

STANDARD FORM NO. 64

SECRET

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth

FROM : SEA - Mr. Landon *KLJ*

SUBJECT: Disposition of Japanese Assets in Siam.

DATE: April 16, 1948

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1. Problem:

To review present US policy in regard to the disposition of Japanese assets in Siam with a view to discovering whether that policy should be revised.

2. Background Information:

a. Establishment of a Siamese Control Committee.
 A Siamese Bureau of Control and Management of Enemy Assets was established by the Siamese Government on September 13, 1945. This action was taken in order to mobilize all enemy assets in Siam in anticipation of the need to arrive at an agreement with Allied governments in regard to their disposition. On January 1, 1946 the British and Siamese Governments concluded an agreement settling their state of war. During the negotiations the British pressed for inclusion in an annex to a subsidiary military agreement of a clause that would require Siam to mobilize all enemy assets in Siam and to hold them in trust pending decision as to their disposal by the Allied governments. The US Government was opposed to the inclusion of such a clause in a military agreement. After further negotiations on the matter, on February 13, 1946 the British and American Chargés invited the Siamese Government to mobilize and hold enemy assets pending decision as to their disposal by the Allied governments. The British intimated that if this were done the matter would be dropped from the military agreement. The Foreign Minister expressed agreement and established a Siamese Control Committee to be responsible for the assets and to make accounting to the Allied governments.

b. Liquidation of Moveable and Real Property.
 The question immediately arose, because of pilferage and loss by deterioration, whether moveable assets should be liquidated. On April 26, 1946 the U.S. Charge was instructed to associate himself with his British colleague in jointly requesting the Siamese

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*State Dept.
Southeast Asian
Affairs Division
From Landon*

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Government to liquidate promptly all Japanese assets subject to deterioration, dissipation, or looting, or which would stimulate the rice program and help restore normal Siamese economy. The proceeds were to be held in trust jointly in the name of the U.S. and British Chiefs of Mission subject to final disposition by the Allied governments concerned. *(See Footnote)

On June 7, 1946 we instructed our Legation at Bangkok that Japanese real property and houses were reserved from the proposed liquidation of Japanese assets and to avoid deterioration should be rented, rentals to be held by the Siamese authorities subject to periodic accounting to the British and American Ambassadors. However, only about 10% of the real property proved to be rentable because of deterioration. On October 7, 1947 the British and American Ambassadors were instructed to authorize the auction of enemy immovable property.

c. Amount of Japanese Assets in Siam. ^{800 515/4. 2848}

1. Present ex-enemy assets in Siam as reported in Bangkok telegram no. 353, April 28, as follows:

(1) Joint British-American trust account (German) 1,030,715.80 baht;

(2) Joint account (Jap) 620,761.87 baht;

(3) Joint account (Indian national army funds) 275,586 baht;

(4) Sale ex-Jap cloth 1,316,098.25;

(5) Cash assets Yokohama Specie Bank which in process liquidation 40,789,230 baht. Impossible accurately estimate at this time amount which will remain after deduction liquidation costs and payments to exonerated depositors;

(6) In possession Siamese bureau enemy property as proceeds sales moveable property as of 31 December 1947, 14,903,006.45 baht. However, they have claimed expenses totalling approximately nine million baht which

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matter was being negotiated.

(7) Proceeds sale ex-Jap tin to RFC provisionally totalling US \$728,227.34 (DEPTEL 181, April 15, 1948 paragraph three) from which to be deducted handling expenses of approximately 16,000 baht and possible royalties and duty which matter was under negotiations;

(8) 66,687,320 baht proceeds Jap military funds, sale Jap military property and impounded Korean funds (EMBTEL 261, April 7, 1948).

2. Very small quantity moveable property left, value of which impossible estimate at present. Real property now in process liquidation, sale value of which impossible estimate present time.

d. Question of Honoring Siamese Civilian Claims. The Siamese Government asked the UK and U.S. Governments on January 9, 1947 whether it could draw against enemy assets in behalf of Siamese civilians who claimed loss at the hands of the Japanese military. On January 24, 1947 our Legation at Bangkok was informed that until an inter-Allied agreement was reached on Japanese reparations, we could not consider allowing the Siamese Government to pay claims of Siamese nationals out of Japanese assets. The British Minister was similarly instructed by his Government.

3. Present U.S. View Regarding Disposition of Japanese External Assets. In a paper introduced into the FEC by the United States (FEC 288 based on

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SANACC 236/51 which is incomplete and will be revised to agree with SANACC 236/38 and the draft SANACC paper mentioned below) and now under consideration by that body, it is proposed that "disease and unrest" expenditures should be a first-priority charge against Japanese external assets in all territories or countries not at war with Japan excepting those

(1) in territories liberated from Japanese control and reverting to a previous sovereignty;

(2) in areas formerly held or dominated by Japan, but now occupied by Allied forces;

(3) in Siam.

In a draft SANACC paper now under consideration in the Department and intended for eventual introduction into the FEC our position in general is that

(1) Japanese assets in all areas except certain neutral countries, Germany, and Siam should be retained by the respective sovereign authorities.

(2) Japanese assets in Germany should be at the disposal of the respective zone commanders.

(3) Japanese assets in neutral countries (Afghanistan, Eire, Portugal, Spain, Sweden and Switzerland) should be marshalled by the Japanese Government acting through Allied Embassies, liquidated and the proceeds used as a self-perpetuating revolving fund to be used for purchase of imports in connection with the import-export program for the rehabilitation of Japan, the initial value of the assets in the fund eventually to go to the United States for reimbursement for disease and unrest imports.

(4) Japanese assets in Siam should be retained by Siam to the extent necessary to pay off non-governmental Allied claims arising out of the war. In as much as these claims far exceed Japanese assets the practical effect of this position would be to grant Siam the same

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treatment as the other nations in the general category which it is proposed should retain Japanese assets under their control. This separate treatment for Siam is based upon the fact that since the end of the war we have acted jointly with the UK, which regarded Siam as an enemy during the war, as joint trustee for Japanese assets in that country.

We have informally expressed the opinion to the British Government that Japanese assets in Siam should remain under the control of the British and American Ambassadors in Bangkok until a decision on their disposition is reached by the FEC and that we intend to propose to that body that these assets be vested in the Siamese Government to be used as an offset against the claims of Allied nationals for war damage.

f. Present U.K. View Regarding Disposition of Japanese External Assets. Disposition of Japanese assets has not yet been adequately discussed in the FEC, but we were informally notified by the British on December 11, 1947, that on its merits the U.K. does not regard with disfavor the U.S. position in regard to Japanese assets in Siam but that an accounting for these assets will have to be made to the other members of the Far Eastern Commission and that "we desire to maintain that Japanese external assets should be included in the reparations pool".

3. Discussion:

The interested Divisions in the Department seem to be generally agreed that as far as the U.S. is concerned, Siam should not be made a special case but should be included in the general category of nations (Allied and "liberated") which would retain Japanese assets. (These include such countries or areas as Korea, Formosa, Burma, Indochina, NEI, Malaya, Italy, and Austria.) This end could be achieved, in effect, if the British objections could be met that Japanese assets in Siam should be applied as an offset to Allied war damage claims only if without prejudice to the general view of the British that Japanese external assets should be included in the reparations pool and if agreeable to the Allied governments in FEC.

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In regard to the first objection: it could be pointed out to the British that if Japanese assets in Siam were included in the general pool for reparations, Allied claimants against Siam for war damages would receive much less from the general pool than they are already receiving from the Siamese Government which is voluntarily paying off Allied war damage claims. If the British should continue to insist that Japanese assets in Siam be placed in the general reparations pool and that Siam pay off Allied claims also, -- it could be pointed out that the British are seeking compensation twice over ^{from Siam} and that it is only just that as payment of Allied war claims is being made by Siam that Siam should retain Japanese assets as a partial offset. It is believed that the British would be willing to agree with this point of view when fairly presented to them.

In regard to the second objection: in all discussions with the U.K. and with Siam in regard to enemy assets in Siam, it has been taken for granted that the question of the disposition of the assets should be decided by the FEC. However, neither Siam, the U.S. nor the U.K. has assumed responsibility for Japanese assets in Siam of which they cannot divest themselves. None of these governments has acted as agent for or in behalf of the FEC. It is probable that any solution agreed to among the three would not be challenged successfully.

