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25 June 47	A Rayon Program for Japan	SCAP/ESS
15 June 48	Outlook for the Japanese Cotton Industry	SCAP/ESS
10 July 48	Publications Analysis (Cotton Textiles)	SCAP CI & ES

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GENERAL HEADQUARTERS
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PUBLICATIONS ANALYSIS

NUMBER 186 — 10 July 1948

COTTON TEXTILES

The cotton spinning industry, in the opinion of writers in Japanese economic magazines, has assumed primary importance in the nation's export trade and is playing a significant role in improving Japan's international trade account. Both optimism and pessimism characterize comments on the future of the industry, success of which is believed to depend first on decisions of the Allied Powers regarding the industrial level permitted Japan and the amount of imports of raw materials, and second on the Japanese Government's policies on official prices, the rate of exchange, and the decentralization of enterprises.

Some concern is expressed regarding the availability of sufficient raw cotton stocks to maintain production on a full-scale basis. Focal point of optimism, however, is the proposed revolving credit fund, and textile enterprisers are eagerly awaiting the arrival of raw cotton which may be purchased through these credits.

Analysis and Research Division
Media Analysis Branch

JAPAN'S TEXTILE INDUSTRY

The Volume of Production

Textile production and export aspects of the year 1947 are reviewed in the MONTHLY CIRCULAR of the Mitsubishi Economic Research Institute. According to the revised 1947 plan, "production was estimated at 533,583,000 lbs. (in terms of yarn), of which 330,927,000 lbs. were destined for exports. However, actual output of yarns -- excluding manila rope, waste spinning yarn, spun silk yarn and silk noils, but including raw silk -- amounted to 355,502,000 lbs., of which only 150,108.000 lbs. were exported.

"The unfavorable export trade in textile goods was due to various factors including the absence of conversion rates for dollar and sterling currencies in Asia, and the high price and inferior quality of textile goods exported to dollar areas."

Stocks of cotton fabrics for export at the beginning of 1948" totalled 300 million square yards. The Japan Cotton Spinners' Association adopted the following measures for promotion of export trade: 1) increasing the variety of goods to meet customers' requirements, 2) utilization of stocks to manufacture goods suitable for export, 3) employing the barter system for exports to non-dollar areas against imports of raw cotton, foodstuffs, and other raw materials, 4) changing the mixing rate of raw cotton and the count of yarn to increase the variety of products, and 5) examining more strictly the goods destined for export."

Commenting on the January 1948 visit to Japan of the American Cotton Manufacturers' Association Mission, this writer enumerates recommendations made to SCAP at that time. "These recommendations included 1) the establishment of a $150,000,000 revolving fund for the import of raw materials, 2) the granting of permission to Japan to negotiate with Oriental countries on a barter basis or -- if oriental markets cannot supply the requisite goods -- the authorization of limited sale to the United States in the amount needed to cover the costs of raw cotton, and 3) the domestic sale of half of the 300 million yards of cotton textile goods stock on hand.

"Various factors recently have appeared which effect export trade favorably. Among these are 1) the establishment of a trade agreement between Japan and Australia, 2) an expected barter agreement between India and Japan, 3) a reduction of 30 percent in raw silk prices, and 4) the lowering of the import tariff on silk fabrics in the United States."

Domestic Consumption

Domestic consumption in the fiscal year 1947 "was estimated at 220,000,000 lbs. including 180,000,000 lbs. from planned production and

40,000,000 lbs. carried over from past stocks. Of this total, 142,035,000 lbs. were made available for clothing and the remainder for industrial uses.

"The Ministry of Commerce and Industry announced on 16 February the third and final allocation of domestic clothing in fiscal 1947. The volume of textile goods to be allotted for general use is very low due primarily to the electric power shortage, financial difficulties, the witholding of raw materials in expectation of official prices increases, etc. For these reasons, manufacturers' stocks have increased, and actual shipments up to the end of last year were only 10 percent of the scheduled figure. The Ministry of Commerce and Industry decided therefore to control production through designation of some factories and the closing of others.

"Also, the prohibition of dyeing textiles for domestic use has severely affected medium and small scale industries. Although several exceptions have been made under SCAP authorization, serious problems still remain unsolved."

Cotton Spinning

Operating efficiency in cotton spinning is on the increase, according to a TOYO KEIZAI SHIMPO staff article. In addition to this favorable turn of events, "the relaxation of dollar restrictions on cotton piece goods exports, which came into effect on 22 April 1948, has done much to accelerate the recovery of the industry. Hitherto, it had been stipulated that unless raw cotton purchase payments were settled fully, cotton piece goods exports could be effected only for payment in dollars. This deterred cotton textile exports, because Japan's principal piece goods markets lie in the Southeast Asia sterling area.

"Under present conditions, it is possible to receive payments either in dollars, non-dollar currencies, goods, or combinations of the three. As a result, increased exports to southern areas are anticipated, and it appears that negotiations for a transaction involving 135 million square yards of cotton cloth for the Netherlands East Indies are already under way."

Considerable activity, then, may be expected from Japan's spinning industry. This writer points out, however, that "insofar as imported raw cotton is at present government property, which is allocated to manufacturers on a commission basis for fabrication, no rise in manufacturer's profits can be expected unless processing can be made to pay. Currently, the costs of fabrication are officially estimated at ¥3,593 per bale of yarn. This figure was computed on the basis of the former ¥1,800 standard wage, so today actual costs of fabrication are far in excess of officially estimated costs, causing leading firms to petition for loans to cover operational deficits. It is expected therefore that official fabrication cost estimates will be revised in the near future.

Industrial Decentralization

"Another problem of immediate concern to the cotton industry is that of 'deconcentration.' Up to now major firms have been expecting not only the enforced disassociation of unrelated enterprises, but a certain amount of splitting into smaller units of large related firms. As required under the 'deconcentration' policy, all major firms have submitted reorganization plans which involve only the removal of unrelated or extraneous activities. If this form of readjustment is authorized, major spinning firms will be able to continue multi-phased operations in the textile field, thus maintaining their lead not only among the textile manufacturers, but in Japan's industrial organization as a whole."

COTTON EXPORT

Recognition of the importance of cotton exports is universal. The Hypothec Bank of Japan, in its RESEARCH MONTHLY, reviews conditions attending production and discusses export problems. "Japan's export of cotton goods made rapid strides during the first World War, and has progressed steadily since that time. Because of yen depreciation (resulting from the second ban on gold exports in 1931) and low production costs, Japan's cotton manufacturers dominated the world market, reaching a peak in 1937 when 59,479,000 lbs. of cotton yarn and 2,996,000,000 lbs. of cotton piece goods were exported.

"Dumping"

"This remarkable expansion, however, was stigmatized as flooding of markets or 'dumping' and Japanese cotton goods lost their world markets by the erection of such trade barriers as high customs duties, import restrictions, and import license systems. After the outbreak of the last war, Japan exported cotton goods only to yen bloc countries.

"Rehabilitation of the Japanese cotton industry after the war commenced with the arrival of the first shipment of cotton from the United States on 5 June 1946. In contrast to the inactivity of raw silk exports, cotton goods have played a very important role in Japanese postwar export trade, comprising approximately 40 percent of the total export volume during the first six months of 1947. Out of the officially planned production for 1948 of 769,790,000 lbs. of yarn and 480,000,000 lbs. of piece goods, 381,031,000 lbs. of the former and 288,000,000 lbs of the latter are expected to be exported."

In prewar times "Japan's main cotton export markets were China, Malaya, the Near East, Africa, and South America. These cotton markets probably will be changed. China now has 1,750,000 Government-owned spindles and 2,710,000 privately-owned spindles; India has 10,000,000 spindles with ample resources of raw cotton; and South American countries are anxious

to expand their cotton industry. It is evident, therefore, that the Japanese cotton trade is faced with a situation considerably different from that of prewar days and cannot expect to dominate the world market as before.

"While main markets for post-war Japan are sterling bloc countries, exports to dollar bloc areas must be increased to acquire funds for raw cotton imports. If this does not materialize, import of Indian cotton must be increased to balance trade accounts with sterling areas."

Industrial Rehabilitation

The economic rehabilitation of Japan "has been strengthened greatly by increased U.S. aid, which has brought the cotton industry to the fore," according to a DAIAMONDO staff article.

"The immediate aim of the much-heralded introduction of foreign capital is to resurrect the Japanese cotton industry. It is certain that recovery of Japan's economy begins with rehabilitation of her export trade, which in turn depends on a revived cotton industry."

How and on what basis will this reconstruction take place? "It is too optimistic," this writer believes, "to expected that Japan's cotton export trade will attain prewar levels. Success of this industry in the past was due to three factors: 1) exclusive control of Oriental colonial markets because of military power, 2) flooding of markets, and 3) cheap labor.

"Japan's prewar cotton industry monopolized markets in Korea, Manchuria, and Formosa by military means and made substantial gains in China, India, and the Netherlands East Indies. All past advantages have been lost following the defeat. "Dumping" violates the spirit of the International Trade Charter, and would meet sharp objections from Britain, China, and India. Finally, it is unlikely that cheap labor can be made available without severe economic hardships.

"Exports, however, must be low in cost. To cut down production costs in spite of high wages, the cotton industry must undergo a thorough reorganization. To this end, the most advanced techniques must be introduced from overseas to rehabilitate this branch of our economy under present domestic and international conditions.

"Also, unnecessary friction with other countries must be avoided. In the future, Japan's cotton industry must specialize in high quality goods. By making a 'processing profit' in this industry, Japan may advance to the next stage of recovery and become the 'cotton factory' of the Orient."

STATE MANAGEMENT OF THE SPINNING INDUSTRY

An EKONOMISUTO article by Minoru Toyosaki proposes State management of the cotton industry to increase operating efficiency and to raise technical levels. It is claimed that the task is "difficult to realize under a free enterprise system. Technical improvement is necessary to meet international standards for finished goods and manufacturing processes." Special attention must be given the latter because of the disappearance of low-cost labor, the former basis of Japan s textile industry.

"Despite denials, wages in the Japanese spinning industry certainly were too low. Some operators claimed that their workers' living standard was no lower than that in the rural areas. But rural standards were very low, and spinning mill work demanded more energy than farm labor.

"Nationalization would be unnecessary if Japan's spinning industry were backed by a monopoly strong enough to control the Far Eastern and Japanese markets. In that case, it would be possible to sell cotton textiles at high prices in Japan and sell them cheaply in overseas markets. Such a practice is no longer possible under the Anti-Monopoly Law, and Japan has not the productive capacity to secure Far Eastern markets. Moreover, other Eastern nations are promoting their own spinning industries, and Japan no longer has a large merchant fleet with low freight rates."

Under such circumstances, "raising Japanese production techniques to the world level is an imperative requirement if costs are to be reduced to a point where competition with foreign spinning industries is possible. It is quite true that Japanese spinning machinery ranks high, but a survey of the over-all production process -- including labor, materials, and mechanical equipment -- reveals Japanese inferiority in relation to the rest of the world. Mechanization of the industry has not developed fully.

"Moreover, spinning equipment in Japan deteriorated considerably, during the war years. No progress in spinning techniques was possible during this period, nor has prewar dexterity on the part of operators been maintained. No expert can deny that it is necessary first to restore production processes to at least the prewar standard."

State Financing

How then can the necessary funds for restoration be found? "At the present rate, it is believed that current subsidies will suffice only for additional low-cost production equipment. In order to rehabilitate spinning and other key industries, larger funds must be provided, and -- under the present inflationary economy -- the only way to provide such large funds is by means of State management."

In conclusion, the writer says that "some persons will argue that there

is no need for nationalizing the spinning industry if its recovery can be financed by foreign capital investments." This depends, however, on "whether or not such foreign capital will be made available in the near future."

LABOR AND TECHNIQUES IN SPINNING

Norio Moriya, in DAIGAKU, writes a lengthy history of Japan's spinning industry since the year 1868. He points out that successful development of the industry was due largely to cheap labor until the end of World War I, when there was some improvement in spinning machinery.

Mechanization

"By 1929-1930, Japan's spinning machinery could compete with the best manufactured abroad. However, since industrial development was based on cheap labor, mechanization was pointed toward increasing output (through high speed operation) and not toward improving labor conditions.

"Japan's spinning industry made marked progress in techniques until the outbreak of the Sino-Japanese incident, but after that retrogression became evident. During the war, cotton imports fell and textile industrialists were forced to abandon past production methods whereby output was raised by increasing spindle revolutions. Instead, they reduced spindle revolutions to lower yarn breakage frequency and electric power consumption, and doubled the number of machines assigned to each worker, thus decreasing the number of essential employees. This method of rationalization decreased in importance as a result of the raw cotton shortage.

"After the war, when the spinning industry again began to take the lead, prewar standards no longer governed. While sufficient American cotton can be imported to operate the factories at full capacity, spinning techniques remain backward.

"In a capitalistic society, techniques are developed primarily for the sake of increasing profits. Where cheap labor can be obtained, it is more profitable to utilize this labor than to improve technical facilities. Under prevailing conditions, it becomes necessary to abandon selfish opportunism and to set up a productive structure dependent on advanced techniques for the promotion of national welfare as well as for increased production."

SOURCES

(Magazines, Circulation and Authors*)

DAIAMONDO, 20,000, one staff article; DAIGAKU, 5,000, Norio Moriya; EKONOMISUTO, 20,000, Minoru Toyosaki; MONTHLY CIRCULAR, 1,300, one staff

article; RESEARCH MONTHLY; 1,000, one staff article; TOYO KEIZAI SHIMPO, 30,000, one staff article.

*Where available.

. Eight other articles were used but not quoted directly in the preparation of this report, which is based on articles published from March through June, 1948.

These reports constitute an analysis of comment and information reaching the Japanese people through the medium of Japanese language magazines. Approximately 1,500 publications are scanned each month for material related to topics of possible interest to the Occupation. The reports are made up largely of direct quotations in order to show what is being presented to the Japanese reading public. These quotations are the opinions and views of the authors and publishers conderned, and no means are available to check their accuracy.

