,235,265	—	251,181

^{1/} Latest period for which Japanese trade statistics are available.

Source: Annual and Monthly Returns of the Foreign Trade of Japan.

RESTRICTED

Table No. 2

Import Trade of Japan Proper and Karafuto
by Economic Classes

1935-1939

(Values in Million Yen)

Economic Class	1935		1936		1937		1938		1939	
	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total
Foodstuffs 1/	192.6	7.8	231.2	8.3	251.5	6.7	199.3	7.5	230.7	7.9
Raw materials	1,507.6	61.1	1,737.7	63.1	1,994.6	52.8	1,295.7	48.8	1,414.0	48.7
Semi-manufactures	468.6	19.0	476.6	17.3	1,095.2	29.0	702.0	26.4	859.9	29.6
Finished goods	286.3	11.6	294.3	10.6	420.8	11.1	447.9	16.9	390.6	13.4
Miscellaneous	10.5	0.5	13.5	0.7	14.2	0.4	7.5	0.4	10.2	0.4
Total, all groups	2,465.6	100.0	2,753.3	100.0	3,776.3	100.0	2,652.4	100.0	2,905.4	100.0
Re-imports	6.6	-	10.4	-	6.9	-	11.0	-	12.3	-
Grand Total	2,472.2	-	2,763.7	-	3,783.2	-	2,663.4	-	2,917.7	-

RESTRICTED

1/ Includes tobacco, beverages, and industrial salt.

RESTRICTED

- 5 -

exported to foreign countries from Japan whether originating in Japan Proper or in the colonies. Likewise they include all goods imported into Japan from foreign countries, some of which may be reshipped to the colonies. Figures for the trade of the colonies of Korea (Chosen) and Taiwan, including such shipments to and from Japan, are given in Tables No. 12 to No. 17.

As indicated in Table No. 1, Japan Proper usually experienced an excess of imports over exports in its annual merchandise trade, except during the years of the first World War, in 1935, and after 1937. The import excess for the Empire as a whole, however, was normally larger than that for Japan Proper. (See section on Balance of Payments of Japanese Empire).

B. IMPORT TRADE**1. Nature of Import Trade**

Japanese foreign trade statistics are divided into four major classifications: foodstuffs, raw materials, semi-manufactures, and finished goods. The table opposite, showing the share of each of these import classes, illustrates the preponderance of raw materials and semi-manufactures in the import trade. Together they account for more than three-fourths of the total annual imports. Finished goods, on the other hand, hold a minor position because of Japan's advanced state of industrialization. Foodstuffs, including tobacco, beverages and industrial salt, also constitute a comparatively small proportion of the annual imports, although sight should not be lost of the fact that the dependence of Japan Proper on external sources for foodstuffs cannot be measured on the basis of official Japanese trade statistics, as these do not include the substantial quantities of rice and other foodstuffs brought into Japan Proper from the colonies of Korea (Chosen) and Taiwan. This subject will be treated further in the section on "Importance of Imports of Foodstuffs and Fertilizers." Suffice it to say here that Japan's dependence on imports to supplement domestic food production is confined primarily to imports from the colonies rather than to imports from third countries.

2. Principal Import Commodities

Details of Japan's imports by principal commodities are presented in Table No. 3, in which statistics have been arranged in so far as possible by important commodity groups, such as textiles, ores and metals, and others. In a few instances, however, group arrangements have been altered

RESTRICTED

Table No. 3

LEADING IMPORTS INTO JAPAN PROPER AND KARAFUTO

1935-1939

Commodity	Unit of quantity	Quantity					Values (Thousands of Yen)				
		1935	1936	1937	1938	1939	1935	1936	1937	1938	1939
Textiles and Materials											
Total							1,002,063	1,171,596	1,307,586	612,077	643,926
Raw cotton	1,000 lb.	1,624,928	2,012,111	1,820,834	1,240,522	1,335,102	714,262	850,451	851,163	436,835	462,007
Wool	do	243,527	215,939	258,475	116,671	106,089	191,761	200,898	298,404	94,426	72,590
Pulp for rayon making	do	282,947	378,850	650,818	255,565	315,223	33,929	44,056	80,371	34,469	48,879
Manila hemp	do	153,180	150,931	122,756	82,278	82,543	12,857	20,017	22,479	11,398	10,433
Jute	do	44,975	62,436	62,172	42,462	37,964	5,121	7,745	8,783	6,387	7,028
Ramie	do	24,736	30,028	19,842	3,439	26,985	5,987	5,481	4,117	931	7,909
Woolen tissues	do	-	-	-	-	-	6,753	9,292	2,724	-	63
All others	do	-	-	-	-	-	31,393	33,273	32,977	24,907	35,017
Ores and Metals											
Total				1/	1/	1/	383,994	374,892	901,131 2/	661,895 2/	848,500 2/
Iron and steel:							207,159	192,040	-	-	-
Scrap iron	Metric Tons	1,692,060	1,497,060	-	-	-	84,225	80,866	-	-	-
Pig iron	do	961,920	972,000	-	-	-	41,180	42,064	-	-	-
Sheets	do	104,340	83,340	-	-	-	24,633	18,861	-	-	-
Ingot and slabs	do	227,820	207,780	-	-	-	18,956	15,852	-	-	-
Special steel	do	10,080	9,720	-	-	-	8,409	7,251	-	-	-
Pipes and tubes	do	17,040	42,900	-	-	-	4,444	6,901	-	-	-
Iron ore	do	3,404,100	3,780,120	-	-	-	34,547	40,043	-	-	-
Copper (ingots, slabs, & other)	do	69,600	53,340	-	-	-	37,959	36,221	-	-	-
Lead	do	91,380	97,800	-	-	-	20,490	27,139	-	-	-
Zinc	do	45,840	61,800	-	-	-	12,254	16,428	-	-	-
Tin	do	4,380	4,620	-	-	-	15,601	15,097	-	-	-
Aluminum	do	13,380	10,260	-	-	-	18,362	13,229	-	-	-
Nickel (ingots, grains, & other)	do	3,420	2,580	-	-	-	11,128	8,514	-	-	-
All others	do	-	-	-	-	-	61,041	66,174	-	-	-
Metal Manufactures											
Total							10,561	10,598	12,019	8,430	5,175
Oils, Fats and Waxes											
Total	1,000 Kiloliters			1/	1/	1/	166,684	197,509	297,878 2/	326,934 2/	262,513 2/
Mineral oils:							152,647	182,769	-	-	-
Crude oil	do	3,478	3,913	-	-	-	106,826	129,688	-	-	-
Other (gasoline, kerosene, etc.)	do	-	-	-	-	-	45,821	53,081	-	-	-
All others	do	-	-	-	-	-	14,037	14,740	-	-	-
Machinery, Vehicles and Instruments, etc.											
Total							158,984	153,087	243,292	313,362	288,212
Machinery and parts							105,008	91,184	159,183	236,354	249,896
Metal and woodworking machinery	Metric Tons	8,340	6,240	n.a.	n.a.	n.a.	18,296	18,834	3/	3/	3/
Internal combustion engines	do	7,920	8,220	n.a.	n.a.	n.a.	15,559	14,409	n.a.	n.a.	n.a.
Other machines	do	-	-	-	-	-	16,733	14,145	93,769	171,286	174,661
Vehicles and instruments, etc.	do	-	-	-	-	-	53,976	61,903	84,109	77,008	38,315
Automobiles and parts	do	-	-	-	-	-	32,589	37,036	n.a.	n.a.	n.a.
All others	do	-	-	-	-	-	0	0	-	-	-
Chemicals, Dyes and Drugs											
Total							146,350	169,248	214,013	157,926	148,461
Fertilizers:							21,069	33,930	20,191	31,710	8,240
Ammonium sulphate	do	238,618	314,131	224,208	295,823	82,339	2,935	10,554	15,785	8,459	11,016
Chloride of potash	do	76,866	78,924	111,167	53,278	72,258	9,388	10,218	19,651	16,967	13,589
Sulphate of potash	do	84,623	71,625	140,105	112,385	90,271	5,423	7,158	3,630	2,553	2,865
Nitrate of soda	do	62,526	81,106	43,685	26,787	27,069	20,060	22,393	15,372	9,403	13,050
Phosphorite	do	757,680	829,812	922,317	564,169	782,991	2,574	2,615	3,081	1,937	2,246
Soda ash	do	38,280	40,860	46,080	21,540	19,260	2,913	1,650	3,444	34	-
Caustic soda	do	19,920	11,580	27,420	240	240	6,111	6,783	9,502	8,446	15,933
Tanning materials & extracts	do	27,480	30,000	38,700	33,120	59,460	20,613	23,462	30,580	9,251	9,961
Dyes and pigments	do	-	-	-	-	-	1,814	2,207	2,976	1,769	2,118
Carbon black	do	3,720	4,620	6,060	3,780	4,740	361	567	212	643	3,198
Quinine	100 Grams	61,933	95,024	32,626	102,988	489,417	48,903	49,918	92,569	68,523	68,363
Other chemicals, dyes & drugs	do	-	-	-	-	-	-	-	-	-	-
Paper, Paper materials and Products											
Total							41,455	44,484	60,883	13,895	11,370
Pulp for paper making	Metric Tons	145,850	159,900	178,920	30,150	27,180	21,171	23,050	36,349	7,712	7,659
Printing paper	do	60,600	74,460	42,660	3,300	-	8,212	10,164	9,171	718	8
Other paper, etc.	do	-	-	-	-	-	12,072	11,270	15,368	5,465	3,703
Foodstuffs, Beverages and Tobacco											
Total							192,605	231,164	251,470	199,346	230,731
Beans and peas	1,000 lb.	1,513,945	1,646,225	1,629,822	1,836,708	1,815,808	71,649	82,601	92,547	102,176	123,576
Wheat	do	981,121	684,020	411,920	146,037	71,299	43,199	33,651	29,604	9,557	4,090
Corn	do	233,739	683,623	662,591	568,275	667,220	7,599	20,526	26,420	24,549	30,264
Millet	do	91,009	210,325	207,547	216,278	272,100	4,012	8,024	8,886	9,518	15,213
Rice	do	86,643	122,094	73,812	50,002	96,432	3,349	5,098	4,033	2,808	6,286
Sugar	do	309,800	476,208	376,337	84,659	1,852	12,701	20,928	18,806	5,241	140
Salt	Metric Tons	1,053,493	1,322,396	1,688,909	1,428,358	1,892,687	14,540	17,761	28,911	30,290	41,515
Tobacco, leaf	1,000 lb.	8,598	12,302	8,730	4,497	1,720	7,961	10,235	6,185	3,286	693
Other food, beverages & tobacco	do	-	-	-	-	-	27,595	32,340	36,078	11,921	8,954
Rubber	Metric Tons	59,700	63,900	63,780	46,980	43,020	51,636	72,957	99,218	51,374	57,490
Lumber	do	-	-	-	-	-	49,775	55,548	64,817	28,178	32,326
Coal	Metric Tons	4,048,581	4,134,352	4,426,168	3,796,689	3,855,425	48,970	51,056	59,224	67,217	78,364
Oil yielding seeds	do	327,960	314,160	275,820	180,600	153,720	40,765	42,896	40,545	27,091	30,988
Oil cake	do	576,120	526,980	540,600	675,840	935,700	38,678	35,790	45,310	60,112	104,639
Hides and skins	do	30,420	30,780	41,280	29,340	30,420	21,356	24,386	44,571	27,826	30,573
All other items	do	-	-	-	-	-	118,360	128,470	145,215	107,777	144,393
Total, including re-imports							2,472,236	2,763,681	3,787,177	2,663,440	2,917,666

n.a. - not available

1/ Reported in value only.

2/ Total only; no commodity distribution available

3/ Included in "other machines."

Source: Annual and Monthly Returns of the Foreign Trade of Japan.

RESTRICTED

- 8 -

so that totals do not agree with those shown in the Japanese trade returns. For example, pulp for rayon has been included in the textile group in Table No. 3, whereas in the Japanese trade returns this item is listed under "Papers, paper manufactures, books and pictures."

Even a cursory glance at Table No. 3 reveals that commodities connected with Japan's vast textile industry usually constituted the largest part of the import trade. Raw cotton is the leading single item, generally contributing from 25 to 35 percent of the total annual import value. Ores and metals usually rank second in importance. In fact the combined total of these two groups—textiles and ores and metals—accounts for more than 50 percent of the total import value each year. The remainder consists principally of mineral oils, machinery and automotive products, chemical fertilizers, rubber, coal, lumber, and food-stuffs.

While textile materials and ores and metals continued to represent over half the import total after 1937, the shift in emphasis from imports for peace time industries to imports of materials for the production of military requirements caused textiles to be superseded in importance by ores and metals (largely scrap iron, pig iron, special steels and non-ferrous metals). Whereas in 1936 textiles represented 42 percent of Japan's total imports and ores and metals accounted for about 15 percent, by 1939 textiles had receded to only 22 percent of the total while ores and metals advanced to 29 percent.

Exigencies of the war with China likewise accelerated the upward trend in imports of mineral oils and machinery, primarily machine tools. Although actual import figures for these products are not available for years later than 1936, the sharp increase in respective group totals as presented in Table No. 3 reflects the larger purchases of these items. It will be observed that after 1936, machine tools were included in imports of "other machines," in Japanese trade statistics, and that the value of this category advanced from 14,145,000 yen in 1936 to 174,661,000 yen in 1939. Subsequent developments have fairly clearly indicated that stock piling accounted in large measure for the increased imports up to 1941 of these materials essential to the prosecution of war.

3. Sources of Supply for Leading Imports

The United States has been the principal source of Japanese imports, sharing with British India the demand for raw cotton, but greatly exceeding all other contributors in scrap iron, steel products, copper, mineral oils, lumber, machinery, automobiles and parts and pulp for rayon.

Further details concerning principal sources of supply for leading import commodities (based on 1936 values) are indicated below:

RESTRICTED

RESTRICTED

- 9 -

<u>Products</u>	<u>Percent from Principal Countries of Origin</u>
Raw cotton	United States, 43.8; British India, 37; Egypt, 4.3; China 2.7
Raw wool	Australia, 73.4; New Zealand, 9.1 Federation of South Africa, 8.7
Pulp for rayon making	United States, 50.8; Norway, 30.8; Finland, 9.9
Scrap iron	United States, 65.9; British India, 8.8
Pig Iron	British India, 34.6; Manchuria and Kwantung, 34.8; Soviet Russia, 15.8
Other iron and steel	United States, 31.5; Germany, 17.0; Belgium-Luxemburg, 10.0; Great Britain, 9.7
Copper	United States, 97.1
Lead	Canada, 43.8; British India, 14
Zinc	Canada, 34.9; Australia, 21.3; United States, 18.2
Aluminum	Canada, 66.3; Switzerland, 15.0; United States, 6.0
Mineral Oils	United States, 63.5; Netherlands Indies, 28.9
Crude rubber	Straits Settlements, 32.4; Netherlands Indies, 31.3; French Indochina, 5.6
Coal	Manchuria and Kwantung, 52.5; China, 24.4; French Indochina, 22.9
Lumber	United States, 57.9; Canada, 11.2
Machinery and parts	United States, 42.3; Germany, 26.9; Great Britain, 17.8
Automobiles and parts	United States, 94.3; Great Britain, 1.8
Oil yielding seeds	Manchuria and Kwantung, 52.5; China, 31.9
Beans and peas	Manchuria and Kwantung, 88.8; China, 5.6

RESTRICTED

RESTRICTED

- 10 -

4. Importance of Imports of Foodstuffs and Fertilizers

a. Foodstuffs

It has been previously observed that the dependence of Japan Proper upon imported foodstuffs from foreign countries, as distinguished from the colonies, was normally very limited. Over the 1935-1939 period imports of foodstuffs from areas outside the Empire averaged about 221,000,000 yen per annum or only about eight percent of the total average annual imports. (see Table No. 5). This trade included, moreover, large imports of beans from Manchuria—not considered strictly a foreign country. It included also items that were not entirely for Japanese food consumption. Part of the imports of sugar and wheat, for example, went into the production of refined sugar and wheat flour for export trade, while a sizeable portion of the salt imports was utilized in industry.

The importance of the colonies in the national economy of Japan Proper lies chiefly in their contribution of rice, soybeans and other foodstuffs and fertilizers. Statistical details of imports of leading items of food and fertilizers into Japan Proper from foreign countries, versus imports from Korea (Chosen), Taiwan, the Mandated Islands, and Manchuria are presented in Table No. 4 below. Manchuria has been included because in recent years this territory has been essentially a Japanese colony. Of necessity the figures cover the pre-war years, 1935-1939, but they serve to illustrate the preponderance of imports from the colonies. Any cessation or interruption of this trade would require Japan to seek foreign sources of supply, for although the present Japanese Empire is normally self-sufficient with respect to foodstuffs, Japan Proper has a serious deficiency. This is particularly true of rice, the staple food. Production in Japan Proper takes care of about 80 percent of its normal rice requirements. The deficiency is made up usually by imports from Korea and Taiwan, where rice of the type preferred by the Japanese people is grown. Imports from these colonies averaged 3,823,000,000 pounds per annum in the 1935-1939 period. In years of crop shortages, however, Japan increases its imports from foreign countries. In the spring of 1940 heavy imports began to arrive from Indochina, Thailand and Burma because in the previous year the Empire harvested one of the poorest rice crops in two decades. This condition was brought about largely by the 1939 crop failure in Korea (Chosen)—the principal colonial source. Continued poor harvests in Japan Proper and the colonies in subsequent years as a result of wartime shortages of farm labor and fertilizers necessitated some further increase in imports from the southern countries, but, in the interest of building up stocks in Japan, arrivals of rice from Indochina, Thailand and Burma were considerable after Japan's conquest of those areas.

Extensive storage of rice in warehouses in the large cities of Japan was officially announced in June 1942 in order to insure sufficient

RESTRICTED

RESTRICTED

- 11 -

supplies for the civilian population in case of severe damage to the transportation facilities by air raids. Notwithstanding available supplies, the Japanese people are reported to be suffering from rice shortages. This staple food has been rationed since the early part of 1940; pure rice is not to be had for civilian consumption but is mixed with other grains; and encouragement is given to the substitution of potatoes for rice in the diet. These measures stem from the Government's desire to make the country self-sufficient in foodstuffs, but in this endeavor Empire sufficiency is stressed. Continued heavy imports into Japan Proper from the colonies are counted upon to offset deficiencies in the homeland.

Next to rice, soybeans form the largest single imported foodstuff. Soybeans are the main protein food of the Japanese and are used for shoyu (soy sauce), tofu (bean paste), and miso (bean soup). They are also in demand for a number of industrial purposes, chief of which is soybean oil. Dependence of Japan Proper on imports to satisfy its needs in soybeans is even greater than in the case of rice. Domestic production provides only about 50 percent of the normal requirements, estimated at more than 2,000,000,000 pounds in 1938. The remainder is imported from Manchuria (80 percent) and from Korea (20 percent). Failure to obtain soybeans from these areas would adversely affect Japan's food supply. This has been the case since 1941 as supplies of soybeans in Japan Proper have been extremely low because of reduced output in Manchuria and lack of adequate transportation facilities.

In addition to soybeans, Japan looks to Manchuria to supplement domestic production of other beans. In 1939 its deficiency in beans other than soybeans was met by imports of 282,000,000 pounds from Manchuria.

Manchuria and the colonies also contribute sizeable amounts of wheat, corn, millet, and salt, although the first two named and salt are normally obtained primarily from foreign countries. Sugar from Taiwan bulks large in the colonial trade and accounts for about 90 percent of the total sugar imports into Japan Proper.

b. Fertilizers

Agricultural production in Japan is dependent upon the liberal application of fertilizers. Although the domestic output of certain types of fertilizers is large, the country is on an import basis with respect to the principal chemical fertilizers. Vegetable fertilizers, such as soybean (main item), rapeseed, and cottonseed oilcake, also must be imported. Chemical fertilizer imports normally originate for the most part in foreign countries, although in recent years ammonium sulphate from Japanese plants

RESTRICTED

Table No. 4

Imports of Foodstuffs and Fertilizers into Japan Proper
(including Ryukyu Islands) and Karafuto

1935-1939

Value (thousands of Yen)

Year	Unit of quantity	Quantity					Total	Value (thousands of Yen)					Total
		Imported from						Imported from					
		Foreign countries 1/	Korea (Chosen) 2/	Taiwan 3/	Mandated Islands 4/	Manchuria & Kwantung 5/		Foreign countries 1/	Korea (Chosen) 2/	Taiwan 3/	Mandated Islands 4/	Manchuria & Kwantung 5/	
RICE													
1935	1,000 lbs.	86,643	2,732,719	1,315,940	—	—	4,135,302	3,349	240,434	102,418	—	—	346,201
1936	do	122,094	2,715,738	1,477,000	—	—	4,314,832	5,098	249,427	121,004	—	—	375,529
1937	do	73,812	2,381,951	1,484,112	—	—	3,939,875	4,033	231,091	123,446	—	—	358,570
1938	do	50,002	2,987,759	1,403,695	—	—	4,441,456	2,808	302,054	126,708	—	—	431,570
1939	do	96,432	1,364,223	1,251,959	—	—	2,712,614	6,286	149,366	125,289	—	—	280,941
SOYBEANS													
1935	1,000 lbs.	265	304,020	2,341 6/	—	1,150,810	1,457,436	14	17,401	113 6/	—	53,767	71,295
1936	do	—	384,600	1,622 6/	—	1,221,578	1,607,800	—	23,461	106 6/	—	60,518	84,085
1937	do	—	354,420	1,708 6/	—	1,326,077	1,682,205	—	23,343	124 6/	—	74,878	98,345
1938	do	—	337,320	n.a.	—	1,477,005	1,814,325	—	22,111	n.a.	—	79,606	101,717
1939	do	—	239,760	n.a.	—	1,495,788	1,735,548	—	21,074	n.a.	—	98,303	119,377
WHEAT													
1935	1,000 lbs.	938,108	19,924	—	—	42,990	1,001,022	40,831	996	—	—	2,368	44,195
1936	do	652,787	11,127	—	—	31,217	695,131	31,892	616	—	—	1,759	34,267
1937	do	384,662	13,993	—	—	27,249	425,904	27,643	841	—	—	1,961	30,445
1938	do	106,615	9,497	—	—	39,419	155,531	5,366	535	—	—	—	5,901
1939	do	71,297	6,114	—	—	—	77,411	4,090	532	—	—	—	4,622
CORN													
1935	1,000 lbs.	228,310	1,328	—	—	5,423	235,061	7,405	59	—	—	194	7,658
1936	do	663,369	3,076	—	—	20,238	686,683	19,800	118	—	—	726	20,644
1937	do	566,542	4,202	—	—	96,033	666,777	22,154	178	—	—	4,266	26,598
1938	do	224,871	3,037	—	—	343,391	571,299	9,646	142	—	—	14,903	24,691
1939	do	361,659	645	—	—	305,593 1/	667,897	15,112	34	—	—	15,152 1/	30,298
MILLET													
1935	1,000 lbs.	16,138	—	—	—	74,869	91,007	757	—	—	—	3,255	4,012
1936	do	11,905	—	—	—	198,415	210,320	423	—	—	—	7,600	8,023
1937	do	29,630	—	—	—	178,045	207,675	1,197	—	—	—	7,687	8,884
1938	do	4,101	—	—	—	212,040	216,141	203	—	—	—	9,371	9,574
1939	do	14,397	—	—	—	259,426 1/	273,823	1,677	—	—	—	13,536 1/	15,213
SUGAR													
1935	1,000 lbs.	309,800	3	1,830,574	110,980	—	2,251,357	12,701	—	141,729	18,134	—	172,564
1936	do	476,208	6	1,842,695	75,960	—	2,394,869	20,928	1	159,793	12,994	—	193,716
1937	do	376,337	31	1,926,538	96,077	—	2,398,983	18,806	4	183,014	19,567	—	221,391
1938	do	84,659	670	2,018,172	102,636	—	2,206,137	5,241	63	177,596	20,774	—	205,674
1939	do	1,852	6,409	2,543,952	n.a.	—	2,552,213	140	786	229,254	n.a.	—	230,180
SALT													
1935	Metric tons	830,760	—	88,777	—	244,320	1,163,857	10,931	—	891	—	3,609	15,431
1936	do	950,460	—	93,315	—	371,940	1,415,715	12,719	—	967	—	5,043	18,729
1937	do	1,121,220	—	100,172	—	557,660	1,789,052	20,706	—	1,037	—	8,205	29,948
1938	do	1,075,920	—	192,564	—	352,440	1,620,924	22,377	—	1,745	—	7,913	32,035
1939	do	1,499,280	—	92,288	—	393,420	1,984,988	33,071	—	1,080	—	8,444	42,595
AMMONIUM SULPHATE													
1935	Metric tons	173,220	99,370	—	—	65,400	337,990	14,836	11,132	—	—	6,233	32,201
1936	do	215,280	81,116	—	—	98,880	395,276	24,102	8,856	—	—	9,828	42,786
1937	do	127,800	56,584	—	—	96,420	280,804	10,919	5,837	—	—	9,272	26,023
1938	do	169,620	76,504	—	—	126,180	372,304	18,571	7,956	—	—	13,139	39,606
1939	do	540	129,355	—	—	81,780	211,675	118	13,411	—	—	8,122	21,651
CHLORIDE OF POTASH													
1935	Metric tons	76,866	—	—	—	—	76,866	8,935	—	—	—	—	8,935
1936	do	78,924	—	—	—	—	78,924	10,554	—	—	—	—	10,554
1937	do	111,167	—	—	—	—	111,167	15,785	—	—	—	—	15,785
1938	do	53,278	—	—	—	—	53,278	8,459	—	—	—	—	8,459
1939	do	72,258	—	—	—	—	72,258	11,016	—	—	—	—	11,016
SULPHATE OF POTASH													
1935	Metric tons	84,623	—	—	—	—	84,623	9,388	—	—	—	—	9,388
1936	do	71,625	—	—	—	—	71,625	10,218	—	—	—	—	10,218
1937	do	140,105	—	—	—	—	140,105	19,651	—	—	—	—	19,651
1938	do	112,385	—	—	—	—	112,385	16,967	—	—	—	—	16,967
1939	do	90,271	—	—	—	—	90,271	13,589	—	—	—	—	13,589
NITRATE OF SODA													
1935	Metric tons	62,526	—	—	—	—	62,526	5,423	—	—	—	—	5,423
1936	do	81,106	—	—	—	—	81,106	7,158	—	—	—	—	7,158
1937	do	43,685	—	—	—	—	43,685	3,630	—	—	—	—	3,630
1938	do	26,787	—	—	—	—	26,787	2,553	—	—	—	—	2,553
1939	do	27,069	—	—	—	—	27,069	2,865	—	—	—	—	2,865
PROSPHATE ROCK													
1935	Metric tons	757,680	—	—	87,349	—	845,029	20,060	—	—	—	2,166	22,226
1936	do	829,800	—	—	110,994	—	940,794	22,393	—	—	—	2,856	25,249
1937	do	922,320	—	—	94,769	—	1,017,089	30,810	—	—	—	2,399	33,209
1938	do	564,120	—	—	95,593	—	659,713	19,281	—	—	—	3,761	23,042
1939	do	783,000	—	—	n.a.	—	783,000	25,412	—	—	—	n.a.	25,412
BEANCAKE													
1935	Metric tons	3,540	87,051	—	—	428,460	519,051	271	5,951	—	—	30,022	36,244
1936	do	20,340	123,007	—	—	356,400	499,747	1,739	8,734	—	—	25,389	35,862
1937	do	2,940	41,262	—	—	391,860	436,062	267	3,278	—	—	33,927	37,472
1938	do	1,800	27,152	—	—	621,840	650,792	112	2,481	—	—	55,370	57,963
1939	do	n.a.	32,083	—	—	n.a.	32,083	n.a.	3,352	—	—	n.a.	3,352

n.a. Not available

- 1/ Excluding Manchuria and Kwantung Province, which are shown separately. Source: Annual and Monthly Returns of the Foreign Trade of Japan.
 2/ Exports from Chosen to Japan, including negligible shipments to Taiwan and the Mandated Islands. Source: Official Tables of Trade and Shipping of Chosen.
 3/ Exports from Taiwan to Japan, including small shipments to the Mandated Islands. Figures for 1938 and 1939 include also exports to Chosen. Sources: Annual Returns of the Trade of Taiwan and Annual Review of Commerce and Industry, Taiwan, 1939, American Consulate, Taihoku.
 4/ Exports from the Mandated Islands to Japan. Source: Annual Reports of the Japanese Government to the League of Nations.
 5/ Source: Annual and Monthly Returns of the Foreign Trade of Japan.
 6/ With negligible exceptions, all shipments went to Okinawa in the Ryukyu Islands.
 7/ Exports from Manchuria to Japan Proper. Source: Monthly Returns of the Foreign Trade of Manchoukuo.

in Korea and Manchuria and phosphate rock from the Mandated Islands have been of growing importance. Japan's production of soybean cake meets about one-third of its annual requirements. Manchuria supplied 622,000,000 tons in 1938, or about 95 percent of the total imports; Chosen provided most of the remainder. Less important amounts of other kinds of beancake also come from those areas.

5. Imports of Medical Supplies

During the decade prior to 1941 Japan was building up a large drug and medical supplies industry and had acquired a high degree of self-sufficiency. Actually the country was on an export basis as regards pharmaceutical products. Estimates for 1938 place production of commercial medicinals at a value of \$35,600,000. In that year Japan ranked among the first seven world producers and exported medicines to a value of about \$7,000,000, or around 20 percent of its production. The medicinal materials produced include, among others, a wide range of basic inorganic products, synthetic pharmaceuticals, drugs derived from plant sources, vaccines, serums and vitamins. Production is centered mostly in Tokyo and Osaka, where the largest factories are located, but in addition there are numerous plants scattered throughout the country.

The drug industry is dependent to a certain extent on imports of raw materials, such as cinchona bark and several medicinal herbs and plants, but with occupation of the Netherlands Indies, Burma, and British Malaya, Japan gained control over the sources for many indispensable raw materials. It is probable that stocks of these materials, as well as of quinine, are being built up in Japan against the day when the territories to the south are lost, while reportedly strenuous efforts are being made to preserve self-sufficiency through development of a large synthetic drug industry. Recent information indicates, however, that the necessity of keeping fighting forces supplied has created a wartime shortage of medicines and medical supplies in Japan for civilian use. Disinfectants, bandages, and medicines are the principal items reported to be scarce.

C. EXPORT TRADE

1. Nature of Export Trade

Products of its light industries and semi-manufactures featured Japan's export trade in normal times. Prior to 1929 semi-manufactures held the premier position because of the inclusion of raw silk in this economic class, but with the decreasing importance of silk and the development of larger markets for manufactured goods during the thirties, semi-manufactures dropped to around 25 percent of the overseas exports in the 1935-1939 period from 42 percent in 1928. Conversely, finished goods

Table No. 5
Export Trade of Japan Proper and Karafuto
by Economic Classes

1935-1939

(Values in Million Yen)

Economic Class	1935		1936		1937		1938		1939	
	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total
Foodstuffs 1/	197.1	8.0	207.7	7.7	248.1	7.9	300.2	11.2	432.0	12.1
Raw materials	110.5	4.4	126.6	4.7	133.1	4.3	105.2	3.9	187.4	5.1
Semi-manufactures	672.4	27.3	716.4	27.1	814.6	26.0	672.2	25.1	948.9	26.6
Finished goods	1,451.3	59.3	1,563.4	59.1	1,899.7	60.7	1,569.6	58.6	1,939.3	54.4
Miscellaneous	29.0	1.0	31.4	1.4	36.0	1.1	31.3	1.2	60.7	1.8
Total, all groups	2,460.3	100.0	2,641.5	100.0	3,131.5	100.0	2,678.5	100.0	3,564.3	100.0
Re-exports	38.8	-	51.5	-	43.9	-	11.2	-	12.1	-
Grand Total	2,499.1	-	2,693.0	-	3,175.4	-	2,689.7	-	3,576.4	-

1/ Includes tobacco, beverages and industrial salt.

advanced to around 60 percent of the export total in the later period from about 41 percent in 1928. Foodstuffs, consisting principally of canned fish and other bottled or tinned goods, were of growing importance and accounted for 12 percent of the 1939 total.