It seems preferable that the matter be decided now if possible rather than waiting until the disposition of Japanese assets in Siam is discussed and decided in the FEC for the following reasons:

- a. If the question is referred to FEC there will be an indefinite period of delay and indecision.
- b. The Siamese Government is now paying off Allied war damage claims and needs an offset quickly to avoid undue adverse effect on Siam's general economy.
- c. In conjunction with the foregoing, Japanese assets in Siam are currently of no use to anyone and are lying dormant. Siam's economy needs every possible available asset immediately to help it regain a more normal level. This is of prime importance for

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political reasons as it is believed that the recurrent political upheavals are due in part to the unsatisfactory economic situation.

4. Conclusions.

It is concluded that an attempt be made to persuade the U.K. to agree to regard Siam as a country occupied and restored to sovereignty, in so far as the disposition of Japanese assets is concerned, and to act jointly with the U.S. in divesting itself of its responsibilities regarding Japanese assets in Siam. This would immediately give the Siamese Government sovereign control over the disposition of such assets. **(See Footnote)

5. Recommendation:

That the attached telegram be dispatched to London and Bangkok with a view to securing the comments of the Ambassadors on the proposed solution. London is also requested to obtain informally the reaction of the Foreign Office.

Footnotes:

* One of the largest items sold was the Siam-Burma Railway, the Siam end of which was purchased by the Siamese Government for a sum of £1,250,000. Of this sum the Government of Malaya was to receive £656,400, the Government of Burma £51,250, and the Government of the NEI £187,350 as compensation for railroad equipment taken from their countries by the Japanese and used in the construction and operation of the railroad. All these amounts were payable in sterling and in installments, the balance of £355,000 payable by the Siamese Government in Siamese currency into the British-American joint trust account.

**If this solution is accepted as Department policy, then the draft SANACC Paper on the general subject of Japanese external assets should be amended accordingly.

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*Mr. Kenneth Landon*FEC-288FEC-RESTRICTEDFEC-28819 January 1948FAR EASTERN COMMISSIONDEFINITION OF JAPANESE OCCUPATION COSTS AND THE PRIORITY
TO BE ACCORDED THEIR REPAYMENT
(References: SC-030, /1)Note by the Secretary General

The enclosure, a proposed policy regarding the definition of Japanese occupation costs and the priority to be accorded their repayment, submitted by the United States delegation, is circulated herewith for the information of the Far Eastern Commission and is referred to COMMITTEE NO. 1: REPARATIONS for consideration.

NELSON T. JOHNSON
Secretary General

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FEC-RESTRICTEDENCLOSUREDEFINITION OF JAPANESE OCCUPATION COSTS AND THE PRIORITY
TO BE ACCORDED THEIR REPAYMENT

1. Occupation costs should be defined as costs incurred after 2 September 1945 by the Allied Powers as follows:
 - a. dollar or non-yen advances on imports into Japan to prevent disease and unrest and to accomplish the purposes of the occupation;
 - b. dollar or non-yen expenditures for maintenance and repatriation of civilians and Japanese military personnel including expenses incurred in returning Japanese nationals to Japan, removal of foreign nationals from Japan and transfer from points outside Japan of persons displaced by Japanese aggression.
2. Claims for dollar or non-yen advances on imports into Japan to prevent disease and unrest and to accomplish the purposes of the occupation should be a first priority charge against the following types of assets after payment of legal obligations against such assets incurred in connection with financing approved imports:
 - a. Proceeds of Japanese exports, and
 - b. Japanese external assets (including foreign paper currencies and monetary coinage, and other evidences of ownership found in Japan of such assets) in all territories of countries not at war with Japan, excepting those
 - (1) in territories liberated from Japanese control and reverting to a previous sovereignty;
 - (2) in areas formerly held or dominated by Japan, but now occupied by Allied forces;
 - (3) in Siam.
 - c. Liquid assets of clearly established Japanese ownership located within the four main islands of Japan (but not such assets as are eligible for restitution or which are required for minimum essential needs of the Japanese economy) consisting of:
 - (1) Gold, silver, platinum, other precious metals and precious stones eligible for impounding or blocking under the terms of FEC-015 (Basic Initial Post-Surrender Directive to Supreme Commander for the Allied Powers for the Occupation and Control of Japan).
 - (2) Other stock of precious metals, including monetary stocks, and other stocks of precious stones.
 - (3) Non-Japanese currencies.
 - (4) Precious Metals and precious stones produced during the occupation.

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3. Claims for expenditures and costs defined in 1, b should be a second priority charge, following full satisfaction of the first priority charge, against assets listed in 2, a, b and c.

4. Subject to prior and completed defraying of the occupation costs specified in 1 above, in the order specified in 3, out of the assets specified in 2 above, FEC countries may receive from residual values, if any, of assets in 2, c compensation on reparations account in accordance with their recognized percentage shares of industrial assets available for removal from Japan as reparations.

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JAPANESE EXTERNAL ASSETS

THE PROBLEM

1. To formulate the United States position with regard to the disposition of Japanese external assets.

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

CONCLUSIONS

4. For the purpose of this paper:

- a. The term "external" refers to location outside of the four main islands of Japan and of such minor islands as Japan may be allowed to retain.

- b. The term "asset(s)" refers to any property, and/or any right, title or interest therein, whatsoever.

- c. The term "Japanese national" refers to:

- (1) Any individual who has been a subject of Japan at any time on or since 7 December 1941, but not including non-Japanese natives of any area separated from Japan by virtue of the surrender document signed by the Japanese Government on 2 September 1945;

- (2) Any partnership, association, corporation, or other organization organized under the laws of Japan, or which at any time on or since 7 December 1941 had or has had its principal place of business in Japan or any subsidiary or subdivision of the foregoing; provided that the assets of such a partnership, association, corporation or other organization, ~~or of any subsidiary or subdivision thereof,~~ shall be treated as Japanese only to the extent of the Japanese interest therein.

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d. The term "Japanese Government" includes any subdivision, agency, corporation, or instrumentality thereof, including the Imperial Household.

5. The external assets ^{direct & indirect} of Japanese nationals and of the Japanese Government should be retained by the country in which the assets were located on 2 September 1945, except that:

a. Those located in Afghanistan, Eire, Portugal, Spain, Sweden and Switzerland (for present purposes, Switzerland shall be deemed to include Lichtenstein) should be disposed of in accordance with the provision of SWNCC 236/38 as amended.

b. Those located in Siam should to the extent necessary be used by the Siamese Government to satisfy the claims of Allied nationals for damage arising in Siam out of the war.

c. Those located in each of the four zones of Germany should be disposed of by the respective zone commanders.

d. Assets of Japanese nationals who are natural persons should not be retained if such persons are permitted to reside externally or if they were deprived of life or substantially deprived of liberty pursuant to any Japanese law, decree, or regulation discriminating against political, racial, or religious groups.

And except further that, notwithstanding anything in a, b, c, above:

e. All real property, furnishings and fixtures, owned by the Japanese Government and used for diplomatic and consular purposes, and all personal effects owned by Japanese diplomatic and consular personnel, or the proceeds of any of the foregoing if already liquidated, should be preserved for return to the owners, net of any expense incident to such preservation.

f. The foregoing do not apply to property rights, titles, and interests arising since the resumption of trade and financial relations between Japan and other countries since 2 September 1945.

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g. Property belonging to religious bodies or private charitable institutions and used exclusively for religious or charitable purposes should not be retained.

h. Literary and artistic property rights should not be retained.

i. Japanese submarine cables connecting a point in Japan with a point in the territory of another nation should be deemed to be the external assets of Japanese nationals or of the Japanese Government (as the case may be) so far as concerns the terminal facilities and the lengths of cable lying within the territorial waters of other nation.

6. a. It is not intended to resolve herein any inter-custodial questions arising among the countries by which the assets are retained in accordance with Paragraph 5.

b. If a country (or, derivatively, a national thereof) retains, in accordance with Paragraph 5, paper evidence (or similar evidence) of right, title, or interest in assets located in Japan, it should not lay claim directly or indirectly to such assets in Japan that are so evidenced; nor should such country require, by reason of such retained evidence, payment of obligations by the Japanese Government or by Japanese nationals in Japan from assets outside the territory of the particular retaining country.

7. Japanese nationals whose assets are retained under paragraph 4 should be compensated by the Japanese Government in a manner and amount to be determined, except as specified in SWNCC 236/38, by the Japanese Government.

RECOMMENDATIONS

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RECOMMENDATIONS

8. It is recommended that:
- a. The SANACC approve these conclusions;
 - b. Upon approval by SANACC this paper be transmitted to Army, Navy, Air Force, SCAP, and State for information;
 - c. The Department of State forward this paper to the U.S. Member of the Far Eastern Commission for guidance and for appropriate use.