Previous Publications Analyses Dealing with Textile Industries

Cotton Textile Production and Exports, Pub. Anal. No.167, 30 April, 1948.
Deals with recovery problems, cotton export trends, cotton yarn and piece goods in foreign exchange terms, and with exports of cotton fabrics.

Silk, Publ. Anal. No.153, 15 March, 1948.
Production and export of raw silk, the future of silk production, prices of silk, and new ecport products.

Textiles, Pub. Anal. No.143, 9 February, 1948.
Discusses the cotton spinning industry, rayon and staple fibre production, and the use of electric power in cotton spinning.

Textiles, Pub. Anal. No.125, 23 October, 1947.
A consideration of the break-up of textile monopolies and decentralization of the industry, and of the export prospects for cotton and silk.

Reopening of Foreign Trade, Pub. Anal. No.109, 5 August 1947.
Comments on trade resumption, outlook for foreign trade, the fututre of export industries, other industries.

Textile Industry in Japan, The, Pub. Anal. No.88, 8 January, 1947.
The textile industry in Japan , difficulties and counter-measures, the situation of two leading firms, silk, and other textiles.

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

WFM/CCC/SCW/eb
15 June 1948

OUTLOOK

FOR THE JAPANESE COTTON INDUSTRY

1948-1949

RECOMMENDATIONS

1. That the Big Ten companies be encouraged to attempt to fulfill their program of rehabilitation as rapidly as possible, considering the availability of repair parts, operating supplies and raw materials, and achieve the installation of their 3,665,366 spindles by 30 June 1949, as they have planned.

2. That the proportion of production allotted for domestic use be raised to 40 per cent as soon as (a) production increases materially, presumably in the latter half of 1948, and (b) the responsible Japanese Government agencies demonstrate that previous allotments have been properly distributed and utilized. (See Part V of this Program)

3. That procurement of raw cotton for the calendar year 1948 be based on a minimum consumption of 850,000 bales and a maximum of 1,100,000 bales. (See Part III-C of this Program)

I - Implementation of "Ceiling" Directives

A. Interpretation and Extension of SCAPIN 1512

1. Reference is made to memorandum for Chief of Staff, from General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section, subject: "Interim Level of the Japanese Cotton Textile Production" dated 3 January 1947. (A copy of this memorandum is attached hereto as Part VII, Appendix B.)

2. Reference memorandum recommended the establishment of a goal of 4,000,000 spindles for the Japanese cotton spinning industry, as an interim level to be achieved as soon as the general industrial conditions within the country make the installation possible. This study took into consideration the following immediate requirements for cotton textiles:

a. Domestic consumer use of 336,000,000 pounds per annum as a quantity approaching the 1930-34 level of consumption, and the possibility that other fibers might have to be substituted for cotton if this were determined to be economically desirable.

b. Domestic industrial use of 91,560,000 pounds. (This figure is a bare minimum. Increases above this level will have to be considered if Japan's industrial activity is to be expanded in the next few years.)

c. Estimated anticipated exports equivalent to 258,000,000 pounds for 1947.

d. Provision for a margin of 500,000 spindles to take care of any increase in export demands in the near future.

3. The installation of 4,000,000 spindles was proposed as an interim level to carry the industry through its first years of expanded operation following the import of raw cotton from the United States which began in 1946. It was recognized that the proposed division of production would be uneconomic for the short term, since the quantity of exports taken into consideration would not be sufficient to pay for the total raw cotton imported. It was felt, however, that an attempt should be made to approach the 1930-34 consumption level, particularly for certain essential industrial and consumer groups.

4. In December of 1946, SCAP published a Directive which offered no objection to the joint borrowing of 600,000,000 yen by the Big Ten cotton spinning companies, to rehabilitate spinning equipment which they already owned.1/ In a SCAP Directive which was issued in February of 1947, a 4,000,000 spindle rehabilitation level for the industry was formally set.2/ Copies of these Directives, as well as others referred to herein, are attached to this program as Part VI, Appendix A.

5. Following publication of the above-mentioned two memoranda, a series of SCAPIN directives, and informal memoranda from the Economic and Scientific Section to the Textile Bureau, Ministry of Commerce and Industry, interpreted and implemented the scope of SCAPIN 1512. These are summarized briefly below:

a. In March 1947 the Big Ten Companies were limited to the rehabilitation of the number of spindles owned by them on 31 January 1947, plus complementary equipment necessary for the operation of those spindles.3/, 9/, 10/.

b. Simultaneously, the Japanese Government was ordered to encourage independent cotton spinning concerns (not affiliated with the Big Ten) to apply for registration of 334,464 spindles, the difference between the spindles owned by the Big Ten and the 4,000,000 level.3/ The Textile Bureau was instructed to issue a public invitation to the independent spinners, and to others who might wish to enter the field, to make such application.4/, 7/, 10/ In order to facilitate the acquisition of machinery by the smaller independents, it was directed that all outstanding orders and contracts for spinning machinery placed by the Big Ten should be cancelled and that future production of such machinery should be available only to independents.3/, 8/

c. Two important interpretations of the terminology of SCAPIN 1512 were given.

(1) The term "maximum operation" of spindles was officially interpreted to mean operation of spindles during two normal working shifts of 8-1/2 hours per day.6/

(2) The term "cotton spinning spindles" was precisely defined in order to eliminate confusion caused by the inclusion of waste spindles and others in the industry's inventories of cotton spindles.9/

6. In August 1947 the Textile Bureau submitted a series of regulations concerning the rehabilitation of the cotton spinning industry, pursuant to the SCAP instructions received. These were approved.11/

7. In September 1947 the Big Ten cotton spinning companies were given permission to borrow an additional 718,954,280 yen, to further their rehabilitation program.12/ This memorandum gave permission for the use of these funds in rehabilitation of looms as well as spindles, whereas the first loan approved had been for spinning facilities only. The reason for this will be discussed below in Part 1-B.

B. Progress Made

1. During the first year of operation under the rehabilitation program production of cotton yarn reached a peak of close to 30,000,000 pounds during one month, but fell off sharply during the latter half of the year. Out of a total of 265,480,000 pounds of yarn spun during 1947 only 65,454,000 pounds could be made available to the Japanese Government for domestic industrial and consumer goods; or only a little more than 15 per cent of requirements based on the 1930-34 consumption level and considerably below the level required to furnish a total of 2-1/2 pounds of clothing materials per capita for the prevention of disease and unrest. (See Part V)

2. Economic necessity dictated that a maximum proportion of production be allocated for export, in order to pay for the raw cotton imported and to help improve Japan's adverse foreign trade position. This policy will have to be maintained until CCC obligations are liquidated.

3. The following table shows the progress made in the mechanical rehabilitation of the cotton spinning industry since the end of the war:

SPINDLES 15/

	Installed	Operable	Operating
1 January 46	2,224,304	Not Available	291,600
1 January 47	2,587,932	2,495,376	2,114,327
1 January 48	2,987,164	2,880,618	1,770,621

4. The figures show that the industry's operable capacity has been far in excess of the spindles operating. This has been the result of various factors, such as shortage of raw cotton, scarcity of labor because of food shortage, and irregular supplies of electric power.

5. As noted in paragraph 7 of Part I-A above, it has been found necessary to include cotton looms in the rehabilitation program, although the number of operable looms in January 1947 made it then seem unnecessary to use scarce construction materials and tight credit resources for this purpose. The following table shows progress made in the rehabilitation of cotton loomage since the end of the war.

LOOMS 15/

	Installed	Operable	Operating
1 January 46	Not Available	Not Available	21,809
1 January 47	134,031	123,121	78,176
1 January 48	141,443	136,418	80,584

6. While most of the country's installed cotton loomage is operable, there is a deficiency in certain types and widths required for the manufacture of fabrics which are in demand in the export market.

II - Outlook for Continued Rehabilitation

1. The industry has predicted on several occasions that rehabilitation of 4,000,000 cotton spindles would be possible by the middle of 1949.14/ (See Part VIII, Table I) It appears at this time that these predictions were rather optimistic.

2. The scarcity of steel, pig iron and other materials, necessary to the manufacture of replacement parts for spinning frames and complementary equipment during the fiscal year beginning 1 April 1948, will seriously affect the industry's ability to fulfill their schedule.

3. This factor is made even more important when it is considered that the mills have in most cases already re-installed and repaired those units of equipment requiring the least expenditure of materials and manpower. The approximately 700,000 spindles which remain to be rehabilitated as of this writing are generally in poor shape or require considerable repair work before they can be used. Largely as a result of this factor, the rate of rehabilitation since the middle of 1947 has slowed down considerably.

4. The Big Ten mills originally estimated that some 1,300,000,000 yen would be required for the rehabilitation of their 3,665,366 spindles as well as their looms. This estimate was based on 1946 costs and subject to upward revision necessitated by increased prices within Japan.

6. The necessity for construction of new cards, drawing frames or other preparatory machinery is of equal significance. A particular bottleneck has been the shortage of card clothing, domestic production of which has been thus far insufficient to supply the spinners' needs at an operating level of 2,000,000 spindles. Domestic production of card clothing will be more than ample, however, when sufficient raw materials become available.

7. All of the above mentioned considerations contribute to the belief that it will be extremely difficult for the spinners to achieve the rehabilitation goals they have set for themselves by the middle of 1949. A more conservative opinion would be that the achievement of 4,000,000 installed spindles by the end of 1949 might be possible.

III - Production Record and Outlook

A. Mechanical Capacity

1. The original "interim level" study, which established the 4,000,000 spindle level, considered that an industry of that size could produce some 800,000,000 pounds of cotton yarn a year, based on 20s count yarn. While it is possible that the indicated output of 200 pounds of yarn per spindle per year may be attainable some time in the future, actual performance since the end of the war indicates that this is unlikely. It is recognized that a production of 200 pounds per installed spindle would involve actual production of around 200 pounds per operating spindle, since it is normally anticipated that 10 per cent of installed spindleage will be out of operation at any given time for maintenance.

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Omitted from Part II, Page 5

5. Under inflationary conditions the difficulties of the smaller independents are particularly aggravated. Pursuant to instructions received from SCAP (Part I-A) the Japanese Government has authorized 25 independent companies to install up to a total of 334,634 spindles. Approximately half of these spindles are already in existence, in greater or lesser degrees of disrepair. The companies which must buy completely new equipment face the most difficult problem of all, since the machinery manufacturers are short of all raw materials and necessary fuel, and the prices are high. Export demand for spinning machinery has also tended to tighten the market.

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2. Before the war, the long-term average production in the industry was about 185 pounds per spindle per year.14/ based on actual counts of yarn spun. When the first Textile Mission to Japan investigated the industry's prospects in the Spring of 1946, the spinners predicted that they could attain a production of 18.5 pounds per operating spindle per month, or 222 pounds per spindle per year. This prediction was based on the belief that the average counts of yarn spun in 1946 and 1947 would average 20s, or only slightly above, since the first manufacturing programs for cotton procured under the first CCC-USCC-WD contract concentrated on coarse fabrics woven from 20s yarns; coarse sheeting, twills, jeans, etc., and on 20s sale yarns.

3. Actually, at the postwar height of their production in the middle of 1947, the spinners reached an average of around 14 pounds per spindle per month, equivalent to 168 pounds on an annual basis. At that time, the counts of yarn spun averaged above 20s. Recently, the average count has moved up to around 25s, and is increasing gradually, as the industry shifts more facilities to 30s and 40s yarns for finer fabrics. This shift took place at a time when electric power deliveries were extremely poor, and production was very irregular. As a result, per-spindle output dropped as low as 10.3 pounds per month.16/

4. It is recognized that before the war the Japanese spinning industry was over-built, and that per-spindle production was lower than was feasible. It is considered desirable to encourage the industry to increase their output with the 4,000,000 spindles allowed. While it may not be a practicable goal for the near future, the Japanese should be encouraged to aim for an annual production approaching 800,000,000 pounds.

5, For the immediate future, however, it is considered likely that, with average counts of 25s or perhaps slightly higher, and with the operating difficulties faced by the mills, an average output of between 15 and 16 pounds per spindle per month would be feasible. This would mean production of some 185 pounds per spindle per year, or approximately 650,000,000 pounds per year for an industry having 4,000,000 spindles installed, with approximately 90 per cent, or slightly less, in actual operation..

6. The uses of this quantity of yarn will be discussed in Part IV and V of this program. For the time being it may be pointed out that basic minimum quantities required for the prevention of disease and unrest within Japan, plus estimated minimum essential industrial requirements aggregate approximately 250,000,000 pounds annually. This means that if the maximum permissible expansion of the industry were met, and domestic consumption were held to this basic level, approximately 400,000,000 pounds a year would be available for export..

B. Raw Cotton Consumption and Supplies

1. Latest estimates of spindle conditions for 1948 15/indicate that an average of 3,157,700 may be operable and 2,434,800 operating during the year. This indicates a potential cotton yarn production of 349,000,000 pounds. Based on an average yield of 410 pounds of yarn per bale (500 pounds each) of raw cotton, 850,000 bales of raw cotton would be required.

2. The raw cotton situation in Japan as of the end of May 1948 was as follows:

a. American CCC-1 Program: 915,484 bales imported; program completed; 9,909 bales trans-shipped to Korea.

b. American CCC-2 Program: 348,417 bales of raw cotton and spinnalbe waste imported; 133,307 bales released for spinning; remainder in storage.

c. Indian Cotton: 174,057 bales (Indian 400-pounds bales) imported; 47,478 bales released; remainder in storage.

d. Egyptian Cotton: 6,350 bales received; 1,000 bales released. (Note: Approximately 15,000 bales of Egyptian cotton purchased from the CCC under the CCC-1 program, and included in the total in paragraph a above, have been released for the manufacture of tire cord and fine goods.)

e. American Quatermaster Procurement: 50,000 bales requested; 49,115 bales arrived in March, representing total purchased.

f. As of May 31, the mills and warehouses listed stocks of 137,983,000 pounds of raw cotton, of all types, equivalent to 275,966 American 500-pound bales. This figure is exlusive of small quantities which were in transit.