2. Principal Export Commodities

Raw silk and cotton textiles normally provided the foundation of Japan's export trade. As late as 1929 they accounted for 55 percent of the total, though ten years later, in 1939, their share was reduced to 30 percent. This reduction was brought about not only by the diminished demand in the American market for raw silk and restrictions in many foreign markets against Japanese textiles, but because of the rise in the volume of Japan's exports of miscellaneous manufactured products.

Until 1934, production of raw silk constituted the principal export industry of Japan, from which some 18,000,000 persons derived all or part of their income. Sales of raw silk to foreign countries, primarily to the United States, were the most substantial source from which Japan obtained the wherewithal to pay for necessary imports. The United States usually consumed about 65 percent of Japan's total silk production and took from 85 to 90 percent of its annual raw silk shipments. In 1929 receipts from exports of raw silk totaled 781,000,000 yen, or 36 percent of Japan's total export returns, with the share of the United States amounting to 755,000,000 yen. Because of lower silk prices in the United States after 1929 and growing competition from rayon, raw silk export values declined sharply, touching a low of 286,793,000 yen in 1934. Japan's concentrated efforts on the production of cotton textiles and other manufactured goods for overseas markets to offset the loss sustained in the silk trade were singularly successful. By 1934 cotton piece goods displaced silk as Japan's leading export, but in the previous year Japan superseded Great Britain as the world's leading cotton textile exporter. Notwithstanding setbacks due to the war with China and foreign trade restrictions, Japan sold 2,445,537,000 square yards of cotton piece goods to foreign countries during 1939, against Great Britain's exports of 1,393,575,000.

As illustrated by the accompanying statistics of Japan's leading exports (Table No. 6), other manufactured products, notably canned foodstuffs, machinery, metal products, and sundry goods, rose in importance between 1935 and 1939. Some of the advance, as in the case of machinery and metal products, resulted from Japanese investments in Manchuria and North China where capital was employed in new transportation, construction, and industrial enterprises, all of which were supplied principally with Japanese machinery, iron and steel products, metals, and building materials.

3. Principal Markets for Leading Export Commodities

The share of principal markets for leading items in Japan's pre-war export trade (based on 1936 values) was as follows:

<u>Products</u>	<u>Percent to Leading Countries of Destination</u>
Raw silk	United States, 85.0; France, 8.5
Cotton piece goods	Manchuria and Kwantung, 15.6; British India, 15.0; Netherlands Indies, 11.5; African countries, 17.7; South American countries, 6.9; China, 1.6
Rayon piece goods	British India, 17.6; Australia, 12.3; Manchuria and Kwantung, 15.0; African countries, 10.7
Silk piece goods	British India, 19.4; Great Britain, 11.8; African countries, 12.8; United States, 11.1; Straits Settlements, 5.0
Woolen piece goods	Manchuria and Kwantung, 31.1; African countries, 20.8; British India, 11.4
Knitted articles	United States, 13.6; Philippine Islands, 11.0; Great Britain, 10.4; Netherlands Indies, 8.9
Iron manufactures	Manchuria and Kwantung, 28.3; British India, 10.7; Netherlands Indies, 10.4; Straits Settlements, 5.3; Philippine Islands, 5.2
Machinery and parts	Manchuria and Kwantung, 57.9; China, 20.6; Soviet Russia, 9.8
Tinned and bottled foodstuffs	Great Britain, 45.6; United States, 21.7; Manchuria and Kwantung, 3.6
Potteries	United States, 35.9; British India, 8.5; Manchuria and Kwantung, 7.0; Netherlands Indies, 5.5; Australia, 5.3
Toys	United States, 37.5; Great Britain, 16.2; British India, 7.6; Australia, 5.9

Table No. 6

LEADING EXPORTS FROM JAPAN PROPER AND KARAFUTO

1935-1939

Commodity	Unit of quantity	Quantity					Values (Thousands of Yen)				
		1935	1936	1937	1938	1939	1935	1936	1937	1938	1939
Textiles and Materials											
Total	-	-	-	-	-	-	1,327,633	1,388,742	1,598,365	1,158,870	1,503,018
Raw silk	1,000 lbs.	73,151	66,669	62,568	63,098	51,060	387,032	392,809	407,118	364,124	506,845
Cotton piece goods	1,000 sq. yds.	2,725,109	2,709,885	2,643,429	2,180,810	2,445,537	496,097	483,591	573,065	404,240	403,946
Cotton yarn	1,000 lbs.	38,361	43,917	51,457	41,668	82,807	35,873	38,345	54,906	39,355	71,090
Silk piece goods	1,000 sq. yds.	130,977	120,968	122,362	90,652	59,666	77,444	68,027	72,286	49,352	47,397
Rayon piece goods	do	427,193	527,547	485,128	337,122	309,971	128,260	149,170	154,860	115,762	137,358
Rayon	1,000 lbs.	30,424	44,314	56,351	22,091	36,774	22,853	29,173	44,803	17,888	29,348
Woolen piece goods	1,000 sq. yds.	28,370	37,004	35,038	28,071	26,103	32,401	45,956	50,082	46,845	51,821
Woolen yarn	1,000 lbs.	5,291	7,143	7,275	7,672	8,069	9,688	15,313	20,208	19,360	18,619
All others	-	-	-	-	-	-	137,985	166,358	221,037	101,944	236,594
Clothing and Accessories											
Total	-	-	-	-	-	-	170,753	181,155	229,912	145,012	168,466
Knitted articles	1,000 doz.	19,763	20,933	21,523	14,379	13,798	50,266	49,988	60,713	40,818	40,237
Hats and hat bodies	do	3,909	4,701	5,381	2,154	2,196	16,284	19,736	26,337	11,092	14,327
Boots and shoes	do	3,710	3,028	3,110	1,682	1,049	20,683	17,798	21,324	11,886	8,847
Buttons	1,000 gross	31,009	33,611	39,666	23,261	27,892	10,142	11,635	13,737	9,730	11,701
Jewelry	-	-	-	-	-	-	11,924	11,853	15,535	10,167	11,707
All others	-	-	-	-	-	-	61,454	70,145	92,266	61,319	81,647
Foodstuffs, beverages & tobacco											
Total	-	-	-	-	-	-	198,216	204,517	249,122	301,577	439,971
Tinned and bottled foods	1,000 lbs.	189,954	253,316	323,689	334,139	401,602	57,130	71,077	86,905	92,819	132,009
Aquatic products	do	155,694	165,350	179,901	148,154	256,888	20,735	22,216	21,916	21,931	61,935
Refined sugar	do	353,055	393,930	328,319	300,011	246,173	17,577	20,977	18,577	23,654	28,677
Wheat flour	do	637,590	286,386	354,907	629,521	457,027	33,700	17,622	30,746	60,715	54,228
Tea	do	37,171	36,245	54,235	37,038	51,721	11,449	13,130	23,181	12,063	23,463
All others	do	-	-	-	-	-	57,655	59,495	67,797	90,395	139,659
Machinery, Vehicles & Instruments											
Total	-	-	-	-	-	-	141,206	174,541	227,699	267,237	370,323
Machinery and parts	-	-	-	-	-	-	63,856	82,194	109,881	156,475	209,206
Cycles and parts:	-	-	-	-	-	-	-	-	-	-	-
Cycles and frames	Thousands	459	562	426	217	193	4,414	5,247	5,222	3,321	4,385
Parts and accessories	Metric tons	20,820	22,380	22,320	11,880	12,000	18,263	19,754	23,256	12,983	15,918
Automobiles and parts	-	-	-	-	-	-	11,000	17,533	20,728	20,530	53,412
Railway cars and parts	-	-	-	-	-	-	16,180	12,663	8,116	15,330	20,791
All others	-	-	-	-	-	-	27,493	37,190	60,496	58,598	66,611
Ores and Metals											
Total	-	-	-	-	-	-	93,617	103,086	125,422	121,004	139,031
Iron	Metric tons	432,600	500,940	n.a.	n.a.	n.a.	65,836	76,420	n.a.	n.a.	n.a.
Copper and brass	do	30,863	22,324	18,512	7,931	9,268	20,760	16,530	21,004	10,448	11,211
All others	-	-	-	-	-	-	7,021	10,136	-	-	-
Metal Manufactures											
Total	-	-	-	-	-	-	67,827	76,458	98,813	100,113	147,826
Iron manufactures	-	-	-	-	-	-	37,504	40,302	54,116	52,231	76,253
Insulated electric wire	Metric tons	13,740	16,800	12,600	12,240	13,380	11,382	13,705	15,232	19,887	25,806
All others	-	-	-	-	-	-	18,941	22,451	29,465	27,995	45,767
Oils, Fats & Manufactures											
Total	-	-	-	-	-	-	63,210	74,775	75,392	52,330	83,264
Vegetable oils	1,000 lbs.	167,863	173,155	110,586	51,325	89,024	31,607	35,496	23,662	8,572	17,254
Fish oil and animal oil	do	79,633	87,040	121,698	57,674	22,223	6,893	10,180	15,414	7,027	5,802
Hardened oil	do	77,516	80,426	72,357	46,166	48,150	8,921	10,003	10,195	4,651	4,393
Soaps	do	-	-	-	-	-	3,981	4,246	5,531	7,837	17,413
All others	-	-	-	-	-	-	11,808	14,850	20,590	24,243	43,402
Chemicals, Drugs and Allied Products											
Total	-	-	-	-	-	-	61,133	62,167	70,149	73,652	107,503
Camphor	1,000 lbs.	3,704	3,307	3,042	2,513	3,439	5,039	4,843	4,774	3,723	5,868
Insect flowers	do	16,932	12,302	19,445	10,186	8,466	6,400	3,207	7,693	6,103	7,149
Prepared Medicines	-	-	-	-	-	-	2,406	2,944	2,852	4,337	5,502
All others	-	-	-	-	-	-	47,288	51,173	54,830	59,489	88,984
Potteries	-	-	-	-	-	-	43,318	43,548	53,971	40,477	48,624
Glass and glass manufactures	-	-	-	-	-	-	23,337	25,627	33,572	25,886	27,055
Paper	1,000 lbs.	198,420	223,289	268,925	328,584	419,460	23,084	27,545	38,708	52,127	77,946
Toys	-	-	-	-	-	-	33,852	36,459	42,295	28,991	22,020
Wood	-	-	-	-	-	-	23,182	24,703	35,412	46,887	128,647
Lamps and posts	-	-	-	-	-	-	16,747	18,587	21,949	14,748	17,745
Coal	Metric tons	1,019,098	1,112,575	1,027,227	757,973	679,737	9,721	10,356	9,928	10,147	9,665
Cement	do	655,080	642,180	586,320	491,460	698,580	8,082	8,002	6,836	6,411	11,549
Synthetic dyes	do	8,880	7,020	6,060	6,720	13,200	7,305	5,991	6,269	7,768	18,532
All other items	-	-	-	-	-	-	186,850	226,717	251,604	240,440	250,185
Total, including re-exports	-	-	-	-	-	-	2,499,073	2,692,976	3,175,418	2,689,677	3,576,370

n.a. Not available.

source: Annual and Monthly Returns of the Foreign Trade of Japan.

A contributing factor to the increase in exports of miscellaneous manufactured products was the widening of markets to include Africa, Latin America and other areas formerly supplied chiefly by Western industrial nations.

D. TRADE BY GEOGRAPHIC AREAS AND LEADING COUNTRIES

1. Imports

In normal times Asia and the North American continent together provided, in practically equal amounts, between 70 and 80 percent of Japan's annual import requirements. But the United States far exceeded all other individual countries in the trade. As the principal supplier of raw cotton, scrap iron, machine tools and automotive products, among other important imports, its share over the 1935-1939 period averaged 969,000,000 yen per year, or about one-third of Japan's total average annual imports. British India, an important contributor of raw cotton and pig iron, held second place, accounting for between 11 and 13 percent of the total imports until 1937 when it fell back to third position with around 6 percent, and Manchuria became Japan's second most important source of supply (13 to 14 percent). Manchuria's improved position resulted from heavier purchases by Japan of pig iron and steel products—following expansion of the Manchurian iron and steel industry—and of soybeans and beancake. China likewise contributed a larger portion of Japan's imports in 1939 than in 1937 (7.4 percent against 3.8 percent) because of the latter's withdrawals of coking coal, iron ore and raw cotton from occupied China.

2. Exports

The bulk of Japan's exports also normally flowed in two main streams; to the North American continent (primarily the United States) where raw silk, the luxury product, and a variety of miscellaneous manufactured goods were marketed; and to Asia, the principal outlet for cotton textiles and other staple manufactures. Between 75 and 80 percent of the total annual exports went to these two areas; the remainder being divided between countries in Europe, Africa, Latin America and Oceania. As late as 1929 North America provided the principal outlet for Japanese products, accounting for 44 percent of the export total, followed by Asia with 43 percent. Ten years later, in 1939, when sales to the yen-bloc (Manchuria, Kwantung Province and occupied China) mounted sharply, Asia advanced to first place with 65 percent, against North America's 18 percent.

Until superseded by the Kwantung Province in 1938, the United States was the largest individual market for Japanese products; its share

Table No. 7
Import Trade of Japan Proper and Karafuto by Geographic Area and Leading Countries
1935-1939
(Values in Million Yen)

Area and Country Total Imports	1935		1936		1937		1938		1939	
	Value 2,472	Percent of Total 100.0	Value 2,784	Percent of Total 100.0	Value 3,763	Percent of Total 100.0	Value 2,663	Percent of Total 100.0	Value 2,918	Percent of Total 100.0
Asia	870	35.2	1,060	38.4	1,295	34.2	1,024	38.4	1,181	40.5
British India	306	12.4	372	13.5	449	11.9	172	6.5	182	6.2
Burma	134	5.4	155	5.6	144	3.8	165	6.2	15	0.5
China	191	7.7	206	7.4	249	6.6	339	12.7	216	7.4
Manchuria	126	5.1	114	4.1	153	4.1	60	2.3	406	13.9
Kwantung	78	3.2	41	1.5	45	1.2	88	3.3	62	2.1
Netherlands Indies	41	1.6	34	1.2	68	1.8	54	2.0	72	2.5
Straits Settlements	28	1.1	39	1.4	48	1.3	47	1.8	47	1.6
British Malaya	24	1.0	36	1.3	45	1.2	36	1.3	69	2.4
Philippine Islands	15	0.6	20	0.7	27	0.7	20	0.8	49	1.7
French Indochina	27	1.1	43	1.6	67	1.8	35	1.3	27	0.9
Other Asia									36	1.2
North America	862	34.9	921	33.3	1,374	36.3	1,007	37.8	1,128	38.7
United States	810	32.7	847	30.7	1,270	33.6	915	34.4	1,028	34.4
Canada	53	2.1	73	2.6	105	2.8	91	3.4	126	4.3
Oceania	249	10.1	210	7.6	222	5.9	98	3.7	86	3.0
Australia	235	9.5	182	6.6	165	4.4	83	3.1	71	2.4
New Zealand	8	0.3	22	0.8	49	1.3	10	0.4	5	0.2
Other Oceania			6	0.2	8	0.2	5	0.2	10	0.3
Africa	69	2.8	108	3.9	206	5.5	61	2.3	93	3.2
Egypt	51	2.1	46	1.7	74	2.0	36	1.4	59	1.7
Union of South Africa	5	0.2	23	0.8	89	2.3	8	0.3	9	0.3
Other Africa	13	0.5	39	1.4	43	1.1	17	0.6	34	1.2
South America	43	1.7	112	4.1	163	4.7	91	3.4	116	4.0
Brazil	4	0.2	47	1.7	63	1.7	46	1.7	75	2.6
Argentina	10	0.4	30	1.1	42	1.1	24	0.9	12	0.4
Uruguay	4	0.2	10	0.3	34	0.9	4	0.2	3	0.1
Peru	11	0.5	13	0.5	36	1.0	2	0.1	7	0.2
Chile	4	0.2	10	0.4	15	0.4	11	0.4	10	0.4
Other South America	10	0.4	2	0.1	3	0.1	4	0.2	9	0.3
Central America	8	0.3	22	0.8	19	0.5	7	0.3	3	0.1
Mexico	6	0.3	19	0.7	14	0.4	5	0.2	2	0.1
Other Central America	2	0.1	3	0.1	5	0.1	2	0.1	1	0.0
All other Areas	371	15.0	331	12.0	504	13.3	375	14.1	311	10.7

1/ Included in British India.

Source: Annual and Monthly Returns of the Foreign Trade of Japan.

Table No. 8

Export Trade of Japan Proper and Karafuto by Geographic Areas and Leading Countries
1935-1939

(Values in Million Yen)

Area and Country	1935		1936		1937		1938		1939	
	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total	Value	Percent of Total
Total Exports	2,499	100.0	2,693	100.0	3,175	100.0	2,690	100.0	3,576	100.0
Asia	1,304	52.2	1,371	50.9	1,646	51.8	1,665	61.9	2,320	64.9
China	149	6.0	160	5.9	179	5.6	313	11.6	455	12.7
Manchuria	126	5.0	151	5.6	216	6.8	316	11.8	536	15.0
Kwantung	300	12.0	347	12.9	396	12.5	536	19.9	756	21.1
British India	276	11.0	299	9.6	299	9.4	188	7.0	211	5.9
Burma	1/	1/	1/	1/	1/	1/	16	0.6	22	0.6
Netherlands Indies	143	5.7	129	4.8	200	6.3	104	3.9	138	3.9
Philippine Islands	48	1.9	52	1.9	60	1.9	33	1.2	25	0.7
Straits Settlements	49	1.9	59	2.2	67	2.1	21	0.8	20	0.6
Thailand	40	1.6	43	1.6	49	1.6	39	1.5	26	0.7
Hong Kong	50	2.0	58	2.2	50	1.6	17	0.6	31	0.9
Asiatic Russia	26	1.0	23	0.9	24	0.8	5	0.2	2/	-
Other Asia	97	3.9	90	3.3	106	3.3	77	2.9	100	2.8
North America	544	21.7	609	22.6	660	20.8	440	16.4	659	18.4
United States	536	21.4	594	22.1	634	20.0	425	15.8	642	17.9
Canada	8	0.3	15	0.5	20	0.6	15	0.6	17	0.5
Europe	263	10.5	308	11.4	356	11.2	261	9.7	238	6.7
Great Britain	119	4.8	147	5.5	168	5.3	135	5.0	132	3.7
France	42	1.7	43	1.6	47	1.5	37	1.4	26	0.7
Germany	27	1.1	35	1.3	43	1.4	33	1.2	25	0.7
Netherlands	18	0.7	15	0.6	18	0.6	11	0.4	12	0.3
Belgium-Luxemburg	15	0.6	16	0.6	21	0.7	10	0.4	10	0.3
Italy	7	0.3	9	0.3	12	0.4	8	0.3	9	0.3
Sweden	7	0.3	6	0.2	9	0.3	5	0.2	4	0.1
Norway	4	0.2	6	0.2	9	0.3	5	0.2	4	0.1
Other Europe	24	1.0	33	1.2	31	1.0	19	0.7	14	0.4
Africa	184	7.3	198	7.3	243	7.6	137	5.1	153	4.3
Egypt	54	2.2	41	1.5	33	1.0	14	0.5	16	0.4
Union of South Africa	33	1.3	42	1.5	54	1.7	35	1.3	47	1.3
Kenya, Uganda & Tanganyika	25	1.0	31	1.1	40	1.3	23	0.8	23	0.6
French Morocco	19	0.8	21	0.8	18	0.6	19	0.7	21	0.6
Mozambique	11	0.4	11	0.4	16	0.5	10	0.4	11	0.3
Anglo-Egyptian Sudan	13	0.5	12	0.4	16	0.5	12	0.4	9	0.2
Other Africa	29	1.2	40	1.5	66	2.1	24	0.9	26	0.7
South America	73	2.9	69	2.6	110	3.4	60	2.2	67	1.9
Argentina	29	1.1	23	0.8	42	1.3	20	0.7	8	0.2
Brazil	6	0.2	9	0.3	17	0.5	10	0.4	16	0.4
Uruguay	6	0.2	7	0.3	10	0.3	4	0.1	4	0.1
Chile	7	0.3	8	0.3	11	0.3	6	0.2	14	0.4
Peru	7	0.3	6	0.2	6	0.2	6	0.2	6	0.2
Venezuela	4	0.1	8	0.3	9	0.3	5	0.2	8	0.2
Ecuador	5	0.2	3	0.1	3	0.1	1	-	3	0.1
Other South America	9	0.4	5	0.2	12	0.4	8	0.3	8	0.2
Central America	36	1.4	41	1.5	55	1.7	29	1.1	44	1.2
Mexico	5	0.2	7	0.3	14	0.4	5	0.2	8	0.2
Panama	6	0.2	10	0.4	10	0.3	6	0.2	8	0.2
Dominican Republic	4	0.2	3	0.1	6	0.2	2	0.1	4	0.1
Cuba	5	0.2	1	0.1	2	0.1	1	0.1	1	0.0
Other Central America	16	0.6	20	0.7	23	0.7	15	0.6	23	0.6
Oceania	95	3.8	98	3.6	106	3.4	97	3.6	95	2.7
Australia	75	3.0	69	2.6	72	2.3	69	2.6	72	2.0
New Zealand	11	0.5	17	0.6	19	0.6	15	0.6	12	0.3
Other Oceania	9	0.4	12	0.4	15	0.5	13	0.5	11	0.3
All other areas	0	0	0	0	0	0	0	0	0	0

1/ Included in British India.
2/ Less than 500,000 yen.

Source: Annual and Monthly Returns of the Foreign Trade of Japan.

RESTRICTED

of the total exports was 45 percent in 1929, 21 percent in 1935, but only 16 percent in 1938, while in the latter year Kwantung Province accounted for 20 percent of the total exports, against 5 percent in 1935. Manchuria and China also provided improved markets following Japan's conquests and larger investments in those areas; they accounted for 15 and 13 percent, respectively, of the 1939 exports, as compared with 5 and 6 percent in 1935.

Statistical details of Japan's trade by geographic areas and leading countries are presented in Tables No. 7 and No. 8.

3. Trade with the United States

The important position of the United States in Japan's foreign trade has already been mentioned. There follows a statistical tabulation (Table No. 9) of the leading commodities entering into the trade during the 1935-1939 period. Points worthy of note are: (1) the heavier import excess in Japan's trade with the United States after 1936; 1/ (2) the predominate position of raw silk in the export trade; and (3) the decline in imports of raw cotton and wood pulp—owing to import restrictions—and the rise in imports of ores and metals (iron and steel, and non-ferrous metals), mineral oils and machinery and vehicles.

4. Exports from the United States to Japan of Specified Commodities

Because details are lacking for years after 1936 in official Japanese trade returns of imports of commodities possessing military value, including principally, metals and manufactures, machinery and vehicles, and petroleum products, Table No. 10 below, showing exports from the United States to Japan of these classes of goods, has been compiled on the basis of United States trade figures. The increased interest in imports of these commodities from the United States—a leading source of supply—reflects the expansion in Japan after 1936 of industries producing military necessities, and the heavier demand for finished products of strategic importance. Exports of scrap iron, steel products, refined copper, machine tools (metal-working machinery) and petroleum products from the United States to Japan moved in a general upward direction until checked in 1940 by American export embargoes.

1/ Prior to 1932 Japan had a large export balance in its trade with the United States, but increased purchases of American goods by Japan after 1931, combined with the drop in raw silk prices, shifted the balance to an import excess.

RESTRICTED

Table No. 9

Leading Commodities in the Trade of Japan Proper and Karafuto with the United States

Commodity	Unit of Quantity	Quantity					Values (Thousands of Yen)				
		1935	1936	1937	1938	1939	1935	1936	1937	1938	1939
Total imports from the United States	-	-	-	-	-	-	809,645	847,490	1,269,542	915,300	1,002,384
Raw cotton	1,000 lbs.	761,725	784,254	558,746	429,775	380,017	371,925	372,415	306,388	166,414	146,640
Ores and metals,	-	-	-	-	-	-	139,786	121,919	472,418	262,813	n.a.
Iron and steel	Metric tons	1,467,382	1,170,266	1/	1/	1/	82,991	78,096	1/	1/	1/
Scrap iron	do	1,326,171	1,027,681	1/	1/	1/	65,183	56,305	1/	1/	1/
Pig iron	do	852	584	1/	1/	1/	99	69	1/	1/	1/
Other iron and steel	do	140,359	142,001	1/	1/	1/	23,709	21,722	1/	1/	1/
Copper (ingots, slabs, etc.)	do	64,247	45,266	1/	1/	1/	35,847	31,930	1/	1/	1/
Aluminum "	do	-	356	1/	1/	1/	-	489	1/	1/	1/
Metal manufactures	-	-	-	-	-	-	3,223	3,483	5,533	5,187	n.a.
Oils, fats and waxes	-	-	-	-	-	-	97,642	120,927	185,026	240,144	n.a.
Grude oil	1,000 kiloliters	2,611	2,879	1/	1/	1/	81,336	99,348	1/	1/	1/
Other mineral oil	do	111	165	1/	1/	1/	6,280	9,992	1/	1/	1/
Machinery, vehicles, instruments	-	-	-	-	-	-	75,857	79,505	126,047	158,110	n.a.
Machinery and parts	-	-	-	-	-	-	38,389	37,872	1/	1/	1/
Automobiles and parts	-	-	-	-	-	-	31,249	34,919	1/	1/	1/
Chemicals, dyes and drugs	-	-	-	-	-	-	24,638	35,342	37,502	22,765	n.a.
Rosin	Metric tons	25,909	25,829	24,293	8,983	n.a.	4,015	4,427	7,067	1,988	n.a.
Carbon black	do	3,675	4,555	5,952	3,796	0	1,770	2,157	2,914	1,794	n.a.
Ammonium sulphate	do	2,542	62,158	0	0	0	285	6,757	0	0	n.a.
Chloride of potash	do	45,614	53,918	49,141	39,153	n.a.	5,540	7,326	7,055	5,950	n.a.
Phosphate rock	do	198,996	218,818	257,429	146,307	284,003	4,519	5,499	7,760	4,725	7,370
Pulp for paper making	do	55,210	67,509	50,704	9,042	50,098	8,178	9,390	10,418	2,552	18,767
Pulp for rayon making	do	55,554	86,698	140,433	43,297	-	14,634	22,368	38,763	12,559	-
Wood	-	-	-	-	-	-	28,227	32,184	30,077	9,770	9,448
Hides and skins	Metric tons	8,592	4,338	6,738	12,067	9,099	6,696	3,972	9,396	10,954	8,668
Tobacco, leaf	1,000 lbs.	13,416	5,540	2,010	1,255	n.a.	6,202	7,394	3,226	1,442	n.a.
All other imports	-	-	-	-	-	-	28,118	33,162	-	-	-
Total exports to the United States	-	-	-	-	-	-	535,515	594,251	634,428	425,123	641,509
Raw silk	1,000 lbs.	61,717	56,565	50,262	52,021	43,853	328,911	333,949	325,225	297,832	437,661
Cotton piece goods	1,000 sq. yds.	48,336	73,440	123,776	16,115	70,270	8,184	13,780	22,179	2,407	9,846
Silk piece goods	do	17,071	19,339	27,444	23,702	13,215	6,778	7,544	11,531	8,282	7,413
Knit goods	Dozens	1,754,611	3,833,359	3,087,317	744,563	1,160,912	3,871	6,844	6,849	1,462	2,001
Floor coverings	1,000 sq. yds.	14,051	16,017	13,264	5,092	n.a.	6,252	7,738	7,494	2,571	n.a.
Table cloth (cotton & other)	do	1,583	7,391	10,365	1,472	n.a.	2,152	7,678	11,982	1,903	n.a.
Rags, cotton	do	32,827	38,962	42,636	21,322	n.a.	7,542	9,723	9,512	4,015	n.a.
Foods, canned and bottled	do	100,827	130,268	111,770	34,415	n.a.	16,813	15,458	21,940	12,212	31,991
Crabs, canned	do	14,007	10,875	14,003	9,116	n.a.	10,276	8,391	11,579	7,525	n.a.
Tea	do	13,292	14,650	16,763	12,189	n.a.	4,481	5,949	7,750	4,316	7,742
Vegetable oils	Metric tons	62,585	69,337	40,064	16,439	23,656	26,808	31,663	18,956	5,638	9,679
Perilla	do	21,175	32,633	12,013	3,704	n.a.	10,007	14,866	5,331	1,192	n.a.
Rapeseed	do	25,209	20,745	4,319	2,369	n.a.	9,720	9,142	1,950	886	n.a.
Cottonseed	do	12,398	11,139	20,205	5,323	n.a.	5,086	5,083	10,037	1,806	n.a.
Insect flowers	1,000 lbs.	15,529	11,157	17,426	8,786	n.a.	5,809	2,885	6,879	5,275	n.a.
Fish meal	Metric tons	30,029	46,782	54,264	19,945	n.a.	3,007	5,207	7,068	2,590	n.a.
Camphor	1,000 lbs.	1,084	1,136	891	744	1,150	1,552	1,736	1,490	1,040	1,989
Menthol crystal	do	392	308	480	315	312	3,139	2,406	3,276	2,688	2,690
Furs	do	698	1,285	731	23	n.a.	3,339	5,795	4,369	761	n.a.
Hats and caps	Dozens	792,962	1,179,641	1,666,357	636,610	560,392	3,507	5,233	8,479	3,081	4,421
Hat brims	do	5,950	12,149	15,204	10,681	9,700	1,832	3,593	4,780	3,640	3,743
Glass and glassware	-	-	-	-	-	-	15,776	15,530	19,460	8,696	11,115
Lamps and parts	-	-	-	-	-	-	2,309	3,059	4,543	1,857	2,471
Toys	-	-	-	-	-	-	2,631	4,931	4,237	1,737	3,167
Brushes	-	-	-	-	-	-	11,494	13,689	16,521	6,093	7,068
All other exports	-	-	-	-	-	-	1,663	2,063	2,715	830	1,028
	-	-	-	-	-	-	67,665	88,258	107,193	46,147	-

n.a. Not available.
1/ Not recorded in Japanese trade statistics after July 1937 (See Table X)

Source: Annual and Monthly Returns of the Foreign Trade of Japan.

Table No. 10

Exports from the United States to Japan (including Korea and Taiwan) of Metals and Manufactures, Machinery and Vehicles, and Petroleum Products^{1/} 1937 - 1941

Commodities	Units of Quantity	Quantities					Values (Thousands of U.S. Dollars)				
		1937	1938	1939	1940	1941	1937	1938	1939	1940	1941
Metals and manufactures^{2/}	-	-	-	-	-	-	104,536	66,027	87,177	79,300	8,383
Iron and steel scrap ^{3/}	1,000 long tons	1,912	1,382	2,024	959	4/	39,386	22,061	32,593	16,971	5
Pig iron	do	409	316	10	6	-	9,672	4,886	146	163	-
Steel ingots, slabs etc.	do	208	98	144	160	2	8,903	3,397	5,639	6,578	129
Iron and steel bars and rods	1,000 pounds	110,520	65,226	61,022	270,708	1,071	2,996	2,718	4,415	10,065	31
Tin plate	do	95,624	28,669	642	21,216	-	4,484	1,649	29	1,112	-
Copper, refined	do	145,689	217,880	249,277	233,946	33,867	17,997	21,813	27,567	24,621	3,966
Other metals and manufactures	-	-	-	-	-	-	21,098	9,503	16,788	19,790	4,252
Machinery and vehicles	-	-	-	-	-	-	34,203	49,068	37,801	33,280	2,586
Power-driven metal-working machinery	-	-	-	-	-	-	11,904	23,627	24,578	23,278	930
Automobiles, parts and accessories	-	-	-	-	-	-	13,581	10,180	6,420	1,631	399
Aircraft and parts	-	-	-	-	-	-	2,484	11,062	3,306	933	41
Other machinery and vehicles	-	-	-	-	-	-	6,234	4,199	3,497	7,438	1,216
Petroleum and products	-	-	-	-	-	-	43,733	51,191	45,285	55,125	28,153
Petroleum, crude	1,000 barrels ^{5/}	15,995	21,271	16,086	11,529	5,208	22,103	29,858	20,924	15,875	6,939
Gasoline	do	1,093	1,059	1,197	3,152	2,225	3,683	7,713	7,367	16,231	6,649
Gas and fuel oil	do	6,308	5,297	6,020	5,116	3,348	7,139	6,675	7,071	6,243	3,831
Residual fuel oil	do	4,045	3,030	3,889	2,132	446	3,632	2,532	2,847	1,727	402
Lubricating oil	do	444	307	514	819	862	5,518	2,789	5,184	10,993	9,261
Lubricating greases	1,000 pounds	8,920	4,736	12,024	14,605	4,280	336	165	345	578	118
Other petroleum products	-	-	-	-	-	-	1,322	1,459	1,547	3,478	953

^{1/} Statistics in this table represent exports of American merchandise to Japan, as recorded in "Foreign Commerce and Navigation of the United States". They should not be confused with Japanese statistics of imports from the United States. The commodities included in this table cover, in so far as possible, those commodities for which Japanese import statistics are not available for years later than 1936 and hence are not shown in Table IX for 1937 to 1939.