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APPENDIX "A"

FACTS BEARING ON THE PROBLEM

The action that has been taken throughout the world with regard to Japanese assets cannot be precisely stated. In general, however, it may be safely recited that they have been taken under the control of the government of the territory in which they were situated (with the major exception of those located in Manchuria, to which reference is made in Appendix "B"). In some countries assets have been liquidated, sometimes without an accounting procedure, and in the latter case the proceeds have gone into coffers that often cannot be identified.

Certainly no conclusions have been reached internationally as to the disposition that should be made of these assets, but it has been fairly generally assumed that, so far as are concerned the countries that were at war with Japan, such countries will keep the assets. It has also now come to be the policy of this government that such countries should keep the assets without any specific accounting, although, in the consideration of the percentage shares of reparation allocable to each FEC country, this government has kept in mind the probable value of the Japanese assets within the jurisdiction of the respective governments. We no longer desire a statistical demonstration by the government involved of the correctness of incorrectness of the estimate that we have made.

Much of the difficulty that has obtained with regard to a formalization of policy on disposition of Japanese external assets has arisen out of Soviet spoliations in Manchuria and the inability of other governments to come to a satisfactory conclusion with the USSR on the nature of the assets thus removed by it as "war booty". The present paper, in view of broad political considerations, makes no attempt to distinguish war booty from other external assets.

The US was never officially at war with Siam, although the UK, New Zealand, Union of South Africa, Australia, and Czechoslovakia were. The US considers Siam as a liberated country. Somewhere in the penumbra between the concept of Siam as a liberated country and the concept of

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Siam as an enemy, a compromise has been found, at least for US policy, that Japanese assets in Siam should be used as reiterated in this paper.

Policy has become fixed in the US that Japanese assets in areas separated from Japan should remain in those territories, presumably for the benefit of their respective nationals. This would be as true of the mandated islands as of Korea, Formosa, etc.

US policy with regard to Japanese assets in Afghanistan, Eire, Portugal, Spain, Sweden and Switzerland (including Lichtenstein) has been set out in SWNCC 236/38.

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APPENDIX "B"

DISCUSSION

When one considers the small value of Japanese assets, if any, in some jurisdictions and the improbability of causing any government to disgorge Japanese assets, however acquired, now within its jurisdiction, as well as other "broad political considerations", one is led ineluctably to conclude that, despite the negligible contribution of some of the countries "at war with Japan", Japanese external assets should be allowed to remain where they are. The major point of principle involved, the removals by the USSR from Manchuria, is not compromised: the 2 September 1945 date in paragraph 5 preserves our position with regard to those removals.

It remains to be determined whether the policy proposed in paragraph 5 results in the unjust enrichment of certain other countries. It is considered that it does not.

Iceland was not at war with Japan, and Iceland's constitution is silent on the subject of declaring war. Iceland was, however, of such assistance to the Allied In World War II, and the amount of Japanese assets, if any, in Iceland is so insignificant, that it has been considered proper to recognize the former by relinquishing the latter.

Colombia was not at war with Japan although it did sever relations. Like Iceland, however,

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Colombia fits into a general pro-Allied picture that again, in the light of the insignificant assets in Colombia, should be recognized. Moreover, this government is bound by the resolutions at the Mexico City Conference to countenance and indeed protect any action, unilateral or in concert, that Colombia may have taken or may take against Japanese assets there. (Estimated assets: \$194,000 to \$232,000.)

So far as is known, the only Japanese assets in Bulgaria, Rumania and Hungary consist of property covered by paragraph 5e. (Estimated assets: Bulgaria, \$0 to \$25,000; Rumania, \$1240 to \$8000; Hungary, \$0 to \$9,000.)

Italy declared war on Japan and attained the status of "co-belligerent". For reasons dictated by our economic and political relations with a country with which we are now at peace, ~~and in recognition of the part that Italy, especially her navy, ultimately played in the war against~~ ~~Japan,~~ it is considered that no effort should be made to treat Italy any differently from the other countries that fought Japan. (Estimated assets: \$1,200,000.)

What has been concluded with respect to Italy can as well be concluded with respect to Austria.

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Irreconcilably opposed ethical considerations leave as a solution only the appropriate acknowledgment of economic and political expediencies. Moreover, the absence of any assets is probable.

Such acquiescence in the practicalities of the case dictates the relinquishment to the respective occupying powers of Japanese assets in Germany. It is hoped, as a further step following adoption of SANACC 255/23, that the US will get a reciprocal concession on German assets in Japan. (Estimated assets, probably quite inaccurately, \$22,000,000.)

Re paragraph 5 d, it is assumed that undesirable Japanese nationals have been repatriated, and that those allowed to remain are of the type against which no repressive measures are desired. The policy embodied in the conclusion of this subdivision of paragraph 5 is reflected in US policy and is one which we have championed for adoption elsewhere.

Re paragraph 5 e, four reasons suggest themselves for the proposal in this subdivision. The Japanese Government is a continuing government and under normal international practice should not be deprived of its diplomatic and consular properties and effects; the Japanese Government will eventually need representation abroad; if these properties are taken away the US will undoubtedly be in a position of indirectly financing the acquisition of new ones; and the Japanese Government did not use diplomatic and consular posts as

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posts as luxurious and over-developed symbols of aggression and expansion as did the Germans, so that no psychological objective is to be served by depriving Japan of these properties.

Re paragraphs 5g and 5h: These subdivisions reflect policy in this government to safeguard bonafide religious, charitable, artistic and intellectual pursuits.

Paragraph 6, though complicated, is calculated to prevent an even more complicated, and undesirable, situation. It prohibits pursuit of physical assets into Japan by governments (or nationals thereof) holding what is normally considered mere evidence of such assets.

Finally, it is considered that the economic security aspects of the elimination of Japanese external assets is satisfied by the proposals herein. The general trend among all the nations at war with Japan has been to eliminate the Japanese interest in such assets, and it appears that the small amount of assets elsewhere and the disposition proposed for them in the various subdivisions of paragraph 5 adequately satisfy security concerns with regard to them.

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Knapp - OFD

FROM : R. H. Whitman - OE

SUBJECT: Payment of Jap Share of Cable Charges by News Services
(SCAP'S C-62133, 7 July 1948).

DATE: August 9, 1948

On the basis of a telephone conversation with Lt. Colonel Smith (CAD), the question of the payment of the Japanese share of cable charges by the News Services seems to present the following picture:

1. The Army has set aside \$180,000 out of Garioa funds to cover news imports into Japan in anticipation of the acceptance by the news companies of the following scheme applied by analogy to the news companies but designed primarily for magazine services and movie companies:

(a) Payment by the Army to the news companies of an amount of Garioa dollars equal to the cost of supplying news to Japan less the dollar value of Jap news exports, exclusive of Jap share of cable charges both ways.

(b) Payment by the news companies to Boeck^{cho} of the yen equivalent of the amount of Garioa dollars received, converted at the rate of 270 yen for 1 dollar, or such other rate as SCAP may determine. (In effect, obviously, this is a remittance of yen earnings by the news companies, but against Garioa dollars and not SCAP trust fund dollars). This scheme, as it would apply to the magazine services and movie companies, is now before SCAP for consideration.

2. The Army has requested the news companies for an itemized statement of their dollar costs and the dollar value of their Jap news exports, exclusive of the Jap share of cable charges in both instances, with a view to determining to what extent the \$180,000 fund would be drawn against.

3. To date, the news companies have reacted as follows:

AP - Has submitted no figures and apparently has no intention of participating in the scheme;

UP - Will probably take same position as AP, but has indicated in meeting with Gen. Draper that their net out-of-pocket expenses, exclusive of cable charges, amount to about \$10 - \$15,000 per month;

(after deducting receipts from sale of news from Japan)

INS - Has indicated cost of furnishing news to Japan, exclusive of cable charges, amounts to \$4800 per month; has not indicated dollar value of their Jap news exports; no indication they will participate in scheme but may be willing to

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to do so.

4. Jap share of cable charges, both ways, paid into SCAP trust fund, average about \$3500 per month. At present news cables to Japan are prepaid in dollars and news cables from Japan are filed collect in dollars.

5. State had concurred earlier in a draft cable approving 100% payment of Jap share in yen (FN abstained), but at General Draper's insistence (in view of arrangements in EUCCOM) the cable was revised to provide for 25% dollar payment and 75% yen payment of the Jap share, both ways. SCAP did not concur and now recommends 100% yen payment of Jap share of cable charges.

6. There is feeling at working levels in Army that Jap share of cable charges should be paid 100% in yen, but in view Gen. Draper's earlier position, they will probably recommend 25% - 75% arrangement unless State will support them on 100% yen arrangement.