3. Arrangements for procurement of cotton through the use of bank credit based on the so-called "gold-pot" (Occupied Japan Export-Import Revolving Fund) have been completed. Details of the arrangement were worked out by the Department of the Army, the Export-Import Bank and the participating private commercial banks.

4. The extent to which this $60,000,000 credit will be used depends on the ability of the cotton industry to convert the raw cotton into saleable products rapidly; the ability of the Japanese Government's Board of Trade (Boeki Cho) to sell these products in the world market, thereby obtaining sufficient dollars to operate the revolving fund; and the availability of other financing.

5. A bill is presently pending in Congress which would provide $150,000,000 for the purchase of raw textile materials for occupied areas. If this measure is adopted, an even larger potential source of funds will be made available for the purchase of raw cotton.

6. A procurement program for 500,000 bales of raw cotton for consumption in 1948 has been approved. Additional requirements for 1948 will approximate 350,000 bales. On 1 January 1948 there were approximately 307,000 bales of all types of cotton (expressed in terms of 500 pound bales) on hand and 132,000 scheduled to arrive against procurement previously initiated. The total 439,000 bales thus available, plus the 850,000 requested for 1948 make a total of 1,289,000 bales for the year.

7. As noted above a reasonable level of operation would indicate a consumption of 850,000 bales during the year. If adverse labor and electric power conditions develop, consumption may be somewhat lower. On the other hand, granting favorable developments in these fields, consumption of as high as 1,050,000 bales may be feasible as a maximum. While the procurement program will have a goal, plus 50,000 bales for purposes other than spinning.

8. Preliminary estimates for spindle conditions during 1949 14/, 16/ indicate that an average of 3,600,000 may be operable and 3,500,000 operating during the year. The same unpredictable factor of labor and electric power conditions may modify these figures considerable in actual practice.

9. A minimum requirement for consumption in 1949 would, therefore, be approximately 1,186,000 bales, and a maximum of 1,500,000 bales as noted above. An additional requirement of between 35,000 and 50,000 bales for purposes other than spinning should also be taken into consideration.

10. The actual quantity to be procured against these 1949 requirements will be determined in part by the carryover which exists at the end of 1948.

IV - Exports

1. As noted in Part III-A above, in addition to producing minimum domestic needs, a reasonable rate of operation of 4,000,000 spindles will produce some 400,000,000 pounds of yarn for the manufacture of export goods, or for sale in skeins. Sales records since the end of the war indicate strongly that sales of this quantity of goods can be achieved when certain factors which are presently limiting the scope of Japan's cotton textile sales are removed from the picture.

2. Before the war, Japan exported well over twice the quantity of cotton goods which will be possible with the 4,000,000 spindles now authorized. The great population masses of Asia and Africa still represent a large potential market for Japanese cotton textiles. There is every reason to believe that exports of the magnitude proposed will find a ready market.

3. Since the beginning of the CCC import program in June 1946 and up to 31 January 1948, 857,801,000 linear yards of cotton textiles and 40,978,000 linear yards of cotton textiles and 40,978,000 pounds of sales yarn (all 20s) have been manufactured for export,16/ actual sales during the same period amounted to 529,825,616 yards of fabric, 34,689,000 pounds of yarn and 500,000 dozen cotton knit singlets. 17/, 18/ The aggregate equivalent yarn weight of these articles sold is approximately 168,645,000 pounds.

4. CCC cotton goods were first offered for sale in November 1946. Since then sales have averaged 11,243,000 pounds per month, or 134,916,000 pounds on an average annual basis. The rate of sales during several months of 1947 far exceeded this average.

5. The principal deterrent to continued rapid sales of Japan's cotton products was the requirement stipulated in the CCC-USCC-WD agreement that the goods be sold for dollars only. Since the bulk of Japan's market for cotton goods is in the Sterling Area, this requirement (together with the dollar shortage in most of the potential purchasing countries) tended to limit the sales of fabrics and yarn.

6. Discussions were held between the Department of the Army and the Department of Agriculture with the result that this provision of the agreement was modified. The liberalized sales procedure will have an important bearing on the future trend of sales of Japanese cotton goods.

7. The dollar problem continues to face the country, however. The bulk of Japan's raw cotton will have to come from the United States and be paid for in dollars. The credits necessary to finance these imports will be advanced by American banks and these must be repaid in dollars. A good portion of the sales of cotton goods, therefore, will have to be made for dollars to liquidate the obligations.

8. In January of this year a committee of three representatives of the American Cotton Manufacturers' Association presented a series of recommendations to the Department of the Army, the object of which was to solve the several basic problems discussed above. These recommendations covered the subject of cotton financing and the marketing of Japanese cotton products. Several of these recommendations are already a part of SCAP policy; others are under consideration by the Department of the Army.

9. With the expansion of textile sales during 1947, and the transfer of sales responsibility from the United States Commercial Company to SCAP, participation in the handling of sales by the Japanese agencies concerned has been instituted by SCAP.

10. A "production group" of the Overseas Sales Committee of the Board of Trade, representing the various producing companies of the industry, has been in operation for some time. They have determined the industries' ability to fill the many orders received from foreign buyers. This is one step in the direction of turning all of the detailed work over to the Japanese.

11. Buyers of cotton goods may now negotiate with the Overseas Sales Committee of the Board of Trade or individual manufacturers or agents in Japan.

V - Domestic Consumption

1. The USCC-CCC-WD contract stipulated that a minimum of 60 per cent of production from the CCC cotton must be earmarked for export, to protect CCC's financial interest in the cotton. Initially, the Japanese were allowed to retain 20 per cent of the yarn produced for domestic consumption, and 80 per cent was set aside for export manufacture, or sale in the form of yarn. This proportion was set in order to take immediate advantage of the large world demand for textile products. Furthermore, the small volume of production during the early months of the manufacturing program made it advisable to maintain these percentages in order to more readily liquidate the CCC debt.

2. Beginning in July 1947, the percentage made available for Japanese use was increased to 30 per cent. This was done in order to provide additional quantities of yarn for the manufacture of essential industrial goods -- particularly fish netting, belting, insulating materials, etc.

3. In addition, the Japanese have been allowed to retain all of the cotton waste produced during the course of manufacture. This amounts to some 12 per cent of the weight of the raw cotton put into process.

4. Approximately 46,000 bales of cotton waste were thus made available for domestic use during 1947.17/ Part of this quantity was allocated for bedding and for wadded clothing, as well as for absorbent medical cotton and the balance for export baling material for cotton goods.13/

5. During 1947, the spinning industry manufactured 64,204,500 pounds of cotton yarn for domestic use.16/ In addition, 1,250,000 pounds of 20s yarn, originally allocated for export, were "loaned" to the Japanese Government for the emergency manufacture of products urgently needed by the coal mines. This made a total availability of 65,454,500 pounds for domestic allocation.

6. Only 55,763,000 yards of cotton fabrics were woven for domestic use during 1947. This figure is considerably smaller than the availability of yarn would make possible. This is discussed below. In addition, 26,000,000 yards of fabrics woven for export but rejected because of their low quality, were released for domestic use. An equivalent quantity of yarn will be deducted from domestic allocation and added to the export allocation during the 1948-49 Japanese fiscal year to make up for this additional availability of cloth.

7. The availability of cotton goods for domestic use was, therefore, only about one quarter of the 250,000,000 pounds accepted by SCAP as a "minimum" required to maintain the domestic economy. As pointed out in Part III-A above, an allocation of slightly under 40 per cent of the probable production of 4,000,000 operating spindles would meet this requirement.

8. Meanwhile, there are urgent consumer and industrial requirements to be met. As the nation's industrial activity increases, additional textile goods are required for various operational uses. It has been proposed that the proportion of production allocated for domestic use be increased to 40 per cent.

9. Up to recently, SCAP was unable to consider the Japanese Government's request for allocation of 40 per cent of production to domestic use. Analysis of delivery reports for the year 1947 showed that:

a. Spinners were moving the domestic yarn to weavers in a satisfactory manner, although there was a bad transportation time-lag.

b. Weavers were hoarding the yarn received, and had only manufactured half of the cloth programmed. Only part of this was due to the electricity shortage in the Fall and Winter of 1947. But the weavers had only delivered one-fifth of the cloth actually manufactured to persons holding allocation certificates. Several cases were brought to SCAP's attention of weavers refusing to sell the cloth, in defiance of Japanese allocation laws.

11. The Japanese government has taken vigorous steps to remedy this situation.

a. Weavers who have indulged in these illegal practices have had their allocations cancelled, and their raw materials re-allocated to mills who have met their quotas and who have idle capacity.

b. Weaving of domestic goods has been placed on a par with export goods, insofar as electric power priorities and other factors are concerned.

11. Delivery reports for the first calendar quarter of 1948 have shown considerable improvement. Consumption of yarn by the weavers has been accelerated, and delivery of cloth has been stepped up satisfactorily.

12. As a result of the conditions mentioned in paragraph 9, the Economic Stabilization Board was instructed to allocate only 8,000,000 pounds of cotton yarn for domestic consumer use during the April-June quarter. This quantity was approximately equal to the two previous quarters, but only half of the amount planned by the ESB originally. Following the improvement in deliveries, the 8,000,000-pound restriction was lifted for the second fiscal quarter.

13. The Economic Stabilization Board is again preparing a request for allocation of 40 per cent to domestic uses. As of the date of this study, decision is pending.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
30 December 1946

AG 004.01(30 Dec 46)ESS/AC
(SCAPIN 1427)

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT

THROUGH: Central Liaison Office, Tokyo

SUBJECT: Financial Plan for Rehabilitation of the Cotton Industry in Japan

1. Reference is Central Liaison Office Memorandum No. 5770(101966/1149), dated 30 October 1946, subject: Financial Plan for Rehabilitation of the Cotton Industry in Japan, forwarding summary and details of rehabilitation fund plan and requesting permission to borrow 1,308,954,280 yen for the restoration of the cotton spinning industry in Japan.

2. No objection is offered to the above application, subject to the following conditions:

a. The sum to be made available at this time shall not exceed 600,000,000 yen.

b. There shall be submitted to the Antitrust and Cartels Division, Economic and Scientific Section, General Headquarter, Supreme Commander for the Allied Powers, applications by each of the companies concerned showing details of proposed expenditures, prior to beginning the rehabilitation work and expenditure of funds.

c. No new or used spindles or spinning frames shall be purchased with the allocated funds, but new or used complementary equipment, except looms, sufficient to operate presently owned spindles may be purchased, if necessary, after approval of applications.

d. No part of the allocated rehabilitation funds is to be expended for the repair of building or machinery, or for the purchase of new complementary machinery, or construction of new building beyond the necessary requirements to operate the total spindles presently owned, whether or not installed.

e. First expenditure shall be made for the rehabilitation of buildings and machinery necessary to put the presently installed operable spindles into production.

f. A report shall be submitted on the last day of each month to the Textile Division, Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers, in quintuplicate, typed in English on 8" x 11" paper, for each plant, containing the following information:

(1) Number of installed spindles
(2) Number of operable spindles
(3) Number of spindles owned but not installed
(4) Number of cards installed
(5) Number of cards operable
(6) Number of cards owned but not installed

g. This Memorandum shall not be construed as approval for priority of raw materials, equipment or facilities to carry out the plans for which this loan is made. The established regulation, plicies, procedures and priorities instituted by the Imperial Japanese Government shall prevail.

h. Direct communication is authorized between the interested Staff Sections of General Headquarters, Supreme Commander for the Allied Powers, and agencies of the Imperial Japanese Government concerned to implement all provisions of this Memorandum.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
7 February 1947

AG 004.03(7 Feb 47)ESS/TD
(SCAPIN 1512)

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT

THROUGH: Central Liaison Office, Tokyo

SUBJECT: Cotton Textile Capacity

1. Reference is made to C. L. O. Memorandum No. 5505(ECI), dated 18 October 1946, which transmits the Three-Year Textile Industry Rehabilitation Plan.

2. Approval is given for the rebuilding of cotton textile plant capacity to the level of 4,000,000 spindles, and necessary complementary equipment, including looms; and for maximum operation of such machinery.

3. This approval is not to be construed as granting priorities on fuel, power, steel or other materials. Allocations of materials for this reconstruction work will be made as directed by appropriate agencies of the Imperial Japanese Government.

FOR THE SUPREME COMMANDER:

S/ John B. Cooley
T/ JOHN B. COOLEY
Colonel, AGD
Adjutant General

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 004.03(8 Mar 47)ESS/TD
(SCAPIN 1562)

APO 500
8 March 1947.

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT

THROUGH: Central Liaison Office, Tokyo

SUBJECT: Limitation on Size of Spinning Companies

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

a. AG 004.03(7 Feb 47)ESS/TD (SCAPIN 1512) dated 7 February 1947, subject, "Cotton Textile Capacity."

b. AG 004.01(30 Dec 46)ESS/AC, (SCAPIN 1427) dated 30 December 1946, subject, "Financial Plan for Rehabilitation of Cotton Industry in Japan."

2. It is directed that the purchase, ownership, investment in, rehabilitation, installation, and operation, as well as the contracting for the purchase, ownership, investment in, rehabilitation, installation, and operation of cotton spinning spindles by the so-called "Big Ten" cotton spinning companies be limited to the number of spindles reported as owned by them on 31 January 1947, and listed in paragraph 4 below, plus complementary equipment necessary for the operation of these inventoried spindles, as listed in paragraph 4 below.

3. All outstanding orders and contracts placed by the companies listed in paragraph 4 below for new spinning machinery shall be cancelled as of the date of this directive. Future production of spinning machinery shall be available only to independent cotton spinning companies which are not listed on, or affiliated with or controlled by the companies listed on the schedule of restricted concerns, as published by General Headquarters, Supreme Commander for the Allied Powers.