^{2/} Excluding machinery and vehicles.
^{3/} Including tinplate scrap and waste-waste tinplate.
^{4/} Less than 500 tons.
^{5/} Barrels of 42 gallons.

Source: "Foreign Commerce and Navigation of the United States".

RESTRICTED

- 26 -

E. WARTIME OVERSEAS TRADE

1. Imports

Since the cessation of trade with the United Nations in 1941, Japan has been almost entirely dependent on its conquered areas in the Far East for essential imports. These have of necessity been confined largely to foodstuffs and basic industrial raw materials—principally ores, petroleum, crude rubber, and tin—necessitating refining and manufacturing in Japan of products which had previously been obtained from non-Far Eastern areas. An exception is the comparatively small amount of machine tools, ball bearings, and other machinery of German and Swedish origin reported to have been transported to Japan by blockade runners and submarines in 1942. Reports indicate, however, that this trade diminished in 1943 with the strengthening of Allied naval operations.

Statistical details of imports from the occupied areas naturally are a Japanese military secret, but Japanese radio broadcasts have stated that large quantities of raw materials were brought to Japan from the conquered territories during the early period of occupation. There are indications, however, that more recently the flow of materials to Japan has been retarded by the stringency in shipping and by the lack of labor, equipment and other facilities for expanding production in the occupied areas.

Because the countries controlled by Japan do not produce raw cotton, wool, and hides and skins in sufficient quantity, or in satisfactory quality in the case of the last two items named, to satisfy Japan's military and civilian requirements, substitute materials of decidedly inferior utility have been produced, for admixture with, or to replace entirely, the more desirable products. Even these inferior materials are reported to be in short supply for civilian consumption, as textile and other factories formerly producing consumers' goods have been converted in so far as possible to war purposes. Consequently, there has been a serious deterioration in the clothing situation and more severe rationing became necessary in 1943 and the early part of 1944.

2. Exports

Fragmentary reports from various sources indicate that exports from Japan to the occupied areas are being confined almost entirely to a small quantity of such machinery and manufactured goods as Japan considers it necessary to supply for the maintenance of production essential to Japan's war efforts. Raw silk and cotton textiles obviously are no longer produced in quantity for export trade. Some shipments of urgently needed

RESTRICTED

RESTRICTED

- 27 -

consumers' goods have been made to Indochina and Thailand in accordance with various trade agreements between Japan and those countries, but the volume of shipments is believed to have fallen far short of the amounts stipulated. It is reported that in 1942 Japan delivered to Indochina only about one-third of the 100,000 tons of goods promised for that year, and as the shipping situation has further deteriorated it is unlikely that there has been subsequently any improvement in the quantity of materials exported. Japan's plans for supplying essential requirements of the conquered peoples appear to be the setting up of new industries in the occupied countries, the most important perhaps being the projected transfer of idle cotton spindles from Japan to the Philippine Islands, Indochina and the Netherlands Indies.

RESTRICTED

Table No. 11
FOREIGN TRADE OF KOREA
In Thousands of Yen

Year	Merchandise Exports		Merchandise Imports		Total	Excess of Imports	Excess of Exports	Total Imports as Percentages of Total Exports	Exports to Japan as a Percentage of Total Exports	Imports from Japan as a Percentage of Total Imports
	To Foreign Countries	To Japan	From Foreign Countries	From Japan						
1904	1,237	5,697	7,796	19,007	26,805	19,871	---	387	82.2	70.9
1905	2,305	7,917	6,931	24,041	32,972	25,055	---	416	70.9	72.9
1906	1,985	7,235	7,391	23,257	30,652	21,402	---	340	81.3	76.7
1907	4,335	12,961	14,248	28,440	41,612	24,628	---	245	76.3	68.3
1908	3,190	10,963	16,986	24,040	41,026	26,913	---	291	74.1	58.6
1909	4,090	12,082	14,835	21,852	36,649	20,400	---	226	74.1	59.6
1910	4,515	15,379	14,435	25,348	39,783	19,869	---	200	77.2	63.7
1911	5,516	13,341	20,029	34,058	54,088	32,231	---	287	70.7	60.7
1912	5,617	15,369	26,359	40,756	67,115	46,129	---	320	82.0	56.5
1913	5,565	29,314	31,151	71,560	102,711	40,701	---	232	83.1	61.8
1914	8,502	28,567	24,184	63,231	97,415	28,842	---	184	82.6	70.2
1915	8,591	40,901	17,664	58,199	106,363	9,707	---	131	75.6	70.5
1916	13,838	49,492	21,997	71,489	142,971	17,654	---	123	77.3	74.1
1917	12,050	64,726	30,191	94,917	157,034	19,111	---	103	89.0	65.9
1918	16,984	137,205	141,016	158,309	316,315	61,121	---	128	86.0	67.4
1919	19,817	199,849	95,869	280,787	471,646	52,267	---	127	90.4	67.4
1920	20,885	169,361	106,175	275,536	481,971	14,105	---	106	92.0	62.6
1921	17,490	197,915	75,899	273,814	469,729	40,941	---	119	92.2	63.0
1922	20,403	241,262	98,338	339,601	580,203	4,125	---	102	93.2	68.4
1923	22,379	306,660	97,176	403,836	707,672	---	19,446	94	92.9	66.7
1924	24,342	317,289	109,366	426,651	853,931	---	1,619	100	93.2	69.0
1925	24,779	338,176	123,934	462,110	925,220	9,215	---	107	93.2	70.3
1926	28,134	330,791	113,943	444,734	888,467	24,492	---	107	92.2	70.3
1927	32,149	333,829	118,151	451,980	904,030	48,015	---	113	91.2	71.5
1928	35,713	303,891	107,768	411,661	813,552	77,450	---	122	92.5	74.5
1929	25,852	240,695	88,855	329,547	658,202	100,502	---	138	90.3	75.8
1930	12,772	249,027	52,666	281,693	563,715	8,667	---	103	95.1	80.5
1931	29,210	282,144	61,686	343,828	625,972	9,002	---	110	90.6	84.1
1932	52,713	315,854	64,368	380,222	765,486	35,557	---	112	85.1	84.7
1933	57,674	407,604	79,527	487,131	974,765	53,783	---	120	88.2	84.7
1934	64,902	485,894	100,093	585,987	1,071,881	108,607	---	129	87.3	85.0
1935	75,266	518,047	114,499	632,546	1,144,593	169,104	---	126	83.5	87.2
1936	113,098	572,445	128,139	700,584	1,272,663	176,322	---	120	80.8	85.2
1937	169,067	710,540	134,585	845,130	1,560,270	381,654	---	138	80.8	85.5
1938	269,911	736,883	159,031	895,914	1,632,795	594,292	---	180*	73.2	n.a.
1939	n.a.	n.a.	n.a.	1,335,716	n.a.	n.a.	---	n.a.	n.a.	n.a.

Source: Financial and Economic Annual of Japan.
n.a. indicates that the figures are not available.
* in trade with Japan only.

II. TRADE OF JAPAN PROPER WITH THE COLONIES

Japanese official trade figures quite naturally do not include trade either with Korea or Taiwan, since these areas are now part of the Japanese Empire and trade with them does not technically fall in the category of "foreign trade". Trade problems arising in any occupation of Japan Proper, however, would necessarily concern the total external trade of that area, including imports received from and exports made to the colonies. From 1930 to 1937 trade of Japan Proper with Korea and Taiwan, as shown by the official figures of the Governments-General of these areas, approximated 30 percent as much as its trade with foreign countries, and in 1938 and 1939 this ratio rose to over 40 percent.

A. KOREA (CHOSEN)

Korea stands higher among the trade areas of the Far East than has been generally recognized. In pre-war years, although its trade was less in value than that of Malaya or the Netherlands Indies, it was larger than that of any of the other small countries of Asia, and several times as large as that of Indochina, which has approximately the same population as Korea. By 1936 (last year before the outbreak of the Sino-Japanese war) its external trade (mostly with Japan) was 80 percent as great as China's recorded foreign trade, and it has since become greater. This does not mean, of course, that Korea's potentialities for trade approach those of China, but an established trade of this size is a fact of significance. Korea's total trade (exports and imports combined) in 1939 amounted to 2,395,242,000 yen, or about one-fourth as much as the total trade — foreign and colonial — of Japan Proper, 9,327,683,000 yen; converted to United States dollars, it amounted to \$620,876,000, or more than ten percent of the United States trade of \$5,495,257,000.

1. Japan's Share of Korea's Trade

Such calculations necessarily include in Korea's trade its imports from and exports to Japan, which have represented the major portion of the total. (As was necessary for comparison, Japan's trade as given above also included its trade with Korea and Taiwan.) At the time of annexation of Korea to Japan, about 70 percent of its exports went to Japan, and this percentage increased rapidly to over 90 percent during the decade of the twenties. The peninsula was regarded as a source of rice for Japan, and rice constituted more than half of the total value of its exports. The percentage of Korea's imports coming from Japan increased more slowly, from about 60 percent in 1910 to 80 percent by 1930.

After the invasion of Manchuria in 1931, while Japan's share in Korea's import trade continued to increase and reached 88.5 percent in 1939, its share of exports began to drop as shipments from Korea to Manchuria assumed increasing importance. Thus, in 1936, 87.1 percent of Korea's exports went to Japan, and 9.4 percent to Manchuria; in 1939, 73.2 percent went to the former and 20.4 percent to the latter. The total percentage going to these two areas remained over 90 percent, and inclusion of the Kwantung Leased Territory showed that over 95 percent of Korea's exports went to these Japanese-controlled areas. Percentage of imports coming from them was equally high, but Manchuria's share was only about 5 percent.

Closed trade channels between Korea and Japan, in a period of military occupation, would not only deprive Japan of its accustomed rice imports, but would have serious consequences for Korea. Trade of the colonies has been so closely channeled into Japan that nearly their whole source of income from exports, and almost their entire supply of imports depends upon this trade. While Korea is self-sufficient, or practically so (with imports from Manchuria) in foodstuffs, cessation of imports of textiles, metals and machinery, fertilizers, lumber and other products would mean accentuated shortages of these commodities.

2. Excess of Imports

As shown in Table No. 11, Korea's imports have always in the present century exceeded its exports, both in total trade and in trade with Japan; with two exceptions, there was an excess of imports every year from 1904 to 1940. Furthermore, this excess has been large, both absolutely and relative to the volume of exports. By 1939 it amounted to 381,654,000 yen, or about \$100,000,000. Relative to the volume of exports, in the early years of the twentieth century imports were often several times as large as total exports; recently they have been from 10 to 30 percent larger, with the total net excess of imports from 1912 to 1940 amounting to 2,325,000,000 yen. This long-continued excess has been maintained by Japanese capital investments.

3. Trade by Commodity Groups

General character of Korea's total trade, and of its trade with Japan Proper may be seen from Table No. 12 below, compiled from the official Tables of Trade and Shipping of the Government-General of Chosen, and giving trade values by commodity groups. Publication of the trade figures of the colonies in two sections, one dealing with trade with Japan, and the other with trade with foreign countries, makes possible a ready calculation of Korea's trade with Japan; figures for total trade are sums of the two. It will be seen that total exports in 1939 reached 1,000,000,000 yen, and total imports nearly 1,400,000,000 yen. The fact that exports to Japan amounted to nearly 750,000,000 yen, while imports from Japan exceeded 1,300,000,000 yen (being almost as much as total imports) indicates the magnitude of shifts necessary if trade channels between Japan and Korea are closed.

a. Exports

In 1938 three-fourths of all exports consisted of foodstuffs, beverages, and tobacco, minerals, ores, and metals, and textile raw materials and textiles. Korea's partial industrialization had not yet changed the basic character of the peninsula as a source of rice, fish, minerals, and textile raw materials for Japan, with shipments of textiles being made to Manchuria. In 1935 these three groups constituted over 80 percent of Korea's trade with Japan, and 78 percent in 1938. Decline in foodstuff exports after that year was due to rice crop failures, particularly in 1939, which made 1940 shipments almost negligible. This is not necessarily a permanent decline, therefore, although with the growing industrialization of Korea the percentage share of foodstuffs in total exports will probably continue to fall. The large share of minerals, ores, and metals in total exports to Japan reflected the exploitation of the peninsula to satisfy Japan's needs, irrespective of cost, for such strategic minerals as tungsten, mica, graphite, molybdenum, fluorspar and iron ore.

SUMMARY TABLE OF TRADE OF KOREA (CHOSŬN)

Commodity Groups	Total Trade					Trade With Japan					Commodity Groups as Percentages of Trade With Japan		
	1935	1936	1937	1938	1939	1935	1936	1937	1938	1939	1940	1935	1939
Values in Thousands of Yen													
Exports:													
Foodstuffs, beverages, and tobacco	302,213	318,229	304,513	408,455	302,559	286,495	302,182	289,883	367,335	225,610	122,742	59.0	30.6
Minerals, ores and metals 1/	78,608	81,501	111,814	146,759	222,697	67,584	70,669	100,077	137,947	210,661	281,035	13.9	28.6
Textile raw materials	41,189	37,995	42,771	41,675	60,478	37,387	35,838	39,768	38,704	59,372	69,724	9.1	12.4
Textiles (including clothing)	17,651	24,192	47,812	60,734	84,102	6,897	7,680	13,418	14,592	32,236	38,208		
Fertilizers	32,153	40,427	37,906	40,298	53,783	32,004	38,390	37,676	39,966	53,229	49,395	6.6	7.2
Fish meal	n.a.	1,904	3,637	8,387	14,013	1,583	1,402	3,304	6,846	11,023	16,148	0.3	1.5
Oils, fats, and waxes	17,074	22,165	32,756	32,132	53,647	16,243	20,506	27,405	25,971	44,153	31,066	3.3	6.0
Chemicals, dyes, and drugs	7,555	9,831	17,343	23,873	33,489	4,321	5,902	11,945	14,372	16,878	20,325	0.9	2.3
Machinery	4,004	4,767	9,789	14,334	25,735	2,682	5,902	11,945	14,372	16,878	20,325	0.6	0.9
Paper, pulp and products	4,550 2/	4,129 2/	9,984 2/	18,664 3/	22,290	4,031 2/	3,510 2/	9,254 2/	14,679 2/	16,093	16,279	0.8	2.2
Furs, skins, and leather	4,112	4,708	6,903	13,207	8,047	3,418	3,758	5,579	11,417	7,133	6,880	0.7	1.0
Postal parcels	8,343	9,138	12,150	11,272	14,717	6,989	7,714	10,560	9,518	11,171	18,188	1.4	1.5
Metal manufactures	n.a.	n.a.	n.a.	8,639 4/	20,932	n.a.	n.a.	n.a.	n.a.	6,317	10,540	n.a.	0.9
Lumber	8,122	7,448	9,390	5,323	11,741	2,506	1,744	2,162	1,900	2,223	3,742	0.5	0.3
Animals	4,897	4,686	5,200	8,606	16,820	4,801	4,538	4,764	7,262	8,526	9,851	1.0	1.2
Other commodities 5/	20,325	22,193	33,575	37,248	61,744	8,953	11,776	13,278	15,496	25,869	36,406	1.9	3.4
Totals	550,796	593,313	685,543	879,606	1,006,794	485,894	518,047	572,445	710,540	736,883	741,424	100.0	100.0
Imports:													
Textiles	93,813	98,337	105,081	141,600	184,164	91,803	96,069	102,278	140,753	183,667	153,177		
Clothing	37,543	46,212	45,982	63,358	80,562	37,529	46,191	45,966	63,343	80,555	75,196	30.3	23.8
Textile raw materials	48,621	49,333	60,140	62,270	53,408	39,914	42,140	50,298	33,353	28,899	35,636		
Machinery	35,603	45,786	60,451	82,997	137,897	31,369	40,862	54,520	79,732	131,636	163,812		
Metal manufactures	34,012	45,599	55,871	74,521	102,698	33,598	45,266	55,445	74,119	102,422	112,402	17.2	24.5
Vehicles	21,582	26,968	22,990	35,630	51,519	21,420	26,748	29,830	35,321	50,244	59,664		
Instruments	9,625	11,427	14,990	13,650	17,030	9,537	11,362	14,916	13,596	16,990	20,210		
Minerals, ores and metals	76,227	90,371	127,065	163,406	208,388	64,767	78,336	107,486	141,419	191,110	191,102	11.6	15.5
Foodstuffs, beverages, and tobacco	112,416	125,183	120,075	115,317	185,783	71,174	77,868	75,471	85,339	133,299	160,316	12.7	10.8
Chemicals, drugs, and dyes	28,548	31,515	35,232	53,070	63,510	27,071	29,748	33,870	47,820	57,945	69,828	4.8	4.7
Paper and pulp	21,855	24,959	30,966	40,979	47,100	20,686	24,289	30,348	39,931	46,564	57,693	3.7	3.8
Fertilizers	26,162	41,391	28,330	38,656	26,448	17,226	24,256	21,298	29,153	19,288	18,516	3.1	1.6
Oils, fats, and waxes	33,324	38,215	44,510	42,384	44,927	22,637	24,045	20,934	21,604	22,871	29,546	4.1	1.9
Lumber	12,868	15,571	18,046	25,063	40,968	9,129	12,114	14,217	21,537	39,184	45,137	1.6	3.2
Postal parcels	13,895	13,726	16,141	18,075	19,523	13,507	13,247	15,774	17,640	19,029	19,179	2.4	1.5
Pottery and glass	10,236	11,478	13,326	17,535	24,988	9,675	10,868	12,754	16,711	24,009	29,183	1.7	2.0
Hides, skins, and leather	4,798	4,203	5,867	10,968	6,197	4,416	3,934	5,663	8,658	6,126	6,441	0.8	0.5
Animals	1,188	1,496	2,144	2,485	5,881	920	1,227	1,473	1,963	4,854	10,888	0.2	0.4
Other commodities	37,087	40,647	56,346	53,964	87,457	32,436	35,348	42,873	49,354	70,725	77,790	5.8	5.8
Totals	659,403	762,417	863,553	1,055,928	1,388,448	558,814	647,918	735,414	921,346	1,229,417	1,335,716	100.0	100.0

n.a. - not available

1/ Includes pottery, glass and manufactures thereof.

2/ Includes only pulp and foreign-style paper.

3/ Includes exports of paper products and paper (other than foreign-style) to foreign countries only.

4/ Exports to foreign countries only.

5/ Including those for which separate figures are not available.

Source: Tables of Trade and Shipping of Chosen, Government-General of Chosen.

Value figures in this and the following tables may be converted to United States currency at the following average exchange rates, in cents per yen:

1935	28.707
1936	29.022
1937	28.791
1938	28.451
1939	25.963
1940	23.436

(Averages of noon buying rates in New York for cable transfers)

Table No. 13
CHIEF EXPORTS OF KOREA (CHOSUN) TO JAPAN

1935 - 1940

Commodities	Unit of Quantity	Quantities						Values (Thousands of Yen)					
		1935	1936	1937	1938	1939	1940	1935	1936	1937	1938	1939	1940
Foodstuffs, beverages and tobacco	---	---	---	---	---	---	---	286,495	302,182	289,583	367,335	225,610	122,742
Staple products:													
Rice and paddy	1,000 lbs.	2,732,719	2,715,738	2,381,951	2,987,759	1,364,223	124,359	240,434	249,427	231,091	302,054	149,366	16,368
Soybeans	1,000 bu.	5,067	6,410	5,907	5,622	3,996	3,837	17,401	23,461	23,343	22,111	21,074	30,609
Other beans	do	392	303	281	421	291	261	1,219	1,171	1,163	1,788	1,867	2,682
Cornstarch	1,000 lbs	28,109	28,935	31,476	28,548	24,810	37,155	2,138	2,271	3,339	3,016	3,097	4,013
Cottonseed	do	6,946	9,410	25,534	27,124	17,263	37,907	193	274	356	1,065	773	2,030
Barley and naked barley	1,000 bu.	13	31	695	1,010	225	51	27	86	2,015	3,478	967	222
Wheat flour	1,000 lbs.	430	138	636	269	530	2,391	27	11	56	41	64	268
Marine products:													
Fresh fish	do	106,500	74,974	94,017	111,176	102,151	71,918	5,202	4,174	5,672	6,818	8,062	7,945
Dried fish	do	21,548	12,703	17,466	21,010	19,257	29,589	4,454	3,441	3,916	5,159	6,427	11,147
Dried sardines	do	(10,194)	(8,222)	(10,663)	(12,446)	(8,842)	(15,439)	(2,607)	(2,457)	(2,734)	(3,687)	(3,551)	(7,048)
Salted fish	do	11,357	8,553	7,953	7,178	12,298	19,672	712	669	644	687	1,814	2,876
Dried shrimps and prawns	do	3,619	4,549	5,018	4,635	3,589	3,880	470	702	820	938	1,077	1,439
Fish roe	do	5,761	5,169	5,889	6,342	8,179	10,396	1,108	1,064	1,339	1,575	2,357	3,269
Dried seaweed (porphyra or lever algae) ...	do	1,411	3,743	2,926	3,612	4,416	4,164	2,121	3,969	4,086	6,558	9,144	16,057
Sundry foodstuffs:													
Sugar	do	3	5	31	670	6,409	6	2/	1	4	63	786	1
Vegetables	do	600	857	1,432	3,149	10,305	1,466	209	294	238	395	742	529
Fruits and nuts	do	24,778	25,845	32,729	26,648	39,277	24,628	2,346	2,927	3,347	3,025	6,775	4,577
Apples	do	(17,740)	(19,265)	(26,151)	(20,457)	(27,603)	(16,348)	(1,625)	(2,170)	(2,535)	(2,356)	(4,322)	(2,718)
Canned foods	---	---	---	---	---	---	---	1,803	1,179	713	1,037	1,627	2,867
Other foodstuffs, beverages and tobacco	---	---	---	---	---	---	---	6,631	7,061	7,741	7,527	9,591	15,843
Minerals, ores and metals	---	---	---	---	---	---	---	67,584	70,669	100,077	137,947	210,661	261,035
Minerals:													
Coal	Metric tons	617,776 ^{3/}	638,391	592,037	942,787	899,662	1,443,837	6,460	6,259	6,795	11,792	14,258	25,448
Graphite	do	41,810	34,825	37,738	47,437	72,633	n.a.	2,068	1,999	2,007	3,233	5,553	n.a.
Barite	do	9,052	11,046	11,046	15,729	17,579	22,157	269	216	286	587	1,085	1,359
Fluorspar	do	9,417	8,324	15,749	34,207	39,128	22,968	287	180	230	1,842	2,598	1,842
Magnesite	do	2,860	6,918	14,416	16,074	45,083	31,955	28	78	102	441	503	429
Mica	do	n.a.	n.a.	n.a.	n.a.	713	733	n.a.	n.a.	n.a.	n.a.	260	285
Asbestos and manufactures thereof	---	---	---	---	---	---	---	n.a.	n.a.	n.a.	n.a.	788	835
Cement	Metric tons	113,384	241,184	109,664	91,925	22,499	16	2,797	4,770	2,343	1,915	501	1
Ores:													
Gold ore	do	58,043	64,585	51,447	66,630	76,777	n.a.	6,482	6,498	6,218	6,973	6,681	n.a.
Iron ore	do	242,197	242,737	1,009,719 ^{4/}	367,151	401,131	n.a.	1,229	1,104	4,921	2,562	3,035	n.a.
Tungsten ore	do	839	884	1,355	1,774	2,314	n.a.	1,701	1,490	3,588	9,632	16,050	n.a.
Zinc ore	do	2,122	6,569	5,931	7,476	13,269	n.a.	118	989	634	1,079	1,626	n.a.
Lead ore	do	n.a.	n.a.	n.a.	n.a.	1,511	n.a.	n.a.	n.a.	n.a.	n.a.	590	n.a.
Molybdenite ore	do	94	81	65	98	115	n.a.	299	257	233	338	447	n.a.
Metals:													
Crude copper	do	1,715	2,174	2,784	4,106	7,057	n.a.	21,608	20,499	25,220	26,526	51,697	n.a.
Iron	do	218,560	205,900	n.a.	n.a.	n.a.	n.a.	17,352	14,189	n.a.	n.a.	n.a.	n.a.
Crude lead	do	1,622	2,435	5,182	5,814	5,801	n.a.	2,351	2,046	6,409	7,856	7,607	n.a.
Other minerals, ores and metals	---	---	---	---	---	---	---	4,535*	9,195*	41,091*	63,171*	97,382*	250,836*
Textile raw materials, textiles and clothing ..	---	---	---	---	---	---	---	44,284	43,518	53,186	53,296	91,608	107,932
Ginned cotton	1,000 lb.	29,786	26,772	17,982	18,387	21,936	27,569	13,471	11,457	8,266	7,094	11,872	14,414
Raw silk	do	2,582	2,605	3,065	2,838	2,272	2,600	14,189	15,421	18,962	15,832	24,169	28,625
Tussah silk	do	2,344	1,557	2,573	2,520	1,952	1,572	5,714	4,432	6,230	6,647	7,945	9,675
Tussah silk waste and combed	do	2,071	985	1,080	1,679	1,626	385	937	575	993	1,426	2,579	1,035
Cocoons	do	1,463	1,460	1,756	1,173	889	689	1,179	1,393	1,435	978	1,521	1,337
Cotton textiles	1000 sq. yds.	3,602	4,311	22,657	12,247	29,751	19,345	1,188	1,219	4,920	4,320	9,651	5,422
Silk textiles	do	n.a.	770	1,038	1,476	2,258	2,850	n.a.	766	1,167	1,671	3,390	5,580
Rayon textiles	do	n.a.	558	497	667	1,415	2,284	n.a.	215	291	344	728	2,554
Hemp textiles	do	150	270	300	175	185	1,418	66	106	112	75	103	1,286
Woolen textiles	do	n.a.	59	60	49	66	41	n.a.	107	109	85	169	168
Clothing and accessories	---	---	---	---	---	---	---	1,912	2,361	2,618	3,671	9,001	7,636
Other textile materials and textiles	---	---	---	---	---	---	---	5,628*	5,466	8,083	10,253	19,580	30,200
Fertilizers	Metric tons	426,292	483,451	443,764	559,472	475,624	321,465	32,004	38,390	37,676	39,996	53,229	49,395
Fish cake	do	90,316	98,687	139,093	242,168	114,927	86,589	7,620	9,696	14,793	14,821	18,944	22,262
Sulphate of ammonia	do	99,370	81,116	56,584	76,504	129,355	113,265	11,132	8,856	5,837	7,956	13,411	11,644
Superphosphate of ammonia	do	28,175	41,895	44,741	32,512	41,088	10,824	3,788	5,236	5,925	5,260	6,717	1,893
Bean cake	do	87,051	123,007	41,262	27,152	32,083	4,204	5,951	8,734	3,278	2,481	3,352	644
Other fertilizers	do	121,380	138,746	162,084	181,136	158,171	106,583	3,513	5,868	7,843	9,478	10,805	12,952
Fish meal	do	15,715	13,000	30,429	54,666	55,055	55,758	1,583	1,402	3,304	6,846	11,023	16,148

Table No. 13

CHIEF EXPORTS OF KOREA (CHOSŬN) TO JAPAN -- Continued

Commodities	Unit of Quantity	Quantities						Values (Thousands of Yen)					
		1935	1936	1937	1938	1939	1940	1935	1936	1937	1938	1939	1940
Oils, fats and waxes	---	---	---	---	---	---	---	16,243	20,506	27,405	25,971	44,153	31,066
Cotton seed oil	1,000 lbs.	5,174	8,303	6,709	4,751	7,145	5,306	1,138	1,849	1,495	835	2,047	1,940
Rice bran oil	do	n.a.	n.a.	n.a.	5,268	6,451	2,115	n.a.	n.a.	n.a.	594	1,188	508
Fish oil	do	82,838	81,877	75,193	87,315	261,792	n.a.	5,455	8,176	7,755	7,534	12,183	n.a.
Sardine oil	do	(75,859)	(77,628)	(69,708)	(83,897)	(95,213)	(n.a.)	(5,022)	(7,616)	(6,795)	(7,013)	(11,337)	(n.a.)
Mineral oils	---	---	---	---	---	---	---	250	194	1,393	3,945	10,343	n.a.
Illuminating oil	1,000 gals.	53	1	472	2,154	4,663	n.a.	(24)	(4)	(288)	(1,436)	(3,195)	(n.a.)
Light oil	do	177	204	965	4,181	4,534	n.a.	(60)	(55)	(470)	(788)	(3,033)	(n.a.)
Lubricating oil	1,000 lbs.	1,031	1,356	6,011	17,787	28,976	n.a.	(108)	(103)	(485)	(1,696)	(3,469)	(n.a.)
Paraffin	do	242	582	5,112	5,298	5,141	8,115	41	98	724	1,061	1,139	2,468
Hardened oil	do	24,731	19,720	42,752	27,436	32,348	n.a.	3,227	3,405	6,624	3,867	5,820	n.a.
Fatty acids (including stearine)	do	33,052	33,545	36,897	33,165	25,595	15,580	3,990	4,009	5,049	3,746	4,021	4,272
Soap	do	n.a.	n.a.	n.a.	19,369	35,680	32,264	n.a.	n.a.	n.a.	1,921	4,691	4,835
Other oils, fats and waxes	---	---	---	---	---	---	---	2,142*	2,775*	4,365*	2,468	2,721	17,043*
Chemicals, drugs and dyes	---	---	---	---	---	---	---	4,321	5,902	11,945	14,372	16,878	20,325
Glycerine	1,000 gals.	665	671	726	709	608	573	2,168	2,284	3,897	3,979	3,137	3,094
Carbide	Metric tons	n.a.	n.a.	n.a.	5,137	15,396	20,970	n.a.	n.a.	n.a.	649	2,579	3,676
Caustic soda	do	n.a.	n.a.	n.a.	8,514	3,738	102	n.a.	n.a.	n.a.	1,788	887	25
Sulphuric acid	do	n.a.	n.a.	n.a.	4,204	1,127	4/	n.a.	n.a.	n.a.	889	225	5/
Ginseng	do	16	24	23	14	22	11	69	112	121	65	60	96
Explosives	do	n.a.	n.a.	n.a.	364	n.a.	n.a.	n.a.	n.a.	n.a.	514	1,108	n.a.
Other chemicals, drugs and dyes	---	---	---	---	---	---	---	2,084*	3,506*	7,927*	6,488	8,882	13,434
Machinery	---	---	---	---	---	---	---	2,682	2,438	3,372	4,535	6,389	10,895
Paper, pulp and products	---	---	---	---	---	---	---	4,032	3,510	9,254	14,679	16,093	16,279
Paper and rayon pulp	Metric tons	4,656	295	25,474	32,439	22,913	22,597	747	45	5,594	9,236	8,943	7,860
Paper, foreign style	do	9,743	10,415	255 ^{6/}	14,486	13,280	12,575	3,285	3,465	3,660	5,443	5,668	5,637
Other paper and products	---	---	---	---	---	---	---	n.a.	n.a.	n.a.	n.a.	1,482	2,782
Hides, furs, skins, leather	---	---	---	---	---	---	---	3,418	3,758	5,579	11,417	7,133	6,880
Cowhides	Metric tons	2,047	2,166	2,295	2,700	586	439	1,598	1,886	2,802	5,162	916	653
Leather	do	736	865	1,015	2,068	938	498	900	831	1,699	4,509	2,040	3,037
Other skins and leather manufactures	---	---	---	---	---	---	---	920	1,041	1,078	1,746	4,177	3,190
Postal parcels	---	---	---	---	---	---	---	6,989	7,714	10,560	9,518	11,171	18,188
Metal manufactures	---	---	---	---	---	---	---	n.a.	n.a.	n.a.	n.a.	6,317	10,540
Lumber	---	---	---	---	---	---	---	2,506	1,744	2,162	1,900	2,223	3,742
Rough timber	1000 cu. met.	2,436	1,818	2,256	1,664	1,749	2,323	2,223	1,448	1,863	1,625	1,869	3,132
Other lumber	---	---	---	---	---	---	---	283	296	299	275	354	610
Animals	---	---	---	---	---	---	---	4,801	4,538	4,764	7,262	8,526	9,851
Cattle	Head	66,765	61,509	57,208	73,75 ^{2/}	77,522	79,146	4,617	4,280	4,553	6,981	8,191	9,648
Other animals	---	---	---	---	---	---	---	184	258	211	281	335	203
All other commodities	---	---	---	---	---	---	---	8,952*	11,776*	13,278*	15,466*	25,869	36,406
TOTALS	---	---	---	---	---	---	---	485,894	518,047	572,445	710,540	736,883	741,424

Source: Tables of Trade and Shipping of Chosen, Government-General of Chosen.