Comment

OE is of the view that State should concur in SCAP's recommendation that the News Services be permitted to pay the Japanese share of cable charges, both inward and outward, in yen on the following grounds:

1. It appears that the licenses under which the News Services are operating in Japan permit them to use yen earning to meet local operating costs;

2. The business operations in Japan of the News Services, according to their figures, cost them a net out-of-pocket dollar outlay (from \$10,000 to \$15,000 per month for UP), exclusive of cable charges.

3. In view of the small amount involved (\$3500 per month on the average), any arrangement envisaging dollar payment for less than 100% of the Jap share would appear to be inconsequential so far as the enhancement of Japan's dollar position is concerned, whereas the concession of a 100% yen arrangement would be a potential bargaining point for the Army.

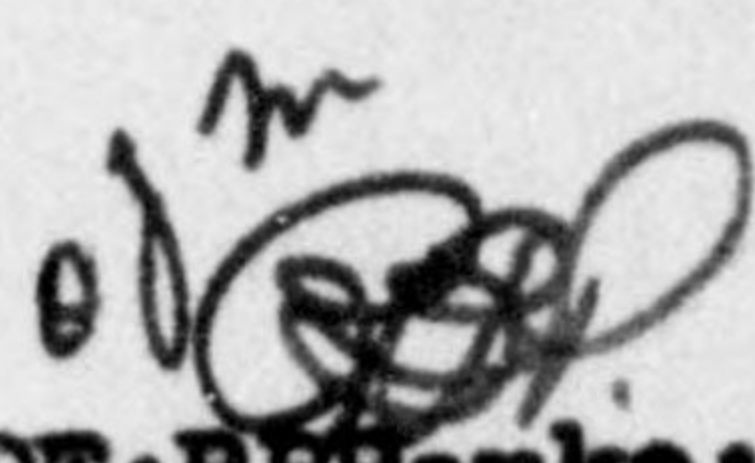
4. In the event the scheme outlined above is made the subject of negotiations with the News Services, the above mentioned concession could be taken into account in determining the amount of Garica dollars to be paid the News Services. (The President has already instructed the Army to pay Garica dollars for news imports).

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5. It is conceivable that if the News Services are permitted to use yen earnings to pay the Jap share of cable charges, it may not be necessary for the Army to offer to convert their yen earnings into dollars under the scheme devised for the Magazine Services and Movie Companies.

cc: Spiegel - FN
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McDiarmid - OE
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OE:REParke:ms



No. 2

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

ACTION
is assigned to

DC/R-D

AMERICAN EMBASSY
Kabul, Afghanistan

January 15, 1949

UNCLASSIFIED

DC/R

SUBJECT: Counterfeit Dollars, Presumably

DC/R-D (Trans) enc

FR
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The Charge d'Affaires ad interim has the honor to submit here-
with a photographic copy of a note bearing the imprint of the
Japanese Government, promising to pay the bearer on demand one hun-
dred dollars.

These notes have recently appeared on the Kabul market. The
source seems to be an Afghan trader who lives near Ghazni, ninety
miles south of Kabul. This trader has forty such notes which he
bought from another Afghan trader who brought them from Rangoon,
Burma.

This photographic copy is being sent as of possible interest to
the Treasury Department. The Embassy would be interested in any
comments the Treasury Department might have to make as to the history
of this particular currency issue.

Enclosure: *att*

Photographic copy of a one
hundred dollar note issued
by the Japanese Government.

1949 FEB 14 PM 1 23
RECEIVED
DEPARTMENT OF STATE
FACILITIES BRANCH
DORR

894.515/1-1549

Original and hectograph to Department
Copy to: Embassy, Rangoon

File no. 501.5

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FEB 7 1949

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FORM DS-323
7-18-46

OUTGOING AIRGRAM

CLASSIFICATION

Department of State

UNCLASSIFIED

NO. A-

Washington;

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AMEMBASSY,

KABUL.

A-21, Feb. 28, 1949

Reference is made to the Embassy's despatch no. 2, dated January 15, 1949, requesting comment on \$100 invasion currency issued by the Japanese Government and enclosing photographic copy.

Secret Service, Treasury, advises that currency of this nature was produced in great quantities during the war by the Japanese Government and forced into circulation in areas occupied by the Armed Forces. Since the end of the war this currency has ceased to circulate and is no problem as far as the U.S. Treasury is concerned.

Acheson
(D/S)

ACHESON

mjl
CON:SY:MJLibbey:opv 2-21-49
LMD

UNCLASSIFIED

894.515 / 1-1549

DISTRIBUTION
DESIRED
(OFFICES ONLY)

CR CLEARANCE

DCR- OFD UNIT

Anal. *B*
Rev. *B*
Cat. *m*
Dist.

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1-1549

AIRGRAM

FEBRUARY 10, 1949

AMERICAN EMBASSY

KABUL, AFGHANISTAN

REFERENCE IS MADE TO DESPATCH NO. 2, DATED JANUARY 15, 1949, REQUESTING COMMENT ON \$100 INVASION CURRENCY ISSUED BY THE JAPANESE GOVERNMENT AND ENCLOSING PHOTOGRAPHIC COPY OF SAME.

SECRET SERVICE, TREASURY, ADVISES THAT CURRENCY OF THIS NATURE WAS PRODUCED IN GREAT QUANTITIES DURING THE WAR BY THE JAPANESE GOVERNMENT AND FORCED INTO CIRCULATION IN AREAS OCCUPIED BY THE ARMED FORCES. SINCE THE END OF THE WAR THIS CURRENCY HAS CEASED TO CIRCULATE AND IS NO PROBLEM AS FAR AS THE U. S. TREASURY IS CONCERNED.

*gram to Kabul
after 2/21/49
by MVL (EY).*

100894.575/1-1549

DO NOT DETACH THIS FORM

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ACTION COPY WHICH WAS NOT RETURNED TO THE CENTRAL RECORDS BY
THE ACTION OFFICE.

THIS COPY MUST BE RETURNED TO DC/R FOR FILING.

FILE NO. TOKYO DESP. 144

894.515/3-1149

BB

NOV 14 1949



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

MAR 25 1949 DC/R CONTROL COPY

United States Political Adviser
for Japan

Tokyo, March 11, 1949.

No. 144

UNCLASSIFIED

Subject: Transmitting Text of Statement by Minister Joseph M. DODGE and Editorial Comment Thereon.

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The Acting Political Adviser has the honor to transmit herewith the text of a statement given to the press by Joseph M. DODGE, Financial Adviser to General MacARTHUR, on March 7, 1949.

Pointing out that his connection with original plans for German currency devaluation implied no similar monetary devaluation in Japan, Mr. Dodge deprecated excessive emphasis on the establishment of a single exchange rate for the yen at this time, but advocated a rate which would stimulate exports without unduly penalizing imports. He declared that "it is government which turns on the spigots of inflation and government which must turn them off," adding that government expenditure must be limited to the resources from available taxes. In discussing the relationship between inflation and production, Mr. Dodge stated that the spending power in existence is too large for the supply of goods and services left over after supplying the requirements of the government, exports, capital programs and war termination costs. His final admonition was that every individual citizen in Japan must make it his personal as well as national goal to produce more.

894.515/8-1149

2/ Mr. Dodge's statement on the Japanese economy was carried in the lead columns of all scanned papers on the morning of March 8, 1949. Selected extracts from editorials appearing in Yomiuri, Sekai Keizai, Mainichi, Asahi and Jiji Shimpo on March 8, and from Tokyo Shimbun, Tokyo Times and Nihon Keizai on March 9, 1949, form the second enclosure to this despatch. Only Jiji Shimpo is slightly critical, the other newspapers giving full endorsement to the statement.

Enclosures:

1. Text of press statement by Joseph M. DODGE, March 7, 1949. (Five copies).
2. Editorials on Dodge statement in Japanese newspapers.

631

AHaden:hh

Copy to American Embassy, London.

UNCLASSIFIED

Parchment Mat to the Department.

DCR/OED UNIT

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INFORMATION COPY

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UNCLASSIFIED

Enclosure No. 2 to Despatch No. 144 dated March 11, 1949 from the United States Political Adviser for Japan, Tokyo, subject: "Transmitting Text of Statement by Minister Joseph M. Dodge and Editorial Comment Thereon."

COPY

Yomiuri, March 8, 1949:

.....
At any rate, the condition of Japan's economy, which has been dependent upon US aid and government subsidies, should undergo a drastic correction. This is what the Americans demand of Japan. Besides, even from our own viewpoint it is clear that for the sake of national independence and reconstruction, all bad habits acquired since the war should be completely eliminated, and all enterprises should part with their political contacts and forego foreign aid.