4. The following is a list of the companies with their approved inventory, as of 30 December 1946:

Name of Spinner	Number of Spindles Owned
Dai Nippon Boseki K. K.	462,532
Toyo Boseki K. K.	523,192
Shikishima Boseki K. K.	373,664
Daiwa Kogyo K. K.	368,680
Kurashiki Kogyo K. K.	315,852
Daiken Sangyo K. K.	429,840
Kanegafuchi Kogyo K. K.	415,426
Fuji Boseki K. K.	325,280
Nisshin Boseki K. K.	287,976
Nitto Boseki K. K.	184,576
Total	3,687,018

5. Nothing in this directive shall be construed as prohibiting the spinning companies listed in paragraph 4 above, from the purchase and use of spare parts and replacement units necessary for the operation of their capacity, as listed in paragraph 4 above, when such purchase and use of spare parts and replacement units have become necessary in the normal course of business operations. Stock piling and the excessive accumulation of spare parts and replacement units are expressly forbidden.

BASIC: Memo to IJG (SCAPIN 1562) dtd 8 March 47

6. Within ten days after the date of this memorandum, the appropriate agency of the Imperial Japanese Government will submit a report to the General Headquarters, Supreme Commander for the Allied Powers, Attention: Economic and Scientific Section, Textile Division, stating the measures that have been taken to implement the provisions of this memorandum. Direct communication is authorized between General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section, Textile Division, and the appropriate agencies of the Imperial Japanese Government, to implement the provisions of this memorandum.

FOR THE SUPREME COMMANDER:

S/R. G. Hersey
for T/ JOHN B. COOLEY
Colonel, AGD
Adjutant General

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
13 March 1947

004.03 (13 Mar 47)ESS/TD
(TD-7)

MEMORANDUM FOR: Textile Bureau, Ministry of Commerce and Industry

SUBJECT: Cotton Textile Capacity

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

a. Memorandum for the Imperial Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, File AG 423 (7 Jan 47)ESS/TD, (SCAPIN 1440), dated 7 January 1947, subject, Implementation of Directives Concerning Textiles.

b. AG 004.03 (8 Mar 47)ESS/TD (SCAPIN 1562), dated 8 March 1947, subject, Limitation on Size of Spinning Companies.

c. AG 004.03 (7 Feb 47)ESS/TD (SCAPIN 1512), dated 7 February 1947, subject, Cotton Textile Capacity.

2. In order to implement the provisions of reference 1b above, the Textile Bureau is instructed to invite the nine independent cotton spinning companies who presently own 130,426 spindles to submit applications for the installation and operation of such spindles. These spinning companies are listed in a report from the Textile Bureau, Ministry of Commerce and Industry, to General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section, Textile Division, dated 21 November 1946, subject, Condition of Spindles by Spinning Companies.

3. The "Big Ten" spinning companies are authorized by reference 1b above to install and operate up to 3,687,018 spindles. The independent companies presently own 130,426 spindles. The Textile Bureau is instructed to issue a public invitation to the independent cotton spinning companies or others who may wish to enter the field to apply for permission to purchase, install, and operate the remaining 182,556 of the 4,000,000 cotton spindles which are authorized in reference 1c above.

4. The Textile Bureau, Ministry of Commerce and Industry, will submit a report stating the measures that have been taken pursuant to the provisions of this memorandum and attaching copies of documents which have been issued by the Textile Bureau pursuant to the provisions of this memorandum within ten days after the date of this memorandum, to the General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section, Textile Division.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

S/ H. S. Tate
T/ H. S. TATE
Lt. Col., Infantry
Chief, Textile Division

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

APO 500
13 March 1947

004.03 (13 Mar 47)ESS/TD
(TD-8)

MEMORANDUM FOR: Textile Bureau, Ministry of Commerce and Industry

SUBJECT: Limitation on Size of Spinning Companies

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

a. Memorandum for the Imperial Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, File AG 423 (7 Jan 47)ESS/TD, (SCAPIN 1440) dated 7 January 1947, subject, Implementation of Directives Concerning Textiles.

b. AG 004.03 (8 Mar 47)ESS/TD (SCAPIN 1562) dated 8 March 1947, subject, Limitation on Size of Spinning Companies.

2. The first sentence of paragraph 4 of reference 1b above is corrected to read as follows: "4. The following is a list of the companies with their approved inventory, as of 31 January 1947."

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

S/ H. S. Tate
T/ HAROLD S. TATE
Major, Infantry
Chief, Textile Division

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

APO 500
24 March 1947

004.03 (24 Mar 47)ESS/TD
(TD-9)

MEMORANDUM FOR: Textile Bureau, Ministry of Commerce and Industry

SUBJECT: Cotton Textile Capacity

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

a. File AG 423 (7 Jan 47) ESS/TD, (SCAPIN 1440), dated 7 January 1947, subject, Implementation of Directives Concerning Textiles.

b. File AG 004.03 (7 Feb 47) ESS/TD, (SCAPIN 1512), dated 7 February 47, subject, Cotton Textile Capacity.

2. The term "maximum operation", as used in paragraph 2 of reference 1b above, is hereby interpreted to mean operation of spindles during two normal working shifts per day. The normal working shift for purposes of this definition will be 8-1/2 hours.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

S/ Harold S. Tate
T/ HAROLD S. TATE
Lt. Col., Infantry

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

APO 500
14 April 1947

004.03(14 Apr 47)ESS/TD
(TD-10)

MEMORANDUM FOR: Textile Bureau, Ministry of Commerce and Industry

SUBJECT: Cotton Textile Capacity

1. Reference is made to:

a. Memorandum for the Imperial Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, File AG 423 (7 Jan 47)ESS/TD, SCAPIN 1440, dated 7 January 1947, subject, Implementation of Directives Concerning Textiles.

b. Memorandum from General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section, Textile Division, to the Textile Bureau, Ministry of Commerce and Industry, File 004.03,(13 Mar 47)ESS/TD,(TD-7), dated 13 March 1947, subject, Cotton Textile Capacity.

2. The first sentence of paragraph 2 of reference 1b above is hereby revised to read as follows: "In order to implement the provisions of reference 1b above, the Textile Bureau is instructed to invite the independent cotton spinning companies who presently own spindles to submit apolication for the installation and operation of such spindles." The second sentence of paragraph 2 of reference 1b above is hereby rescinded.

3. Paragraph 3 of reference 1b above is hereby revised to read as follows: "The 'Big Ten' spinning companies are authorized by reference 1b above to install and operate up to 3,687,018 spindles. The Textile Bureau is instructed to issue a public invitation to independent cotton spinning companies or others who may wish to enter the field to apply for permission to purchase, install, and operate the remaining 302,982 of the 4,000,000 cotton spindles which are authorized in reference 1c above."

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

S/ Harold S. Tate
T/ HAROLD S. TATE
Lt. Col., Infantry
Chief, Textile Division

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
2 May 1947

AG 004.03(2 May 47)ESS/TD
(SCAPIN 1646)

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT

THROUGH: Central Liaison Office, Tokyo

SUBJECT: Limitation on Size of Spinning Companies

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

a. AG 004.03 (7 Feb 47)ESS/TD (SCAPIN 1512) dated 7 February 1947, subject, "Cotton Textile Capacity."

b. AG 004.01 (30 Dec 46)ESS/AC, (SCAPIN 1427) dated 30 December 1946, subject, "Financial Plan for Rehabilitation of Cotton Industry in Japan."

c. AG 004.03 (8 Mar 47)ESS/TD, (SCAPIN 1562) dated 8 March 1947, subject, "Limitation on Size of Spinning Companies."

2. Paragraph 3 of reference 1c above is amended to read as follows:

"3. All outstanding orders and contracts placed by the companies listed in paragraph 4 below for new spinning machinery shall be cancelled as of the date of this directive. Future production of spinning machinery shall be available only to cotton spinning companies which are not affiliated with or controlled by the companies listed in paragraph 4 below."

FOR THE SUPREME COMMANDER:

S/ R. G. Hersey
for T/ R. M. LEVY
Colonel, AGD
Adjutant General

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

APO 500
15 July 1947

004.03 (15 Jul 47)ESS/TD
(TD-17)

MEMORANDUM FOR: Textile Bureau, Ministry of Commerce and Industry

SUBJECT: Limitation on Size of Spinning Companies

1. Reference is made to:

a. Memorandum from General Headquarters, Supreme Commander for the Allied Powers to the Japanese Government, AG 004.03(7 Feb 47)ESS/TD (SCAPIN 1512) dated 7 February 1947, subject, Cotton Textile Capacity.

b. Memorandum from General Headquarters, Supreme Commander for the Allied Powers to the Japanese Government, AG 004.01(30 Dec 46)ESS/AC (SCAPIN 1427) dated 30 December 1946, subject, Financial Plan for Rehabilitation of Cotton Industry in Japan.

c. Memorandum from General Headquarters, Supreme Commander for the Allied Powers to the Japanese Government, AG 004.03(8 Mar 47)ESS/TD (SCAPIN 1562) dated 8 March 1947, subject, Limitation on Size of Spinning Companies.

d. Memorandum from General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section, to Textile Bureau, Ministry of Commerce and Industry, 004.03 (13 Mar 47)ESS/TD (TD-7) dated 13 March 1947, subject, Cotton Textile Capacity.

e. Memorandum from General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section to Textile Bureau, Ministry of Commerce and Industry, 004.03 (13 Mar 47) ESS/TD (TD-8) dated 13 March 1947, subject, Limitation on Size of Spinning Companies.

f. Memorandum from General Headquarters, Supreme Commander for the Allied Powers to the Japanese Government, AG 004.03(2 May 47)ESS/TD (SCAPIN 1642) dated 2 May 1947, subject, Limitation on Size of Spinning Companies.

g. Letter from Textile Bureau, Ministry of Commerce and Industry to General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section, Textile Division dated 13 June 1947, subject, Waste Fiber Spinning.

h. Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, File AG 423(7 Jan 47)ESS/TD, (SCAPIN 1440), dated 7 January 1947, subject, Implementation of Directives Concerning Textiles.

2. For the purpose of applying the references listed in paragraph 1a through f above, and all other regulations issued pursuant thereto, the term "Cotton Spinning Spindles" shall exclude spindles used in conjunction with condenser cards, or throstle-spinning spindles which process waste. In standard industrial practice the general interpretation of a cotton spinning spindle, whether mule or ring, is a spindle used in conjunction with drafting rolls, to draw out or reduce in size the roving or sliver in a creel, and wind it on a bobbin, at the same time inserting twist. Both mule and ring spindles which are used in conjuntion with condenser cards which do not have draft rolls will not be classified as "Cotton Spinning Spindles."

3. Pursuant to the definition given above, and with reference to memorandum cited in paragraph 1c above, allocation of cotton spinning spindles to the following named cotton spinning companies shall be reduced by the number of spindles listed next to their names below, thereby excluding waste spindles owned by these companies and heretofore listed as "Cotton Spinning Spindles."

BASIC: Memo to MCI (TD-17 dated 15 July 47

Daiwa Kogyo K. K.	664
Kanegafuchi Kogyo K. K.	11,520
Fuji Boseki K. K.	1,980
Nisshin Boseki K. K.	3,960
Nitto Boseki K. K.	3,528
Total	21,652

4. Allotments of cotton spinning spindles to the so-called "Big Ten" cotton spinning companies will therefore be as follows:

Name of Spinner	Number of Spindles Owned
Kurashiki Kogyo K. K.	315,852
Dai Nippon Boseki K. K.	462,532
Toyo Boseki K. K.	523,192
Shikishima Boseki K. K.	373,664
Daiwa Kogyo K. K.	368,016
Daiken Sangyo K. K.	429,840
Kanegafuchi Kogyo K. K.	403,906
Fuji Boseki K. K.	323,300
Nisshin Boseki K. K.	284,016
Nitto Boseki K. K.	181,048
Total	3,665,366

5. Pursuant to reference 1d above, the 21,652 spindles by which the allotment to the "Big Ten" companies is hereby reduced shall be allotted to concerns which are not on the list of "Restricted Concerns" as published by General Headquarters, Supreme Commander for the Allied Powers.

6. Nothing in this memorandum shall be construed as permitting an increase in the total number of cotton spinning spindles which may be installed and operated within Japan, as provided in reference 1a above.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

S/ Harold S. Tate
T/ HAROLD S. TATE
Chief
Textile Division

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

APO 500
21 July 1947

004.03(21 Jul 47)ESS/TD
(TD-19)

MEMORANDUM FOR: Textile Bureau, Ministry of Commerce and Industry

SUBJECT: Limitation on Size of Spinning Companies

1. Reference is made to:

a. Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, AG 423 (7 Jan 47)ESS/TD,(SCAPIN 1440), dated 7 January 1947 subject, Implementation of Directives Concerning Textiles.

b. Memorandum from General Headquarters, Supreme Commander for the Allied Powers, Economic and Scientific Section, to Textile Bureau, Ministry of Commerce and Industry, 004.03(15 Jul 47) SS/TD (TD-17) dated 15 July 1947, subject, Limitation on Size of Spinning Companies.

2. Paragraph 5 of reference 1b above is hereby amended to read as follows:

"5. Pursuant to reference 1d above, the 21,652 spindles by which the allotment made to the 'Big Ten' companies is hereby reduced shall be allotted to concerns which are not listed in paragraph 4 above."

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

S/ Harold S. Tate
T/ HAROLD S. TATE
Chief
Textile Division

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

APO 500
14 August 1947

423(14 Aug 47)ESS/TD
(TD-21)

MEMORANDUM TO: Textile Bureau, Ministry of Commerce and Industry

SUBJECT: Cotton Industry Regulations

1. Reference is made to:

a. Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, File AG 423(7 Jan 47)ESS/TD, (SCAPIN 1440), dated 7 January 1947, subject, Implementation of Directives Concerning Textiles.

b. Memorandum from Textile Bureau, dated 28 July 1947, subject, Cotton Textile Capacity.