N.a. is used where figures are not available, especially those figures omitted from the trade returns for strategic reasons.

Dash is used in quantity columns for commodities of such nature that quantity figures are not given.

Value figures in parentheses indicate chief commodities in the general category immediately preceding. They are not to be added in totaling, for their values are already included with the figures for the general categories.

* Including values of items for which separate figures are not available.

1/ In this table, Japan includes Karafuto, Taiwan, and the Japanese Mandated Islands.

2/ Less than 500 yen.

3/ Converted from figures given in long tons.

4/ This large figure for iron ore exports was given by the Tables of Trade and Shipping for December 1937, as total exports and as exports to Japan. (Iron ore exports other than to Japan are very small). In 1938, although this figure was retained as total exports, exports to Japan for 1937 were given as 442,358 metric tons, with a value of 2,140,000 yen.

5/ Negligible.

6/ Presumably an error in the trade returns.

RESTRICTED

- 37 -

Table No. 14

CHIEF IMPORTS OF KOREA (CHOSŬN) FROM JAPAN 1/

1935 - 1940

Commodities	Units of Quantity	Quantities						Values (Thousands of Yen)					
		1935	1936	1937	1938	1939	1940	1935	1936	1937	1938	1939	1940
Textiles	---	---	---	---	---	---	---	91,803	96,069	102,278	140,753	181,667	153,177
Cotton textiles	1000 sq. yds.	174,587	163,498	135,094	92,976	18,049	4,564	36,322	32,118	32,380	25,629	10,137	3,050
do	do	2,385	3,360	4,546	3,640	2,280	2,010	1,063	1,060	1,770	3,177	2,026	2,792
Hemp textiles	do	8,836	9,511	7,367	8,276	8,479	4,796	10,235	12,601	11,841	14,742	22,303	15,106
Woolen textiles	do	9,824	10,107	8,811	15,743	30,798	26,525	10,022	10,831	10,505	16,654	44,193	57,222
Silk textiles	do	60,117	70,830	94,521	154,818	64,678	18,580	13,941	15,961	20,251	32,835	24,473	12,601
Rayon textiles	do	12,557	13,775	10,911	20,297	28,139	20,951	5,602	6,403	5,672	10,653	21,611	27,194
Silk-rayon textiles	do	n.a.	n.a.	4,239	30,404	58,097	14,585	n.a.	n.a.	1,436	13,033	32,622	9,222
Staple-fiber textiles	do	n.a.	n.a.	697	1,355	948	172	462	678	638	1,460	1,420	372
Blankets	1,000 lbs.	617	856	697	1,355	948	172	2,195	2,789	3,542	4,749	3,874	4,137
Fishing net	do	2,840	3,596	4,403	5,220	3,407	3,401	11,961*	13,628*	14,243	17,821	21,008	21,481
Other textiles	---	---	---	---	---	---	---	---	---	---	---	---	---
Clothing	---	---	---	---	---	---	---	37,529	46,191	45,966	63,343	80,555	75,169
Textile raw materials	---	---	---	---	---	---	---	39,914	42,140	50,298	33,353	28,899	35,636
Raw cotton, ginned	1,000 lbs.	37,001	56,065	68,598	7,867	697	359	13,748	21,742	31,784	3,008	267	135
Cotton wadding	do	6,122	6,398	5,175	3,151	735	211	2,489	2,576	2,121	1,546	445	146
Cotton yarn and thread	do	19,338	12,180	8,355	5,980	2,466	2,483	12,243	7,932	6,030	5,143	3,584	3,437
Silk cocoons	do	1,383	1,456	187	442	484	537	1,158	1,391	232	645	1,184	1,843
Woolen yarn	do	977	1,014	599	840	358	585	1,780	2,146	1,380	2,576	990	1,821
Rayon yarn	do	5,439	3,640	3,064	7,769	4,078	3,297	4,287	2,325	2,487	6,302	3,635	3,197
Staple fiber	do	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8,574	6,484
Cordage	---	---	---	---	---	---	---	2,455	2,811	3,018	2,680	3,694	4,828
Other textile raw materials	---	---	---	---	---	---	---	1,754*	1,217*	3,246*	11,453*	6,526	13,745
Machinery (including locomotives)	---	---	---	---	---	---	---	31,369	40,862	54,520	79,732	131,636	163,812
Metal manufactures	---	---	---	---	---	---	---	33,598	45,266	55,445	74,119	102,422	112,402
Vehicles and parts	---	---	---	---	---	---	---	21,420	26,748	29,830	35,321	50,244	59,664
Railway cars and parts	---	---	---	---	---	---	---	2,766	4,949	4,448	10,985	18,675	n.a.
Bicycles and parts	---	---	---	---	---	---	---	6,744	8,444	7,413	8,644	8,204	5,744
Automobiles and parts	---	---	---	---	---	---	---	9,789	11,484	n.a.	n.a.	n.a.	n.a.
Other vehicles and parts	---	---	---	---	---	---	---	2,121	1,871	17,969*	15,692*	23,365*	53,920*
Instruments	---	---	---	---	---	---	---	9,537	11,362	14,916	13,596	16,990	20,210
Minerals, ores and metals	---	---	---	---	---	---	---	64,767	78,336	107,486	141,419	191,110	191,102
Minerals:	---	---	---	---	---	---	---	---	---	---	---	---	---
Coal	Metric tons	747,819 ^{2/}	898,833	911,293	1,087,108	1,247,978	1,440,734	8,008	10,120	12,057	20,421	28,432	36,327
Coke	do	36,158	48,221	42,922	53,064	135,788	160,982	1,028	1,295	1,179	1,752	8,290	9,684
Cement	do	214,283	356,707	227,331	246,019	213,824	125,027	4,916	7,400	4,917	2,524	5,827	3,629
Ores and metals:	---	---	---	---	---	---	---	---	---	---	---	---	---
Iron	Metric tons	254,041	284,497	n.a.	n.a.	n.a.	n.a.	45,318	52,340	80,434	108,782	138,109	129,225
Other minerals, ores and metals	---	---	---	---	---	---	---	(39,562)	(44,691)	(n.a.)	(n.a.)	(n.a.)	(n.a.)
Foodstuffs, beverages and tobacco	---	---	---	---	---	---	---	5,497	7,181	8,899	7,940	10,452	12,237
Staples:	---	---	---	---	---	---	---	71,174	77,868	75,471	85,339	133,299	160,316
Rice and paddy	1,000 lbs.	84,077	56,600	55,597	18,734	108,994	28,496	7,022	4,998	4,910	2,110	13,492	4,628
Barley and naked barley	do	126,746	167,570	76,385	6,515	45,226	138,304	6,518	8,765	4,605	461	4,057	14,495
Wheat	do	37,097	41,092	4,907	23,078	n.a.	n.a.	1,949	2,873	365	1,828	7,171	n.a.
Wheat flour	do	151,346	90,645	58,584	55,499	66,553	37,456	10,950	7,829	5,935	5,980	7,903	5,518
Millet	do	9,700	3,893	12,405	7,354	11,174	3,796	649	244	842	479	866	417
Soybeans	1,000 bu.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Marine products:	---	---	---	---	---	---	---	---	---	---	---	---	---
Dried and salted fish	1,000 lbs.	27,224	43,580	41,367	40,160	48,470	21,775	2,346	4,048	4,081	4,497	7,726	5,686
Beverages:	---	---	---	---	---	---	---	---	---	---	---	---	---
Sake	1,000 gals.	746	885	856	1,056	1,260	514	1,656	1,975	1,983	2,670	3,429	1,546
Beer	do	745	675	720	744	673	759	858	803	946	971	924	1,338
Sundry foodstuffs:	---	---	---	---	---	---	---	---	---	---	---	---	---
Sugar	1,000 lbs.	71,793	70,144	71,123	109,267	126,668	123,954	5,949	5,825	6,333	9,707	12,085	12,852
Molasses	do	45,095	65,487	75,974	65,774	49,156	479	962	1,356	1,705	1,738	1,531	30
Confectionery	---	---	---	---	---	---	---	4,715	5,685	6,491	9,372	10,883	9,476
Syrup made from grain	1,000 lbs.	15,467	10,857	13,670	19,707	14,601	4,374	1,537	1,074	1,430	2,092	2,026	1,035
Vegetables	do	104,074	118,313	166,065	172,431	204,633	215,652	3,903	5,152	7,086	7,883	12,523	19,766
Fruits and nuts	do	85,863	92,569	85,573	105,901	127,220	184,046	4,564	5,123	5,691	7,101	10,731	20,428
Soy	1,000 gals.	1,176	1,114	1,192	1,556	1,323	914	1,105	1,138	1,223	1,793	1,535	1,101
Condensed milk	1,000 lbs.	1,654	2,083	2,014	2,205	1,738	1,486	637	742	815	976	968	914
Salt	Metric tons	10,835	15,328	7,108	12,288	9,706	n.a.	180	276	148	273	234	n.a.
Leaf tobacco	1,000 lbs.	6,543	10,623	4,756	160	51	261	1,684	2,827	1,148	63	18	168
Other foodstuffs, beverages and tobacco	---	---	---	---	---	---	---	13,990*	17,135*	19,734*	25,345*	35,197*	60,918*

RESTRICTED

RESTRICTED

- 39 -

Table No. 14

CHIEF IMPORTS OF KOREA (CHOSŬN) FROM JAPAN -- Continued

Commodities	Units of Quantity	Quantities						Values (Thousands of Yen)					
		1935	1936	1937	1938	1939	1940	1935	1936	1937	1938	1939	1940
Chemicals, drugs and dyes	---	---	---	---	---	---	---	27,071	29,748	33,870	47,820	57,945	69,828
Chemicals and drugs	---	---	---	---	---	---	---	21,442	23,965	27,243	39,404	46,831	54,652
Dyes and paints	---	---	---	---	---	---	---	5,629	5,783	6,627	8,416	11,114	15,176
Paper, pulp, and paper products	---	---	---	---	---	---	---	20,686	24,289	30,348	39,931	46,564	57,693
Paper, foreign style	Metric tons	27,014	32,011	36,078	90,463	37,605	32,602	9,465	10,894	13,756	16,859	17,200	16,302
Paper, Japanese style	do	2,242	2,535	2,871	9,864	4,846	8,846	1,472	1,649	1,969	2,972	3,586	7,053
Other paper and products	---	---	---	---	---	---	---	9,749	11,746	14,623	20,100	25,778	34,338
Fertilizers	Metric tons	259,030	350,180	294,120	331,571	228,866	227,203	17,226	28,256	21,298	29,153	19,288	18,516
Sulphate of ammonia	do	33,570	67,425	43,509	53,656	29,634	41,447	3,672	7,866	4,121	5,603	3,066	4,398
Superphosphate of lime	do	93,156	113,232	120,134	142,328	134,154	162,515	3,529	4,439	6,401	9,275	9,067	11,460
Compound fertilizers	do	n.a.	45,158	58,576	75,388	43,796	17,244	n.a.	3,532	4,144	6,854	4,411	1,731
Other fertilizers	do	132,304*	124,365	71,901	60,199	21,282	5,997	10,025*	12,419	6,632	7,421	2,744	927
Oils, fats and waxes	---	---	---	---	---	---	---	22,637	24,045	20,934	21,604	22,871	29,546
Vegetable oils	1,000 lbs.	8,183	10,221	11,039	9,402	9,453	3,108	1,501	1,954	2,437	2,290	2,588	1,207
Soap	do	12,186	14,176	18,235	25,388	27,444	19,096	2,991	2,790	3,340	4,466	5,199	3,974
Mineral oil	---	---	---	---	---	---	---	16,632	17,712	n.a.	n.a.	n.a.	n.a.
Volatile oil	1,000 gals.	12,464	14,370	n.a.	n.a.	n.a.	n.a.	(6,180)	(7,700)	(n.a.)	(n.a.)	(n.a.)	(n.a.)
Illuminating oil	do	8,786	9,029	n.a.	n.a.	n.a.	n.a.	(4,603)	(4,660)	(n.a.)	(n.a.)	(n.a.)	(n.a.)
Light oil	do	4,313	4,088	n.a.	n.a.	n.a.	n.a.	(1,602)	(1,436)	(n.a.)	(n.a.)	(n.a.)	(n.a.)
Lubricating oil	1,000 lbs.	42,438	28,609	n.a.	n.a.	n.a.	n.a.	(3,873)	(3,561)	(n.a.)	(n.a.)	(n.a.)	(n.a.)
Other mineral oils	---	---	---	---	---	---	---	(374)	(355)	(n.a.)	(n.a.)	(n.a.)	(n.a.)
Other oils, fats and waxes	---	---	---	---	---	---	---	1,513	1,589	15,157*	14,848*	15,124*	24,365*
Lumber	---	---	---	---	---	---	---	9,129	12,114	14,217	21,537	39,184	45,137
Logs, ties, sawn timber, planks	---	---	---	---	---	---	---	7,533	9,868	11,177	17,124	34,300	37,925
Other lumber	---	---	---	---	---	---	---	1,596	2,246	3,040	4,413	4,884	7,212
Postal parcels	---	---	---	---	---	---	---	13,507	13,247	15,774	17,640	19,029	19,179
Pottery and glass (including manufactures)	---	---	---	---	---	---	---	9,675	10,868	12,754	16,711	24,009	29,183
Hides, skins and leather	---	---	---	---	---	---	---	4,416	3,934	5,663	8,658	6,126	6,441
Skins and leather	Metric tons	n.a.	n.a.	n.a.	2,078	815	n.a.	n.a.	n.a.	n.a.	5,122	2,483	n.a.
Leather manufactures	---	---	---	---	---	---	---	1,532	1,805	1,718	2,749	2,888	2,356
Other hides, skins, leather	---	---	---	---	---	---	---	2,884*	2,129*	3,945*	787	755	4,085*
Animals and plants	---	---	---	---	---	---	---	920	1,227	1,473	1,963	4,854	10,888
Miscellaneous commodities:	---	---	---	---	---	---	---	4,537	5,084	5,899	7,667	10,193	13,978
Wood manufactures	---	---	---	---	---	---	---	1,739	1,825	2,145	2,830	3,334	5,403
Mats	---	---	---	---	---	---	---	5,428	4,683	6,583	600	456	n.a.
Crude rubber	1,000 lbs.	13,754	8,979	9,446	995	678	n.a.	2,966	2,642	3,178	3,518	4,558	4,867
Lamps and parts	---	---	---	---	---	---	---	17,766	21,114	25,068	34,739	52,184	53,569*
All other commodities	---	---	---	---	---	---	---	558,814	647,918	735,414	921,346	1,229,417	1,335,716
TOTALS	---	---	---	---	---	---	---	558,814	647,918	735,414	921,346	1,229,417	1,335,716

Source: Tables of Trade and Shipping of Chosen, Government-General of Chosen.

N.a. is used where figures are not available, especially those figures omitted from the trade returns for strategic reasons.

Dash is used in quantity columns for commodities of such nature that quantity figures are not given.

Value figures in parentheses indicate chief commodities in the general category immediately preceding. They are not to be added in totaling, for their values are already included with the figures for the general categories.

* Including values of items for which separate figures are not available.

1/ In this table, Japan includes Karafuto, Taiwan, and the Japanese Mandated Islands.

2/ Converted from figures given in long tons.

b. Imports

In 1938 the leading import group was textiles and textile raw materials, accounting for one-fourth of total imports. In second place were machinery, metal manufactures, vehicles, and instruments, together constituting 20 percent of total imports. Imports of minerals, ores, and metals constituted 15 percent of the total, and imports of foodstuffs, beverages, and tobacco more than 10 percent. Most significant in Korea's import trade has been the growth of machinery imports. In 1940 such imports from Japan were five times as large in value as in 1935, and were greater in value than any single group except minerals, ores, and metals. The extent of industrialization which has taken place in Korea has perhaps not been generally recognized, and the significance of such large imports has not been placed in its true perspective. Several industrial centers in Korea rank with the smaller ones of Japan, and, providing such industry is not too heavily damaged during the war, Korea will emerge with the foundations for industrialization already laid. Such imports, whether from Japan or elsewhere, must, however, be forthcoming if industrialization is to continue.

Like other countries in the Far East which are not self-sufficient in textiles, Korea has imported large quantities from Japan, averaging over 250,000,000 square yards annually from 1935 to 1939. This will continue to be an essential import, for needs for textiles have grown, while the industry has been hurt by the wartime emphasis on strategic minerals, metals, and chemicals. While it seems likely that the exchange of rice and some minerals for textiles and machinery from Japan will continue in the postwar period — Koreans themselves recognizing the need for some of this trade — the period of occupation will probably witness even greater textile needs in Korea than now exist.

Certain other imports are necessary because Korea, although it exports them, does not produce enough for its own needs, and has imported greater quantities. In this category fall such products as paper, lumber, cement, salt, coal, and fertilizers. Millet likewise is imported as a substitute for exported rice, but this comes from Manchuria. Wheat and wheat flour must be imported if they are to be consumed in substantial volume, but they are not essentials in the Korean diet.

Other commodities must be imported because they are not found or produced in Korea. No oil is found, so that petroleum products must all be imported. Similarly rubber, tin, sugar, and other products from southern Asia must be brought in. Many of these have come via Japan, but this is not essential if other merchant shipping is available.

Table No. 13 and No. 14 above list the chief commodities in trade between Korea and Japan for the years 1935 to 1940, with quantities and values of annual shipments.

B. TAIWAN (FORMOSA)

1. Japan's Trade with Taiwan

Taiwan, for its size, also ranks high in trade areas of the Far East. Its per capita trade, in fact, is far above that of Japan Proper and Korea. Ninety percent of this trade is with those two areas. In 1939, out of total combined exports and imports of over 850,000,000 yen, only 3 percent went outside of yen-bloc areas. This almost complete centralization of Taiwan's trade in yen-bloc areas has been a progressive development, for it was not characteristic of the trade when Japan annexed Taiwan.

It should be noted that the statistics of trade between Taiwan and Japan are sometimes misleading. Many American and European commodities were purchased from Japanese importing firms, where stocks were on hand and delivery could be made in a few days. This was encouraged by the facts that articles imported from Japan were admitted into the island free of duty, and that direct imports from foreign countries were impeded by customs delays and procedural difficulties. Recorded imports from Japan therefore sometimes represent indirect imports from foreign countries; automobiles, certain machinery, and some manufactured consumers' goods came from the United States. Some local products also were exported to foreign countries via firms in Japan; this was particularly true of paper and fiber hats, one of the island's staple exports.

Several hundred junks engaged in trade between ports of Taiwan and South China. Although some of these were legitimate traders, many were engaged in smuggling, for which sugar and kerosene were favorite items. It must be remembered, also, in the case of trade with Japan Proper, that figures for strategic commodities were not given after July, 1937, by the Japanese authorities. Figures for Taiwan's imports of iron, metal manufactures, some machinery, automobiles, and petroleum products from Japan are not available after that date.

2. Export Balance: Basis for Imports

Large exports of rice and sugar are the foundation which enables this island to import a variety of goods in considerable volume. Ever since 1908 Taiwan has had an export balance in merchandise trade, and the percentage of the total production of the island which has been exported has always been high. More than 95 percent of Taiwan's exports to Japan have consisted of foodstuffs, and it is the self-sufficiency of the island in basic foodstuffs such as rice, sugar, sweet potatoes, vegetables, fruits, and pork which provokes the comment that even when the Formosan-Chinese have little cash income, they have enough to eat and a place of shelter. Exports of these products (and some others, such as alcohol and camphor) make possible imports of such supplemental foodstuffs as dried fish, wheat and flour, beverages, and cigarettes; of textiles; of petroleum; of cement and lumber; of fertilizers; and of metal manufactures, machinery, vehicles and vessels.

The import trade of Taiwan is diversified, so much so that it is difficult to show in a table a high percentage of the imports without including many items of small value. In many cases, specified single items have been small, while miscellaneous categories, such as "other drugs and medicines" show a substantial value. About 20 percent of the imports from Japan consist of the foodstuffs mentioned above, while over 15 percent is accounted for by textiles. In 1935 more than 20 percent consisted of ores and metals, metal manufactures, machinery, vehicles, and vessels. Complete figures for these were not given after 1936, but they undoubtedly increased greatly. Industrialization of Taiwan advanced after 1937, and this necessitated imports of machinery, cement, and construction materials necessary for development of power plants, factories, and improved port and transportation facilities. Imports of fertilizers have always been large.

Quantity figures have never been given for Taiwan's imports of textiles, metal manufactures, machinery, and vehicles. For the latter, estimates of quantity are difficult, but in the case of textiles it may be noted that imports of cotton and silk fabrics were valued at about 20,000,000 yen annually, and that imports into Korea having comparable values amounted to about 100,000,000 square yards. This would mean a consumption of about 16 square yards per person in Taiwan, which was the Korean per capita consumption in 1936.

3. Probable Shift in Character of Imports

Such commodities as cigarettes, alcoholic beverages, condensed milk, canned foods, and similar items were imported in pre-war years in good part for consumption by the 325,000 Japanese on the island. This is also true of the 25,000 tons of dried and salted fish imported annually, for fish is not important in the diet of Formosan-Chinese; their chief meat item is pork, for which 1,000,000 hogs were slaughtered on the island annually. It is unlikely that these imports will continue, therefore, in pre-war volume; and, because of the paucity of Taiwan's natural resources, and the resulting difficulties facing industrialization, it is also unlikely that the island will continue to import the volume of metal manufactures and construction materials needed by the Japanese to develop Taiwan as a base for military operations, and as a producer of materials for its own defense.

4. Export Problems

In the event of occupation either of Japan Proper or of Taiwan, the island will be cut off from its export market for its rice, sugar, fruits, tea and camphor. Rice and sugar constituted nearly three-fourths of the value of all exports in 1937, and they are the focus of the problem. Closing of export channels will leave Formosan-Chinese with little cash income, and the economy of the island will suffer if other outlets for export surpluses are not available. Should Taiwan be occupied, it might well be that some plan could be introduced to purchase the export surplus for sale in other territories than Japan Proper until normal trade channels are re-opened or new trade channels established.

Table No. 15
SUMMARY TABLE OF TRADE OF TAIWAN (FORMOSA)
Value in Thousands of Yen

Commodity Groups	Total Trade					Trade With Japan 1/					Commodity Groups as Percentages of Trade With Japan	
	1935	1936	1937	1938 2/	1939 2/	1935	1936	1937	1938 2/	1939 2/	1935	1937
Exports:												
Foodstuffs, beverages, and tobacco	298,135	333,839	368,981	--	--	278,045	316,497	350,450	--	--	88.5	85.4
Chemicals, drugs, and dyes 3/	15,878	15,284	16,517	--	--	12,230	11,722	13,834	--	--	3.9	3.4
Minerals, ores and metals 4/	15,839	21,482	n.a.	--	--	13,109	19,408	n.a.	--	--	4.2	n.a.
Textile raw materials, textiles and clothing	10,102	7,907	10,623	--	--	4,817	4,235	7,025	--	--	1.5	1.7
Other commodities	10,790	9,457	44,254 5/	--	--	5,939	7,033	36,950 6/	--	--	1.9	9.5 6/
Total	350,744	387,949	440,375	456,454	592,939	314,200	358,895	410,259	420,104	509,745	100.0	100.0
Imports:												
Foodstuffs, beverages, and tobacco	55,524	59,699	62,342	--	--	47,880	51,063	53,721	--	--	21.9	19.3
Textile raw materials, textiles and clothing	43,284	43,049	45,734	--	--	36,704	38,444	41,970	--	--	17.7	15.1
Ores and metals	18,241	19,803	n.a.	--	--	17,378	18,885	n.a.	--	--	--	--
Metal manufactures	10,261	13,755	14,890	--	--	10,183	13,583	14,792	--	--	22.8	11.9*
Machinery and parts	9,545	13,765	9,349 5/	--	--	8,782	12,184	8,552 5/	--	--	--	--
Vehicles, vessels and parts	10,380	11,163	6,266 5/	--	--	10,346	11,097	6,266 5/	--	--	--	--
Instruments and parts	3,002	2,443	9,660	--	--	2,995	2,425	3,375	--	--	10.4	13.6
Fertilisers	43,243	47,626	53,653	--	--	22,772	28,492	37,750	44,878	37,265	4.7	4.7
Lumber	10,387	12,593	13,547	--	--	10,211	11,948	13,056	--	--	4.1	n.a.
Oils, fats and waxes	12,456	13,878	n.a.	--	--	8,939	10,904	n.a.	--	--	4.4	n.a.
Chemicals and drugs	11,921	13,101	n.a.	--	--	9,490	10,452	n.a.	--	--	3.3	3.2
Paper, pulp, and paper products	7,254	7,941	9,030	--	--	7,219	7,893	8,958	--	--	2.3	2.7
Minerals and manufactures	5,545	7,054	9,340	--	--	5,073	5,126	7,580	--	--	1.5	1.4
Pottery, glass and manufactures	3,318	3,830	4,093	--	--	3,192	3,694	4,016	--	--	6.9	28.0 6/
Other commodities	18,759	22,986	84,200 6/	--	--	14,977	17,542	77,852 6/	--	--	--	--
Total	263,120	292,686	322,124	366,659	408,650	218,141	243,832	277,895	327,950	357,608	100.0	100.0

* Incomplete figure

- 1/ Including Chosen and the Mandated Islands.
- 2/ Group totals are not available for these years.
- 3/ Including camphor and camphor oil.
- 4/ Including small exports of metal manufactures.
- 5/ Incomplete figure.
- 6/ Including items for which figures are n.a.

Sources: 1935-1937, Annual Returns of the Trade of Taiwan (Formosa), Government-General of Taiwan; 1938-1939, Annual Review of Commerce and Industry, American Consulate, Taihoku.

Table No. 16
CHIEF EXPORTS OF TAIWAN TO JAPAN 1/

Commodities	Units of Quantity	Quantities					Values (Thousands of Yen)				
		1935	1936	1937	1938	1939	1935	1936	1937	1938	1939
Foodstuffs, beverages and tobacco							278,045	316,497	350,450	n.a.	n.a.
Sugar	1,000 lbs.	1,884,861	1,888,184	1,971,111	2,018,172	2,543,952	145,977	163,495	188,986	177,596	229,254
Rice and paddy 2/	do	1,354,806	1,515,603	1,516,317	1,403,695	1,251,959	105,545	124,310	126,171	126,708	125,289
Bananas	do	258,615	269,490	312,954	271,549	279,703	9,476	10,587	11,736	12,856	16,519
Pineapples, canned	1,000 dozen	3,204	2,463	2,975	2,624	2,995	7,307	5,857	7,600	8,458	11,211
Black tea	1,000 lbs.	1,037	931	1,111	1,587	1,920	781	811	1,159	1,489	2,235
Pouchong tea	do	712	667	614	n.a.	n.a.	216	204	165	n.a.	n.a.
Oolong tea	do	13	7	17	n.a.	n.a.	11	7	10	n.a.	n.a.
Fresh fish and shellfish	do	12,723	15,763	14,795	10,197	12,080	2,222	3,032	3,050	1,982	3,085
Sweet potatoes, dried	do	58,642	78,430	143,897	155,277	25,381	1,291	2,113	2,941	4,076	824
Molasses	do	70,431	94,198	99,583	73,723	59,539	1,270	1,433	1,560	1,270	1,212
Salt	do	70,431	94,198	99,583	73,723	59,539	979	1,103	1,096	1,745	1,080
Bamboo sprouts, dried	Metric tons	99,727	110,188	107,522	192,567	92,290	334	351	277	n.a.	n.a.
Oranges	1,000 lbs.	1,092	1,347	1,430	n.a.	n.a.	271	372	388	n.a.	n.a.
Other foodstuffs, beverages and tobacco	do	3,988	5,254	4,059	n.a.	n.a.	2,365	2,822	5,311	n.a.	n.a.
Chemicals, drugs and dyes							12,230	11,722	13,834	n.a.	n.a.
Alcohol	1,000 gals. 3/	5,916	5,737	6,753	10,253 4/	16,082 4/	5,083	4,132	5,569	9,742 4/	16,526 4/
Camphor	1,000 lbs.	2,416	2,886	2,643	3,045	3,919	2,360	2,819	2,616	3,152	4,030
Camphor oil	1,000 lbs.	5,699	5,077	5,285	2,909 5/	2,421 5/	2,176	2,214	2,598	1,781 5/	1,637 5/
Denatured alcohol	1,000 gals. 3/	2,078	2,270	2,270	n.a.	n.a.	444	1,506	1,861	n.a.	n.a.
Carbon black	Metric tons	1,686	716	655	n.a.	n.a.	379	319	373	n.a.	n.a.
Other chemicals, drugs and dyes	do						1,788	732	817	n.a.	n.a.
Textile raw materials, textiles & clothing							4,817	4,235	7,025	n.a.	n.a.
Hats and caps	Thousands	6,742	5,795	5,471	4,502	5,029	3,018	2,447	3,267	2,987	3,801
Jute	1,000 lbs.	2,068	1,825	4,609	n.a.	n.a.	218	183	509	n.a.	n.a.
Other textile materials and textiles	do						1,581	1,605	3,249	n.a.	n.a.
Paper, pulp and products							1,428	1,821	2,835	n.a.	n.a.
Wall board	Metric tons	n.a.	5,640	5,507	4,813	5,939	676	812	778	662	952
Paper, European style	do	n.a.	2,648	5,068	10,942	15,912	n.a.	741	1,647	3,934	6,165
Other paper and products	do						752	268	410	n.a.	n.a.
Minerals, ores, metals & metal manufactures							13,109	19,408	n.a.	n.a.	n.a.
Coal	Metric tons	81,526	114,134	270,159	439,544	276,258	747	1,037	2,563 6/	5,757	4,489
Ores	do	176,548	231,810	135,554 6/	n.a.	n.a.	9,835	15,637	11,116 6/	n.a.	n.a.
Iron	do	7,411	17,995	n.a.	n.a.	n.a.	466	1,410	n.a.	n.a.	n.a.
Copper	do	603	733	n.a.	n.a.	n.a.	364	443	n.a.	n.a.	n.a.
Other minerals, and metals	do						1,697	881	n.a.	n.a.	n.a.
Miscellaneous:							1,290	1,994	2,058	3,099	4,719
Lumber	1000 bd. ft. 7/	8,982	11,611	9,981	13,529	19,108	200	208	345	n.a.	n.a.
Hides	Metric tons	580	512	712	n.a.	n.a.	3,081	3,010	33,712	52,810	76,717
All other commodities	do						314,200	358,895	410,259	420,104	509,745
TOTAL											

Source: 1935 - 1937, Annual Returns of the Trade of Taiwan (Formosa), Government-General of Taiwan; 1938 - 1939, Annual Review of Commerce and Industry, American Consulate, Taihoku.

- n.a. is used where figures are not available, especially those figures omitted from the trade returns for strategic reasons.
- Dash is used in quantity columns for commodities for which quantity figures have not been given.
- * Including values of items for which separate figures are not available.
- 1/ In this table, Japan includes Karafuto, Chosen, and the Japanese Mandated Islands.
- 2/ Not including waste rice.
- 3/ Converted from koku at the rate of 47.65 American gallons per koku.
- 4/ Includes denatured alcohol.
- 5/ Includes only refined camphor oil, which, in previous years, was about 60 percent of the total.
- 6/ First seven months only.
- 7/ Converted from cubic shaku at the rate of 1 shaku equals 0.99419 foot; slightly different conversion factor used in other publications accounts for small differences in board-foot figures.