It is to be noted that Mr. Dodge sharply criticizes the attitude of people who depend too much on US aid, and the attitude of enterprises which depend too much upon government subsidies. We should eliminate such indulgent ideas.

Mr. Dodge's eye was quick enough to detect the fact that hitherto many enterprises have neglected rationalization and depended on government aid, under the excuse of production increase. From now on, such entrepreneurs will not be permitted to evade rationalization under any pretext. The people will no longer consent to support such entrepreneurs at their own expense.

.....
Sekai Keizai, March 8, 1949:

.....
To stem the trend, it is necessary to balance both the national and local government budgets in the true sense of the word. Such measures as the flotation of construction bonds, local government loans, and Reconstruction Finance Bank debentures which serve to promote inflation must absolutely be avoided. This is the conclusion to be drawn from Mr. Dodge's statement.

There may be a stabilization panic in the course of economic stabilization. It may be undeniable that economic stabilization will be accompanied by a temporary decline in production and shrinkage in industrial scale, even though they are not serious enough to be called a panic. However, the old idea of attaining stabilization by a gradual control of inflation has been refuted by Mr. Dodge.

.....
UNCLASSIFIED

Mainichi

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Enclosure No. 2 to Tokyo's
Despatch No. 144 of March 11,
1949.

-2-

Mainichi, March 8, 1949:

.....

Advisor Dodge's basic viewpoint on inflation and economic stabilization is the so-called orthodox view on these questions. Even in Japan there are some who hold such views. Being hard pressed by the complicated interests connected with the stabilization of inflation and the attendant difficulties in realizing it, we have resorted to easier steps and have finally come to an impasse.

.....

Asahi, March 8, 1949:

.....

He tells us that the rumor of devaluation is groundless and a single exchange rate should be fixed at the level at which it can be maintained. This shows that he intends to select a course of economic recovery for the nation in accordance with actual circumstances. This harmonizes perfectly with our views. We should not be led astray from our primary objective of economic self-sufficiency by groundless surmises and arbitrary warnings.

Then, what is important for us? Mr. Dodge points out the establishment of sound fiscal administration and the promotion of exports by production increase. Everyone knows the necessity of these without Mr. Dodge's reminder, but the tone with which he calls for them is so rigorous and austere that we feel we must throw away the easygoing attitude and sanguine outlook which we have so far held over the nation's economic prospect. This is absolutely necessary as long as we aim at a speedy realization of economic independence.

Here we are on the horns of the dilemma. If we adopt strict retrenchment policies to place state finance on a sound basis, it cannot fail adversely to affect production on which the promotion of exports is based. If we want to place production increase before everything else, sound fiscal administration will be endangered. How to conciliate these two conflicting factors is the most appalling question. They are represented concretely by Reconstruction Finance debentures, construction bonds, and local government bonds.

.....

Jiji Shimpo

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Enclosure No. 2 to
Tokyo's Despatch No. 144
of March 11, 1949.

Jiji Shimpo, March 8, 1949:

.....
Of course, it is not proper to interpret his statement as a suggestion that the devaluation of currency should be executed according to circumstances. However, it is an undeniable fact that he did not state that he would not take currency reform measures. In other words, Minister Dodge did not oppose the devaluation of money in his first statement on this issue.

We do not know for what reasons he issued such a statement. The nine-point Economic Stabilization Program demands the restriction of credits by the Bank of Japan, with industrial funds to be raised chiefly from accumulated private capital. Under such circumstances, the Government should refrain from taking measures which would prevent the accumulation of capital.

It is a matter of sincere regret that Minister Dodge did not issue a statement which would have removed the general feeling of unrest, the biggest obstacle to accumulation of capital, because we heartily hope for the stabilization of inflation. Our regret may not mean anything to Minister Dodge because the minister, in his statement, warned financial and banking circles of their irrational management.

.....
At any rate, the people must make united effort to realize the nine-point economic program and to make it unnecessary to take monetary reform measures. This is the best way of interpreting the Dodge statement.

Tokyo Shimbun, March 9, 1949:

.....
The economic theory which holds that reconstruction can be achieved through the creation of temporary capital and that, if the rehabilitation work speeds up, the resultant situation will amply recompense the evil to be brought about by inflation based on the fictitious capital, has been in existence since the Ishibashi finance days. However, Minister Dodge flatly rejected this. In other words, the immediate purpose of economic measures lies in "economic stabilization rather than in production recovery".

UNCLASSIFIED

Tokyo Times

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Enclosure No. 2 to
Tokyo's Despatch No. 114,
March 11, 1949.

-4-

Tokyo Times, March 9, 1949:

.....

Minister Dodge has clearly pointed out the way of bringing the country's economy back to earth. State expenditures must be pared down and revenue limited to within taxes and other orthodox income. At the same time, the budgets of enterprises, financial organs, and the individual must be drastically revised to throw off burdens which they themselves cannot bear. For this, enterprises must be rationalized to become self-sufficient.

In other words, Japan's economy must cut its coat to fit the body in order to stand on its own two feet. The reason Economist Adam Smith's "cheap government" must be recalled at this moment lies in this point.

Nihon Keizai, March 9, 1949:

.....

As long as a temporary contraction today is the preparation for expansion tomorrow, we must not allow ourselves to fear or avoid it. At the same time, we must not constrict enterprises in such a way as to keep them in a confined condition. It is very easy to stabilize the economy of our country within its present scope, but in order to allow our country to achieve economic self-sufficiency, we must export at least the amount we are receiving at the present time from the United States. And if we want to live a civilized life, we must increase production and exports still further. And what our country most needs for that purpose was not only damaged during the war, but in addition, has been allowed to lag far behind those of foreign countries.

.....

UNCLASSIFIED

INFORMATION COPY

Do not return to DC. This copy is for divisional files or other disposition in accordance with security regulations



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

Personal and Confidential

American Embassy,
Bangkok, Thailand,
May 23, 1949.

My dear Ken:

I am writing you post haste in reply to your letter of May 9th to assure you that my health is good. I am afraid that Bill Lacy must have exaggerated the inconvenience caused by my kidney stones. When he was here and during the ECAFE conference I was only suffering minor inconvenience as the more painful period had passed. I have had a number of X-Rays taken and while the pictures to me are totally unintelligible, the doctors say that all is well and that there is no need for an operation. There is therefore no reason why I should not stay on here unless Messrs. Scholtz and O'Neill succeed in persuading the President that a change of Ambassadors is imperative. You might let me know anything you hear along that line.

On the subject of the disposition of Enemy Assets, I have talked this over with Thompson and sent you a telegram today about this matter. While I think we should eventually turn over these assets to the Thai, I do not feel, nor does Thompson, that there is any reason for unseemly haste in view of the poor, if not scandalous, Thai record with respect to the conservation of these assets. As you know, I felt and continue to feel that these assets give us a bit of leverage with the Thai in connection with the settlement of our claims and we still have two or three of same, exclusive of the Scholtz-International Engineering claim. If it is decided to turn over the proceeds from these assets to the Thai right away, I think we might well insist that they be placed in a special account in the Bank of Siam and not drawn against until final decision is reached as to their disposition.

The present Thai Government continues to be obsessed with the subject of arms. They are constantly approaching us and the British as well as various dealers in arms, some reliable and some dubious. I am glad you were able to save the proposed military aid program for this country. I would very much appreciate your giving me some indication of precisely what is contemplated. I should particularly like to know with reference to the term "on a reimbursable basis" precisely what this means. Does it mean simply that the Thai buy from commercial companies in the ordinary way, or does it mean that we supply the arms but expect to be reimbursed therefor? Please

elucidate

Kenneth P. Landon, Esquire,
Assistant Chief,
Division of Southeast Asian Affairs,
Department of State,
Washington.

file Landon

894.5/5-5-2349

- 2 -

Personal and Confidential

elucidate because a little detailed information will be most helpful to me. When do you think it would be possible officially to advise the Thai that this type of aid will be available? Furthermore, I think careful thought should be given to the manner in which we give the Thai military aid. I think firstly we should make it abundantly clear that such aid is being extended to them to enable them to cope with any attempt by Communists to seize control of the country, to assist in the maintenance of law and order and political stabilization and to enable the armed forces of Thailand to defend the country against aggression. In this connection I think we might quite frankly state our expectation that military equipment and aid would not be used to settle internal political disputes. Secondly, I think we should stipulate or urge that arms and equipment provided should be assigned to specific Military, Naval and Air units. The northern and northeastern borders of Thailand are likely to be danger spots and I think we might well insist that this equipment be assigned to battalions in the north and northeast. It would also be well to have three or four U. S. sergeants or officers, placed under the command of our Military Attache, detailed to Thailand for a temporary period, who could show the Thai how to make the best use of the equipment supplied. I might say that the British expect to do likewise.