2. Reference 1b above and accompanying proposed regulations concerning the rehabilitation of the cotton spinning industry are hereby approved.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

S/ Harold S. Tate
T/ HAROLD S. TATE
Chief
Textile Division

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
29 September 1947

AG 004(29 Sep 47)GS/AC
(SCAPIN 4611-A)

MEMORANDUM FOR: JAPANESE GOVERNMENT

THROUGH: Central Liaison Office, Tokyo

SUBJECT: Action Taken on Central Liaison Office Memorandum

1. No objection is offered to the following Central Liaison Office Memorandum:

a. No. 6236 (LO 2416/1971) of ten(10) cotton spinning companies for permission to borrow 718,954,280 yen for the rehabilitation of their cotton spinning and weaving mills as follows:

Company	Amount
Dai Nippon Cotton Spinning Co., Ltd.	¥ 73,808,695.
Toyo Cotton Spinning Co., Ltd.	133,052,206.
Shikishima Cotton Spinning Co., Ltd.	72,218,224.
Daiken Industrial Co., Ltd.	58,223,815.
Kurashiki Cotton Spinning Co., Ltd.	47,528,902.
Fuji Cotton Spinning Co., Ltd.	22,366,502.
Nitto Cotton Spinning Co., Ltd.	27,354,434.
Kanegafuchi Cotton Spinning Co., Ltd.	127,512,479.
Daiwa Cotton Spinning Co., Ltd	123,719,044.
Misshin Cotton Spinning Co., Ltd.	33,169,979.
Total	¥718,954,280

2. This memorandum shall not be construed as approval for priority of raw materials, equipment or facilities to carry out the plans for which these loans are made. The established regulations, plicies, procedures and priorities instituted by the Japanese Government shall prevail.

3. The Japanese Government shall submit to the Supreme Commander for the Allied Powers, in triplicate, the following:

a. Within forty-five (45) days from the end of the period covered in this memorandum, a progress report on the status of rehabilitation authorized by this memorandum. The report shall show the following:

(1) Complete accounting of all previous funds authorized for the project, including amount authorized for the period covered by this memorandum, amount paid and incurred, and an estimate of further expenditures required to complete the project.

(2) Per cent of project completed.

(3) If not completed, estimated date when project will be completed.

b. Upon completion of the project, or upon request at any time prior to completion, a report on complete accounting of funds stating that the materials and equipment used in the rehabilitation were purchased at or below official prices.

FOR THE SUPREME COMMANDER:

S/ M. F. Noyes
for T/ R. W. LEVY
Colonel, AGD
Adjutant General

VII - Appendix B - Staff Study dated 3 January 1947

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

APO 500
3 January 1947

MEMORANDUM FOR: CHIEF OF STAFF

SUBJECT: Interim Level of Japanese Cotton-Textile Production

Note: This study is Part 1 of the Economic and Scientific Section's Cotton Program. Part 1 is designed to establish and "interim level of cotton textile production in Japan." Part 2 will discuss the ways and means for achieving such a level, as a contribution to the policy of General Headquarters, Supreme Commander for the Allied Powers for the establishment in Japan of a minimum peacetime economy in the near future. Part 3 will be a discussion of the probable future of Japan's export markets for cotton textiles, and a discussion of the production potential needed to meet the demands of these markets.

I. THE PROBLEM

1. The problem herein presented is to establish an interim level of productive capacity and volume of production in Japan which will serve the needs of the Japanese people in maintaining a peacetime economy, both from the standpoint of domestic consumer use, and for a necessary foreign trade, during the present postwar period of economic readjustment.

2. It is assumed, as a basis for this study, that an optimum level of cotton economy for Japan would be that level of production and volume of experts which would:

a. Supply domestic consumer and industrial needs, which will, in turn, contribute to an adequate standard of living for the population. For purposes of this study, the average consumption of the years 1930 to 1934 is considered to be such an adequate standard of living, and is taken to represent a "normal" period.

b. Make the nation's cotton economy self-sufficient eventually. That is, export enough cotton products at least to pay for the import of raw cotton.

c. If possible provide a surplus foreign exchange over and above the cost of imported raw cotton to pay for other vital imports.

II. FACTS BEARING ON THE CASE

1. Consumer's Clothing and Household Goods: Based on an anticipated population of 80,000,000 persons, and consumption of 13.86 yards of fabric per capita (compared with 20 yards in 1930-1934), approximately 1,109,000,000 yards of fabric will be required for domestic consumer use.[1] Using a conversion factor of 3.3 yards of fabric to the pound of yarn, this is equivalent to approximately 336,000,000 pounds of yarn. The above mentioned conversion factor is used because of the emphasis on relatively heavier fabrics for work clothing, etc., and the elimination of lighter-weight luxury articles.

2. Industrial Requirements: The Japanese Government's Three-Year Textile Industrial Rehabilitation Plan, calls for the use of 91,560,000 pounds of yarn for industrial uses by the end of the third year.[2] Approximately 30 per cent of this quantity will be used by the fishing industry in the form of nets and twine to augment the domestic food supply. An additional 15 per cent will be used by the rubber industry in the manufacture of belting, tires and allied products. Approximately 5 per cent will be used in processing and packing foodstuffs. Another 10 per cent will be used by land and sea transportation industries; and 40 per cent for communications and electrical industries, chemical industry, and in the textile industry itself.

	1930-1934	Proposed Above
Consumer	372,000,000 3/	336,000,000
Industrial	90,000,000 3/	91,560,000
Total pounds per capita	7.2 2/	5.35

3. Reductions in Consumer Use: In the "base period" 1930-1934 consumption of cotton fabrics for consumer goods and industrial purposes averaged approximately 7.2 pounds per capita.2/ Of this, approximately 5.7 pounds were used for consumer goods, and 1.5 for industrial purposes.3/ In order to maximize the quantity available for export at some future time, if the objective of paying for all imported raw cotton is to be eventually realized, we may later take into consideration a decrease in consumer use of cotton, for which rayon staple and other domestic fibers could be substituted.

a. The reduction may be made from consumer goods only, since substitutions in clothing, bedding fabrics, and other personal and household uses, can be made more readily than in industrial uses. In the latter cases, the physical properties of the fibers themselves dictate to a large extent the use to which they may be put; considerably less flexibility in substitution is thereby provided.

4. Probable Exports: The current estimates of General Headquarters, Supreme Commander for the Allied Powers are that approximately 258,000,000 pounds of cotton products are expected to be exported in 1947. It is assumed that this level of exports will be a reasonable estimate for the years immediately following.

5. Necessary Spindleage: In order to produce

258,000,000 pounds for export
427,560,000 pounds for home use
685,560,000 pounds total

it will be necessary to operate 3,500,000 spindles. This calculation is based on anticipated production of slightly under 200 pounds of 20s yarn a year, with operations of two 8-1/2 hour shifts a day, 26 days per month. It is considered advisable to allow some leeway above 3,500,000 to allow for the possibility of a moderate expansion in exports in the next few years, during which period these spindles may be constructed or repaired, and installed. A goal of 4,000,000 spindles is recommended as practical.

III. CONCLUSIONS

1. The Japanese cotton spinning industry should be allowed to install gradually in the near future machinery necessary to operate up to 4,000,000 spindles. It should be left to the discretion of the Supreme Commander for the Allied Powers to limit the rate at which this productive capacity is thus expanded. (The industry now has approximately 3,750,000 spindles, including those in storage; and of these, 2,573,000 were installed, 2,476,000 operable, and 1,850,000 were actually operating at the end of November 1946.)

2. These 4,000,000 spindles will provide sufficient products to meet "normal" domestic needs and also meet anticipated export needs for the near future. It is proposed, at the same time, to maintain domestic consumption at a practical minimum, to maximize exports, until such time as volume of production is sufficient to meet both exports and "normal" domestic requirements.

3. The rate of expansion will be governed almost completely by the availability of raw materials and machine tools for the building of spindles and complementary machinery. It should be left to the discretion of the Supreme Commander for the Allied Powers to integrate such an expansion program with the overall industrial requirements for these raw materials, and for the machinery manufacturing capacity.

4. In this connection, the basic premise is made that spindles should be considered the mechanical limiting factor in rpoduction of cotton goods. Complementary equipment will presumably be installed only in such numbers as will

be economically useful to process the quantity of cotton which can be ultimately spun by the installed spindles. By the same token, it is presumed that no level need be set for the number of looms to be installed. The available quantity of yarn will automatically dictate the number of looms which may be economically operated. The quantity of yarn spun thus automatically limits the quantity of cotton fabric, knitted goods, and other fabrics which may be manufactured. It may logically be stated, therefore, that the looms and other equipment which further process the yarn, will also find a normal level in reasonable economic relationship to the number of spindles in use.

IV. IMPLEMENTATION

1. Japanese officials and members of the industry should be informed through the medium of a memorandum (delivered either in writing or verbally) that General Headquarters, Supreme Commander for the Allied Powers will approve the rehabilitation and operation of 4,000,000 spindles. Draft of a proposed memorandum to this effect is attached hereto.

2. Studies will be undertaken by the responsible authorities in the Economic and Scientific Section, in conjunction with the Economic Stabilization Board and other Japanese governmental agencies, to determine the best method for integrating this program into the over-all Japanese economic picture particularly insofar as requirements for fuel and other scarce items are concerned.

S/ W. F. Marquat
T/ W. F. MARQUAT
Brigadier General, U. S. Army
Chief, ESS

FOOTNOTE REFERENCES

1/ Studies made by the Price Control and Rationing Division, Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers, November 1946.

2/ Statistical records of the Textile Bureau, Ministry of Commerce and Industry as appended to the Imperial Japanese Government's Three-Year Plan for Rehabilitation of the Textile Industry, dated October 1946.

3/ Calculations of Textile Division, Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers, based on statistics of the Textile Bureau, Ministry of Commerce and Industry, the Japan Textile Association, and statistics provided by the Price Control and Rationing Division.

NOTE:
(Approved by Deputy Chief of Staff 3 February 1947)

VIII - Statistical Tables

TABLE I - Original Rehabilitation Plan for Cotton Spindles

Name of Company	End of Mar 48	End of Jun 48	End of Sep 48	End of Dec 48	End of Mar 49	End of Jun 49
Fuji	315,180	323,300*	-	-	-	-
Shikishima	322,984	322,984	333,384	343,384	358,184	373,664*
Kanegafuchi	270,440	289,792	309,580	328,296	364,296	403,906*
Nisshin	274,776	284,016*	-	-	-	-
Nitto	180,248	181,048*	-	-	-	-
Daiken	404,376	421,776	429,840	429,840*	-	-
Toyo	451,208	470,472	486,792	499,432	511,432	523,192*
Dainihon	443,520	462,532*	-	-	-	-
Kurashiki	268,100	276,540	286,580	300,652	308,652	315,852*
Daiwa	260,320	280,060	293,500	307,360	337,600	368,016*
Total	3,191,152	3,312,520	3,390,572	3,459,860	3,560,900	3,665,366*

* Plan to Complete Quotas

SOURCE: Japan Cotton Spinners' Associations

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TABLE II - Ring Spindles in Cotton Mills, 1930-45

(In thousands)

Year	Installed	Operating
1930	7,214	5,898
1931	7,535	5,904
1932	7,964	6,308
1933	8,643	6,738
1934	9,593	7,503
1935	10,649	8,198
1936	12,139	8,392
1937	12,165	8,973
1938	11,728	8,064
1939	11,393	8,068
1940	11,434	7,050
1941	11,435	5,974
1942	8,646	3,301
1943	4,166	2,400
1944	3,592	1,400
1945	2,713	1,050

SOURCE: Federation of Japanese Textile Association

TABLE III - Ring Spindles in Cotton Mills, by months, 1946-48*
(As of last day of month)

	Total Available	Total Installed	Total in Place and Operable	In Place & not Operable	Not in Place
1946					
January					
February					
March			Not Available		
April					
May					
June	2,892,280	2,260,936	2,069,348	191,588	631,344
July	2,981,480	2,307,274	2,100,610	206,664	674,206
August	3,064,516	2,397,616	2,213,948	183,668	666,900
September	3,067,504	2,440,644	2,307,800	132,844	626,860
October	3,132,976	2,486,808	2,358,884	127,924	646,168
November	3,152,516	2,604,912	2,457,629	147,283	547,604
December	3,665,366	2,613,788	2,521,228	92,560	1,051,578
1947					
January	3,665,366	2,647,408	2,557,260	90,148	1,017,958
February	3,665,366	2,668,496	2,582,440	86,056	996,870
March	3,745,486	2,743,144	2,618,260	124,884	1,002,342
April	3,745,486	2,779,180	2,640,114	139,066	966,306
May	3,755,986	2,812,412	2,686,632	125,780	943,574
June	3,788,066	2,854,312	2,734,736	119,576	933,754
July	3,788,066	2,870,024	2,757,606	112,418	918,042
August	3,788,066	2,891,332	2,777,542	113,790	896,734
September	3,788,066	2,923,928	2,794,602	129,326	864,138
October	3,788,066	2,916,364	2,816,904	99,460	871,702
November	3,788,066	2,966,228	2,862,013	104,215	821,838
December	3,788,066	3,014,184	2,900,078	114,106	773,882
1948					
January	3,788,066	3,036,716	2,927,476	109,240	751,350
February	3,789,554	3,057,356	2,961,928	95,428	732,198
March	3,789,554	3,083,644	2,991,396	92,248	705,910
April	3,789,554	3,100,124	3,018,196	81,928	689,430

* Including Spindles consuming fibers other than cotton, and, therefore, these totals are larger than those listed in the Table on page 4.