Table No. 17
CHIEF IMPORTS OF TAIWAN FROM JAPAN^{1/}

1935 - 1939

Values (Thousands of Yen)

Commodities	Units of Quantity	Quantities					Values (Thousands of Yen)				
		1935	1936	1937	1938	1939	1935	1936	1937	1938	1939
Textile raw materials, textiles & clothing							38,704	38,444	41,970	n.a.	n.a.
Cotton textiles	Thousands	8,428	7,073	8,303	16,564	7,418	20,265	19,325	21,635	23,361	19,751
Gunny bags							3,084	2,497	3,035	8,849	5,408
Woolen textiles							2,041	2,023	1,785	3,519	4,375
Footwear							2,926	2,798	2,556	n.a.	n.a.
Underwear							2,052	2,520	3,110	2,921	3,306
Yarn and thread							2,075	1,958	2,078	2,015	2,605
China grass and hemp textiles							279	275	324	n.a.	n.a.
Other raw materials, textiles & clothing							5,982	7,048	7,447	n.a.	n.a.
Ores and metals	Metric tons	95,668	104,495	54,208 ^{2/}	n.a.	n.a.	17,378	18,885	n.a.	n.a.	n.a.
Iron and steel	do	1,346	1,556	n.a.	n.a.	n.a.	15,383	16,257	n.a.	n.a.	n.a.
Lead	do	736	907	n.a.	n.a.	n.a.	198	577	n.a.	n.a.	n.a.
Copper							645	853	n.a.	n.a.	n.a.
Other ores and metals							952	1,198	n.a.	n.a.	n.a.
Metal manufactures							10,183	13,683	14,792	n.a.	n.a.
Iron manufactures							5,035	6,528	7,028	n.a.	n.a.
Nails, bolts, nuts, screws, rivets etc.							1,413	1,408	2,028	2,330	3,029
Insulated electric wire							1,252	1,360	1,717	1,638	2,188
Construction materials	Metric tons	4,821	11,914	6,183	n.a.	n.a.	914	2,465	1,840	2,220	2,080
Other metal manufactures							1,569	1,922	2,179	n.a.	n.a.
Machinery and parts							8,782	12,184	8,552 ^{3/}	n.a.	n.a.
Electric machinery and parts							n.a.	1,972	1,201	1,684	3,957
Other machinery and parts							8,782	10,212	7,351 ^{2/}	n.a.	n.a.
Vehicles and vessels and parts thereof							10,346	11,097	n.a.	n.a.	n.a.
Automobiles and parts							5,051	5,457	3,796 ^{2/}	n.a.	n.a.
Bicycles and parts							2,988	3,509	3,970	4,367	4,210
Railway cars and parts							1,433	1,429	1,599	n.a.	n.a.
Locomotives and parts							650	519	313	n.a.	n.a.
Other vehicles, vessels and parts							224	183	n.a.	n.a.	n.a.
Instruments and parts							2,995	2,425	3,375	n.a.	n.a.
Foodstuffs, beverages and tobacco							47,880	51,063	53,721	n.a.	n.a.
Salted and dried fish	1,000 lbs.	49,694	49,387	50,710	48,319	59,303	4,735	4,903	5,039	5,483	9,345
Wheat flour	do	61,459	62,337	50,491	60,712	63,369	4,530	5,511	5,084	6,313	7,625
Sake	1,000 gals.	723	922	842	1,244	1,428	3,146	4,029	3,959	6,011	6,909
Beer	1,000 cases ^{4/}	118	142	145	187	362	2,021	2,437	2,746	3,665	5,125
Cigarettes	Millions	1,051	968	1,036	784	709	7,212	6,643	7,850	6,102	5,505
Canned food							2,665	3,096	2,967	5,026	6,144
Ajinomoto							2,514	3,062	3,578	4,036	4,388
Confectionery							2,066	2,457	2,605	3,287	3,922
Dried shrimps and prawns	1,000 lbs.	3,613	3,355	2,486	n.a.	n.a.	1,025	1,048	1,012	n.a.	n.a.
Wheat	do	36,734	16,045	23,612	24,006	20,573	1,972	1,144	1,775	1,648	1,945
Condensed milk	1,000 dozen	420	435	462	573	414	1,432	1,568	2,010	2,554	1,912
Sugar, refined	1,000 lbs.	8,768	7,261	6,064	6,393	2,136	1,323	1,140	954	1,118	469
Soy	1,000 gals.	995	1,127	1,078	1,114	1,045	974	1,199	1,265	1,331	1,289
Dried cuttlefish	1,000 lbs.	2,968	1,401	1,889	2,530	4,970	944	676	796	1,160	2,474
Fruits, fresh							942	811	782	n.a.	n.a.
Other foodstuffs, beverages and tobacco							10,379	11,339	11,299	n.a.	n.a.
Fertilizers	Metric tons	254,532	313,953	393,569	413,910	333,547	22,772	28,492	37,750	44,878	37,265
Sulphate of ammonia	do	97,538	139,279	176,601	n.a.	n.a.	11,176	14,829	18,652	n.a.	n.a.
Compound fertilizers	do	48,266	63,113	99,046	n.a.	n.a.	3,963	5,478	8,876	n.a.	n.a.
Superphosphate of lime	do	62,684	61,543	56,932	n.a.	n.a.	2,343	2,466	2,821	n.a.	n.a.
Other fertilizers	do	46,044	50,018	60,990	413,910*	333,547*	5,290	5,719	7,401	n.a.	n.a.
Oils, fats and waxes							8,939	10,904	n.a.	n.a.	n.a.
Kerosene	1,000 gals.	2,255	3,571	2,838	n.a.	n.a.	842	1,288	1,141	n.a.	n.a.
Light oil	do	3,409	2,031	n.a.	n.a.	n.a.	1,139	1,357	1,108 ^{4/}	n.a.	n.a.
Lubricating oil	do	1,927	9,580	n.a.	n.a.	n.a.	1,192	3,143	n.a.	n.a.	n.a.
Other mineral oil	do	3,299	n.a.	n.a.	n.a.	n.a.	1,306	2,322	2,683	4,490	5,584
Soap	1,000 gals.	n.a.	802	1,026	1,276	1,284	1,808	1,252	1,738	1,797	2,494
Edible oils							n.a.	1,542	n.a.	n.a.	n.a.
Other oils, fats and waxes							2,652	n.a.	n.a.	n.a.	n.a.
Chemicals and drugs							9,490	10,452	n.a.	n.a.	n.a.
Matches	1,000 cases ^{5/}	223	142	87	47	118	1,984	1,350	1,135	963	2,800
Explosives							931	1,425	n.a.	n.a.	n.a.
Other chemicals and drugs							6,575	7,677	n.a.	n.a.	n.a.
Paper, pulp and paper products							7,219	7,893	8,958	n.a.	n.a.
Paper							5,062	5,414	6,339	7,178	7,450
Other paper products							2,157	2,479	2,619	n.a.	n.a.
Potteries, glass and manufactures							3,192	3,694	4,016	n.a.	n.a.
Porcelain and earthenware							1,481	1,542	1,551	1,621	2,190
Other potteries, glass and manufactures							1,711	2,152	2,465	n.a.	n.a.
Minerals and manufactures	Metric tons	132,655	112,823	196,495	170,083	121,700	5,073	5,126	7,580	n.a.	n.a.
Cement							3,150	2,420	3,990	3,420	2,571
Other minerals and manufactures							1,923	2,706	3,590	n.a.	n.a.
Miscellaneous commodities:							10,211	11,948	13,056	15,170	18,990
Lumber	1000 bd. ft. ^{6/}	158,021	185,181	174,675	160,670	178,127	788	872	866	n.a.	n.a.
Railway sleepers	Thousands	66	958	919	n.a.	n.a.	1,032	1,107	1,531	2,278	1,806
Shocks	do	894	n.a.	n.a.	n.a.	n.a.	1,172	1,162	1,010	n.a.	1,167
Materials for hat-making							11,985	14,401	52,605	160,976	182,794
All other commodities							218,141	243,832	277,895	327,950	357,608
TOTAL											

Sources: 1935-1937, Annual Returns of the Trade of Taiwan (Formosa), Government-General of Taiwan; 1938-1939, Annual Review of Commerce and Industry, American Consulate, Taihoku.

N.a. is used where figures are not available, especially those figure omitted from the trade returns for strategic reasons. Dash is used in quantity columns for commodities for which quantity figures have not been given.

* Including values of items for which separate figures are not available.

^{1/} In this table, Japan includes Karafuto, Chosen, and the Japanese Mandated Islands.

^{2/} First seven months only.

^{3/} Incomplete figures.

^{4/} A case contains four dozen bottles.

^{5/} A case contains two hundred dozen boxes.

^{6/} Converted from cubic shaku at the rate of 1 shaku equals 0.99419 foot; slightly different conversion factor used in other publications accounts for a small difference in board foot figures.

RESTRICTED

RESTRICTED

RESTRICTED

RESTRICTED

III BALANCE OF PAYMENTS—JAPANESE EMPIRE

A. INTRODUCTION

Figures for Japan's balance of payments were published during most of the period from the end of the First World War to the beginning, in 1937, of the China "Incident". From 1924 to 1936, inclusive, the Department of Finance of the Imperial Japanese Government compiled statements of the balance of payments; these statements were published each year in the Financial and Economic Annual of Japan, issued by the Department of Finance, and also, with those of other countries, in Balances of Payments, published annually from 1930 by the League of Nations. (Prior to 1930 they were published in the League's Memorandum on International Trade and Balances of Payments, 1913-1927, and ibid., 1927-1929.) No statement in this series is available after 1936; the figures for that year were published (with the usual year's delay) in the 1937 annual, and reprinted in the 1938 annual, while the annuals for 1939 and 1940 carried no balance of payments statements.

In the Financial and Economic Annual of Japan, the Department of Finance also published, from 1923 to 1936 inclusive, estimates of the invisible items in Japan's balance of payments. Both nomenclature and totals differed from the statements of the balance of payments described above, which were compiled in the form prescribed by the League of Nations. The net balances of the two sets of statements may be reconciled, however, except for differences in capital items, although the debits and credits taken separately, or in total, show wide discrepancies. Capital items were more completely reported in the balance of payments statements sent to the League of Nations.

Balance of payments data in each of these series of estimates relate to the Japanese Empire as a whole. The League of Nations statements, which include merchandise trade, show as separate items (additionally to the figures for Japan Proper) the figures for trade with foreign countries of Korea (Chosen), Taiwan (Formosa), and the Mandated Islands (Nanyo). The part of the colonies' trade which is included, of course, is that with foreign countries; trade within the Japanese Empire would not involve foreign exchange or international transactions. It must be noted, however, that the balance of payments is for the whole pre-war Empire, and does include the trade of Korea, Taiwan, and Nanyo with foreign countries, while Japan's official trade figures include only the foreign trade of Japan Proper and Karafuto.

It is perhaps not always recognized that the expression "Japan's foreign trade" may have at least three distinguishable meanings. Foreign trade of the Empire, including trade of the colonies with foreign countries, but excluding trade within the Empire (as in the balance of payments figures) may be meant; secondly, trade of Japan Proper only (including the Ryukyu Islands and Karafuto) with foreign countries (as in the official Japanese trade sta-

tistics) may be referred to; or, total external trade of Japan Proper, including its trade with the colonies, may be in mind. The last-mentioned is the most useful concept for appraising problems likely to arise during the period of military occupation of the main islands, as well as in the postwar period. In this handbook, accordingly, are included tables of trade of Japan Proper with Korea and Taiwan, as well as with foreign countries, in order to facilitate analysis of problems which may arise in maintaining supplies of foodstuffs and other essential commodities during a period of military occupation.

B. SUMMARY OF BALANCE OF PAYMENTS OF JAPANESE EMPIRE

As shown in Table No. 18, the merchandise trade of Japan Proper exceeded 4,000,000,000 yen, or roughly \$2,000,000,000, before 1930 (when United States trade was over \$9,000,000,000), and had expanded to exceed 5,000,000,000 yen, or over \$1,400,000,000, by 1935 (when United States trade was only somewhat over \$4,000,000,000.) (This illustrates why it is preferable to retain Japan's trade figures in yen, for when converted to dollars it would appear that the trade declined from 1929 to 1935. Actually, of course, the decline in dollar values is attributable to the drop in exchange value of the yen from nearly 50 cents in 1929 to around 28 cents in 1935). It will be noted, however, that Japan's imports have been consistently larger, by about 100,000,000 to 200,000,000 yen, than its exports (except in 1935, which was an unusual year because of large exports of silver obtained from China via Korea).

This pressure of imports — to secure raw materials and machinery for rapid industrialization and aggrandizement as a military power — has been the characteristic feature of Japan's commodity trade. More realistically than many other nations in the world, Japan has exported in order to import. The deficit by which exports failed to cover imports was met in part by receipts from service items, especially shipping. Except in periods of Japanese export trade expansion, such as 1932-1936, Japan was, however, forced to ship gold abroad; and finally to institute strict measures to assure that all foreign exchange acquired from exports be devoted to "essential" imports. In earlier years Japan was able to borrow abroad, but the import of capital has not been an important feature of Japan's balance of payments for at least two decades.

The balance of trade of the Japanese Empire has been more "unfavorable" than that of Japan Proper. Although Taiwan has always had an export balance, this has been more than offset by the larger and equally consistent import balance of Korea. Korea's debit balance of trade has in fact been more pronounced and more consistent than that of Japan Proper, and it has been offset only by the facts that Japan has been investing capital there in sizable amounts, and that all of Korea's gold production has been exported.

Total debits and credits in the balance of payments of the Japanese Empire exceeded 8,000,000,000 yen in 1935 as compared with less than 5,000,000,000 yen in 1931, reflecting the greatly increased trade and the investments being made in Manchuria. It will be noted that the totals of

Japan's balance of payments show a consistent excess each year of debits over credits — prima facie evidence of incomplete or inaccurate returns. There are reasons for believing, for example, that exports have been undervalued and imports overvalued to the extent of perhaps 100,000,000 to 150,000,000 yen a year in recent years, particularly in the effort to conceal transfers of capital abroad, and that Japan's balance of trade in those years was probably to that extent more "favorable" than shown.

C. PRE-WAR HISTORY OF JAPANESE EMPIRE BALANCE OF PAYMENTS

1. 1920-1931

a. Japan's Debit Balance of Trade

The most significant characteristic of Japan's balance of payments from the end of the first World War until 1931 was the heavy excess of merchandise imports — the total excess for the period amounting to over 4,500,000,000 yen. It has been pointed out that prices in Japan were abnormally rigid, and that the yen was thus overvalued. After 1920 Japanese prices did not fall to the extent that British and American fell, remaining relatively higher than they had been before 1914. Partly this was due to the policy of the Japanese Government and the Bank of Japan, which supported prices in 1920 and thus delayed any deflation. The policy of supporting the yen by paying over foreign balances also prevented this adjustment, for it made unnecessary gold exports, which might have forced internal deflation, and it also prevented depreciation of the yen, which would have eliminated the necessity of price readjustments.

Nevertheless, high and rigid prices in Japan during that period (or, in other terms, overvaluation of the yen) do not adequately explain the import balance of trade. The pressure for imports of raw materials and machinery for rapid industrialization and for reconstruction after the earthquake of 1923 were basic factors underlying developments in foreign trade. Because of the insufficiency of the country's natural resources, such industrialization and expansion were dependent to an exceptional degree on imported raw materials, and this put continual pressure upon the balance of payments.

b. Value of the Yen and the Import Balance of Trade

The consistent import balance of trade made it difficult to maintain the value of the yen without deflation of prices, other stimuli to exports, or gold exports, and in 1924 and 1925 the yen was allowed to depreciate. This would have been an alternative to deflation of prices if it had been the intention of the Japanese Government to stabilize the yen permanently somewhere below pre-war parity with the pound and the dollar. This was not the case, however, and five years later Japan tried to return to the gold standard at the old parity, with the result that the policy of depreciation of the yen simply delayed the deflation of prices which was the necessary preliminary to such return.

RESTRICTED

- 52 -

The panic of 1927, which centered around the Bank of Taiwan and the Suzuki sugar interests, resulted in the following two years in a general liquidation of unsound assets. Although a severe crisis, necessitating advances to other banks by the Bank of Japan totaling 880,000,000 yen (of which 185,000,000 yen went to the Bank of Taiwan), this did not become a long depression, partly because of the high level of economic activity in other parts of the world, especially the United States. A decline in the value of the yen also assisted Japan's export industries, and a relatively quick recovery was made possible.

In the summer of 1929 the Minseito Party came into power on a program of financial deflation. Effort was made to curtail Government expenditures, and economy was urged upon the Japanese people and businessmen. The new Minister of Finance, Junnosuke Inouye, who had been urging a return to the gold standard for a number of years, made preparations for lifting the gold embargo. This was done January 11, 1930 thereby officially reestablishing the pre-war gold parity of the yen (\$0.49845).

Return to the gold standard made necessary further deflation, which Japan had already undergone in 1929 to pave the way for return to gold. Such deflation perhaps would have been necessary in any case with return to the old yen parity, but it was Japan's misfortune to have returned to gold just at the outbreak of the world depression. The fall in world prices and the decline in export markets accentuated the decline in Japan's prices (which had already been deflated somewhat in 1929) and flight of capital from Japan caused a deterioration in the balance of payments. The result was a heavy volume of gold exports, totaling 675,000,000 yen for the two years 1930 and 1931.

Japan's main reliance for offsetting its debit balance of trade were its service and shipping items, which together furnished credits of 2,900,000,000 yen during the period 1920-1931. This was too small, especially because it was decreased by net Government payments abroad of 390,000,000 yen, and net interest and dividend payments of 750,000,000 yen. Shipping receipts were lower than they had been during the First World War, both because of reduced freights and because of the carrying of a larger portion of Japanese trade in foreign ships.

Interest payments did not play a major part, for Japan has not made large loans abroad, nor has it been able to borrow large amounts. Returns from its investments in Korea and Taiwan do not appear in the balance of payments of the Empire, and hence recorded interest payments were somewhat larger than receipts.

RESTRICTED

RESTRICTED

- 53 -

As a consequence, the balancing of Japan's international accounts required (1) the disposal of accumulated foreign balances held abroad, (2) some borrowing abroad, and (3) in 1930 and 1931, substantial exports of gold. The debit balance on merchandise items of over 4,500,000,000 yen was thus offset by a credit balance of 2,100,000,000 yen on service items, a credit balance of 1,990,000,000 yen for capital movements, and net gold exports of over 200,000,000 yen; as noted above, total debits have always slightly exceeded total credits. Gold exports in the years 1930 and 1931 totaled, as noted above, 675,000,000 yen, but there had been large gold imports in the years 1920-1923, and gold exports were made unnecessary in some years by depreciation of the yen.

The combination of factors which made necessary such large exports of gold in 1930 and 1931 made the return to the gold standard of short duration. The world depression, the international financial crisis of 1931, the reaction against Japan's invasion of Manchuria, and exchange speculation combined to weaken the yen. In December of 1931 the Minseito cabinet was forced to resign, and one of the first acts of the incoming Government on December 13 was to reimpose the gold embargo.

2. 1932-1936

a. Exports Equal Imports

Depreciation of the yen following abandonment of the gold standard, continued industrialization in Japan, and an active sales policy, with Government encouragement of exports, led to an increase in exports from 1,180,000,000 yen in 1931 to 2,870,000,000 yen in 1936. An approximate equality of exports and imports was achieved for Japan Proper, while the balance of trade for the Empire was "unfavorable" only to the extent of 134,000,000 yen for the entire five-year period. If, as seems probable, Japanese exports were understated and imports overstated by an amount of from 100,000,000 yen to 150,000,000 yen annually, the balance of trade was actually "favorable" over this period to the extent perhaps of as much as 500,000,000 yen. It must of course be noted that a contributing item was silver exports which amounted to 30,000,000 yen in 1932-34, 225,000,000 yen in 1935, and 36,000,000 yen in 1936. Much of this silver had been smuggled from China via Korea and it was exported to the United States in response to the high price of silver in this country. Even if actually "favorable," Japan's balance of trade was precarious.

The yen fell from par (49.845 cents) in 1931 to less than half of par in the summer of 1932, and to 20 cents in November of that year, but the combined effects of exchange control (established by the Capital Flight Prevention Law of 1932 and the Exchange Control Law of 1933) and the improved balance of trade permitted its stabilization by 1934. After October of that year the Yokohama Specie Bank maintained its official rate at 1 shilling 2 pence, and in terms of United States currency the yen

RESTRICTED

RESTRICTED

- 54 -

fluctuated around 28-29 cents. No further recorded gold exports were made during this period, after a small shipment in 1933, although it is believed that some gold left the country illegally.

The fall in silk prices in depression years forced Japan to realize that it could no longer depend upon raw silk (prior to that time constituting about 35 percent of its exports) to pay for a substantial part of its imports. With its attention turned to the export of manufactured goods, Japan's cheap products (assisted by a temporary advantage in the depreciation of the yen, and fundamental advantages of cheap labor and a simple pattern of living) found a market in the midst of depression. Cotton and rayon textiles, clothing, pottery, toys, drugs, chemicals, and sundry commodities were exported in volume. The rise of Japanese exports from 1,181,000,000 yen in 1931 to 2,872,000,000 yen in 1936 caused the adoption, in many world markets, of import restrictions aimed more or less directly at Japanese goods.

b. Note on Data Used, Classification of Items, and Errors

(1) Data Used.

Substantial discrepancies exist between the figures given above (taken from the balance of payments statements of the Japanese Department of Finance) and the "invisible trade" estimates made by the same source (both sets of figures are published in the Financial and Economic Annual of Japan, issued annually by the Department of Finance). The differences are not due to areas included, for it is unlikely that the interest and service transactions of the colonies with foreign countries could cause the existing large discrepancies, even if they were included in one statement and not in the other, while merchandise trade with foreign countries of Japan Proper and of each colony is shown as a separate item in the figures given above; the "invisible trade" estimates do not include merchandise items. No specific statement is made about the area included in the "invisible trade" estimates, while the balance of payments statements are stated to include the "foreign trade" of the colonies, with no specific statement regarding the interest and service items; Japanese authorities have said that both sets of statements refer to the Japanese Empire as a whole.

The "invisible trade" estimates published each year were revised later, while the balance of payments statements seem generally not to have been revised. Comparisons below apply to the unrevised estimates, discrepancies between the balance of payments statements and the revised estimates being still larger.

Neither the items separately nor the totals of debits or credits are in close agreement, but the net balances are generally closely reconciled when to the "invisible trade" estimates are added the official figures for merchandise, gold, and silver exports and imports of Japan Proper and the colonies, to and from foreign countries. The net balances for service and

RESTRICTED

RESTRICTED

- 55 -

interest items can also be reconciled if the "adjustment" for merchandise trade in the balance of payments statements is included with interest and service items given in the "invisible trade" estimates. Neither totals nor balances of capital items agree, but this is evidently because the item "changes in short-term assets" was excluded from the "invisible trade" estimates. The reason for this curious omission is unknown. It has been thought that Japan did not report changes in some short-term assets held abroad because those assets were being depleted to satisfy debit trade balances; but this explanation would thus question the accuracy of both sets of statements of short-term capital movements. Further, it may well be that the figures for changes in short-term assets given in the balance of payments statements were approximately correct, and exports were larger than stated, Japan's trade balance being less "unfavorable" than recorded; see the discussion below.

In spite of their being unrevised, the balance of payments estimates are used below. Revision of the "invisible trade" estimates stopped in 1933; the balance of payments estimates are more comprehensive; and the designations of items therein are more precise.

Official Japanese merchandise trade statistics, based upon the declarations of exporting and importing firms, are compiled from lists made up by the Customs authorities. Imports are valued c.i.f. (cost plus insurance and freight), while exports are valued at market prices at the port of clearance, including charges for packing and other charges to the time of delivery aboard ship.

Official figures for invisible trade and service items, since 1923, are based upon data systematically gathered by the Department of Finance from banks, shipping companies, tourist organizations, etc. Official estimates of capital movements have also been made, although little attempt was made to record movements of short-term capital prior to 1927. Importance of capital movements in recent years was lessened by Japan's inability to borrow abroad, in significant amounts, after the Manchurian Incident.

(2) Classification of Items

Classification of items as debits or credits follows the standard rule: credit items are those which necessitate payments to Japan from foreign countries, while debit items are those which require individuals in Japan to make payments to foreign countries. Exports of merchandise are credit items, for they require payments to Japan for the merchandise; so also are shipping services rendered by Japanese ships, or expenditures made in Japan by tourists, and other foreigners, or emigrants' remittances to Japan. Exports of gold also are credit items, for Japan had to be paid for its gold exports. The same rule applies to credit items: loans to Japan or to individuals or companies within Japan, are credit items; loans from Japan to other countries or to individuals or companies in other countries are debit items. To avoid confusion which sometimes exists because loans will (presumably) be

RESTRICTED

repaid in the future, requiring payments in the other direction, it must be remembered that this concerns a future balance of payments, and the movement of funds which enters into the statement of the given year is the making of the loan itself. Terminology also sometimes causes confusion, for loans to a country are sometimes referred to as "imports of capital" into that country, and also as "exports of securities" out of that country. Imports of capital require payments into Japan, and hence are credit items; imports of merchandise require payments by individuals in Japan to foreign countries, and hence are debit items.

(3) Errors

The fact that the sum of the debit items has each year (except 1931 and 1935) exceeded the sum of the credit items—prima facie evidence of inaccuracy, since theoretically the balance of payments should in the long run balance—requires consideration of some potential sources of error. (Note: the exact balance in the years 1924-1926, inclusive, is due to the fact that the figures given for movements of short-term capital for those three years were not arrived at independently, but are residual figures.) Errors of classification and of inclusion or exclusion from both sides, since they do not affect the balance, and are difficult to ascertain, may be disregarded.

There are reasons for believing that Japan's merchandise exports have tended to be undervalued, and imports overvalued, thus overstating the "unfavorable" balance of trade, or understating the "favorable" balance. One student of Japan's balance of payments has pointed out four reasons for believing that this undervaluation of exports has existed: (1) firms may have wished to reduce amounts of duty payable in ports of destination; (2) firms may have wished to minimize declarations of export values, which might be used as indications of the size of business income, for tax purposes; (3) goods may be valued at internal prices, thus not including the profits received by such concerns as Mitsui and Mitsubishi when the goods were sold abroad; (4) goods may have been deliberately undervalued in an attempt to conceal transfers of capital abroad, and thus evade the exchange controls (actual payments to Japanese firms being larger than recorded sales, the difference being kept in foreign countries for Japanese account). Such concealment was particularly important during the first years of exchange control (1932-1937) when the law covered only flight of capital and not exchange transactions involving merchandise exports and imports. Smuggling of goods from Japan into Manchuria and North China, either directly or via Korea, has been important, also, and such exports would not appear in the trade returns.

Because they are the basis of import duties, and because smuggling into Japan was probably much less common (due to more strict enforcement of laws in Japan than in Manchuria and China), import valuations are probably more accurate. Two sources of overvaluation have been important, however: (1) the statistics, at least until 1935, included certain imports from territories within the Japanese Empire; since these did not involve payments from Japanese

to foreigners, they should not properly have been included in the balance of payments of the Japanese Empire. ^{1/} (2) Imports are known to have been deliberately overvalued in recent years in order to conceal transfers of capital abroad, in violation of exchange regulations (the amount of the overvaluation could be retained for Japanese account in a foreign country).

Errors in other items are believed to be of less importance, although no doubt they exist. Thus, the item for "commissions, insurance, and brokerage" in the reports made to the League of Nations is identical with that for "insurance" in the statements of the Department of Finance, and it seems likely that no figures were reported for commissions and brokerage.

If exports have thus been understated and imports overstated, it follows that Japan's balance of trade was actually somewhat less "unfavorable" than recorded, thus making it a "favorable" balance in some years. It has been estimated that this difference in recent years amounted to perhaps 100,000,000 to 150,000,000 yen a year. That this was the case from 1932-1936 seems reasonable because of several facts. The cumulative net credit balance of all items for the years 1932-1936 inclusive, which should in theory have been zero, amounted to over 435,000,000 yen. Further, investments reportedly made in Manchuria during that period, amounting to about 1,100,000,000 to 1,200,000,000 yen—approximately equivalent to the net capital outflow as shown by the balance of payments—were in total at least 500,000,000 yen larger than the sum of the net credit balance for goods and services.

3. 1937-1940

a. Yen-Bloc versus Non-Yen-Bloc Trade

In the period following 1936 it is essential to divide Japan's trade into that with yen-bloc areas, and that with other countries. Such division is helpful, since no detailed balance of payments statements are available after 1936, in making some rough estimates of the balancing of Japan's international accounts. Industrialization in Japan and investment in Manchuria required imports; toward the end of 1936 these began to increase, and in 1937 the balance of trade with all areas, yen-bloc as well as non-yen-bloc, was "unfavorable" to the extent of over 600,000,000 yen. The balance with yen-bloc regions was, however, an export excess of 326,000,000 yen, the net import balance with other countries being over 963,000,000 yen.

^{1/} In 1935 Japan's Ministry of Finance announced that these figures, for imports of petroleum products and fish from Karafuto and its surrounding waters, were henceforth to be eliminated from the import statistics.

Table No. 19

TRADE OF THE JAPANESE EMPIRE WITH THE YEN-BLOC AND WITH OTHER COUNTRIES
1936-1940

(In millions of yen)

	1936	1937	1938	1939	Empire*	First 9 Months
						1940
						Japan Proper
Exports to all areas	2,737	3,318	2,895	3,930	2,974	2,743
Exports to yen-bloc	638	801	1,238	1,892		1,442
Exports to other countries	2,159	2,517	1,657	2,038		1,301
Imports from all areas	2,927	3,956	2,837	3,128	2,706	2,492
Imports from yen-bloc	421	475	640	740		558
Imports from other countries	2,506	3,481	2,197	2,388		1,934
Trade balance, all areas	-130	637	58	802	268	401
Trade balance, yen-bloc	217	326	598	1,152		884
Trade balance, other countries	-347	-963	-540	-350		-633

Note: (-) figures indicate import balances.

* Publication of detailed figures for foreign trade of Chosen and Taiwan had been suspended prior to September of 1940, but these figures for total exports and imports are given in the Monthly Return of the Foreign Trade of Japan for September, 1940. It will be noted that the export balance of the Empire is somewhat smaller than that of Japan Proper; this is because of Korea's characteristic import balance, both in trade with Japan and in trade with foreign countries.

Sources: Oriental Economist, February, 1940, p. 83, and Monthly Return of the Foreign Trade of Japan, September, 1940.

The "unfavorable balance of over 600,000,000 yen in 1937 and the transition to a wartime economy led to a tightening of exchange control, and the imposition of the trade controls described elsewhere in this handbook. These restrictions, requiring exchange permits for merchandise imports, requiring permission from the Ministry of Commerce and Industry for certain merchandise imports, and prohibiting import of many commodities, reduced imports to a greater extent than the decline in exports. Success was thus apparent in converting the import balance of 1937 into an export balance in 1938. Actually, as the above table shows, the success was more apparent than real, for the

"favorable" balance of trade existed only because of large exports to Manchuria and North China. With other countries the balance of trade was "unfavorable," though less so than in 1937.

b. Balancing Japan's Payments

The year 1939 witnessed an even larger increase in exports to the yen-bloc areas, and a net export balance with those areas of 1,152,000,000 yen. These exports did not produce any foreign exchange, and constituted a drain upon Japan's resources of raw materials. Legislation was therefore passed in September, 1939, to limit such exports. The total net export balance to the yen-bloc areas for 1937, 1938, 1939, and the first nine months of 1940 amounted to 2,960,000,000 yen, being balanced by loans to (investments in) those areas. Japanese investments in Manchuria made during the four years 1937-1940 amounted to almost 2,900,000,000 yen.