We have heard nothing from the Department for some months concerning the talks which I understand commenced in February between officers of the British Embassy and FE on the subject of Communism in SEA and cooperative measures which might be taken to contain Communism. Please let me know what has happened. It seems to me that a good deal could be done here at least, without seeking to devolve an elaborate set of policies and without tying ourselves too closely to the British. I outlined what I thought could and should be done in the policy paper which we prepared for the New Delhi Conference but I have had no reply to this. Without authorization from the Department to take up officially the question of Communism in Thailand and ways and means of combating or containing it, I do not feel that I can really press the Thai for more effective action than they have been taking in the past or even to insist on a full exchange of information. All I can do is to talk in a rather general and vague way about the menace of Communism and how important it is that they get busy in view of developments in China. In other words, if Thompson and I are authorized by our respective Governments to really go into this problem and impress upon the Thai how serious it is and how little time there is to take measures to cope with it, I feel sure the Thai people will be impressed by the seriousness with which we and the British regard the matter and our desire to help them. I think it is only thus that we can expect to arouse the Thai people. You who know the Thai so well know that on the other hand, if we do nothing, they in turn will interpret that to mean either that the situation is not very serious or what is more likely, that we care little about what happens to this country.

I do

- 3 -

Personal and Confidential

I do hope you can persuade the powers that be that some positive indication of our concern and desire to help is imperative, unless it be that we do not wish to bother with this area.

I was delighted to hear about the doings of the Landon family and we are eagerly looking forward to the appearance of Margaret's new book. I might add that I am just as eager to read your new book which should be coming along fairly soon. The most important news so far as Josie is concerned is that Pamela, her daughter, is coming out for about six weeks and should be here early in July. I don't know how she will stand the heat but I hope the rains will have cooled things off a bit by then.

Sincerely,

Bo

P.S.

Could you send me an advance copy of the fine program that has been worked out for Thailand under Point Four?

June 8, 1949

PERSONAL & CONFIDENTIAL

Dear Ed:

I am very glad to receive your letter of May 23 assuring me that your health is good. I have really been worrying about you, and it is a great relief to know that you are not in need of hospitalization. I am sure that you had a very painful time of it, however. As far as we in the Department are concerned, there is no one better than Ed Stanton for Bangkok. I believe that efforts to replace you with that great patriot, James Scott, have failed - I hope so.

In regard to enemy assets, I believe I told you that the Thai Ambassador has made formal request of both the US and UK governments that all enemy assets be released to the caretakership of the Thai Government. The position in the Department as you know has been in the past that enemy assets should go to Thailand. I am a little puzzled to see how our holding assets will give us any leverage over the Thai in connection with the settlement of our claims, as they are well aware that the disposition of these assets will be decided in all probability in the Far Eastern Commission. It seems likely that the Far Eastern Commission will take no action beyond releasing such claims to the sovereign control of the powers presently holding them. If and

when

The Honorable
Edwin F. Stanton,
American Ambassador,
American Embassy,
Bangkok.

fill - Landon

CONFIDENTIAL

-2-

when the Japanese nation is back on its feet as a sovereign power, it might very well approach the Thai Government and ask for some sort of settlement. That is not inconceivable.

In regard to our claims, we have little to complain about because almost all of them are settled except for two or three. Mr. Scholtz visited our Legal Office yesterday and went over his claims in detail. I believe that our intention is to attempt to arrive at what we think might be a reasonable lump sum settlement on the basis of the information provided by Mr. Scholtz. We might then hope to press for a settlement approximating such a reasonable amount if Mr. Scholtz so decides. He presently gives us the impression that he would be unwilling to settle even for an additional \$500,000 cash. I don't know how serious he was. Last month Konthi visited me and I took the occasion to ask him about the Scholtz claim. I made a memorandum about the conversation and mailed it to you, so you doubtless have it. He expressed great disbelief that the Prime Minister had offered Scholtz an additional \$500,000 and that Scholtz had rejected it. It is very difficult for one sitting here in Washington to know just how to cut this particular roast.

I had the great pleasure of sending you a telegram today providing you with the maximum information possible that you could pass on to the Thai Government. I hope it pleased them because it puts them positively on the schedule for arms.

The discussions between officers of the British Embassy and FE on the subject of Communism in SEA have not developed anything astonishing. I have just made a proposal to Butterworth that we approach the UK with the view to securing a common agreement among the Commonwealth nations and the US to take a public stand in support of the dependent peoples of Southeast Asia who are seeking independence with a program of technical aid and economic assistance. If we and the Commonwealth

nations

CONFIDENTIAL

-3-

nations could agree on this then the next move would be to secure the support of the Dutch, the French, the Indians, the Siamese, the Filipinos and possibly the Burmese in order to make a community approach with some solidarity in order to set up a front against Communism. It seems to me that Communism cannot be withstood by force of arms but that it must be done by political and economic means. Information from Bill Langdon at Singapore indicates that high British officials there are thinking along the same line. MacDonald who is in London is doubtless putting forward such ideas now, and the way would not be too difficult then for us to approach the UK on the subject. I agree with you that it is difficult for you to do much with the Thai Government unless the UK and the US first get together on it and authorize you and Thompson really to go into the problem and impress upon the Thai how serious the situation is and how necessary it is to cooperate. I do not know what Butterworth's reaction will be to my memorandum. All I can do is sit on my hands and wait.

I sent a memorandum forward to Deputy Under Secretary Rusk from Butterworth proposing that we seek a US Government position on the gold at Tokyo before the National Security Council. If he approves of this method, we can then present the problem with recommendations before the NSC with a view either to issuing an interim directive to SCAP or of making our position known in FEC in order to secure a decision.

I cannot send you an advance copy of the Point IV Program for Thailand because there is none available. It is an exceedingly ambitious program and very comprehensive going into almost every aspect of Thailand's need for technical aid--whether in economic or social or public health matters. As soon as I have a copy I will be glad to send it on to you. At present the

details

-4-

details are in a diffused condition in a number of volumes being handled by the economic officers dealing with the details.

Yesterday we received the news that Margaret's new book "Never Dies The Dream" was taken by the Dollar Book Club as its December issue. Among book clubs this seems to be one of the best now. The Book-of-the-Month Club has deteriorated so much that Margaret's publisher did not even submit it to them for consideration. Her book will be published by Double Day on October 16 in time to catch the Christmas sales.

We are all leaving by motor car tomorrow morning to drive to Wheaton, Illinois to watch our daughter graduate from college. This is also my 25th or quarter century anniversary since graduating from college. Next year our son Bill expects to graduate and that will be Margaret's quarter century anniversary, so we will all be back next year for another big celebration.

It will be a fine experience for Pamela to visit Siam. I am sure she must be very excited. If Margaret knew I was writing she would join me in wishing our very best for you and Josie.

Most sincerely,

Kenneth P. Landon

Action on this was transferred by DC/L to
Treasury on June 3 or June 4, 1949.

Yellow copy sent to OFD for information only.

Please return yellow to Mr. Shipley of DC/L
Room 2179-A, New State after routing in
OFD is completed.

C. G. Gagnor
JN

INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

Handwritten initials and signatures

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RTH

AIRGRAM

185

46891

OFFICE OF FINANCIAL AND DEVELOPMENT POLICY

JUN 9 1949

DEPARTMENT OF STATE

FROM: American Embassy
The Hague, The Netherlands

DATED: May 25, 1949

REC'D: June 2, 1949 4:45 p.m.

Date of mailing unknown

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Secretary of State,
Washington, D.C.

DIVISION OF FINANCIAL AFFAIRS

JUN 9 1949

File Treas Action
GS

DEPARTMENT OF STATE

The Embassy has been asked to ascertain the value of Japanese currency issued in dollar denomination.

The particular currency regarding which inquiry has been received consists of (1) a note for \$ 100 and (2) a note for \$ 10. Both read on the face as follows: "The Japanese Government promises to pay the bearer on demand Dollars". The denomination is stated on the back of each note, but no other text appears on the reverse side.

The \$ 100 note bears the initials HT but no serial number; the \$ 10 note bears the initials MN, but no serial number and neither is dated, nor is the place of issuance stated.

Such information regarding this currency as the Department may be able to provide will be appreciated and will enable the Embassy to answer the inquiry of the banks in the Netherlands.