SOURCE: Federation of Japanese Textile Associations

TABLE IV - Cotton Yarn Production, 1930-47 by Years
(In pounds)

Year	Total	Pure Cotton	Mixed Cotton	Waste Cotton
1930	1,009,879,600			
1931	1,026,853,200			
1932	1,124,174,800		Breakdown	
1933	1,239,942,400			
1934	1,308,976,800		not	
1935	1,424,332,800			
1936	1,442,983,200		Available	
1937	1,586,480,400			
1938	1,222,551,200	1,020,698,800	198,280,400	3,572,000
1939	1,114,395,800	1,042,313,600	66,422,400	5,659,800
1940	915,486,800	824,795,600	87,214,000	3,477,200
1941	679,765,000	574,908,800	100,988,400	3,867,800
1942	356,442,800	261,357,600	91,952,400	3,132,800
1943	211,130,400	172,075,600	33,637,600	5,417,200
1944	123,468,800	102,763,200	15,180,000	5,525,600
1945	51,812,000	43,473,600	5,020,000	3,318,400
1946	129,182,650	127,918,144	783,416	481,090
1947	269,200,314	266,387,009	6,500	2,806,805

SOURCE: Federation of Japanese Textile Associations

TABLE V - Cotton Yarn Production, January 1946-April 1948, by Months
(In pounds)

Year	Total	Pure Cotton	Mixed Cotton	Waste Cotton
1946				
January	2,049,970	1,875,288	144,682	30,000
February	2,460,857	2,387,305	54,002	18,750
March	3,282,732	3,224,820	22,112	35,800
April	2,628,898	2,403,240	148,958	76,700
May	2,556,634	2,264,264	260,570	31,800
June	2,735,609	2,560,145	130,951	44,513
July	8,981,450	8,915,179	14,374	51,897
August	13,646,988	13,613,278	5,387	28,323
September	19,136,167	19,127,518	181	8,468
October	20,931,490	20,900,931	--	30,559
November	23,728,638	23,665,853	1,400	61,385
December	27,043,216	26,980,321	--	62,895
1947				
January	22,771,638	22,736,840	--	34,798
February	25,108,062	25,040,834	--	67,228
March	26,504,536	26,355,641	--	148,895
April	27,599,594	27,394,418	--	205,176
May	26,761,341	26,544,759	--	216,582
June	29,324,640	29,004,416	--	320,224
July	25,520,162	25,284,896	--	235,266
August	18,581,019	18,222,601	4,580	353,838
September	17,677,641	17,125,500	1,920	550,221
October	16,802,967	16,464,610	--	338,357
November	15,200,593	14,935,588	--	265,005
December	17,348,121	17,276,906	--	71,215
1948				
January	20,025,251	19,983,214	--	42,037
February	22,139,039	22,105,985	--	33,044
March	23,246,520	23,181,253	--	65,267
April	25,906,761	25,748,566	--	158,195

SOURCE: Federation of Japanese Textile Associations

TABLE VI. - Cotton Looms, 1930-45, by Years

Year	Installed	Operating	Year	Installed	Operating
1930	273,364	65,169	1938	350,529	73,277
1931	265,729	64,392	1939	380,124	89,233
1932	284,901	68,028	1940	392,937	78,785
1933	303,554	73,966	1941	393,921	65,549
1934	321,233	79,630	1942	358,895	29,235
1935	332,564	82,397	1943	203,840	14,354
1936	341,930	85,974	1944	148,785	13,933
1937	362,604	90,197	1945	136,071	20,000 (est)

TABLE VII - Cotton Looms, 1946-1948, by Months

Month	Total		Big 10 Mills		Independents	
	Installed	Operating	Installed	Operating	Installed	Operating
1946						
January	122,074	33,760	24,911	4,660	97,163	29,100
February	122,868	33,440	35,705	5,123	97,163	28,317
March	123,737	32,660	26,574	5,197	97,163	27,463
April	124,896	35,590	27,439	6,854	97,457	28,736
May	128,238	38,456	27,875	9,013	100,363	29,443
June	129,031	38,316	28,668	9,757	100,363	28,559
July	127,514	41,228	27,151	11,062	100,363	30,166
August	128,642	44,754	28,279	14,584	100,363	30,170
September	129,802	49,536	28,378	18,116	101,424	31,420
October	130,440	53,178	29,016	19,268	101,424	33,912
November	132,989	58,963	29,836	20,669	103,153	38,294
December	134,031	61,994	30,482	21,787	103,547	40,207
1947						
January	135,644	65,090	32,045	21,082	103,599	44,008
February	137,610	69,197	32,226	22,705	105,384	46,492
March	140,041	73,321	33,280	24,256	106,761	49,065
April	140,415	76,072	33,784	24,834	106,631	51,238
May	144,718	82,192	34,064	26,091	110,654	56,101
June	147,958	82,399	34,385	27,066	113,573	55,333
July	147,434	83,653	34,294	26,779	113,140	56,874
August	150,456	83,186	34,535	24,956	115,921	58,230
September	152,620	83,686	34,789	24,546	117,831	59,140
October	153,365	86,505	34,016	23,919	119,349	62,586
November	155,561	84,181	35,424	21,314	120,137	62,867
December	157,459	86,504	37,725	22,026	119,734	64,478
1948						
January	160,928	95,344	37,827	24,470	123,101	70,874
February	164,264	102,178	37,771	27,582	126,493	74,596
March	165,145	108,849	38,286	27,935	126,857	80,914
April	166,126	110,106	38,364	29,608	127,762	80,498

Note: Figures in the above two tables include looms consuming yarns other than cotton, and therefore are larger than those listed in the table on page 5.

SOURCE: Federation of Japanese Textile Associations

TABLE VIII - Cotton Fabric Production, 1930-47, by Years
(In 000 square yards)

1930	2,615,411	1939	2,951,000
1931	2,840,161	1940	2,624,000
1932	3,100,130	1941	1,329,000
1933	3,610,577	1942	349,000
1934	4,057,979	1943	1,083,000
1935	4,112,111	1944	180,000
1936	3,496,000	1945	55,000
1937	4,826,000	1946	241,698
1938	3,297,000	1947	661,080

SOURCE: Federation of Japanese Textile Associations

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TABLE IX - Cotton Fabric Production, January 1946 -April 1948 by Months
(In square yards)

	Total Cotton	Pure Cotton	Mixed Cotton
1946			
January	5,620,691		
February	6,443,594		
March	8,270,379		
April	5,768,657	Breakdown	
May	8,053,849		
June	9,306,730	not	
July	12,956,995		
August	17,481,795	Available	
September	35,072,575		
October	39,435,299		
November	44,037,643		
December	49,250,004		
1947			
January	46,252,231	46,218,805	33,426
February	47,182,631	47,152,566	30,065
March	52,379,931	52,225,025	154,906
April	61,076,773	61,034,146	42,627
May	62,349,845	62,211,590	138,255
June	63,121,714	62,982,547	139,167
July	62,470,359	62,417,044	53,315
August	56,291,321	56,254,908	36,413
September	55,595,859	55,396,948	198,911
October	57,492,462	57,448,639	43,823
November	47,362,472	49,136,948	225,524
December	49,503,924	49,334,319	169,605
1948			
January	55,897,300	55,762,138	135,162
February	66,048,600	65,920,841	127,759
March	72,092,963	71,993,992	98,971
April	76,895,241	76,877,101	18,140

SOURCE: Federation of Japanese Textile Associations

TABLE X - Exports of Cotton Yarns, 1930-1947 by Countries of Destination
(In 000 pounds)

	Korea	Manchuria	Kwantung Prov.	China	Formosa	Hong Kong	Siam
1930	9,958	2,064	861	2,509	789 a/	5,228	53
1931	9,828	533	675	853	475 a/	960	20
1932	16,286	1,769	1,478	1,457	671 a/	3,241	147
1933	12,965	4,450	854	171	1,015	453	118
1934	20,039	4,787	691	128	1,106	140	192
1935	15,665	6,723	808	166	952	1,396	1,001
1936	9,221	9,903	696	224	989	2,692	1,092
1937	5,331	10,943	1,689	791	873	4,135	411
1938	2,483	4,308	372	794	468	1,024	384
1939	323	6,459	3,943	1	113	9,722	1,166
1940	431	768	109	82	630	7,819	1,261
1941	608	1,805	264	5	1,071	6,313	744
1942	389	70	238	-	297	-	164
1943	407	-	197	-	N. A.	-	-
1944	-	6	56	1	-	-	-
1945	-	-	-	-	-	-	-
1946	59	-	-	-	-	3,318	-
1947	-	-	-	-	-	11,200	-

	Neth. Indies	Philippines	India	Australiz	Others	Total All Countries
1930	761	525	7,952	190	3,514	34,404
1931	720	543	6,428	375	1,483	22,893
1932	2,907	385	20,237	779	3,158	52,515
1933	1,581	255	7,314	545	3,428	33,149
1934	1,793	430	9,650	1,337	6,584	46,877
1935	5,233	996	17,810	578	3,616	54,944
1936	6,104	1,844	16,736	510	4,058	54,069
1937	12,188	2,371	14,637	230	4,086	57,685
1938	8,769	1,739	18,678	379	5,325	44,723
1939	19,069	2,049	28,384	439	11,606	83,274
1940	23,663	1,732	12,795	550	12,171	62,011
1941	25,056	453	5,280	57	4,423	46,079
1942	-	-	-	-	2,472	4,230
1943	-	-	-	-	-	604
1944	-	-	-	-	-	63
1945	-	-	-	-	-	-
1946	-	-	-	-	1,106	4,483
1947	100	-	-	1	12,081	23,382

a/ Estimated.

SOURCE: Federation of Japanese Textile Associations.

TABLE XI - Exports of Cotton Fabrics 1930-1947, by Countries of Destination
(In 000 square yards)

Year	Korea	Manchuria	Kwantung Prov.	China	Formosa	Hongkong	Siam
1930	165,979	Included	45,399	436,409	63,767d/	105,974	16,132
1931	162,869	in China	37,934	239,445	83,240d/	63,450	5,884
1932	196,134	15,178	88,838	187,423	76,333d/	23,406	24,458
1933	215,297	91,911	86,040	113,226	68,144d/	28,692	39,826
1934	207,963	170,432	83,637	59,445	73,929d/	36,294	60,556
1935	174,587	161,284	68,087	56,046	80,417d/	49,384	71,504
1936	163,497	223,775	127,097	37,330	80,521d/	84,657	72,186
1937	135,094	212,208	117,605	45,100	75,122d/	40,138	71,815
1938	92,879	135,156	58,329	110,644	69,527d/	23,091	79,946
1939	118,049	7,688	15,079	22,933	28,875d/	56,850	83,128
1940	4,564	2,916	31,912	57,238	N.A.	39,131	101,326
1941	2,928	506	71,082	66,587	N.A.	23,552	68,949
1942	4,778	280	74,755	11,647	N.A.	--	27,355
1943	9,144	17,922	78,980	22,665	39,907d/	--	25,968
1944	16,210	3,524	58,621	184	11,620d/	--	2,574
1945	N.A.	6,315	8,789	42	N.A.	--	349
1946	a/ 933	--	--	--	--	--	--
1947	a/ --	---	--	--	--	3,509	25,057

Year	Straits Settlement	Nether-land Indies	Philippines	India	Aden	Syria	Iraq
1930	44,552	182,865	35,127	404,251	31,882	N.A.	N.A.
1931	41,305	212,107	33,423	404,411	34,725	N.A.	N.A
1932	82,228	352,234	21,410	644,685	60,791	N.A.	N.A.
1933	95,769	423,009	34,918	451,803	39,026	N.A.	N.A
1934	90,990	440,980	75,748	410,554	45,505	38,294	57,161
1935	44,761	370,463	87,481	556,206	60,306	40,964	72,487
1936	48,367	351,718	44,314	479,677	59,474	45,798	55,438
1937	51,785	434,392	54,174	331,191	55,450	48,860	47,623
1938	26,294	246,436	32,677	469,880	41,249	55,748	53,607
1939	29,282	368,674	37,040	475,977	62,909	69,094	92,141
1940	28,424	321,550	33,749	390,817	26,524	28,095	57,210
1941	12,396	269,348	22,595	173,590	1,779	1,137	23,675
1942	-	10,944	247	-	-	-	-
1943	-	19,456	8,196	-	-	-	-
1944	401	5,120	6,992	-	-	-	-
1945	-	-	-	-	-	-	-
1946	a/ -	-	-	-	-	-	-
1947	a/ 390	86,337	4,425	23,574	8,361	299	-

a/ In thousands of Linear Yards

d/ Estimated

SOURCE: Federation of Japanese Textile Associations

CONTINUED ON NEXT PAGE

TABLE XI Continued

Year	Turkey	G. Britain	Germany	U. S. A.	Chile	Argentine	Uraguay	Venezuela
1930	20,359	922	81	351	6,176	7,289	404	N. A.
1931	25,150	2,221	316	488	2,360	10,540	490	N. A.
1932	41,529	3,077	214	1,646	1,263	22,461	396	N. A.
1933	11,157	13,946	791	7,485	6,534	34,942	2,611	N. A.
1934	7,777	3,746	6,261	17,371	31,739	66,366	9,561	5,448
1935	19,480	13,499	8,694	48,336	26,838	103,377	4,665	10,069
1936	26,521	19,059	26,846	73,444	32,845	82,169	10,938	26,664
1937	14,451	24,155	20,269	123,776	36,403	131,010	20,946	21,177
1938	12,716	16,587	20,003	16,115	21,036	66,544	10,152	11,978
1939	5,847	7,454	21,372	71,548	51,893	18,453	11,457	21,409
1940	1,122	7,635	4,143	50,146	47,424	50,584	16,478	23,575
1941	322	254	2,732	40,015	20,465	27,529	5,115	669
1942	-	-	1,379	-	-	-	-	-
1943	-	-	-	-	-	-	-	-
1944	-	-	-	-	-	-	-	-
1945	-	-	-	-	-	-	-	-
1946 a/	-	-	-	-	-	-	-	-
1947 a/	45,170	63,699	-	3,104	-	1,001	-	-