Table No. 20
Annual Japanese Investments in "Manchukuo"

as published by the

Japanese Government Bureau of "Manchukuo" Affairs

(In thousands of yen)

	1937	1938	1939	1940
S. M. R. called subscribed capital	36,000	20,000	40,000	100,000
S. M. R. gain in funded debt	21,000	115,000	210,000	245,000
S. M. R. gain in unfunded debt	84,000	-59,000	25,000	-5,000
S. M. R. release of held stock	----	1,344	15,391	3,950
Net increase in funded and unfunded debts of leading Manchuria companies	27,050	127,200	499,344	308,175
New corporate share subscription payments	34,144	91,612	103,796)	151,579
Old corporate subscription payments called	50,719	42,285	125,182)	----
"Manchukuo" national debts	-2,000	-2,000	----	----
"Manchukuo" foundation bonds	-6,000	-8,000	----	----
North Manchuria Railway bonds	----	50,000	----	----
"Manchukuo" unfunded debts	38,360	-38,360	----	----
"Manchukuo" investment bonds	----	-600	135,000	207,000
"Manchukuo" unfunded debts	----	100,000	-100,000	----
Hydroelectric industry bonds	----	----	50,000	----
Industrial Bank finance bonds	45,000	----	----	----
Totals	<u>348,273</u>	<u>439,481</u>	<u>1,103,713</u>	<u>1,010,704</u>

Note: (-) figures indicate redemptions.

Sources: Oriental Economist, March, 1940, and Mitsubishi Monthly Circular, April, 1941.

The import balance with countries other than those of the yen-bloc could not be offset by borrowing, for after the Manchurian Incident Japan was unable to secure long-term credits, and after the beginning of the China Incident even short-term credits were seldom available. Gold shipments had therefore to be made. The total of these for the four years 1937-1940 amounted to over 2,543,000,000 yen, while the net import balance with countries outside the yen-bloc for these four years (except for the last three months of 1940) amounted to more than 2,400,000,000 yen. It has been thought that these gold shipments depleted Japan's gold reserves to such extent that the reported gold holdings of the Bank of Japan as of June 1941 (501,000,000 yen) may not have been in existence. Chief difficulty in estimating Japan's gold position is that it is not known how much old gold was acquired prior to that date from Japanese individuals and institutions in the collection campaigns. Estimates thereof have varied from the equivalent of about \$60,000,000 to \$135,000,000. If the latter figure is correct, it might well be that Japan still held in June, 1941, the reported 501,000,000 yen gold reserve of the Bank of Japan, together with an estimated 234,000,000 yen held for the account of the Government Foreign Exchange Fund. Even so, however, it is natural that Japan took measures to tighten exchange control, to stimulate gold production, and to restrict exports to the yen-bloc areas — exports which drained material resources without supplying foreign exchange.

D. WARTIME BALANCE OF PAYMENTS

The embargo imposed by the United States and other countries in July, 1941, and finally the outbreak of war in December practically cut Japan off from all trade except that with the areas then under its control or subsequently occupied by it. Trade with those areas has been conducted during the war on a barter basis, chiefly, and the problem of the balance of payments has become of secondary importance. Relaxation of the reserve requirements of the Bank of Japan has made possible a sufficient volume of note issues for payment in yen within the area of the yen-bloc, and payment in other areas has been in military yen, with the exception of Indochina, where special clearing arrangements have been made.

Actually it may almost be said that Japan has no wartime balance of international payments, for one of the chief differences which separate intra-national and international trade is absent. Japan has been able to force its paper currency upon the areas which it has occupied; thus it has no problem of transfer into foreign currencies. With the recent abolition of customs duties between Japan and Manchuria it has made a further step toward elimination of barriers which differentiate international trade. The problems of Japan within its "Greater East Asia Co-prosperity Sphere" are almost those of a single large country, in which, however, mobility of labor and capital is limited, so that economic changes may proceed at varying rates and in different ways in different regions. This has been the case, for example, with respect to inflation, the rise in prices in some of the occupied areas being much greater than that in Japan Proper, which has been relatively well-controlled.

E. BALANCE OF PAYMENTS OF JAPAN PROPER

In the postwar period — assuming Korea is to become independent, and Taiwan is to revert to China — Japan's balance of payments will undergo changes because of shifts in trade volumes and directions, and also because of the changes in the political status of these areas. Items in the balance of payments will relate only to Japan Proper. The character and magnitude of Japan's postwar balance of payments, as thus compiled, will depend upon a number of factors, as yet indeterminate, relative to the extent of destruction of Japanese industry (weakening its ability to export, and hence its ability to import), the extent to which Japan is permitted to regain its former position in foreign trade and shipping, the willingness of foreign capital to enter Japan, the shifts in Far Eastern trade, and the time required for Japan to resume substantial imports and exports.

To afford some idea of a compilation on this basis, and especially to isolate some of the possible effects of this cutting off of Japan's colonies, there is given below a balance of payments for Japan Proper, based upon 1934-1936 data. Only some of the items can be projected into the postwar period, for the reasons given above, and extreme caution must be used in interpretation of the results.

It is clear from the estimates below (assuming that omitted items will more or less offset each other), that there remains a net debit for capital transactions between Japan and the colonies; as might be expected, Japan was making increasingly large capital investments in the colonies, especially in Korea. This corroborates the evidence from Korea's increasingly heavy import balance, an import balance in which the major group of items was composed of machinery, metals and metal manufactures, vehicles, and instruments.

The fact that merchandise imports and exports of Japan Proper has been much larger than merchandise imports and exports of the Japanese Empire does not mean, therefore, that they will continue to be so large. Merchandise trade of Japan Proper with the colonies in the years 1930 to 1936 was, it is true, about 30 percent as large as trade of Japan Proper with foreign countries, and in 1938 and 1939 this ratio rose to over 40 percent, as shown in the table below.

Table No. 21

Trade of Japan Proper with the Colonies and with Foreign Countries

(in millions of yen)

<u>Year</u>	<u>Imports and Exports Combined</u>		<u>Colonial as Percentage of Foreign</u>
	<u>Total Colonial Trade</u>	<u>Total Foreign Trade</u>	
1930	861	3,016	28.5

RESTRICTED

- 62 -

1931	783	2,383	32.9
1932	897	2,842	31.6
1933	1,036	3,778	27.4
1934	1,304	4,455	29.3
1935	1,577	4,971	31.7
1936	1,769	5,457	32.4
1937	1,996	6,959	28.7
1938	2,380	5,353	44.5
1939	2,834	6,494	43.6

The large imports from Korea and Taiwan were, however, the result of Japanese exploitation of the resources of the colonies, and exports in large volume were made possible by Japanese investments — at least in Korea. Although such trade will probably not be entirely eliminated Japan will no longer direct and control the exploitation of Korea and Taiwan and it is unlikely that it will be able to export large amounts of capital there. In the postwar period foreign exchange will be necessary for such capital movements; Japan will probably not have the capital for export because of reparations claims, not to mention costs arising from destruction, and necessary rebuilding, of its own industries. The political situation, moreover, would not favor, if it did not prevent, large Japanese investments in such areas.

It is unlikely that Japan will receive such large interest and dividend payments and emigrants' remittances from Korea and Taiwan, as in the years prior to the war. Many Japanese in these territories will voluntarily return to their homeland even if they are not compelled to do so. Japanese investments in Taiwan and Korea, it is assumed, will be transferred to new ownership and will not continue as sources of income for Japanese account.

Such considerations suggest that Japan's balance of payments problem in the immediate postwar period is likely to be serious, for even in the years 1932-1936 it was only a precarious balance that was maintained. While its imports undoubtedly will not be as large as they were in former years, many imports are essential — cotton and other textile raw materials, wheat, petroleum, rubber, iron — to mention only a few. Furthermore, if Korea and Taiwan are cut off from Japan, imports of rice and sugar will present problems of international payments; these two imports alone were valued at nearly 550,000,000 yen annually. Imports from Manchuria too will require foreign exchange payments. It is hardly likely that a resumption of capital movements into Japan will occur in appreciable volume. In resorting to gold exports, as in the years 1937-1940, Japan will have only depleted stocks on hand, its mines will have been long idle, and it will have lost in Korea the source of half of its pre-war production.

RESTRICTED

RESTRICTED

- 63 -

Table No. 22

PRELIMINARY

Estimated Balance of Payments of Japan Proper

In Millions of Yen

	1934		1935		1936	
	Credits	Debits	Credits	Debits	Credits	Debits
Merchandise trade items:						
With foreign countries 1/	2,171.9	2,282.6	2,499.1	2,472.2	2,693.0	2,763.7
With Korea (Chosen) 2/	439.6	407.7	558.8	485.9	647.9	518.0
With Taiwan (Formosa) 3/	177.0	279.4	218.1	314.2	243.8	358.9
With Nanyo (Mandated Islands) 4/	12.6	16.5	14.6	23.7	16.5	25.0
Correcting item 5/	100.0	--	100.0	--	100.0	--
Total merchandise items	<u>2,901.1</u>	<u>2,986.2</u>	<u>3,390.6</u>	<u>3,296.0</u>	<u>3,701.2</u>	<u>3,665.6</u>
Interest and dividend payments:						
With foreign countries 6/	104.8	131.2	128.8	142.6	155.8	131.0
With Korea (Chosen) 7/	100.0	--	105.0	--	110.0	--
With Taiwan (Formosa) 8/	35.0	--	35.0	--	35.0	--
Total interest and dividends	<u>239.8</u>	<u>131.2</u>	<u>268.8</u>	<u>142.6</u>	<u>300.8</u>	<u>131.0</u>
Service items, government transactions, etc.:						
With foreign countries 6/	599.1	439.5	658.8	476.1	696.1	497.3
With Korea (Chosen) 9/	98.0	13.0	86.0	13.0	92.0	13.0
With Taiwan (Formosa) 10/	55.0	--	49.0	--	52.0	--
Total service items	<u>752.1</u>	<u>452.5</u>	<u>793.8</u>	<u>489.1</u>	<u>840.1</u>	<u>510.3</u>
Silver coin and bullion:						
With foreign countries 1/	13.9	0.3	225.4	0.1	36.0	0.9
With Korea (Chosen) 2/	--	5.0	1.8	177.2	0.1	12.2
With Taiwan (Formosa) 3/	--	--	--	--	--	1.0
Total silver	<u>13.9</u>	<u>5.3</u>	<u>227.2</u>	<u>177.3</u>	<u>36.1</u>	<u>14.1</u>
Gold coin and bullion:						
With foreign countries 1/	--	--	--	0.1	--	--
With Korea (Chosen) 2/	0.3	31.4	2.0	33.4	0.7	51.2
With Taiwan (Formosa) 3/	--	--	--	--	--	--
Total gold	<u>0.3</u>	<u>31.4</u>	<u>2.0</u>	<u>33.5</u>	<u>0.7</u>	<u>51.2</u>
Capital items:						
With foreign countries 6/	361.2	489.9	459.2	740.6	624.3	799.2
With Korea (Chosen) and Taiwan (Formosa) (net residuum) 11/	--	171.9	--	262.5	--	331.8
Total capital items	<u>361.2</u>	<u>661.8</u>	<u>459.2</u>	<u>1,003.1</u>	<u>624.3</u>	<u>1,131.0</u>
Grand totals	<u>4,268.4</u>	<u>4,268.4</u>	<u>5,141.6</u>	<u>5,141.6</u>	<u>5,503.2</u>	<u>5,503.2</u>

See foot-notes on following page.

RESTRICTED

- 1/ Source: Financial and Economic Annual of Japan.
- 2/ Source: Tables of Trade and Shipping of Chosen. Government-General of Chosen.
- 3/ Source: Annual Returns of the Trade of Taiwan (Formosa), Government -General of Taiwan.
- 4/ Source: Japan-Manchukuo Yearbook. Except for merchandise items, transactions with Nanyo are disregarded.
- 5/ This is to correct for estimated undervaluation of exports and overvaluation of imports.
- 6/ From the Balance of Payments of the Japanese Empire given above. Small deductions should be made for interest and dividend payments, especially of Korea, to foreign countries.
- 7/ Estimated. Private Japanese investments in Korea estimated at approximately one billion yen in 1934-36, with dividends averaging $6\frac{1}{2}$ percent, all assumed to go to Japan. National debt of Korea, all assumed to be held in Japan, interest of $4\frac{1}{2}$ going to Japan.
- 8/ Estimated. Private Japanese investments in Taiwan estimated at approximately 300 million yen in 1935, with dividends averaging 10 percent, all assumed to go to Japan. National debt, about 125,000,000 yen, all assumed to be held in Japan, interest of $4\frac{1}{2}$ going to Japan.
- 9/ and 10/ Emigrant remittances estimated same as those of Japanese in foreign countries (although there are somewhat fewer Japanese in Korea and Taiwan than in foreign countries, it is believed the per capita remittances might be larger). Government grant from Tokyo to Korea approximately 13 million yen annually. Transfers from Taiwan to Tokyo approximately 6 million yen annually. No attempt made to estimate tourist expenditures (debit items) or shipping services (credit items).
- 11/ Capital flowing to Korea and Taiwan from Japan is the net residual item. Modifications will therefore be necessary because of error in estimates above.

1. Note on Estimated Balance of Payments of Japan Proper

Merchandise trade with foreign countries given in the table below is that of Japan Proper only; the trade of the colonies with foreign countries is not shown. Trade figures for intra-Empire trade have been taken from the official statistics of the Governments-General of Chosen and Taiwan. Interest, service, and capital transactions of the colonies should perhaps have been deducted from the Empire data, but no figures for these are available, and it is not entirely certain that they were ever included in the Japanese figures. Hence no deductions are made, and the Japanese figures, as given in the balance of payments statements, are used. To the merchandise items has been added a credit of 100,000,000 yen annually to correct for the estimated undervaluation of exports and overvaluation of imports. Figures for trade with the Mandated Islands were secured from the Japan-Manchukuo Yearbook.

Interest and dividend payments made between Japan and the colonies have been estimated as follows: Japanese investments in the colonies, together with the public debts of the Governments of those areas (assumed to be held in Japan Proper) have been estimated, and the rates of return or interest have been taken from reports on average interest and dividend rates in the colonies.

With regard to service items, the totals of emigrants' remittances have been estimated as equal to the emigrants' remittances from Japanese in foreign countries. While there were fewer Japanese in the colonies than in foreign countries, it is believed that the per capita remittance might be somewhat larger. No attempt has been made to estimate shipping services performed by Japan for the colonies (credit items), or Japanese tourist expenditures in the colonies (debit items), so that the service estimates should be revised somewhat to take account of these items. Recorded contributions from the Tokyo treasury to the Government-General of Chosen (13,000,000 yen annually), and from the Taiwan Government-General to the Tokyo treasury (about 6,000,000 yen annually) have been included. Military and naval expenditures are omitted.

Capital flow from Japan to the colonies thus remains as a net residual item, and its size is substantial.

F. MANCHURIA: THE PROBLEM OF THE YEN-BLOC

Discussion of Japanese trade with and investments in Korea leads quite naturally to discussion of trade with and investments in Manchuria, and the problem of the so-called "yen-bloc." Manchuria has been the major "foreign" area of export of Japanese capital in recent years, and the basis, from 1937-1940, of Japan's export balance in total trade. This increasing trade with politically controlled areas has been a developing characteristic of Japan's trade. If, for example, the total merchandise trade of Japan Proper be taken, it will be found that in 1928 less than 25 percent of it was with the dependent areas of Korea, Taiwan, Karafuto, and the Kwantung Leased Territory. By 1936 "Manchukuo" had been added to this list, and 31 percent of the total

RESTRICTED

- 66 -

exports went to these areas, while 40 percent of all imports came from them. Subsequent addition of occupied China and increase of shipments to and from these areas raised these percentages to 49 percent of all imports and 65 percent of all exports in 1939. Much of this increased trade has been based, as in the cases of Korea and Taiwan, upon increased Japanese investments in the areas. Whereas in 1928 over half of the Japanese total investments outside Japan Proper were in non-dependent areas, in 1941 it is estimated that less than ten percent of all Japanese investments were outside dependent areas. 1/

Just as it was necessary to recognize that Japan's credit trade balance was illusory because it was based upon exports to yen-bloc areas (Manchuria and North China) for which it received no foreign exchange, it must also be observed that investments in Manchuria were not "foreign" investments.

Investments in Manchuria were made under Government encouragement, in many cases by semi-official companies. Foreign exchange was not necessary after the development of the yen-bloc. The tariff and other barriers involved were controlled after 1931 by the Japanese in their own interest. Investments could be made under Japanese-controlled laws, favorable to such investment, and were in many ways comparable to investment in Korea or Taiwan, or in Japan itself. It is not possible, therefore, to assume that Japan could have made in foreign areas the sizable investments that it made in Korea and Manchuria.

1/ It is difficult to estimate Japanese investments accurately. An approximation might be as follows, in billions of yen: Manchuria and Kwantung Leased Territory, 8.5, or 47 percent; Korea, 4.5, or 25 percent; Occupied China, 2.0 or 11 percent; Taiwan, 1.0, or 5½ percent; Karafuto, 0.5, or 3 percent; outside dependent areas, about 8 percent. These estimates include both private and public investments, between which it is difficult to draw a line. In the colonies, for example, companies have been established with capital supplied partly by the Government-General of the colony, partly by the large Japanese family concerns, and partly by other interests.

RESTRICTED

RESTRICTED

- 67 -

IV TARIFF SYSTEM AND IMPORT REGULATIONS

A. TARIFF SYSTEM DATES FROM 1910

The tariff system effective in Japan before the outbreak of war dates from 1910, when Japan gained full tariff autonomy. Prior to 1899 Japan's tariff schedules were entirely determined by commercial treaties concluded with the Western powers. A treaty with the United States in 1858 provided for a fixed schedule of import and export duties, with rates ranging from 5 percent to 35 percent ad valorem on dutiable imports, and 5 percent on most exports. Reductions were made in these duties in the following years, and a treaty of 1866 between Japan and the United States, Great Britain, France, and the Netherlands fixed a schedule of duties on the general basis of 5 percent of the value of all articles imported or exported, although some of the duties were specific.

Japan sought to eliminate these controls over its tariff policy, but it was 33 years before a new general tariff, established by a law of March 26, 1897, was made effective by Imperial Ordinance as of January 1, 1899. Aims of the new tariff were both an increase in revenue and the promotion of domestic industries and exports. A number of duties had, however, to be in accord with the provisions of the series of commercial treaties concluded in 1894-1897, for the treaties made with Great Britain, Germany, France, and Austria-Hungary contained schedules of duties on the principal imports from those countries into Japan; with one exception (sole leather) rates were not permitted to exceed 10 percent ad valorem. Needs of revenue in connection with the Russo-Japanese war led to imposition of surtaxes, and many of these were consolidated into a new import tariff of 1906. All export duties had been abolished in the tariff of 1899.

Achievement of full tariff autonomy came with termination of most of the important commercial treaties, effective either July 16 or August 3, 1911; with enactment (in 1910) of a new tariff law effective July 17, 1911; and with conclusion of new commercial treaties between Japan and other nations. Such treaties were concluded with the United States, Great Britain, Spain, Sweden, Norway, Switzerland, Germany, Belgium, and France in 1911 and with Denmark, the Netherlands, Austria-Hungary, and Italy in 1912. The basis of the tariff system established in 1910 was that of protection for Japanese industries — raw materials were to be admitted free of duty or at low rates, and moderate duties were to be imposed upon most semi-manufactured products, while high duties were to be paid by fully manufactured goods, especially products of industries which it was desired to encourage in Japan.

RESTRICTED

B. ENACTMENT OF TARIFF LAWS

Customs tariff laws for Japan and for all parts of the Empire are enacted by the Imperial Diet, subject to the approval of the Emperor. Regulations for the enforcement of these laws are made by executive ordinances, signed by the ministries concerned, and issued as Imperial Ordinances. Changes in tariff legislation involving matters of general policy or general revisions of rates are made by enactments of the Diet, but considerable leeway has been given in recent years for the application of tariff policy through Imperial Ordinances.

A permanent tariff commission composed of Government officials and business men was established in 1926 for the purpose of systematically studying changes in the economic conditions of the country and recommending for administrative action modifications in the existing tariff laws deemed advisable for the welfare of the country. In 1934, in connection with passage of the Trade Protection Law, there was established a Customs Tariff Council, under the Minister of Finance, with members from the Departments of Finance, of Commerce and Industry, and other departments, and from business and industry.

C. GENERAL LEVEL OF DUTIES

In the tariff of 1910, raw materials were in many cases on the free list. Duties on Semi-manufactured goods ranged from 5 to 10 percent ad valorem, and duties on manufactured goods ranged from 15 to 40 percent, while on luxuries duties of 50 percent were imposed, with a duty of 355 percent on tobacco. Although numerous changes were introduced during and after the war, it was not until 1926 that a completely revised customs tariff strengthened the principles of protection for Japanese industries, free admission of raw materials needed in Japan, moderate duties on commodities in which Japan's domestic industry was able to compete and upon necessities, and high duties on "luxuries." No duties were imposed upon exports, and there are no export duties levied on articles produced in the Japanese Empire, except for a "manufacturing tax" on exports of tea from Taiwan.

Basically this tariff law remained in effect in 1941, although changes were made during the intervening 15-year period in the duties applicable to a number of commodities. Most important were the duty increases of 1932, representing a 35 percent increase in most duties. During the decade of the thirties, however, a system of trade control developed in Japan, involving exchange control, restricted imports, prohibited imports and exports, increased subsidies and guarantees, and a "link" system by which imports of raw materials were linked to the export of goods manufactured (in Japan) from them. These trade controls had much greater effect in many cases than the tariff duties, and must be taken into account in any estimate of the effect of commercial policy

upon Japan's trade. The increased importance of such restrictions, and the direct control of trade through them, constitute the most important developments of the decade in commercial policy.

The general level of customs duties in Japan may be roughly measured by the ratio of duties collected to the total value of dutiable imports, although it must be remembered that this method understates the level of duties, since it takes no account of prohibitive duties. It shows, however, that the level of duties under the tariff of 1910 rose to nearly 20 percent prior to the First World War. Necessities of trade during the war forced a decline to nearly 8 percent in 1918. After 1920 duties rose again, reaching 24 percent in 1931—partly because of the general fall in prices (which raised the level of specific duties), and partly because of increase in imports of semi-manufactured and manufactured goods, which paid higher duties. The unsatisfactory character of this measure of the level of duties is shown by the fact that although Japanese tariffs were considerably increased in 1932 and the following years, the ratio of duties collected to dutiable imports fell from 24 percent in 1931 to 20 percent in 1935 and to 17 percent in 1939. The percentage of free imports rose from slightly over 60 percent to more than 70 percent, reflecting both the increase in imported raw materials and the increased effectiveness of the protective tariff on foreign manufactured goods in diminishing such imports.

The complete schedule of import duties is given in The Import Tariff of Japan, compiled annually by the Department of Finance, and published in Japanese and in English. This publication contains the Customs Tariff Law of 1910, as amended to date, and the conventional and luxury tariffs discussed below. It also contains the Customs Law, and the Regulations for the Enforcement of the Customs Law, both promulgated in 1899 (and amended in later years with respect to minor provisions). These set forth the regulations governing import procedure, documentation, entry of goods, storage, and protest of customs decisions.

1. Conventional Duties

Japan's tariff prior to the war was essentially a single column tariff, with duties in most cases specific, but with ad valorem duties provided in the case of commodities in which there occurred great fluctuations in value. The treaties made in 1911 and 1912 with Great Britain, Germany, France, and Italy established conventional rates, however, for a limited number of commodities—many fewer than had been provided for in the treaties of 1899. The concessions granted to Germany were terminated in 1914, and those granted to Great Britain were terminated by mutual consent in 1925, but, although the treaties with France and Italy were denounced prior to 1930, the tariff convention was continued in effect by means of a short term *modus vivendi*—terminable on three-months' notice in the case of France, and on one-month's notice in the case of Italy. The treaty with France provided for conventional duties as percentages of the general tariff rates; changes in the general rates applicable to the items listed in the treaty were to be effective five months after promulgation of a law making

such changes. The treaty with Italy provided for specific duties on certain commodities, lower than the general duty rates; these conventional rates were not affected by tariff changes. Other conventions were made with other countries, but the only other conventional schedule remaining in effect in 1941 was that made with French Indochina. This schedule was revised in the commercial agreement of May 6, 1941, the revision being of minor importance, however, in an agreement which tied the economy of French Indochina to that of Japan.

The three schedules of conventional rates together covered only a relatively small number of items, although their importance was somewhat increased by the fact that most other countries received the benefit of the reduced rates, by virtue of the incorporation of the most-favored-nation clause (interpreted unconditionally) in commercial treaties with them. The only countries having important trade relations with Japan which, prior to the outbreak of war, did not receive the benefit of the conventional rates were Australia and Cuba. Most items included were such as would be imported from France and Italy, as certain wines, olive oil, soaps, perfumed oils, toothpowders, certain textiles, and mercury. Among other things, the revised convention with French Indochina exempted from duty a number of minerals (coal, iron, manganese, tungsten, tin, zinc, and antimony) in order to implement the commercial agreement of May 6, 1941, which provided that Japan should receive Indochina's total production of most of the minerals.

2. Luxury Duties

The burden of Japan's heavy excess of imports after 1920 was increased by the disastrous earthquake of 1923. With the avowed object of discouraging indulgence in "luxuries" and reducing imports through a high tariff rate, a "luxury tariff" imposed in 1924 upon approximately 120 articles (or classes of articles) an ad valorem duty of 100 percent instead of the general tariff rates. This "luxury" rate of 100 percent did not supersede the specific rates agreed upon in the convention with Italy. In the case of items in the convention with France which were subjected to the luxury duty, the rate applied was the Luxury Tariff (100 percent ad valorem) multiplied by the conventional rate, which was a percentage of the general tariff rate. Although the "luxury tariff" provided for the "temporary" imposition of the 100 percent ad valorem duty, it was not repealed, and remained in force in 1941. It was amended, however, in 1925 and 1929; the amendment of 1925 exempted articles imported for industrial use, materials for re-export, and certain other materials, while that of 1929 exempted tea and twenty other "luxury" articles. Commodities to which the luxury tariff remained applicable in 1941 were marked with an asterisk in the official Import Tariff of Japan, and the luxury rate was applicable instead of the rates printed therein.

3. Specific Duties

Since the majority of the duties in Japan's tariff are specific duties, the depreciation of the yen following abandonment of the gold standard in 1931, while it increased the prices of imported goods, did not result in a corresponding increase in duties. Law No. 3 of 1932 provided, therefore, for increases in specific duties on about thirty commodities, including wheat, wheat flour, maize, butter, condensed milk, pig iron, iron wire, watch parts, automobile parts, and certain kinds of wood. Law No. 4 provided for an increase of 35 percent in all specific duties, except those already provided for by Law No. 3. Both of these laws became effective June 16, 1932, and in general remained in effect in 1941, although minor modifications were made. The rates calculated under Law No. 4 (135 percent of the general tariff rate, fractions less than 1 sen being disregarded) are given, for the commodities to which they are still applicable, in a special column in the official Import Tariff of Japan, and are applicable instead of the rates in the general tariff column. In cases where the 35 percent increase was applied to commodities coming under the convention with France, the applicable rate was the French conventional rate (a percentage) applied to the increased rate rather than to the general tariff rate; fractions less than 1 sen were disregarded.

The increases in duties made by Law No. 4 were no larger than would have resulted from the depreciation of the yen had Japan's duties been mainly ad valorem, for the depreciation of the yen was greater than 35 percent. The increased duties operated, however, as a further deterrent to imports, supplementing the increase in prices which had occurred as the result of the exchange depreciation. Some of the increases made by Law No. 3 were large—the duty on pig iron, for example, being increased from 10 sen to 36 sen per 100 kin (1 kin equals 1.32277 pounds). Substantial increases in duties on wheat, millet, and maize were intended to help the farming districts, and such increases as that on condensed milk (the duty on which was nearly doubled) were designed to protect the Japanese companies which had been established in the preceding few years.

4. Differential Duties

The customs tariff law provided for imposition of differential rates of duty in the form of retaliatory duties, countervailing duties, and anti-dumping duties. Prior to 1930, however, none of these was actually applied to imports from foreign countries.

For the purpose of offsetting export bounties on goods from foreign countries Article V, Section 1, of the customs tariff law provided for imposition of countervailing duties:

RESTRICTED

- 72 -

"With regard to articles benefiting from export bounty in foreign countries, duties corresponding in amount to such bounty may be levied on them by Imperial Ordinance, in addition to the duties enumerated in the annexed Tariff."

Although Japan had no anti-dumping legislation in the strict sense of the term, Article V, Section 2 of the customs tariff law provided for imposition of additional duties on foreign goods sold at unreasonably low prices, as follows;

"When any important industry in this country is in danger of being injuriously affected by the importation of articles for the purpose of dumping, or by the dumping of imported articles, such articles may be designated in accordance with the provisions of Imperial Ordinance, and on such articles may be imposed during a specified period of time duties not exceeding in amount their proper value, in addition to the duties enumerated in the annexed Tariff."

"In case the articles designated according to the provisions of the foregoing paragraph have already been imported and are owned by or in the possession of a dumper or his agent, the additional duty mentioned in said paragraph may be collected from such dumper or agent."

"The additional duty stipulated in the preceding paragraph shall be collected in the same way as a national tax."

Article IV of the customs tariff law provided for retaliatory duties on products from countries which discriminated against Japanese products or Japanese vessels:

"With regard to the produce or manufactures or exports of, or articles passing through a country where Japanese vessels, produce, or manufactures, or articles passing through Japanese territory, are subject to a less favorable treatment than the vessels, produce, or manufactures, or articles passing through, other countries, such articles may be designated by Imperial Ordinance so that special duties, not exceeding in amount their value, may be imposed upon them, in addition to the duties enumerated in the annexed Tariff."

Notwithstanding the existence of this provision, two important cases of the application of retaliatory duties utilized a new law passed in 1934. This Trade Protection Law provided that, when regarded as necessary to "control or protect foreign trade as a counter measure to those adopted by foreign countries" the Government might, with the approval of the Customs Tariff Council, levy an additional tariff of not more than the value of the goods, abolish or decrease import tariffs, or prohibit or restrict the import or export of specified articles for specified

RESTRICTED

RESTRICTED

- 73 -

periods. Imperial Ordinance No. 117, promulgated April 6, 1934, made this Law No. 45 effective as of May 1, 1934, for a period of three years; it was extended in 1937 and again in 1940.

Retaliatory duties under this law were applied about a year later in a trade dispute with Canada, which was valuing imports from Japan on the basis of the par value of the yen rather than the current exchange value, and additionally assessing duties equal to the difference between these values, to be added to the basic duty. Retaliatory duties were also invoked in a similar dispute with Australia in June of 1936, when special permission was required for imports from that country of wheat, wheat flour, and wool, and an additional duty of 50 percent ad valorem was imposed upon fresh beef, butter, condensed milk, hides and skins (except furs), beef tallow, and casein. In each of these two cases the retaliatory duties were removed upon conclusion of agreements.

5. Internal Revenue Taxes Applicable to Imported Goods

Internal revenue taxes are imposed upon a number of commodities consumed in Japan, and wartime conditions have led to additional taxes of this sort. Commodities so taxed before the outbreak of the "China Incident" were sake, beer, aerated waters, mah jong sets and playing cards, sugar, molasses, and syrups, and textiles (except cotton and certain others). New taxes levied for the China Incident were applied to jewelry, furs, stationery, toilet articles, headgear, umbrellas, luggage, footwear, toys, sporting goods, furniture, pottery, leather manufactures, fruit, photographic equipment, musical instruments, automobiles, some electric appliances, black tea, coffee, and cocoa, matches, and other commodities.

D. ADMINISTRATION OF TARIFF SYSTEM

1. Classification of Goods for Duty Purposes

Classification of articles in the customs tariff is determined by their general character, including their size, shape, component materials, etc., rather than by specific trade names. Thus fabrics are classified according to the material, and duties are assessed, generally, on their weight and fineness as evidenced by the thread count. Products having specific trade names are usually admitted under the general classification of commodity to which they belong.

The tariff schedule contains 647 items, many of which are subdivided, and is classified into the following 17 groups: (1) plants and animals (living); (2) grains, flours, starches, and seeds; (3) beverages, comestibles, and tobacco; (4) skins, hairs, bones, horns, teeth, tusks, shells, and manufactures thereof; (5) oils, fats, waxes,

RESTRICTED

and manufactures thereof; (6) drugs, chemicals, medicines, compounds or preparations thereof, and explosives; (7) dyes, pigments, coatings, and filling matters; (8) yarns, threads, twines, cordages, and materials thereof; (9) clothing and accessories thereof; (10) pulp for paper making, papers, paper manufactures, books, and pictures; (11) minerals and manufactures thereof; (12) potteries, glass, and glass manufactures; (13) ores and metals; (14) metal manufactures; (15) clocks, watches, scientific instruments, firearms, vehicles, vessels, and machinery; and (16) miscellaneous articles.