BARUGH

Mr Shepley in DC/L wants this returned to him after OFD routing is completed.

ECWilkinson:die

CGaynor A.N.

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

sent to for action
6-3-49
6-4-49
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file
action
DEPARTMENT OF STATE
TITMSON OFFICE
JUN 14 1949

894.515/5-2549

JUN 14 1949 HH

FILED



OFFICE OF INTERNATIONAL FINANCE

TREASURY DEPARTMENT
WASHINGTON 25

46962

OFFICE OF FINANCIAL AND
DEVELOPMENT POLICY

JUN 13 1948

JUN 13 1949

DIVISION OF FINANCIAL AFFAIRS

To: Mr. Knapp

From: Mr. Stuart *Quay*

DEPARTMENT OF STATE

tel to The Hague

JUN 13 1949

6/13/49

DEPARTMENT OF STATE

It is requested that the following cable be transmitted to the American Embassy, The Hague:

R.M.J.
File

FROM STATE AND TREAS.

Reurtel A-501, physical examination of currency necessary to absolute identification, however, your description indicates currency in question was issued by Japanese govt for military or occupation purposes and is without value except as souvenir.

PRIORITY: ROUTINE

CLASSIFICATION: PLAIN

Charge Appropriation TX 387

For 894.515 / 5-2549

OFFICE OF FINANCIAL AND
DEVELOPMENT POLICY

JUN 13 1948

JUN 13 1949

DEPARTMENT OF STATE

To: Mr. Knapp

From: Mr. Stuart

It is requested that the following cable be transmitted
to the American Embassy, The Hague:

FROM STATE AND TREAS.

Reurtel A-501, physical examination of currency necessary
to absolute identification, however, your description indicates
currency in question was issued by Japanese govt for military or
occupation purposes and is without value except as souvenir.

PRIORITY: ROUTINE

CLASSIFICATION: PLAIN

Charge Appropriation TX 387

46824

Riceboro, Pa.
June 4, 1949

Dear Mr. Sect. of State
If it is possible that
I could get this money in American
money would you be kind enough
to send it to me.

I am,
Charlie Johnson

NR 893.515

894.515/6-449

DIVISION OF FINANCIAL AFFAIRS
Reply drafted FN G Strong/myp
JUN 7 1949 6-8-49
DEPARTMENT OF STATE
file

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FILED
JUL 11 1949

894.515/6-449
CS/IC

JUN 16 1949

In reply refer to
FN

My dear Mr. Johnson:

The receipt is acknowledged of your letter dated June 4, 1949 containing an inquiry as to the encashment and payment in U.S. dollars of three pieces of paper currency apparently of Japanese and Chinese origin.

The Department of State is not authorized to act as agent in currency transactions, and therefore your enclosures of three pieces of paper currency are herewith returned. Normally, the conversion of foreign currencies into U.S. dollars can be undertaken by any American bank which has a foreign exchange department or a correspondent or affiliate relationship with the larger national banks in the United States. However, in this instance it is not believed that the present real value of the three pieces of paper currency enclosed with your letter would justify any trouble or expense connected with an attempt to obtain U.S. currency for them. For example, the Chinese Central Bank one yuan note issued in 1945 was subject to conversion into "gold yuan" currency at the rate of 12,000,000 to one of the latter in August 1948, and since that time the "gold yuan" has depreciated to a current value of perhaps less than one-millionth of one U.S. dollar. There seems to be no prospect that such currencies will ever recover in terms of their original values.

894.515/6-449

Sincerely yours,

For the Acting Secretary of State:

Enclosures:
✓ Three pieces of paper currency.

in envelope

G S
Gordon Strong
Acting Assistant Chief
Division of Financial Affairs

Mr. Charlie Johnson,
Route 1, Box 181 A,
Ricebow, Georgia.

CR
JUN 15 1949 P.M.

U.S.
OPD:FN:GStrong/mjp
6-8-49

FE
[Stamp]

CS/C

894.515/6-449

JUN 22 1948

In reply refer to
FN

Dear Joe:

I have just received your "Comments on the Inflation Problem" which I have read with great interest and substantial agreement. I was sorry that we did not have more time together during your recent trip to Washington but I believe that your comments were most helpful to Mr. Butterworth and the others concerned with the Japanese program in the State Department. The most difficult question in respect to moving forward with the Japanese program at the present time is, of course, how it will be possible in view of the personalities involved and our international commitments to really streamline the occupation organization so as to give more responsibility to the Japanese and at the same time see that our essential objectives are carried out. I believe that the present SCAP organization with certain strengthening probably could bring about some sort of stabilization and recovery in Japan but the loss of goodwill both on the part of the Japanese and other countries might be excessive. Something along the lines of the German High Commission may be the best answer and I see no real reason why that should not be done without waiting for a peace treaty. One stumbling block to trade expansion, however, is the extreme reluctance of even such countries as the members of the British Commonwealth to permit Japan to reestablish normal commercial relations abroad in the absence of a peace treaty. We will probably have to lead the way in the United States and hope that the enlightened self-interest of other countries will induce them to follow.

I note with interest your observations on the counterpart program and agree that this is certainly one of the keys to the stabilization program. The National Advisory Council here is anxious to review the counterpart program but we have not yet received proposals from SCAP. If the credit shortage in Japan is as serious as

we are

Mr. Joseph M. Dodge, President,
The Detroit Bank,
Griswold at State,
Detroit 31, Michigan.

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800.5151

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we are lead to believe I should think they would want to proceed on the counterpart program as rapidly as possible. In respect to one technical point in your memorandum (No. 18) I do not think that investment from the counterpart fund is necessarily quite as inflationary as you imply if the fund is fed from the income stream of the economy either through the sale of imported aid goods or from taxation. In that event the release of counterpart funds held for investment or debt retirement should not augment the total supply of money. It is, of course, true that if the investment program has the effect of converting resources from consumption goods to capital formation the supply of consumers goods will decrease relatively to the quantity of money in circulation and some inflationary effect would follow. I agree entirely that since we cannot be sure that inflation-generating forces will be held in check from now on that a conservative counterpart program is necessary.

Since I returned from Japan preparations for, and backstopping of the CFM in Paris has been our principal concern. I expected at one stage that I would go over to work on the currency problem in Germany but as you have probably noted nothing important was accomplished along that line at the CFM and apparently little time was spent on the problem. You will be gratified with the optimistic reports concerning the Austrian treaty although we have gone considerably higher on the lump sum settlement than was previously contemplated.

I am taking the liberty of enclosing a copy of a recent issue of the Far Eastern Survey which contains a little sketch I did on the Japanese exchange rate problem.

I want to thank you very sincerely for the letter you wrote the Department regarding my participation in the mission. I am sure that it will make as valuable a contribution to my personnel folder as if I really deserved your kind words.

Very sincerely yours,

O. J. M.
Orville J. McDiarmid
Associate Chief
Division of Financial Affairs

Enclosure:
As stated above.

OFD:FN:OJMcDiarmid:erm
6/22/49

CR

JUN 22 1949 P.M.



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

DC/R -
CONTROL COPY

DC/R

No. 282 *NC*

UNCLASSIFIED

AMERICAN EMBASSY
The Hague, Netherlands
July 15, 1949

REC'D
JULY 22

Subject: Dollar currency issued by Japanese Government.

ACTION
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THE HONORABLE
THE SECRETARY OF STATE,
WASHINGTON.

SIR

I have the honor to refer to the Department's telegram No. 520 of June 16, 1949 from the Treasury, in answer to the Embassy's airgram No. 501 of May 25, 1949, concerning an inquiry which the Embassy received from the Coöperatieve Centrale Raiffeisen-Bank of Utrecht in respect to the value, if any, of two pieces of currency, in dollar denominations, apparently issued by the Japanese Government, and to submit herewith an envelope stated to contain the currency in question, which is submitted for examination as proposed in the aforementioned telegram.

It is requested that appropriate investigation be made to ascertain whether the currency has any value and that the Embassy be informed of the outcome. It is also requested that the currency be returned to the Embassy after the investigation has been completed.

Respectfully yours,
For the Ambassador:

Edward C. Wilkinson
Attache (Commercial)

Enclosure:

- Envelope stated to contain
- one Japanese note for \$100
- one Japanese note for \$10

- Original to Department
- Three copies Embassy files
- One copy American Consulate General, Amsterdam
- One copy American Consulate Rotterdam

711.3

ECWilkinson: jlm

UNCLASSIFIED

NOTE: MASTER-MAT NON-REPRODUCIBLE RETIRED JULY 29, 1949 jem.