Year	French Morocco	Egypt	Anglo Egyp. Sudan	Kenya* etc.	Union of S. Africa	Australia	All Others	Total All Countries
1930	N. A.	109,015	N. A.	N. A.	23,686	14,153	86,798	1,801,571
1931	N. A.	103,799	N. A.	N.A.	39,033	20,939	135,760	1,659,889
1932	N. A.	195,435	N. A.	N.A	36,316	35,992	192,742	2,304,189
1933	N. A.	210,351	N. A.	N.A	26,101	54,997	317,093	2,373,669
1934	63,399	233,688	48,199	82,320	16,180	74,499	341,114	2,859,156
1935	56,892	163,737	64,547	83,498	26 252	86,634	369,618	2,980,113
1936	68,977	106,147	62,572	100,386	29,681	70,058	343,747	2,953,903
1937	54,968	49,687	76,660	103,098	32,811	52,529	371,148	2,853,645
1938	86,466	21,417	78,711	85,071	26,169	64,394	310,394	2,343,216
1939	108,374	37,338	59,807	94,085	44,335	76,106	495,763	2,492,960
1940	25,682	56,909	29,772	33,631	47,128	69,954	270,935	1,858,575b/
1941	-	32,511	7,389	6,166	15,170	21,934	103,321	1,021,726b/
1942	-	-	-	-	-	-	40,005	171,390b/
1943	-	-	-	-	-	-	15,856	238,094
1944	-	-	-	-	-	-	11,182	116,428
1945	-	-	-	-	-	-	413	15,908c/
1946 a/	-	-	-	-	-	-	-	933
1947 a/	-	-	17,035	5,877	-	11,362	61,692	360,892

* Including Kenya, Uganda and Tanganyika
a/ In thousands of linear yards
b/ Excluding exports to Formosa, not available
c/ Excluding exports to Korea and Formosa, not available

SOURCE: Federation of Japanese Textile Associations

IX - Footnote References

1/ SCAPIN 1427, dated 30 December 1946

2/ SCAPIN 1512, dated 7 February 1947

3/ SCAPIN 1562, dated 8 March 1947

4/ TD-7, dated 13 March 1947

5/ TD-8, dated 13 March 1947

6/ TD-9, dated 24 March 1947

7/ TD-10, dated 14 April 1947

8/ SCAPIN 1646, dated 2 May 1947

9/ TD-17 dated 15 July 1947

10/ TD-19, dated 21 July 1947

11/ TD-21, dated 14 August 1947

12/ SCAPIN 4611-A, dated 29 September 1947

(Copies of the documents listed above are included in the Appendix for the Program; See Section VI)

13/ Source: Textile Bureau, Ministry of Commerce and Industry

14/ Source: Japan Cotton Spinners' Association

15/ Source: Federation of Japanese Textile Associations

16/ Compilations of Cotton Branch, Textile Division, ESS, GHQ, SCAP

17/ Compilations of Textile Group, Foreign Trade Division, ESS, GHQ, SCAP

18/ Reports of United States Commercial Company

read

12B

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
ECONOMIC AND SCIENTIFIC SECTION
TEXTILE DIVISION

APO 500
25 June 1947

A RAYON PROGRAM

FOR JAPAN

Approved by Chief of Staff
2 April 1947

Statistics Revised
25 June 1947

INTRODUCTION

1. The purposes of this program are: (1) To determine the production potential of the Japanese rayon industry for the period 1947-1950, and, insofar as possible, beyond that date; (2) To determine the optimum utilization of the production of this industry, for domestic consumption and for export.

2. The discussion is based principally on the questions of availability of the various materials needed for rebuilding of plant capacity, and subsequent expansion of production from the point of view of necessary raw materials, power, and fuel.

3. It is taken for granted that the actual production will, for all practical purposes, be somewhat below the productive capacity levels recommended in this program. However, it is deemed desirable to base this discussion on theoretical rated production capacity and to place on the Japanese industry the responsibility for achieving a maximum percentage of actual production from the allowed capacity. Granting that the full theoretical maximum will not be achieved, slight reductions in the quantity available for export and/or domestic use are probable. It is expected that there will be enough flexibility in the operation of the industry largely to offset this factor.

(Note: Footnote references and statistical addenda, Section VII)

RECOMMENDATIONS

Based on the following detailed study of the various aspects of the rayon industry, it is recommended that:

a. All necessary steps be taken, insofar as they can bo coordinated with other SCAP programs, for the rehabilitation of the productive capacity of the rayon industry to a total of 150,000 metric tons of filament yarn and staple fiber per annum.

(See Section IV)

b. All necessary steps be taken insofar as they can be coordinated with other SCAP programs for the rehabilitation of the rayon staple spinning industry to a capacity of 500,000 spindles.

(See Section VI)

c. Insofar as supplies make possible, the allocations of raw materials, for the maximum utilization of such capacity, be gradually increased as plant capacity is expanded. The ultimate goal of these industries which produce raw materials for the rayon industry should be to supply:

Pulp	187,000 m/t per annum
Coal	1,560,000 m/t per annum
Caustic Soda	127,500 m/t per annum
Chlorine	2,140 m/t per annum
Sulfuric Acid	180,000 m/t per annum
Bleaching Powder	12,000 m/t per annum

Attention should be given to imports of materials listed above where domestic supplies may be insufficient or the quality of domestic production too low to maintain the necessary quality standards.

(See Section V)

d. Distribution of rayon products for domestic use be aimed at an eventual goal of 1.4 pounds of filament and 1.3 pounds of staple per person per year for consumers; and 1,750,000 pounds of staple a year for industrial use.

(See Section II, Par. 1-8)

e. All possible efforts be made to increase exports of rayon and rayon products to 60,000,000 pounds of filament and 30,000,000 pounds of staple products per year.

(See Section II, Par. 9-10)

I. Standard Set by Reparations

1. The rayon industry of Japan is the only textile industry whose potential output is limited directly by reparations removals which are contemplated as of the date of this report. SCAP's lists of caustic soda and other chemical plants under the interim reparations programs have left within the country sufficient chemical capacity to support a synthetic textile industry of approximately 150,000 metric tons [1] production a year. This potential is equal to approximately half of actual production during the peak years for the rayon industry. (1938-1941). (Statistical Appendix Table I)

2. According to SCAP officials in charge of reparations selections [1], the estimate that chemical production should be sufficient to support a production of 150,000 metric tons is conservative. These estimates are based largely on present condition of the plants which are to be left in Japan. This production capacity can be expanded somewhat through partial rehabilitation and repair of plant facilities and modernization of such facilities to promote greater production efficiency. It is, therefore, assumed as a basis for this study that plans may be made for the full 150,000 metric tons with the assurance that chemicals will be available, provided imports of salt are received in sufficient volume.

3. The question of availability of pulp is discussed in Part V.

II. Utilization of Production

1. In furthering the objectives of the occupation of Japan, it is desired to make maximum use of domestic production of textile materials both from the point of view (1) of making most economic and effective use of that portion which is allocated for domestic consumption, and (2) maximizing exports to obtain needed credits abroad.

2. Particular emphasis is placed on the necessity for maximizing exports during the interim period of Japan's post-war economic readjustment. For purposes of this study, this period is assumed to be 1946-1950.

3. It is assumed initially that in 1947 overall consumption of textiles will be limited to approximately 2-1/2 pounds or 8.9 yarns per capita for consumer household and personal use, plus minimum industrial requirements. Insofar as rayon is concerned, industrial needs will account for only 1,000,000 to 1,500,000 pounds per year of rayon staple fiber, during this period.

4. This interim program of textile distribution is a temporary measure designed to keep domestic consumption at a minimum and maximize exports during the period of the current world textile shortage. It is, therefore, a distribution plan whose continuation cannot be supported any longer than is absolutely necessary.

5. SCAP authorities [2] estimate that, after this interim period of economic readjustment, an optimum level for consumer use of filament rayon will be 112,000,000 pounds a year, or approximately 1.4 pounds per capita, based on an estimated population of 80,000,000. Domestic requirements for spun rayon fabrics are estimated at 104,000,000 pounds or 1.3 pounds per capita per year.

6. The desired level of domestic industrial consumption, which for all practical purposes will be confined to spun rayon yarns and fabric, is estimated at 1,750,000 pounds.

7. An important use for rayon staple fiber in domestic consumption will be in mixtures with wool. It is planned to maintain a mixture of at least 30 per cent in all woolen fabrics which are manufactured for domestic use. Therefore, between 10 and 20 per cent of staple fiber allocated for domestic consumption will be devoted to this purpose.

8. Industrial uses for rayon staple will be concentrated principally in the foodstuff processing industries, and a small quantity will be devoted to uses connected with the transportation industry.

9. Exports (1947-1948)

a. It is estimated 3/ that the present demand for Japanese filament rayon yarn for the year 1947 is approximately 20,000,000 pounds, and that it is probable that this demand will increase in the near future. Present demand for spun rayon yarns is approximately 5,500,000 pounds. In addition, foreign purchasing missions in Japan have indicated an interest in filament fabrics which is expected to result in sales of approximately 60,000,000 yards, or approximately 10,000,000 pounds, in 1947. Present estimates place probable sales of spun fabrics at approximately 10,000,000 to 15,000,000 yards or approximately 3,000,000 pounds. These requirements are to be filled out of stock, plus new production.

b. An expansion in the demand for fabrics is expected to develop in 1947 and in the near future. In addition, there is considerable potential market for various fabricated items manufactured from or partially utilizing rayon in both filament and staple form.

c. In order to fulfill the anticipated demand for rayon from foreign sources and at the same time to allocate the minimum quantity necessary for domstic use, the following allocation programs have been placed into effect for the calendar year 1947:

(1) Filament Rayon: 300,000 pounds of each month's production, or one-third, whichever is greater, is to be reserved for manufacture of fabrics or other articles for export. The remainder is to be exported in the form of filament yarn.

(2) Rayon Staple Fiber: Production is to be held to approximately 2,000,000 pounds per month or 24,000,000 pounds for the year in order to make more raw materials available for filament. (See Part III of this program). 14,000,000 pounds are to be reserved for domestic use; 10,000,000 pounds are to be reserved for export, to be spun or woven in accordance with the desires of the various purchasers.

10. Future Exports

a. Based on pre-war export records, (Statistical Appendix Table II), it may safely be estimated that exports of filament rayon yarn may ultimately reach 30,000,000 pounds a year, compared with a range of approximately 30,000,000 to 62,000,000 exported during the period 1937-1941. Export shipments during these years averaged 47,213,000 pounds. Exports of rayon fabrics during this period range from 97,000,000 to 485,000,000 square yards a year. It is, therefore, assumed to be safe to estimate that exports of close to 200,000,000 yards a year may ultimately be feasible. Such cloth exports would be equal to approximately 30,000,000 to 35,000,000 pounds.

b. Based on records for the same period, when exports of rayon staple fiber ranged from 18,000,000 to 40,000,000 (with the exception of an extraordinary decrease in 1938); and when exports of spun rayon yarn ranged from 8,000,000 to 21,000,000 pounds a year, it may be assumed for purposes of this study that exports of 10,000,000 pounds of spun yarns and 15,000,000 pounds of staple should be feasible.

11. A recapitulation of the above figures is given as follows:

DISTRIBUTION OF RAYON
(000,000 pounds)

	1947-48	Future
Filament Rayon		
Domestic Use		
Consumer	--	112
Industrial	--	---
Export		
Yarn	20	30
Fabric	10	30
Total:	30	172
Staple Fiber		
Domestic Use		
Consumer	13	104
Industrial	1	1.75
Export		
Yarn	5.2	10
Staple	--	15
Fabric	4.8	5
Total:	24	135.75

III Present Status

1. In May 1947, production of filament rayon yarn reached its postwar peak to date of 1,293,000 pounds, compared with a postwar low of 67,170 pounds in September 1945, and a pre-war peak, reached in 1937, when production averaged well over 25,000,000 pounds a month. Since October 1946, filament production has been hovering around the million pound monthly production mark. (Statistical Appendix Table III).

2. In June 1946, production of rayon staple reached its postwar peak of 2,421,000 pounds compared with a postwar low of 410,280 pounds, and with a peak average monthly production of over 25,000,000 pounds achieved in 1938. Production in recent months has been around 1,000,000 pounds.

3. Effective operable capacity at the end of June 1947 is estimated at 55 metric tons a day (43,560,000 pounds a year) of filament yarn, and 163 metric tons a day (129,096,000 pounds) of staple. Total theoretical operable capacity is estimated at 151 metric tons per day (119,592,000 pounds per year) of filament and 301 metric tons per day (238,392,000 pounds per year) of staple. Comparisons with January 1946 and with the year 1939 are given in Table IV Statistical Appendix.

4. Since there is at present a more active demand from the export market for filament rayon yarn and fabrics, and since the capacity of this branch of the industry is proportionately low in relation to this demand, the present rehabilitation plans for the industry are concentrated in the filament branch. (See Part IV of this program). During 1947, it is planned to keep production of rayon staple down to around 2,000,000 pounds a month, around which figure output has fluctuated since the peak was reached in June 1946. A short term goal is the achievement of maximum production from the operable filament rayon capacity installed at the beginning of the year. This will provide the 30,000,000 pounds of rayon which are required to meet the 1947 export program, and, if operated near

capacity, a small surplus which may eventually be either devoted to domestic use to meet export requirements which are not at this time foreseen, or held as a carry over for 1948.

IV. Expansion of Capacity

(Increase in rayon capacity is herein discussed from two points of view: First, the availability of funds and second, the availability of raw materials, machine tool capacity, and the actual construction of machinery required by the rayon industry.)

1. For the immediate future, consideration is being given only to an expansion of capacity in the filament rayon field. As has been pointed out previously, the demand for filament rayon is considerably larger at this time than for spun fabrics and yarns. The eventual total capacity of the industry of 150,000 metric tons a year will be divided approximately 55 per cent in rayon and 45 per cent in staple, as indicated in Section II, Paragraph 11. Therefore, the filament segment of the rayon industry now has operable capacity for production of 19,800 metric tons a year compared with a goal of approximately 82,500 tons, whereas, the operable capacity for production of rayon staple is 58,680 metric tons a year compared with an ultimate goal of approximately 67,500.

2. It will be noted that the theoretical restorable capacity of both the filament and staple branches of the industry (see Part III, paragraph 3) exceed the total provided for by this program. Since this program is considered an interim plan for operation of the industry, until such time as the international demand and other factors become clarified, it is considered probable that revisions in the production goal may be made to take into consideration changes which are at the present not foreseeable. Distribution is planned slightly below production capacity.