No public office was authorized to give advance and binding information in respect to the tariff classification of specified articles, but upon written request the collector of customs at the port of entry would give a tentative decision on articles not classified in the tariff. Such request was accompanied by samples, or by catalogues, prospectuses, or price lists, and full information concerning the kind, qualities, and value of the goods, and the response could be depended upon in the absence of a change in the tariff or a new decision on the part of the Minister of Finance.

2. Dutiable Weight and Value

In general, the basis for determining the dutiable weight of articles subject to specific duties is the net weight as represented by the actual weight of the goods after the removal of all packages, receptacles, or wrappings. In the case of certain articles, however, the weight of the inner packing or receptacle, but not the weight of the outer case is included in assessing duties. Such cases are noted in the Import Tariff; thus, for example, the duty on ink is assessed at 11.27 yen per "100 kin including receptacles" and the duty on perfumed soap is assessed at 24.28 yen per "100 kin including inner packings." No provision is made for the application of official allowances for tare.

The basis for calculating the dutiable value of imported merchandise is the market price at the time application is made for clearance from customs, or, as defined in the customs tariff law (Article II) "the value on arrival at the time of importation." Values on which duties are assessed may thus differ from the cost and other charges shown by the invoices accompanying the goods, and the values established by the customs authorities may be regarded by foreigners as somewhat arbitrary.

3. Temporary Admission of Imports

Article VIII of the Customs Tariff Law permitted articles falling within certain specified categories to be imported free of duty if they were to be re-exported within one year from the date of their importation, although a guarantee corresponding to the amount of the duty

could be required at the time of importation:

(1) "Articles designated by Ordinance and which are imported to have work done upon them." Articles designated under this provision included (a) manufactured products imported to be carved, cloisonned, inlaid, enameled, lacquered, pictured, inscribed with a design, developed, colored, printed, or coated with metals; (b) porcelain and earthenware imported to be inscribed with designs or pictures; (c) yarn, cloth, and manufactures of cloth imported to be cleaned, bleached, dyed or printed; (d) cloth or manufactures of cloth imported to be embroidered; and (e) furs or skins imported to be tanned, dyed, lined, or embellished with artificial eyes or the like.

(2) Receptacles of imported articles, designated by Ordinance. Articles designated under this provision included (a) iron cylinders used as containers of compressed gases; (b) iron drums used as containers of oils, dyestuffs, acids, or molasses; (c) gunny bags used as containers of sugar, hardened oils, wheat flour, or cement; (d) wooden barrels used as containers of coal-tar, beer, "miso," soy, or oils; (e) aluminum cans used as containers of beer; and (f) cans or tins made of tinplate used for preserving beverages and comestibles.

(3) Articles, designated by Ordinance, to be used as receptacles of export goods. Articles designated under this provision included (a) bottles used as containers of mineral waters, refreshing beverages, sake, beer, ale, porter, stout, or acetic acid, except in respect of beer bottles upon which a drawback of import duty was obtained under Imperial Ordinance; (b) casks and barrels used as containers of sake, beer, ale, porter, stout, or soy; (c) jars or cans used as containers of sulphuric acid, hydrochloric acid, nitric acid, or acetic acid; (d) iron cylinders used as containers of compressed gases; and (e) cotton bags or sacks used as containers of flour, meal, or groats of grain, or of cement.

(4) Articles imported for repair, scientific research, trial, as samples, or for use in public performances, exhibitions, expositions, competitions, or prize shows.

4. Drawbacks

Provision is made under Article IX of the customs tariff law that when articles, designated by Ordinance, were manufactured with imported raw materials and then exported, the whole or a part of the duty paid on such materials could be refunded. Sugar is an interesting example of the use of this provision. A high duty was levied upon imports of sugar, and practically all of Japan's sugar for home consumption came from Taiwan (imports from which are of course duty free). Smaller quantities were imported, however, from the Netherlands Indies, to be refined in Japan, and then exported to Manchuria and North China. Thus Japan stimulated the sugar-producing industry in Taiwan, and the sugar refining industry in Japan Proper.

5. Collection of Duties

Imported goods were subject to the rate of duty in force at the time import application was made, or if placed in bonded warehouses, according to the rate in force at the time of delivery. Upon application, customs authorities could make a suitable reduction of duty for goods arriving in damaged condition, provided no import permit had been issued. Customs duties were collected in local currency from the person making the import application, and were payable into treasuries designated by the customs. Foreign currency was converted at a rate, established by the Government, which approximated the current bank rate.

When postal matter contained dutiable goods, the customs informed the post office of the amount of duty payable; the post office in turn notified the addressee, who affixed revenue stamps to the notification for presentation to the post office to obtain delivery of the goods.

Claims arising out of a mistake in the payment of customs duties were not considered after the lapse of two years after the date of payment.

E. CUSTOMS PROCEDURE AND REGULATIONS

Regulations affecting imports of merchandise are found chiefly in the Customs Law and in the Regulations for the Enforcement of the Customs Law, both promulgated in 1899, but infrequently amended, and remaining generally in effect with not greatly modified provisions in 1941.

1. Documentation

With the exception of a certificate of origin in certain cases, no consular documents were required in respect to shipments of merchandise to Japan.

Certificates of origin were required in order to obtain the benefit of conventional rates of duty, and for imports of coal tar dyes and distillates, except for carbolic acid and the distillates used as drugs. Certificates of origin were issued by the Japanese consulate or commercial agency at the place of production, manufacture, purchase, or shipment, or, if no Japanese consulate or commercial agency were located at such point, a certified document issued by the customs or other public authority or by a chamber of commerce was acceptable. Certificates of origin were not required for shipments valued at less than 100 yen, or for shipments made by mail.

In addition to the usual particulars, commercial invoices, in quadruplicate, usually indicated net payment (gross payment minus discount if any), and the value of packing (separate showing of which prevented double payment of duty). Other documents included the usual bills of lading, packing lists, statement of charges, marine certificate issued by the insurance agent, and sometimes catalogs or other material to assist customs officials in classification of the goods.

2. Entry of Goods

Importers were required to present an application to the customs, with complete specifications, and usually the invoice attached, in order to obtain imported merchandise. This import application could not be altered after inspection of the goods had commenced, and usually the goods could not be removed from the customs before the granting of an import permit. Upon special request, the customs sometimes gave permission for removal of goods before granting an import permit, upon deposit of security for payment of the import duties.

3. Storage

The regulations did not set a time limit within which the import application was required to be presented, but if goods were not removed from a customs house within one week, they were stored by the customs at the risk and expense of the owner. After six months, public notice was given, and after another month, auction of the goods could be held, and the proceeds used to defray customs duties and storage costs. To obtain the release of goods stored by the customs authorities, the importer was required to present an application and pay all expenses and storage charges; he then might obtain a permit, valid for three days, for their removal. Living animals, plants, or perishable commodities could be stored by the customs authorities and put on sale at any time.

With customs approval, imported goods could be stored in Government or private bonded warehouses for two years without payment of duties. A registered warrant, issued by the customs, and transferrable by endorsement, was required for obtaining the goods. Goods on the free list, bulky or heavy goods, damaged or putrefied goods, or those liable to damage or putrefaction, goods liable to spoil or damage warehouses or other goods, animals and plants, and unclean goods could not be stored in Government bonded warehouses; inflammable, combustible, or explosive goods could be stored in neither Government nor private bonded warehouses.

For purposes of repacking, sorting, or using as materials for manufacture, goods might, with the approval of the superintendent of customs, be stored for not more than six months in Government or private depots; any domestic materials used with them were regarded as imports, and duty was payable upon the completed goods at the time of importation. At the end of six months, goods remaining might be seized; no indemnity was paid in case of damage to goods in free depots.

4. Protest and Appeal

Protests on the amount of duty could be made in writing to the superintendent of customs within twenty days from the date the import duty was assessed, if the goods were not removed from control of the customs. The superintendent of customs made written decisions on such protests; in the

case of protests against valuation of goods subject to ad valorem duties, the superintendent of customs could either purchase the goods at their declared value plus 5 percent, or four appraisers could be appointed (two by the superintendent of customs and two by the protesting party). Their valuation, or the average of their valuations, was regarded as the assessed value. Appeals could be made to the Minister of Finance, in which case an appointed committee reported to him for final decision.

5. Parcel Post Shipments

Import of dutiable goods by regular mail was prohibited, but, unless specifically prohibited, they might be sent by parcel post up to a weight limit of 11 pounds per package. Greatest permissible length of packages was 3½ feet, and greatest length and girth combined, 6 feet. Secure packing, with provision for examination by postmasters and customs officials, was required, and detailed information as to the nature and value of the contents. Group shipments of a number of parcels could be made, with attachment of a customs declaration to only one of them, and with each of them plainly marked with a number and with the number of packages in the group.

F. PACKING AND INVOICING

Packing and invoicing were not matters covered by regulation in Japan, but certain points required the attention of shippers. Strong cases were needed for shipments to Japan, with wood of sufficient strength to stand handling of cases into lighters and godowns. Strapping of heavy cases was an additional advisable precaution. Because of the very humid climate of Japan, articles subject to damage from dampness should be protected by a waterproof covering on the inside of the case. Particularly was this true of shipments into Taiwan, where wooden cases with zinc linings were necessary for some products to prevent penetration of moisture during storage.

No regulation enforced any special style of invoice, but clearance of goods from customs required an invoice signed by the exporter (or agent) showing the value of the shipment in the country of its manufacture, and special note of the freight, insurance, and packing charges was advisable because the c.i.f. price was the basis of ad valorem duties.

Customs inspection of goods the cases of which were plainly numbered corresponding to the invoice, and the character of the goods thus indicated, and which were consigned to well-known importers, was often perfunctory, and such plain marking expedited customs treatment of the goods.

G. PURE FOOD AND DRUG REGULATIONS

The laws and regulations governing the sale of food products in Japan were administered by the governors of the prefectures and in Tokyo by the chief of the metropolitan police. The authorities were empowered to prohibit the manufacture or sale of food products or the receptacles in which

they were contained, if any danger to the public health were apprehended, even though there were no specific regulation in force against the articles considered as being detrimental. Of particular importance were the laws specifically prohibiting the use of poisonous coloring substances, preservatives, and artificial sweet substances. Imported beverages and foods found to contain any prohibited substance were normally destroyed, and only under special dispensation of the authorities were they allowed to be returned to the country of origin.

1. Prohibited Coloring Substances

Regulations provided that the two following classes of poisonous coloring substances or their compounds were not to be used for coloring beverages and foods; an exception was made of coloring substances containing a maximum of 150 milligrams of copper per kilogram of seaweed, and of those containing a maximum of 100 milligrams of copper per kilogram of preserved vegetables or fruits:

1. Arsenic, barium, cadmium, chromium, copper, mercury, lead, tin, antimony, uranium, zinc, picric acid, garancine, dinitricresol, and coral-line.

2. Sulphate of barium, sulphite of cadmium, oxide of chromium, vermilion, oxide of lead, mosaic gold, oxide of zinc, sulphate of zinc, copper, lead, tin, tin oxide, and the amalgams possessing the original luster.

Containers for beverages and foods were not permitted to be colored with poisonous coloring substances unless the harmful material were mixed with lacquer, glass, glazing, or enamel, or unless the container were so constructed that there was no danger of the foods being contaminated by the coloring matter.

2. Prohibited Preservatives

Use of preservatives or bleaching agents in the manufacture of food-stuffs or drinks for sale in Japan was permitted only under authority of the prefectural governor in the prefecture where the applicants' offices were located, or in Tokyo under the authority of the chief of the metropolitan police. Labels of packages containing foods or drinks in which chemical preservatives or bleaching agents were used were required to indicate the kinds and quantities of chemicals used. Many preservatives were prohibited, but the regulations were modified to permit the use of sulphur dioxide and benzoate of soda (with appropriate labeling). Amounts of these permitted in the commodities specified were as follows (in milligrams): sulphurous acid (H₂SO₃) and thiosulphuric acid (H₂S₂O₃): dried apricots, 1000; gelatin, 500; sugar, 20; molasses, 300; and millet jelly, 30, each per kilogram; wine and beer, 200 milligrams and 20 milligrams per liter, respectively. Benzoic acid (C₆H₅CO₂H) and benzoate of soda (C₆H₅CO₂NA) were permitted in fruit juices to the extent of 600 milligrams per liter, and in fruit syrups to the extent of 800 milligrams per liter.

3. Artificial Sweetening Substances

Beverages and foods were not permitted to be sold when sweetened with artificial substances, including "saccharine or any other similar chemical which is not a carbohydrate." Prefectural governors, however, could give permission for their use in beverages and foods intended for medical use by competent physicians; proper labeling was required.

4. Medicines

The law governing the trade and handling of medicines prohibited the manufacture, storage, exhibition, sale, or transfer of medicines not possessing the character and quality given in the Japanese or a foreign pharmacopoeia. Poisonous and powerful medicines described in the pharmacopoeia and those designated by ordinances were made the subject of special regulations. Sale of designated medicines was limited to pharmacists, druggists who employed pharmacists according to provisions made by ordinance, and those who, owing to locality, obtained special permission from the local governor to sell such designated medicines as were certified by pharmacists to agree with the descriptions given in the pharmacopoeia.

5. Dyestuffs

Restrictions were imposed upon importation of coal tar dyes and coal tar distillates, except carbolic acid and the distillates used as drugs, with a view to protecting the Japanese dye industry. Except where it would contravene an existing treaty, licenses were required for such imports; the treaty with France eliminated this requirement, however, and application of the most-favored-nation clause extended this exemption to the United States and most other countries. Full particulars and certificates of origin (to indicate origin in a country actually entitled to the benefit of conventional duties) were required for such shipments.

H. PLANT QUARANTINE IMPORT RESTRICTIONS

Basic legislation for plant quarantine and inspection was provided by the Plant Quarantine Law, No. 11, of March 25, 1914, and the regulations provided by Ordinance No. 27 of October 13, 1914, with later amendments.

Inspection was required for imported plants for cultivation, for most fruits, for living potato tubers, or for any plants suspected of being carriers of plant diseases or injurious insects. Inspection was also provided for plants to be exported to countries which required inspection certificates. Importation of a number of plants was prohibited to prevent introduction of such injurious insects as the Mediterranean fruit fly, the melon fly, the codling moth, the sweet potato weevil, and the sweet potato vine borer, the sugarcane borer, and others. Import of straw, including straw used for packing, was also prohibited to prevent introduction of the Hessian fly. In the case of plants certified by the country of exportation to be free of disease or injurious insects, inspection might be waived

RESTRICTED

after application for inspection was made to the customhouse. The restrictions applied to goods originating in, or landed in, certain countries, and a feature of this law and the regulations thereunder was the prohibition in a number of cases of the import of fresh fruits and vegetables from Taiwan, because of the prevalence there of noxious insects. In no case was Chosen included in these prohibitions, and apples from Chosen were specifically exempted from the inspection required of other fruits.

1. Wartime Changes in Tariff System

Information relating to changes in Japan's tariff after the outbreak of war in December 1941 is of course only fragmentary. Some changes have been reported, however, which seem to be in line with Japan's policy of integrating the economies of Japan Proper, Korea, Taiwan, Manchuria, and North China. Law No. 76 of March 25, 1941, amending the Customs Tariff, had provided that customs duties on imports into Japan from nearby regions might be lowered or waived by Imperial Ordinance specifying such regions and products. In August of 1941 it was announced that 18 commodities imported from Kwantung Leased Territory and from Manchuria were to be exempted from customs duties; the commodities included maize, soy beans, coke, aluminum, and charcoal from Manchuria, and maize, soy beans, coke, peanut oil, animal fat, caustic soda, and other products from Kwantung.

In May 1943 Japanese broadcasts reported reduction of import duties on 30 commodities imported from China, Manchuria, and Kwantung. Suggestions had been made as early as 1937 that the customs barriers between Manchuria and Korea should be eliminated, but it was feared that this would allow the direct import of cheap goods into Japan, via Korea, because of the free trade between Japan and Korea. In 1944 the important announcement was made that customs barriers between Japan and Manchuria were to be abolished as of May 1. Additionally, formalities and regulations relating to this trade were to be simplified, and shipments between the two areas facilitated. Such treatment of Manchuria as a part of the Japanese Empire is a logical step in the integration of war industry and production in the area controlled by Japan prior to December 7, 1941.

RESTRICTED

V GOVERNMENT ENCOURAGEMENT AND CONTROL OF TRADE

A. SUBSIDIES

Japan's industries and exports benefited not only from a protective tariff, but also from subsidies and other forms of Governmental assistance. Subsidies specifically to promote exports have always been relatively small, totaling only around 500,000 yen in 1929, and less than 4,000,000 yen in 1935. Such direct export subsidies formed, however, only a small part of the substantial sums granted by the paternalistic Japanese Government to develop agriculture, industry, and trade; the total of these in 1935 amounted to over 190,000,000 yen. Direct export subsidies included appropriations by the Department of Agriculture and Forestry for silk and for marine products, appropriations by the Department of Commerce and Industry for cotton textiles, export associations, and exhibitions of products abroad, and, beginning in 1935, appropriations by the Department of Foreign Affairs specifically for trade promotion. This appropriation, which in the 1934-35 budget amounted to only 27,000 yen, increased to 1,629,368 yen in the 1941-42 budget.

Much more important than the relatively small subsidies given directly to the export trade have been what may be termed indirect export subsidies. These were subsidies given to industries and commodities important in the export trade, and hence indirectly benefiting exports. In some cases it is difficult to distinguish on the one hand between direct and indirect export subsidies, and on the other hand between indirect export subsidies and other subsidies to agriculture and industry the effect of which on exports might be too obscure to classify them even as indirect export subsidies. Indirect export subsidies totaled about 30,000,000 yen in the fiscal year 1934-35, or roughly one sixth of all subsidies granted by the Central Government in that year. Included in this total are appropriations of nearly 3,000,000 yen by the Department of Agriculture and Forestry for the improvement of quality and increase in production of such crops as tea and wheat; about the same amount as assistance to the raw silk industry; and somewhat less to the fishing and marine products industries. Smaller subsidies were provided by the Department of Commerce and Industry for iron manufactures, textile guilds, and silk experiments. About half of the total of indirect subsidies, or 15,000,000 yen, was provided as subsidies to shipping by the Department of Communications. Such assistance to the Japanese merchant marine has contributed materially to Japan's position in world trade.

It is difficult to estimate totals of subsidies for more recent budgets. Often appropriations are listed merely as "subsidies," with no designation as to what industry or export trade they are provided for. Transition to a wartime economy led the Government to appropriate very much larger sums of money for stimulation of all phases of the economy which could contribute to war needs. An indication of the extent of the increase in these expenditures may be found in the fact that the Department of Commerce and Industry was authorized by the 1941-42 budget to spend 16,448,718 yen directly

for development of foreign trade.

Appropriations for assistance and encouragement of industry made by the Central Government were supplemented by similar appropriations made by prefectural and local governments. Although few of these appropriations were direct export subsidies, many of them were provided for export industries, and thus may be classified as indirect export subsidies.

B. OTHER GOVERNMENTAL ASSISTANCE TO EXPORTS

Exporters in Japan, and export industries, received forms of assistance from the Government other than direct subsidies. The Yokohama Specie Bank made loans and extended special facilities, under Government direction, to exporters. "Infant industries" benefited from exemptions from, or rebate of, taxes; examples are rayon dyestuffs. The exemption of taxes for the textile industry referred directly to export producers, for it was limited to types of textiles normally exported. Legislation of 1930 allowed a rebate of 20 percent of the ordinary freight rate between specified inland stations and ports of export on a wide variety of export goods, including textiles, canned goods, tea, toys, and other important export commodities. The regulations required the goods to be definitely consigned for export, and frequently that they were to have passed export inspection, in order to receive the rebate.

C. EXPORT INDEMNITY SYSTEM

Special attention should be called to the Export Indemnification Law, No. 6, promulgated May 16, 1930, and effective as of August 1, 1930. Although appropriations for the fund in connection with this law were made by the Department of Commerce and Industry, and the law was a definite part of Japan's machinery for encouragement of exports, it is perhaps not properly classed as providing a subsidy, since the plan was originally intended to be largely self-supporting. The original purpose of the law was to foster export trade with countries where financing facilities were inadequate, or risks abnormally high. Under it the Government made a universal contract with specified exchange banks that they might be indemnified to the extent of 60 or 70 percent for any losses resulting from purchase of export bills on goods destined for certain designated export markets in Central and South America, Asia Minor, Central Asia, Africa, the Balkans, and Soviet Russia. The designated banks paid a premium to the Government for its guarantee, the rate varying with the type of export bill.

In the following years the system was expanded into nationwide insurance for exporters. Areas included in it were extended until it covered shipments to all countries except the United States, Great Britain, France Germany, and Italy. The maximum limit of compensation was raised to 80 percent, and finally in 1941 to 90 percent for all contracts. Local governments of large Japanese cities also provided small percentages of indemnification, so that the total percentage guaranteed was very high. The original contracts, which compensated

only banks, were supplemented by others which aided exporters by relieving them of the liability for dishonored bills to the extent of the Government's guarantee (they were still liable to the banks). Because of developing exchange restrictions in many countries, provision was made that, where remittance was delayed by such restrictions, the Government advance its guarantee to the bank, and waive the requirement that the bank have immediate recourse against the exporter.

The system was further supplemented by a Law Concerning the Compensation for Loss Sustained in Financing Funds for Export Trade and Manufacture of Export Articles. Effective in 1940, this legalized a practice already in operation whereby the Government indemnified banks to the extent of 80 percent for losses on loans to exporters or to producers of export goods, under certain conditions. This law did not apply to exports to China, Manchuria, and the Kwantung Leased Territory, since exports to those areas were by that time large and not desired, for they did not provide needed foreign exchange.

D. CONTROL OF IMPORTS

In 1930 Japan's protective tariff was the chief instrument for control of imports, and the approximate balance of import and export trade in the next few years made unnecessary further extension of trade controls other than the tariff increases of 1932, and the Trade Protection Law of 1934. Chief purpose of the latter was to provide a basis for retaliatory duties in the trade disputes then current. Even before the actual outbreak of the China Incident in 1937, however, the accumulation of an excess of imports led to imposition of further controls designed to restrict the importation of consumers' goods, especially luxuries, while permitting imports essential to wartime industrial development. Such import control, although later implemented by direct legislation, at first developed from the exchange control already in existence.

1. Exchange Control Prior to 1937

Exchange control was introduced in 1932 as a means of preventing flight of capital during the period of financial uncertainty and depreciation of the yen following departure from the gold standard (that is, reimposition of the gold embargo) in 1931. The outflow of gold had to be stopped if possible, and the value of the yen maintained. The gold embargo of December 13, 1931 did not prevent gold exports, nor did the Capital Flight Prevention Law of July 1, 1932. Net gold exports in 1932, although smaller than in 1930 and 1931, still amounted to 112,000,000 yen; and yen exchange fell to a low of less than 20 cents at the end of November of that year.

The result of this situation was the passage in 1933 of the basic Exchange Control Law, No. 28, effective May 1 in Japan Proper, Korea, Taiwan, and Karafuto; upon this law were based the later extensions of the exchange control system. Until 1937, however, exchange control was quite moderate, and did not involve the more strict provisions already in force in the countries of Central Europe. Improvement in Japan's trade position, partly

due to world economic recovery but also the result of an expansion of Japanese exports based upon a national policy of industrial development and an active export promotion policy, enabled Japan to maintain the value of the yen for most of this period at 1 shilling 2 pence, to which point it had risen by October of 1934. Exchange control apparently was effective in its aim of preventing flight of capital (although of course capital was flowing from Japan to Manchuria). The unfavorable trade balance was small enough, beginning in 1932, to be offset by the favorable balance in invisible items. Revisions made in the exchange control law during this period were not important; the aim of the law was still that of preventing speculation in the yen and flight of capital through remittances abroad, investments in foreign securities, and exports against which drafts were not drawn. ^{1/} No further exports of gold of any size were made after this law was passed, although some gold is believed to have left the country illegally. Orthodox financial aims seemed achieved.

The Yokohama Specie Bank rate had become 1 shilling 2 pence on October 18, 1934, and this was maintained even in spite of the military uprising of February 1936, the yen being linked to the pound instead of the dollar because of fluctuations in dollar exchange following changes in United States monetary policy in 1933. Stabilization of the yen at this value evidenced Japan's fear that further decline would provoke stronger tariff and quota restrictions against Japan's exports. In spite of this the yen weakened late in 1936, due to the combined pressure of heavy military expenditures in Manchuria, depletion of the Yokohama Specie Bank's stabilization fund, and speculative imports made in anticipation of expected higher tariff rates.

2. Exchange Control Becomes Trade Control

Finance Department Ordinance No. 1 of January 8, 1937, issued under the Exchange Control Law of 1933, made a fundamental change in the system by introducing the requirement that permission of the Minister of Finance be obtained for foreign exchange to pay for imports of merchandise. Permission was required for such payments where a firm's imports exceeded 30,000 yen a month. This change was possible by ordinance under the broad provisions of the Exchange Control Law, although it had hitherto been used only to restrict the flight of capital. Indirect control of the character of foreign trade, as well as of its total volume, thus became possible, for permits could be granted in accordance with the desired policy of the Government. There was,

^{1/} A discussion of exchange control in Japan is included in the Civil Affairs Handbook on Money and Banking; further details are available in Japanese Exchange Control, 1931-1941, Far Eastern Unit, Bureau of Foreign and Domestic Commerce.

however, inconsistency and uncertainty, and cases in which imports of machinery (certainly desired) were delayed, while imports of toilet articles (presumably a "luxury" import to be restricted) were readily granted permission.

3. Tightening Control of Imports through Exchange Control

Ordinance No. 23 of July 7, 1937, issued the same day as the Lukowkiao Incident which began the undeclared war in China, extended the control of imports "for the time being," and reduced the amount of foreign exchange obtainable without permission from 30,000 yen per month to 1,000 yen per month. Trade returns for the first six months of the year showed imports of 2,145,920,000 yen, and exports of only 1,527,776,000 yen—an import-excess of over 600,000,000 yen, accumulated before the actual outbreak of the China Incident. This import excess, more than twice that of the preceding year, did not decline (as was usual) in the fall, remaining over 600,000,000 yen at the end of the year.

Ordinance No. 55 of December 11, 1937, again reduced the exchange obtainable without permission for merchandise imports from 1,000 yen to 100 yen per month, and required the securing of permits before the importation of goods. Thus control over commodity trade through the exchange control system was considerably tightened during 1937, in the effort to reduce an excess of imports which strained the balance of payments. Application of restriction on imports where drafts were not drawn, already enforced with respect to imports by the exchange control system, was made by Law No. 81 of August 27, 1937, thus making possible even more complete control of trade.

4. Direct Control of Imports

The last-mentioned law was obviously control of trade itself, rather than simply trade control through the medium of exchange control. A basis for further direct control of imports was provided by the Law regarding the Adjustment of Foreign Trade and Related Industries, promulgated August 14, 1937, and enforced from September 27. Under this, with the advice of the Foreign Trade Council, the Government was permitted to restrict or prohibit import or export of commodities when necessary (a) to adjust foreign trade in accord with a commercial treaty; (b) to maintain the equilibrium of a country with which Japan had a treaty; (c) to prevent or correct undue price changes resulting from unfair competition; or (d) when desired to "regulate the proper supply of important commodities for the development of sound national economy." This law was to be in force for five years.

Little use was made of it, however, for the spread of the China Incident caused the Government to seek and acquire even more extensive powers. These were provided by Law No. 92, the Law Concerning Temporary Measures for Exports and Imports, which became the basis for the most stringent trade control exercised by the Government prior to 1941. According to Article I of this law the Government might, when thought "necessary to secure the movement of the national economy as a result of the China Affair, prohibit or restrict exports or imports of goods in accordance with the provisions

of this law." Enforced from the date of issue (September 9), this law was to be annulled within one year after the cessation of the China Affair.

The enforcing ordinance, issued October 11, created three lists of commodities. Those in List A, except for those received by mail, or those costing less than 100 yen, were to be imported only with the permission of the Ministry of Commerce and Industry. The same applied to those in List B. For both lists exceptions were made of goods for the Imperial Household, foreign rulers and diplomats, and also for Government imports, luggage, samples, gifts, and similar items. For List B the maximum allowed without permission was only 50 yen, and then only if the goods were not for sale. Commodities in List C were not to be exported without permission.

List A included chiefly cotton, wool, and lumber—commodities which were imported in large quantities and the import of which could not be entirely cut off. Ordinance No. 33 of the Department of Commerce and Industry, on December 23, 1937, added to this list hides and skins, crude rubber, and cellulose pulp. Even these goods, necessary as war materials, and hence not to be entirely prohibited, were listed for restriction.

List B consisted of about 270 commodities which were felt to be not necessary to the Japanese people or which could be produced in Japan. Chiefly these were foods, toilet goods, light chemicals, textiles, apparel, and "luxuries" of similar character. Imports of these had been small, due partly to the heavy import duties imposed upon them, and they were now prohibited, except with special permission. List C, of commodities which were not to be exported without special permission, contained rabbits' skins and hair, naphthalene, nitric acid, waste or old cotton yarn (cotton waste), cotton rags, waste paper, and antimony and antimony sulphide. It was generally understood that import of commodities in List A was to be restricted, while import of those in List B, and export of these in List C, were to be entirely prohibited.

Some additions were made to List C, and Ordinance No. 10, of March 23, 1938, added a new List D, of which the items might be imported only with the permission of the Minister of Commerce and Industry (unless of a value of less than 100 yen). Copper, lead, tin, zinc, antimony, and their ores, as well as platinum, nickel, mercury, antimony sulphide, and brass and bronze were included in this list, the purpose being the facilitation of control of their distribution, rather than prohibition of their import.

E. AGENCIES OF TRADE CONTROL

Promulgation of the Law Concerning Temporary Measures for Exports and Imports set up a dual governmental control over imports. Permits for foreign exchange with which to pay for imports had to be secured from the Ministry of Finance, and permits for imports of commodities in List A had to be secured from the Ministry of Commerce and Industry. To simplify this situation Ordinance No. 77 (August 29, 1938) cancelled Lists A and D, and changed the designation of List C to "List A." As far as known, no changes were

made in List B. The new List A (which had been List C) was revised, however, a number of times, the most important being the revision of September 20, 1939 (enforced September 25), in which 52 commodities, especially metals and machinery, were added.

These revisions effected a division of responsibility, leaving prohibitions of import or export of commodities in the hands of the Department of Commerce and Industry, while restriction of such imports as textiles, textile raw materials, and lumber rested with the system of exchange control administered by the Ministry of Finance.

That large decreases in imports were achieved by these controls, and especially by the restriction of imports in the original List A, may be seen from the following table:

Imports				
(In millions of yen)				
Class of Commodity	1937	1938	Decrease	Increase
Foods, beverages, and tobacco	281	228	53	
Drugs, chemicals, dyes, explosives	283	191	92	
Oils, fats, waxes, and manufactures	298	327		29
Tissues, yarns--textiles	1,225	578	647	
Paper, books, etc.	141	48	93	
Minerals and manufactures thereof	126	121	5	
Metals and metal manufactures	914	670	244	
Machinery	242	313		71
Other products	273	187	86	
Totals	<u>3,783</u>	<u>2,663</u>	<u>1,220</u>	<u>100</u>

F. THE LINK SYSTEM

As in Germany, in the evolution of the system of trade control in Japan, exchange and trade controls were inaugurated to restrict imports to a volume comparable to that of exports, and thereby to prevent further depreciation of the currency. With the Sino-Japanese war and the speeding up of industrial production in Japan, although increased output of goods for export was considered essential in order to furnish foreign exchange, the aim of trade control, and the purpose of securing additional foreign exchange, became fixed upon assuring the import of commodities essential to a wartime economy. Linking the import of raw materials to the export of finished

goods produced from them—the Link System—was therefore designed to secure raw materials for manufacture, and to ensure that such imports did not constitute a permanent drain on the supply of foreign exchange.

1. Foreign Exchange Revolving Fund

To implement this policy of linking imports to exports, a foreign exchange revolving fund of 300,000,000 yen was established in July, 1938, by the Bank of Japan. Specie in the fund was to be held in foreign currencies to be used by exchange banks for importation of raw materials; and within a fixed period the fund was to be reimbursed from export exchange bills. In practice, the fund was held in gold and dollars by the office of the Yokohama Specie Bank in New York, as the foreign agent of the Bank of Japan. It was used as an equalization account to cover the persistent deficit in Japan's balance of payments, and was replenished by means of sales of newly-produced gold to the United States Treasury.

2. Operation of the Link System

Links of imports of tallow and perfume with exports of soap had been in existence as early as October of 1937. Other links were formed for a number of commodities, the most important being cotton and cotton textiles, and wool and woolen goods. Thus, for example, when woolen goods were exported, the quantity of wool in them might be imported; and goods made of this imported wool were to be exported within a period of ten months. Exporters of woolen goods obtained certificates from the customs authorities certifying to the export of those woolen goods; the certificates were transferred to the spinning companies, which passed them to the Wool Importers' Association, through which, exclusively, wool was imported.

At first the foreign exchange revolving fund was little used in the financing of linked imports, and the period of loans had to be lengthened from 4 months to 6 months, and interest rates reduced to 2 percent and below. At the same time 24 commodities were designated as coming under the system. After a year and a half of operation of the fund, it was announced that total loans advanced from the fund amounted to 576,000,000 yen, of which 227,000,000 yen was outstanding.

3. Eliminating the Yen-Bloc from the Link System

Japan's export surplus of 1938 and 1939 was illusory because it was due only to exports to the yen-bloc areas—exports which were made possible because of Japanese investments there. Exports to those areas amounted to 1,892,000,000 yen in 1939, 50 percent higher than in 1938. Yen-bloc trade thus produced an export surplus in 1939 of over 1,150,000,000 yen, while trade with other areas showed an import surplus of 350,000,000 yen. For this reason the exports to the yen-bloc areas were eliminated from the link system, which had been designed specifically to ensure a satisfactory supply

of foreign exchange.

4. Limitation of Exports to Yen-Bloc Areas

To further restrict these exports, Ordinance No. 53 of September 20, 1939, provided that designated commodities were not to be exported to yen-bloc areas without approval of the export association for the commodity concerned, or, where no export association existed, of the prefectural governor. The designated commodities included many foods, drugs, paints, paper, glass and wood products, toys, and similar items.

5. Further Control of Yen-Bloc Trade

An ordinance of the Ministry of Commerce and Industry promulgated August 27, 1940, effective September 2, provided that all exports to the yen-bloc areas, and all imports from those areas, were to be shipped through the Japan Federation of East Asia Export and Import Associations. Under the direction of the Ministry of Commerce and Industry the Federation was to buy up all export goods for these areas from manufacturers, at prices based upon the Price Control Law, and release such goods to exporters at its own prices. A similar arrangement was made effective for imports. The prices fixed by the Federation were to be based upon the price level existing in Manchuria and China, which was much higher than that in Japan. This price differential was, of course a basic cause for the excess of exports to those areas.

On October 15 the Japan East Asia Import Association was established, under control of the Federation, and from November 13 imports of grains, seeds, hides and skins, bristles, vegetable oils, cotton, hemp and other fibers, wool, goat and camels' hair, gypsum, and wheat bran were permitted only through this Association.

Although a comparatively recent development, these and other import associations were important in the control of distribution after the legal basis for them had been provided by the Foreign Trade Association Law of 1937.

G. EXPORTERS' ASSOCIATIONS

Export associations had developed much earlier. For practically every important commodity exported, there existed in Japan an association, or, usually, two associations, one of the manufacturers or producers of the commodity, and one of the exporters. All of these associations, which were organized under the Industrial Guild Law, the Export Guild Law, or both, functioned under Government auspices. Frequently the Government took the initiative in organizing an association; the Foreign Trade Association Law of 1937 empowered it to make formation of exporters' associations compulsory. The

associations also received subsidies or financial assistance from the Government, although in many cases the subsidies were small. After being organized, most associations functioned under their own leadership, but the Government could interfere at any time, or could assist if desired. The associations always had power to inspect merchandise and refuse exportation thereof, so that membership, while nominally voluntary, was in actual practice, often compulsory.

The Export Association Law was enacted in 1925, and revised in 1931, and as many as 80 export control associations (Yushutsu Kumiai) were formed under its provisions. The chief products for which associations were formed included food products, marine products, and textiles, while in a number of cases the associations were formed with special reference to exports to a particular region. Later revision of the law enabled associations to be formed, in special circumstances, by exporters dealing in different kinds of merchandise. The associations were permitted to restrict the volume of exports, and to fix export prices, but it was required that in such cases notification be given to the Minister of Commerce and Industry, who could change such orders. He also had power to compel both members and non-members to comply with decisions of an association.

1. Functions of Export Associations

The export associations were originally established because of the weakness of the export trade and the excess of imports, especially after the 1923 earthquake. The poor reputation of many small merchants, the quality of whose goods was not often high, made it difficult to expand exports, and one of the chief reasons for the establishment of the associations was to inspect goods and improve the quality of exports. The Staple Export Goods Control Regulations of 1928 specified commodities which could not be exported until inspected by an authorized body, in some cases manufacturers' guilds (Kogyo Kumiai); no exporters' guilds were recognized as official bodies for carrying out the compulsory inspection. Mats, raw silk and silk textiles, plants, and Taiwan canned pineapples were inspected by Government officials. Similar Staple Export Goods Control Regulations were promulgated in Korea and in Taiwan; the manufacturers' guilds and exporters' guilds, however, were not in existence in the colonies, which were therefore regarded as loopholes for the export of lower quality merchandise. In Japan Proper many guilds inspected export goods, even though they were not designated for compulsory inspection.

After 1932, when restrictions by other countries on Japanese exports became important, the functions of the export associations in maintaining prices and limiting volume of exports increased in significance. Where arrangements were made between Japan and another Government concerning the volume of Japanese goods to be exported, the guilds were entrusted with the task of limiting exports to that amount, and distributing quotas among the exporters. In other cases the export guilds introduced control over export prices to forestall imposition of restrictions upon Japanese exports. Some

times the guilds levied dues on exports to particular markets, and used the funds so obtained to subsidize imports from those markets.

2. Distribution Control of Export Goods

By the Export Goods and Materials Distribution Control Ordinance issued December 23, 1940, and effective January 20, 1941, under the authority of the Law Concerning Temporary Measures for Exports and Imports, export of over 800 commodities was placed entirely in the hands of designated control organs. Activities of export promotion companies were merged with the central Foreign Trade Council to control such exports. Exporters were required to apply to a designated control organ for exports outside the yen-bloc, for exports made in accordance with a contract with the Foreign Trade Council, or when the Council otherwise considered it necessary. The Council then placed an order with a manufacturer of the commodity, and received from the manufacturer an application for the necessary materials. When the exporter received the goods, he obtained a sales certificate from the control organ, and presented this to his Exporters' Association. When it granted a certificate of consent the shipment was ready for export. Thus the designated control organs (special export control companies) and the export associations controlled foreign trade outside the yen-bloc.

This legislation was only one of many Distribution Control Ordinances issued under the authority of the Law Concerning Temporary Measures for Exports and Imports, the law upon which the most important trade control ordinances were based. Most of the distribution control ordinances were issued for particular industries, establishing a control organ for distribution of the commodity concerned.

H. BILATERAL TRADE

In the summer of 1941 the Law Concerning Temporary Measures for Exports and Imports was revised. The new regulations, effective as of July 7, 1941, gave the Minister of Commerce and Industry authority to restrict or prohibit, in case of emergency, export of any commodity—even one for which permission to export had already been granted. The number of commodities subject to the export license system (List A) was increased by 71 to 244. Also, 340 items were added to the list of those which could be exported only by the export adjustment organs designated by the Minister of Commerce and Industry—namely, 11 export promotion companies and 19 export associations. These agencies in some cases were allowed to issue permits. Clearance of all non-yen-bloc exports was temporarily suspended to allow establishment of new control machinery. The aim was to make possible bilateral trade and equalize exports and imports with each non-yen-bloc country, and especially to decrease exports to conserve raw materials. This was a radical change in Japan's trade policy which until this time had been devoted to the expansion of exports, particularly to non-yen-bloc areas.

1. Positive Trade Control

Until 1941 trade control, although comprehensive, was essentially negative. The Government had the power to prohibit or restrict the import or export of commodities, but was unable to order the import or export of goods. Promulgation of a new Exchange Control Law, No. 83, April 11, 1941 consolidated the exchange control system, tightened its provisions, and provided for freezing assets of foreigners in Japan. Another clause gave the Government the power to issue orders concerning the terms and methods of settlement between Japanese and foreign traders, enabling immediate action by the Government for the guidance of exchange banks and traders, in their mode of conducting business.

Power to order the import or export of goods was available to the Government under the stringent National General Mobilization Law, promulgated April 1, 1938, Article IX of which provided that the Government might, in accordance with provisions of an Imperial Ordinance, "restrict or prohibit exportation or importation, or order exportation or importation, impose export or import tariffs or increase or decrease export or import tariffs." The broad powers of the National General Mobilization Law had hitherto been little used, but an ordinance of May 13, 1941, based upon it, provided that orders for the export or import of specified commodities might be issued, as well as restrictions or prohibitions of such trade. Compensation for private firms was required for losses which they might sustain because of such orders.

2. Bilateral Trade and Clearing Agreements

The movement toward bilateral trade continued with the conclusion of the agreement of May 6, 1941, with French Indochina, providing for establishment and operation of an exchange clearing system for commercial payments between Japan and Indochina. The procedure employed differed somewhat, however, from that of the ordinary clearing agreement. In the usual agreement importers in each country paid into a clearing account in the country's central bank; thus as long as imports and exports were approximately equal, each country's exporters could be paid promptly from the clearing account. In the French Indochina-Japan agreement, the Bank of Indochina gave the Yokohama Specie Bank piasters with which to pay French Indochina's exporters; in return it received a yen account in the Yokohama Specie Bank. Similarly, the Yokohama Specie Bank gave the Bank of Indochina yen with which to pay Japanese exporters, and received a piaster account in the Bank of Indochina. Thus the Bank of Indochina had yen given it by the Yokohama Specie Bank, and also a yen account in the Yokohama Specie Bank; and the Yokohama Specie Bank had piasters given to it, and a piaster account in the Bank of Indochina. Exporters in either country received immediate payment in their own currencies, and the two Governments assumed any burden resulting from an unequal flow of trade.

Indochina authorized the exportation to Japan of specified minimum quantities of certain products, including rice, rubber, and coal, and to earmark its total production of many minerals for Japan. In return, provision was

made for increased imports from Japan, and to this end Indochina made various concessions, including large import quotas, and tariff reductions. This agreement with Indochina, which was for a year only, has been renewed each succeeding year. In 1943 the clearing arrangements were changed so that payments could be made in "special yen". Previous usage had required in principle gold or a currency convertible into gold for the settlement of trade balances. With the conclusion of the 1943 agreement, the yen became in fact the only medium of settlement within Greater East Asia. Exchange of commodities could thus be planned in terms of the yen, payment being made by Japan throughout Greater East Asia in yen (within the yen-bloc—Japan proper, Chosen, Taiwan, Mongolia, Manchuria, North China, and Thailand), "special yen" (for French Indochina), and military yen (in other areas). In 1943 also exchange rates were fixed between the local military notes and the military yen, and between the military yen and the yen, the latter rate being fixed at 1:1.

I. TRADE CONTROL CORPORATION

In the summer of 1943 there was announced the formation of a new Trade Corporation, with a capital of 300,000,000 yen, to conduct on a barter basis the trade of Japan (except with Burma, Malaya, the Netherlands East Indies, and the Philippines). Of 28 export control associations, 18 were to be dissolved, and the remaining ten, chiefly in agricultural, marine, and miscellaneous products were to serve as organs of the trade corporation. Similarly the import associations were also to serve as agents, although the Japan Oceanic Import Association was to be dissolved.

Similar organizations were to be set up for the excluded areas, and monopoly commodities (salt, oil, alcohol, and tobacco), together with rice, wheat, charcoal, fertilizers, and feedstuffs were to be handled by special agencies.

The Trade Corporation was to handle trade in all other commodities, and to enable it to make balancing payments between territories a Trade Adjustment Special Account was set up. It was also announced that because Japan's imports exceeded its exports, the Government held 470,000,000 yen to be used in payment for the excess imports. Steps were taken to concentrate actual exporting in the hands of larger firms who were members of the export associations.

Control of foreign trade was transferred from the Ministries of Finance and of Commerce and Industry to the Greater East Asia Ministry at the time of establishment of the latter in November 1942, and apparently for many if not all transactions approval of this Ministry was required. For many commodities quotas for export were established, the share of principal exporters in the quotas determined, and prices set by export boards.

VI TARIFFS AND TRADE CONTROLS IN KOREA

The duties on products imported into Korea (Chosen) from foreign countries were the same as those applicable in Japan Proper. Prior to 1930, a few minor differences existed, but the last of these were abolished in 1930 and in 1932. With only insignificant exceptions, changes in Japan's tariff were made applicable to Korea; thus, the "luxury" tariff was applied, except for distilled Chinese liquors.

Because of the condition of the finances of Korea at the time of annexation to Japan, the Korean tariff— even on imports from Japan— was left in force, for a period of ten years. When, at the end of that time, it was desired to abolish these duties, it was decided to retain duties on imports into Korea from Japan of alcoholic beverages and textiles. The duty on cotton textiles imported from Japan was reduced in 1927 from 7.5 percent to 5 percent, and it was hoped to eliminate the duty. With these exceptions, there are no duties on imports from Japan into Korea. With respect to exports from Korea to Japan, no duties are imposed, except for some commodities formerly subject to consumption taxation in Japan but not in Korea; these were subjected to export duties when shipped to Japan.

Most of the trade controls established in Japan Proper were made applicable to Korea. In cases, however, where special conditions made necessary a slightly different application of a law in Korea than in Japan Proper, the Imperial Ordinance applying the law in Japan Proper was not extended to Korea, and, instead, a General Order of the Chosen Government-General, promulgated by the Governor-General, was issued. Thus although the Chosen Government-General Order No. 163 of September 29, 1939, differed slightly in classification, it followed very closely the lists of prohibited imports, prohibited exports, and prohibitions of exports to yen-bloc areas established in Japan Proper. Permission required was to be obtained of the Governor-General of Chosen.

Because Korea's direct trade with any country other than Japan was very small, the importance of the import tariff was not great. Its greatest importance was, until the abolition of customs duties between Japan and Manchuria announced in May, 1944, in connection with the substantial volume of trade which flowed between Manchuria and Korea. The greatest significance of the trade control laws also lay in the prohibition of export (except with special permission) of many consumer goods to Manchuria and China. Abolition of customs duties between Korea and Manchuria will presumably facilitate shipments between the two areas—something which has also been aided by recent railway construction providing additional connections.

VII TARIFFS AND TRADE CONTROLS IN TAIWAN

Duties on products imported into Taiwan from foreign countries are the same as those applicable in Japan Proper. No export duties were levied, but on tea a manufacturing tax was levied when the tea was exported, either to Japan or to foreign countries; formerly this tax was important in the export of Oolong tea to the United States.

With this exception, trade between Taiwan and Japan was free, although of course there were certain quarantine and other regulations effective; export of many fresh fruits and vegetables from Taiwan to Japan was prohibited to prevent the introduction of noxious insects into Japan.

Trade controls effective in Japan Proper were generally made applicable to Taiwan. In cases where special conditions made necessary a somewhat different application of a law in Taiwan, the Imperial Ordinance applying the law in Japan Proper was not extended to Taiwan, and, instead, an Order of the Government-General of Taiwan, promulgated by the Governor-General of Taiwan, was issued. Permissions required were obtained from the Governor-General of Taiwan, and when necessary the Bank of Taiwan and its branches performed the services performed in Japan Proper by the Bank of Japan.

Most of Taiwan's foreign trade was with Japan Proper, and much of its trade with foreign countries, especially imports, were made through firms in the large business centers of Japan Proper. Because volume of business was seldom large enough to justify establishment of a branch office in Taiwan, foreign firms desiring to export to Taiwan did so through an agency or sub-agency, selecting some firm in Japan as agent, and a branch of that firm in Taiwan, or a reputable Taiwan firm, as sub-agent. Direct representation through local firms was little used. Government offices in Taiwan required the presence in Taiwan of a sales representative as a prerequisite to making purchases.

Credit terms included a system of "instruction to buy documents," similar to the letter of credit. Local importers deposited money with a local bank, which instructed its office in the foreign country to buy documents from the foreign exporters.

JAPANESE EMPIRE BALANCE OF INTERNATIONAL PAYMENTS, 1924-1931
(As reported to the League of Nations)
(In millions of yen)

	1924		1925		1926		1927		1928		1929		1930		1931	
	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits
TRADE & SERVICE ITEMS																
I. Merchandise 1/																
1. Merchandise (including silver bullion)																
(a) Japan Proper	1,807.0	2,457.5	2,305.8	2,572.9	2,048.5	2,379.0	2,005.9	2,187.7	1,975.4	2,198.6	2,152.1	2,216.4	1,472.3	1,546.7	1,148.6	1,237.8
(b) Korea (Chosen)	22.4	97.8	24.3	105.6	24.8	124.2	28.1	114.1	32.1	118.3	35.8	107.7	25.9	89.1	12.8	53.0
(c) Taiwan	42.6	46.4	48.0	56.5	49.3	62.0	44.6	65.6	33.9	58.2	33.2	64.5	22.8	45.1	19.4	30.9
(d) Manyo 2/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
2. Adjustment of Item 1																
(a) Ships' stores	15.0	...	10.9	...	13.6	...	11.2	...	10.5	...	12.1	...	9.0	...	6.5	...
(b) Other items	15.0	30.0	17.7	33.4	18.1	28.2	16.8	22.3	25.7	25.9	17.0	25.3	17.8	21.6	11.4	19.1
Total merchandise items	1,902.2	2,631.4	2,406.7	2,768.4	2,194.3	2,533.4	2,106.6	2,389.7	2,077.6	2,401.0	2,250.2	2,413.9	1,547.8	1,702.5	1,198.7	1,340.8
II. Interest and dividends																
3. Interest on public debts	14.2	66.2	12.7	75.5	10.1	72.7	13.2	70.4	11.9	69.0	12.2	65.7	11.0	64.3	9.9	55.0
4. Yield of other long-term capital	63.8	19.3	86.3	34.0	81.4	36.3	77.9	28.4	65.7	36.4	84.8	47.4	73.2	82.9	62.4	38.1
5. Interest on short-term capital	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total interest and dividends	78.0	85.5	99.0	109.5	91.5	109.0	91.1	102.8	84.0	108.0	102.4	122.2	90.7	115.9	78.2	93.1
III. Service items																
6. Shipping 3/	167.8	3.4	181.7	0.6	175.1	0.6	186.0	2.6	...	...	...	...	...	...	...	...
(a) Ordinary freights	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
(b) Charter money	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
(c) Passage money	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
7. Port fees	2.6	35.4	2.8	36.5	3.1	45.8	1.9	40.6	3.5	46.1	3.8	47.9	3.2	40.9	3.9	40.5
9. Commissions, insurance and brokerage	104.2	89.0	117.3	97.0	92.2	90.0	96.4	95.9	110.7	106.0	125.7	117.4	116.2	115.9	108.8	105.9
10. Post, telegraph and telephone	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
11 & 12. Immigrants and emigrants' payments	96.1	4.2	65.3	4.1	52.7	4.3	54.8	3.7	60.7	3.4	60.9	4.6	49.0	3.5	42.7	3.0
13. Tourists' expenditures	27.8	28.1	29.9	26.7	33.7	24.8	34.6	30.5	37.6	34.4	44.6	42.1	35.1	39.7	27.7	34.4
14. Diplomatic and similar expenditures	7.0	5/	4.9	5/	5.3	5/	5.3	10.5	...	...	...	...	...	...	...	...
15. Reparation receipts in cash	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
16. Counter-value of reparations in kind included in merchandise imports above	...	...	20.6	...	24.0	...	...	...	...	...	...	...	...	...	...	...
17. Other government receipts & expenditures	24.3	80.8	...	87.0	...	66.9	...	...	...	...	...	...	...	...	...	...
18. Other services	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total service items	429.8	240.9	422.5	251.9	385.1	232.0	391.4	246.4	430.2	255.7	477.3	274.8	407.3	254.7	352.5	244.3
IV. Gold																
19. Gold coin and bullion	...	...	22.1	0.1	32.1	0.3	36.1	...	...	...	...	...	...	...	...	...
Total of current items	2,410.0	2,957.8	2,950.3	3,129.9	2,664.0	2,914.7	2,633.7	2,738.9	2,592.1	2,765.1	2,829.9	2,811.5	2,354.8	2,095.0	2,047.3	1,716.6
CAPITAL ITEMS																
I. Long-term operations																
1. Amortisation																
(a) Of public debts	70.0	148.4	0.5	18.2	0.2	62.4	2.3	9.0	20.7	7.3	56.4	9.4	5.6	6.1	23.8	97.9
(b) Of other debts 6/	12.6	5.6	26.2	21.6	61.4	29.4	33.4	48.1	31.6	57.8	42.0	28.3	35.1	9.8	44.3	12.4
2. Purchases and sales																
(a) Of real estate	7/	7/	...	...	1.7	...	...	...	...	...	...	...	...	...	...	...
(b) Of domestic securities	233.2	181.6	31.2	59.1	48.5	61.9	52.2	115.5	85.9	148.2	65.7	87.9	109.5	168.7	74.5	231.5
(c) Of foreign securities	21.4	87.3	40.5	85.4	24.3	15.1	11.2	44.9	17.3	33.3	110.8	152.5	106.9	193.2	218.8	225.1
3. New capital issues	308.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
(a) Government and municipal	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
(b) Other	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
4. Other long-term investments	53.9	9.0	18.0	5.2	24.3	58.6	...	...	...	...	...	...	...	...	...	...
5. Change in short-term debts	309.8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
6. Change in short-term assets	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total of capital items	979.7	431.9	369.7	190.1	498.1	227.4	323.1	276.6	399.4	282.9	427.2	484.1	379.9	675.3	412.4	726.3
GRAND TOTAL	3,389.7	3,389.7	3,320.0	3,320.0	3,162.1	3,162.1	2,956.8	3,015.5	2,991.5	3,048.0	3,257.1	3,295.6	2,734.3	2,770.3	2,459.7	2,442.9

This table has been taken from *The Industrialization of Japan and Manchuria, 1930-1940*, by Schumpeter, Allen, Gordon, and Penrose, with some slight modifications. Original sources of data to 1934 were League of Nations publications, as follows: 1924, *Memorandum on International Trade and Balances of Payments, 1911-1927*, pp. 154-156; 1925-27, *Ibid.*, 1927-29, Vol. II, pp. 130-132; 1928-1931, *Balances of Payments, 1930*, pp. 110-112; *Ibid.*, 1931 and 1932, pp. 120-122.

1/ Item 1 (a) represents the trade of Japan Proper outside the Japanese Empire, and items 1 (b) and 1 (c) the trade of Korea (Chosen) and Taiwan outside the Japanese Empire. The exports shown against item 2 (b) represent mainly unrecorded exports of aquatic exports; the import figures against the same item include articles for the use of the Imperial family, books and periodicals not imported as parcels post, ships' stores purchased abroad by Japanese ships, etc.

2/ The trade with foreign countries of Manyo (South Sea Mandated Islands) is not included in this table. The figures are so small, however, that their inclusion or exclusion is of little importance; in millions of yen, they are as follows:

Year	Exports	Imports
1924	0.058	0.115
1925	0.022	0.165
1926	0.087	0.211
1927	0.041	0.193
1928	0.094	0.198
1929	0.078	0.629
1930	0.061	0.257
1931	0.010	0.178

3/ Maritime freight on goods imported in national ships is included on credit side under this item and also on debit side under imports of merchandise (in group I). The credit side of this item includes "other transport fees," and hence item 8 is omitted.

4/ Passage money excluded (included in items 12 and 16).

5/ Included in item 16.

6/ The repatriation of Japanese capital invested in foreign enterprises is included in the credit figures entered against this item for the years 1924-1926 inclusive.

7/ Unknown.

8/ The figures entered under this item for the years 1924-1926 inclusive are not based on direct evidence but are interpolated as balancing items.

* These are the totals given in the original source, although addition of items gives slightly different figures.

Table No. 18 - Continued

JAPANESE EMPIRE BALANCE OF INTERNATIONAL PAYMENTS, 1932 - 1936
(As reported to the League of Nations)
(In millions of yen)

	1932		1933		1934		1935		1936 ^{1/}	
	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits	Credits	Debits
TRADE & SERVICE ITEMS										
I. Merchandise ^{2/}										
1. Merchandise (including silver bullion)										
(a) Japan Proper	1,418.7	1,431.6	1,868.7	1,917.3	2,185.8	2,282.9	2,724.5	2,472.3	2,729.0	2,764.6
(b) Korea (Chosen)	29.2	61.8	52.8	64.4	57.7	79.6	64.9	169.9	77.4	120.0
(c) Taiwan	18.0	31.0	17.7	35.5	26.6	38.5	38.5	56.1	29.2	50.5
(d) Nanyo	0.1	0.4	0.6	0.5	2.0	0.3	2.6	0.6	0.3	2.6
2. Adjustment of item 1										
(a) Ships' stores	8.0	22.3	10.0	24.3	12.0	23.4	16.9	23.7	36.0	28.7
(b) Other items	17.7	1.4	42.4	3.6	76.3	6.0	16.1	---	---	---
Total merchandise items	<u>1,491.7</u>	<u>1,548.5</u>	<u>1,992.2</u>	<u>2,045.6</u>	<u>2,360.4</u>	<u>2,430.7</u>	<u>2,863.5</u>	<u>2,722.6</u>	<u>2,871.9</u>	<u>2,966.4</u>
II. Interest and dividends										
3. Interest on public debts		58.0	13.8	72.6	14.0	72.4	15.8	78.7	17.3	72.4
4. Yield of other long-term capital		39.8	4.6	40.6	4.8	24.8	5.9	19.9	12.1	16.8
(a) Interest		20.8	71.2	22.4	85.2	24.6	106.2	34.0	125.7	32.3
(b) Dividends and profits		8.2	3.0	10.0	9.4	9.4	0.9	10.0	0.7	9.5
5. Interest on short-term capital		89.3 ^{4/}	92.6	145.6	104.8	131.2	128.8	142.6	155.8	131.0
Total interest and dividends										
III. Service items ^{2/}										
6. Shipping										
(a) Ordinary freights	154.5	---	193.5	---	213.8	---	247.8	---	279.0	---
(b) Charter money	1.6	1.7	0.5	2.9	0.3	6.7	0.5	10.7	0.2	14.7
(c) Passage money	12.7	---	15.4	---	17.0	---	26.3	---	26.7	---
7. Port fees	5.0	49.3	5.3	58.4	6.3	59.8	8.6	65.0	9.2	70.0
9. Commissions, insurance and brokerage	117.3	108.4	117.6	108.9	138.5	115.1	128.6	118.2	137.5	122.0
10. Post, telegraph and telephone	1.2	5.3	1.6	5.5	1.6	4.3	2.2	4.6	2.9	5.1
11. & 12. Immigrants' and emigrants' payments	98.4	3.9	110.2	5.6	116.7	3.9	121.8	4.3	100.5	6.2
13. Tourists' expenditures	41.5	41.0	50.9	57.0	70.2	54.6	77.4	55.2	87.8	58.3
14. Diplomatic and similar expenditures	6.6	9.6	6.9	10.6	6.9	10.4	7.3	12.9	10.4	11.4
15. Reparation receipts in cash	---	---	---	---	---	---	---	---	---	---
16. Counter-value of reparations in kind included in merchandise imports above	---	---	---	---	---	---	---	---	---	---
17. Other government receipts and expenditures	3.8	87.6	5.6	122.5	4.2	137.4	16.1	155.4	32.0	159.5
18. Other services	23.6	21.8	42.0	39.8	23.6	47.3	22.2	49.8	9.9	50.1
Total service items	<u>466.2</u>	<u>328.6</u>	<u>549.5</u>	<u>411.2</u>	<u>599.1</u>	<u>439.5</u>	<u>658.8</u>	<u>476.1</u>	<u>696.1</u>	<u>497.3</u>
IV. Gold										
19. Gold coin and bullion	112.7	0.7	34.7	---	---	---	---	0.1	---	---
Total of current items	<u>2,159.9</u>	<u>2,004.6</u>	<u>2,669.0</u>	<u>2,602.4</u>	<u>3,064.3</u>	<u>3,001.4</u>	<u>3,651.1</u>	<u>3,341.4</u>	<u>3,723.8</u>	<u>3,594.7</u>
CAPITAL ITEMS										
I. Long-term operations										
1. Amortization										
(a) Of public debts	---	57.1	---	24.6	---	24.5	---	89.5	37.2	44.0
(b) Of other debts	31.1	52.8	151.5	45.4	79.6	36.0	180.9	28.0	444.0	19.7
2. Purchases and sales										
(a) Of real estate	---	---	---	---	---	---	---	---	---	---
(b) Of domestic securities	8.0	70.9	84.3	13.8	48.1	30.9	60.3	43.0	45.0	40.5
(c) Of foreign securities	74.9	4.8	22.8	37.0	139.0	38.2	44.8	40.2	3.7	42.9
3. New capital issues										
(a) Government and municipal	---	---	---	---	---	9.8	---	90.3	---	76.6
(b) Other	---	96.2	---	178.8	---	350.5	---	449.5	---	532.9
4. Other long-term investments	---	---	---	---	---	---	---	---	---	42.6
II. Short-term operations										
5. Change in short-term debts	67.7	---	20.0	---	39.8	---	83.0	---	94.3	---
6. Change in short-term assets	---	229.3	---	225.2	54.7	---	90.2 ^{6/}	---	---	---
Total of capital items	<u>181.7</u>	<u>511.1</u>	<u>278.6</u>	<u>524.8</u>	<u>361.2</u>	<u>489.9</u>	<u>459.2</u>	<u>740.5</u>	<u>624.2</u>	<u>799.2</u>
GRAND TOTAL	<u>2,341.6</u>	<u>2,515.7</u>	<u>2,947.6</u>	<u>3,127.2</u>	<u>3,425.5</u>	<u>3,491.3</u>	<u>4,110.3</u>	<u>4,081.9</u>	<u>4,348.0</u>	<u>4,393.9</u>

This table has been taken from The Industrialization of Japan and Manchukuo, 1930-1940, by Schumpeter, Allen, Gordon and Penrose, with some slight modifications. Original sources of data were: 1932-1934, inclusive, League of Nations, Balances of Payments, 1934, pp. 119-123, and ibid., 1935, pp. 104-105; 1935-1936, Financial and Economic Annual of Japan, 1937.

^{1/} Service item and capital item totals for 1936 are obtained by addition of items listed. Totals given in original source vary slightly from these, but differences are negligible.

^{2/} Item 1 (a) represents the trade of Japan Proper outside the Japanese Empire, and items 1 (b), 1 (c) and 1 (d) the trade of Korea (Chosen), Taiwan and the Mandated Islands outside the Japanese Empire. The exports shown against item 2 (b) represent mainly unreported exports of aquatic products. The import figures against the same item include articles for the use of the Imperial family, books and periodicals not imported as parcels post, ships' stores purchased abroad by Japanese ships, etc.

^{3/} Only these totals were given in the League of Nations statement. The breakdown above was obtained from the Financial and Economic Annual of Japan, with adjustments (item 2) computed as differences.

^{4/} Only this total was given, with no breakdown available.

^{5/} Maritime freight on goods imported in national ships is included on credit side under this item and also on debit side under imports of merchandise (in Group I). The credit side of this item includes "other transport fees", and hence item 8 in the League of Nations classification is omitted, and hence item 8 in the League of Nations classification is omitted.

^{6/} This figure (90.2) representing a decrease in foreign floating assets is omitted in the account published by the League for this year (Balances of Payments, 1936). Hence the League figure for total capital credit items is 369.0 instead of 459.2.