3. Since the five filament rayon producers are all on the "restricted list" 4/, they must apply to SCAP for permission to undertake repair projects or the construction of new plant capacity. The five companies have presented a joint plan through the Japan Textile Association, for the expansion of capacity to 100.7 metric tons a day by the end of September 1947; 130.2 metric tons a day by the end of September 1948; and 151.4 metric tons a day by the end of September 1949. The goal to be reached at the end of 1949 would bring annual production to 54,504 metric tons, or almost even with that of the staple segment of the industry.

4. From the point of view of practical considerations it appears unlikely at this time that the rayon plants will be able to double their operable capacity by the end of September 1947. In view of the fuel, power, and raw material situation, it would appear at this time to be unlikely that the machinery manufacturing industry can turn out a sufficient quantity of replacement parts and complete manufacturing units. This problem will be discussed in detail below.

5. During the war, a large percentage of the rayon industry's productive capacity was only partially dismantled for scrapping or destroyed through war damage. Many mills require only replacement of certain units in the manufacturing process in order to expand their productive capacity. For this reason, as much progress in the rehabilitation program is expected to be made in the first year as in the second and third years combined.

6. Preliminary estimates made by the rayon companies indicate that a total of 303,254,557 yen will be required for accomplishment of the entire program. Of this total, 167,362,077 yen will be required for the first year of the rehabilitation plan. A request for approval of bank loans of the necessary funds has been approved by SCAP 9/. Informal preliminary discussions have resulted, however, in an understanding that approval of the second and third year's installments of the loan will be contingent on the results obtained through the expenditure of the first installment.

7. In supervising the expenditure of these funds, it is the intention to plan the expansion along such lines as are dictated by the availability of raw materials. In other words, insofar as possible, no plant capacity will be rehabilitated merely to remain idle waiting for raw materials. The entire program, therefore, will have to be coordinated in the Japanese Government by the Economic Stabilization Board and the governmental agencies responsible for production and allocation of coal, pulp, caustic soda and other chemicals, and machinery.

8. Attention has been given to the expansion of production of Bemberg (cupra-ammonium) yarn, which is manufactured only by the Asahi Chemical Products Company. The company estimates that they will achieve monthly increases in output, when cotton linters are imported, up to 504,000 pounds per month. (See Table V. Statistical Appendix). Import of 2,218 metric tons of raw linters has been approved by Washington, beginning with 109 tons in September 1947.

9. The Dainippon Celluloid Company has applied to SCAP for permission to build a plant for production of cellulose acetate rayon. In view of the present shortage of raw materials, coal and electric power for the operation of present viscose and Bemberg plants, this project has been deferred, pending further study.

10. The Mitsubishi Chemical Company has applied for permission to activate their nitro-cellulose rayon plant. In view of the close connection of this process to that of the manufacture of gunpowder, and in view of the fact that the nitro-cellulose process is considered old fashioned and un-economic, permission has been denied. Consideration will be given to independent rayon producers who are not now active in the production field, but who own plants which are capable of being placed into production. These have not been included in the calculations up to this point, since they represent a very small part of the industry's productive facilities, and the condition of their plants is at this time largely unknown. One application has been received from the Eiko Sangyo K.K., which, they estimate can be placed in operable condition to produce five tons of filament yarn a day by six months from the granting of a loan by their bank. This plan takes into consideration the availability of replacement parts, etc., complications in the securing of which will probably render their six-months' estimate optimistic.

V. Fuel and Raw Material

A. Coal:

1. Rayon mills had considerable stock piles on hand at the beginning of 1946 and so were able to maintain a steady increase in production through October, although new receipts of coal were short of their consumption. Accomplishment of the 1947 production goal of 30,000,000 pounds of rayon and 24,000,000 of staple will require approximately 200,000 tons of coal or an average of approximately 16,600 tons a month. During the last quarter of 1946, the mills' receipts of coal were far short of this figure.

2. Indications at present, point to the availability of more coal for rayon during 1947. Allocation for December was set at 5,500 tons. Increases to 9,000 in January and February, and 12,000 to 13,000 in March through July have been made.

3. Granting a gradual increase in Japan's coal production, which is expected month by month for 1947, it appears as though sufficient allocations will be able to be made to the rayon industry during the second and subsequent quarters of the calendar year. A similar improvement in allocations of coal for the rayon pulp manufacturers also appears likely at this time. However, due to a slow start during the first few months of the year, it appears unlikely at this time that the industry's production will reach the year's goals.

4. To meet the ultimate production goal of 150,000 tons of rayon a year, the industry will require 1,560,000 metric tons of coal, including needs for pulp. With present monthly production of coal in Japan amounting to only slightly over 2,000,000 tons a month, it is questionable whether in the foreseeable future the quantity required by the rayon industry may be made available.

5. The question of availability of coal for rayon in 1950 and subsequent years will have to be left open until production trends in the coal industry can be gauged more closely. It is felt, however, that the Japanese coal rationing authorities will be able to place more emphasis on the rayon industry because of its importance to the foreign trade of Japan after the current strenuous period of economic readjustment has passed.

B. Chemicals:

1. The following data has been prepared[5] to indicate that sufficient chemicals are expected to be available for use of the rayon industry in 1947, and, probably, when the ultimate production goal of 150,000 metric tons per year is realized.

a. The supply of chemicals[8] necessary in 1947 to produce 30,000 metric tons of rayon is:

Caustic Soda	26,440 metric tons
Chlorine	488 metric tons
Sulfuric Acid	36,000 metric tons
Bleaching Powder	2,500 metric tons

b. These figures include the amounts of chemicals to produce the pulp used for rayon.

c. In view of the increasing amount of salt being imported, it is believed that the Japanese chemical industry can supply these chemicals to the rayon industry in 1947.

d. To meet the ultimate goal of 150,000 tons of rayon per year the following chemicals will be required:

Caustic Soda	127,500 metric tons
Chlorine	2,440 metric tons
Sulfuric Acid	180,000 metric tons
Bleaching Powder	12,000 metric tons

e. Sufficient capacity for the production of these chemicals will remain in Japan after reparations removals.

C. Pulp:

1. Approximately 35,000 metric tons of pulp are required to meet the 1947 rayon production program, and 187,000 metric tons to produce, ultimately, 150,000 metric tons of rayon and staple.

2. It is the opinion of those SCAP officials who are responsible for the production of pulp and for the forestry operations in Japan that this country can provide the pulp wood necessary to manufacture the required quantities of pulp, and that plant capacity is or will be adequate[6]. (See Table VI, Statistical Appendix.)

3. The reservation is made, however, that necessary fuels and chemicals must be made available to the rayon pulp industry. (See Part V. B immediately preceding).

4. A basic deficiency, however, is the low quality of domestic pulp. Even before the war, when Japanese rayon pulp was of higher quality, high grade imported pulp was mixed with the domestic product to the extent of from 50 to 80 per cent. Pulp being produced at present contains a large percentage of impurities and is irregular in quality.

5. If the quality of domestic rayon is to be improved to the point where finished products may be sold in a market which will become increasingly competitive in the next few years, it is probable that imported pulp will have to be used in approximately the pre-war proportions.

6. Table VI, Statistical Appendix, shows both the installed and effective capacity of rayon sulfite pulp producers in Japan. Installed capacity is the maximum possible when all equipment is placed in good operating condition. This will require substantial repair and replacement of worn out parts. Effective capacity is that estimated value which allows only for minor repairs to existing equipment but basic raw materials such as pulpwood, chemicals and coal are assumed to be readily available.

7. If all mills were to produce only unbleached sulfite 446,571 tons at installed capacity and 278,453 tons at effective capacity could be produced per year. Nine mills have no bleach plants and their sulfite pulp production is used essentially in the production of newsprint and groundwood for printing papers.

8. Eight mills have multiple stage bleaching equipment capable of converting all their unbleached production of sulfite pulp into bleached pulp suitable for paper manufacture. These mills can also use their capacity to produce a usable, but low quality, pulp for the manufacture of rayon and rayon staple. Each ton of pulp taken from these mills for viscose making will reduce the quantity available for bond, books, and other white paper manufacture.

9. To manufacture 150,000 tons of rayon and rayon staple, approximately 187,000 tons of bleached sulfite rayon pulp will be required. The present estimated effective capacity of all pulp mills with bleaching equipment is 162,660 tons of a very low grade pulp that can be used with difficulty and at unusually high production cost for rayon and rayon staple manufacture. This tonnage could probably be raised to about 258,720 tons per annum through an expenditure of a considerable amount of money for rehabilitation of existing equipment and the replacement of worn out and delapidated machines.

D. Machinery Rehabilitation and Manufacture 7/

1. At present, there are ten principal manufacturers of rayon machinery and three makers of spinnerettes in operation. Because of wartime conversions, approximately 75 per cent of the machinery manufacturers' capacity and one-third of the nozzle manufacturers' facilities are listed for reparations removal. Their cases are being reviewed at present.

2. Taking into consideration the reparations removals which are presently contemplated, but which are, however, subject to revision, and the availability of steel and other raw materials, machinery manufacturers turn out each month machinery equivalent to 600 metric tons' annual capacity. At this rate, ten years would be required to bring the rayon industry to a capacity level of 150,000 metric tons. However, considerable improvement in the supply of materials and in other factors which are presently limiting the output of machinery can be foreseen. Accomplishment of the desired expansion program within a period of a few years is therefore considered possible.

3. Initially, the machinery industry's capacity will be devoted to the manufacture of replacement parts and units in order to achieve maximum production efficiency from presently installed equipment in the rayon mills.

4. The Economic and Scientific Section and the Civil Property Custodian have been working on a joint plan for the release to the Japanese Government of 48,071 spinnerettes which have been held by the Bank of Japan. These spinnerettes were collected from Japanese mills during the war because of their gold and platinum content. Under the contemplated plan, the Ministry of Commerce and Industry would be responsible for redistributing them to rayon mills which can use them to best advantage. The large majority of the spinnerettes are suitable for continuous filament spinning, in which branch of the industry the major rehabilitation work will have to be done. Policy decision is required before this release can be consummated. (See special study on rayon machinery attached).

VI. Spinning

1. Part II of this program provides for the manufacture of 135,750,000 pounds of rayon staple fiber when rehabilitation provided for in this program is achieved.

2. Of this total, it is estimated that 15,000,000 pounds may be exported in the form of staple fiber. An additional 15,000,000 pounds will be mixed with wool for domestic consumption. Additional small quantities will be allocated for mixtures with silk staple and other fibers also for domestic consumption.

3. It is therefore indicated that spinning equipment will have to be provided for the processing of approximately 100,000,000 pounds of staple fiber. Pre-war performance records by Japanese mills indicate that consumption may be estimated at approximately 200 pounds per spindle per year.

4. It will therefore be necessary for the spinning industry to operate 500,000 spindles. Spindles presently registered for rayon staple number 244,000. New construction of 256,000 rayon spindles is therefore indicated.

5. The machinery manufacturing industry is capable of producing the relatively small number of spindles over and above the number required for the cotton spinning industry. 10/

VII. FOOTNOTE REFERENCES AND STATISTICAL APPENDIX

1/ Chemical Branch, Industry Div., Economic and Scientific Section.

2/ Computations of the Clothing Branch, Textile Division, and Consumer Goods Branch, Price Control and Rationing Div., Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers, based on:

a. Domestic consumption of textiles from 1930-1945;

b. Table of textile goods necessary for public welfare as outlined by the Textile Bureau, Ministry of Commerce and Industry, September 1946.

c. Japanese Government's Three-Year Plan for Public Welfare, October 1946.

3/ Foreign Trade Div., Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers, 20 September 1946.

4/ SCAP directive, AG 300.8 (8 December 1945) ESS/AC, dated 8 December 1945, subject, Regulations Affecting Restricted Concerns, requires that all restricted concerns apply to SCAP for permission to borrow money for repair or expansion of plant capacity.

5/ Chemical Industries Branch, Industry Division, Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers, Check Sheet to ESS/TD, File. 423 (17 January 1947) ESS/IN, subject, Rayon Chemicals, dated 17 January 1947.

6/ Forestry Division, Natural Resources Section, and Manufacturing Branch, Industry Division, Economic and Scientific Section.

7/ Machinery Branch, Industry Division, Economic and Scientific Section.

8/ Caustic soda calculated at 98 per cent purity, and sulphuric acid at 96 per cent to conform with Japanese statistical practice.

9/ SCAP Memo to the Japanese Government, AG 004 (22 Apr 47) ESS/AC (SCAPIN 3662-A) dated 22 April 1947, subject, Financial Plan for Rehabilitation of the Rayon Industry.

10/ Machinery Branch, Industry Division, Economic and Scientific Section.

No colored fabric weaving mills
Just plain white silk fabrics

file
Misc

2555.11

Investigation of factories producing silk fabrics.

Name of factory	Location	Kind of products
Suto Textile Factory	No. 3,078, Yanai-machi, Kuga-gun	Meisen (textile material of silk Kimono.) Textile material of clothes.
Sunan Textile K.K.	No. 94, Uno, Ono-mura, Kumage-gun.	Silk serge. (No. 1)
Asahi Textile Co. Ltd.	Kuga-machi, Oshima-gun.	Silk serge (No. 1 & No. 2)
Asahi Textile Co. Ltd.	Yuu-machi, Kuga-gun.	Silk serge (No. 2)
Marugo Textile Co. Ltd.	"	Pure silk serge (No. 2)
Marugo Textile Co. Ltd., Kikumoto Plant.	No. 1,138, Kawanishi, Iwakuni City.	Silk serge (No. 2)
Marugo Textile Co. Ltd.	No. 5,815, Yuu-machi, Kuga-gun.	Silk textile material.
Kikumoto Commercial K. K.	Kawanishi-machi, Iwakuni City.	Pure silk serge (No. 1 & No. 2)
Tsuzu Textile K.K.	Tsuzu-mura, Kuga-gun.	Silk textile material.
Yamato Industry Co. Ltd.	No. 581, Yuu-machi, Kuga-gun.	"
Fukui Silk Fabric Factory.	Kamano-mura, Oshima-gun.	Raw silk.