ACTION COPY

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

rec'd 894.515/7-15-49
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894.515/7-1549

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CS/MH 10 1949

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OFFICE OF INTERNATIONAL FINANCE

TREASURY DEPARTMENT
WASHINGTON 25

49236

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AUG 8 1949

OFFICE OF
FINANCIAL & DEVELOPMENT POLICY

AUG 9 1949

DEPARTMENT OF STATE

To: Mr. Knapp

From: Mr. Stuart *aws*

DIVISION OF FINANCIAL AFFAIRS

*Instr. drafted FN -
Doherty AUG 9 - 1949*

DEPARTMENT OF STATE

Communication

It is requested that the following ~~consular despatch~~ be transmitted to the American Embassy, The Hague, Netherlands:

Subject: Dollar currency issued by Japanese Government.

With reference to the \$100 note and \$10 note enclosed by the Embassy in its despatch No. 282 of July 15, 1949, the Treasury Department after examination of the notes advises that this currency was issued by the Japanese Government for military purposes and has no value except as souvenir.

Enclosure:

- one Japanese note for \$100
- one Japanese note for \$10

894.515/8-849

Classification: Unclassified

AUG 19 1949

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UNCLASSIFIED

AUG 15 1949

No. 180

To The

Officer in Charge of the American Mission,
The Hague.

The Secretary of State refers to the Embassy's unclassified despatch No. 282 dated July 15, 1949, concerning dollar currency issued by the Japanese Government and requesting that accompanying specimens of such currency be examined to determine if the currency possesses any value.

The Department has been informed by the Treasury Department that the currency referred to was issued by the Japanese Government for military purposes and now has no value, except as souvenir.

The \$100 note and the \$10 note transmitted by the Embassy with the reference despatch is herewith returned.

Enclosures:

- ✓ 1. \$100 note (Japanese)
- ✓ 2. \$10 note (Japanese)

894.515/8-849

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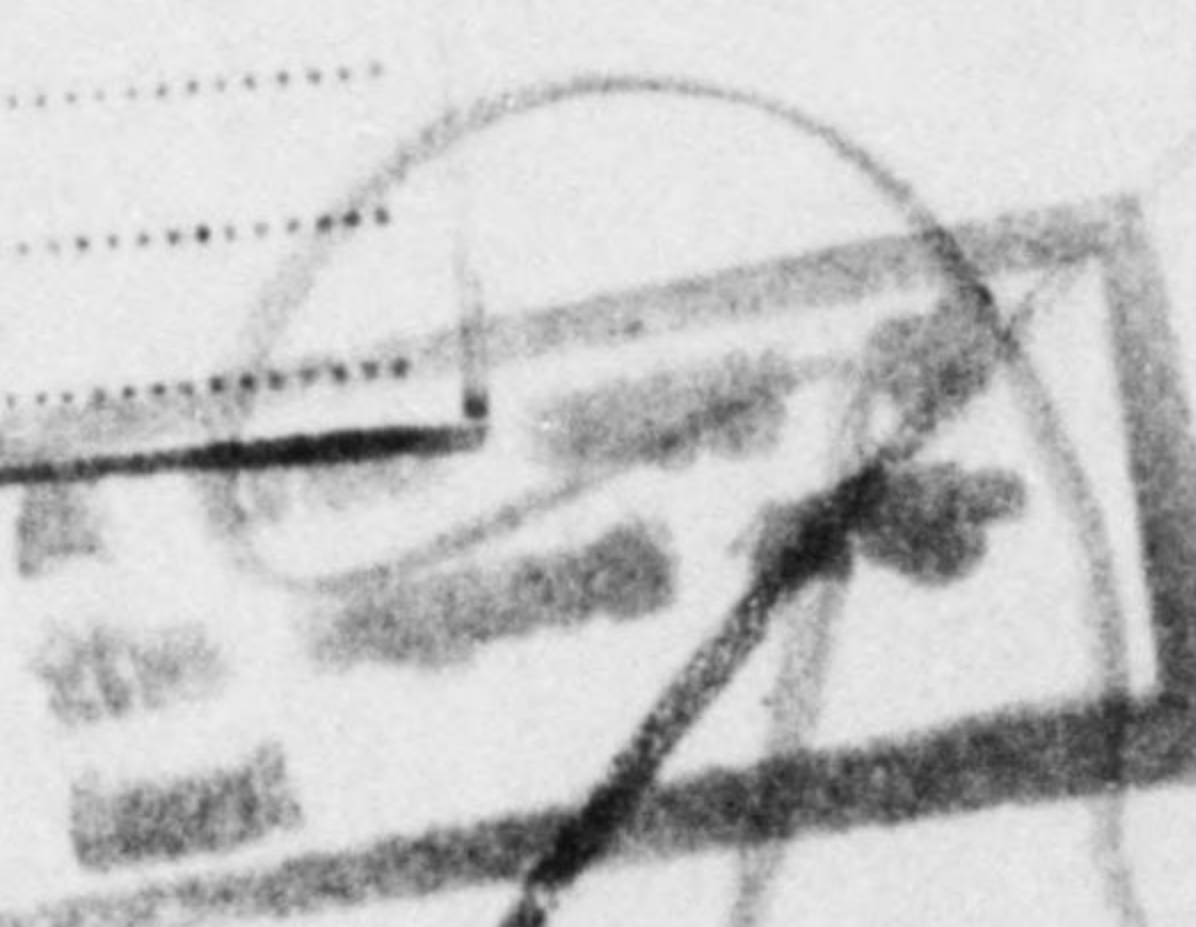
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OFD:FN:EWDoherty/ mjp
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DIVISION OF
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DEPARTMENT OF STATE
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Rec'd September 30, 1949
8:59 a.m.

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DCL OFFICE
OCT 1 1949
DEPARTMENT OF STATE

XR
893.5151

FROM: Shanghai
TO: Secretary of State
NO: 4130, September 30, 5 p.m.
RECONGENTEL 4013, September 24.

Three million US dollars to be shipped SS REINHOLT from Tientsin. Local agent informs Consulate General only one million shipped. Two million will go on later vessel.

Sent Department 4130, Department pass Tientsin 132.

MCCONAUGHY

JMK:WM

Note: Not relayed Tientsin (HM).

893.515/9-3049

CONFIDENTIAL

OCT 8 1949

HH

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STANDARD FORM NO. 64

~~TOP SECRET~~ *file*
Office Memorandum • UNITED STATES GOVERNMENT

TO : NA - Mr. Allison

DATE: October 14, 1949

FROM : NA - Mr. Hemmendinger *UH*

SUBJECT: Devaluation of the Yen.

RM/R
Central
Files

In a cable of September 25, 1949 SCAP set forth reasons why in his view it would be unwise to change the present yen-dollar rate. In a cable of September 30, 1949, representing the views of the interested Washington agencies, it was suggested that SCAP's analysis put undue emphasis upon the domestic aspects of the problem as opposed to the foreign trade aspects, and a series of questions was posed relating principally to the export-import position. SCAP has replied to these questions by cable of October 10, 1949, strongly urging Washington support for a proposed statement that devaluation of the yen is not contemplated.

NA Hemmendinger
The attached statement of views of State, Treasury and Federal Reserve was drawn-up at a meeting called by Mr. McDiarmid this morning. It states that the three agencies consider that a devaluation of approximately 15% is necessary, that the question will have to be submitted to the NAC, and that concurrence cannot therefore be given to a statement that devaluation will not be made. The Army Department will discuss this draft with Mr. Dodge this afternoon and presumably make reply to the Supreme Commander in the light of the State, Treasury, and Federal Reserve position and Mr. Dodge's comments.

SCAP's position is that Japanese exports to the non-dollar areas would not be substantially expanded by devaluation of the yen because their capacity to absorb Japanese exports has been limited not by price considerations but by their determination to balance their exports to and imports from Japan. Since these areas account for 80% of the projected exports of Japan and devaluation would help Japanese exporters principally in the dollar markets, devaluation would increase total exports by only a very small percentage. The elimination of floor prices, which is to be announced shortly, will enable an average reduction of export prices by approximately 15%. SCAP estimates that textile exports will on the whole be able to compete successfully without devaluation, that rationalization of the iron and steel industries has not reached the point where they can compete successfully or offset the effects of the general devaluations, that machinery can rationalize sufficiently beyond the present level to offset the adverse effects of sterling devaluation, and that export of ships will not be possible at the present rates of exchange. It is planned to devote Japanese shipbuilding capacity from now on to rehabilitation and reconstruction of the Japanese merchant marine. Other points made by SCAP are that devaluation of the yen would greatly reduce the pressures for rationalization of Japanese industry and that the rate of 360-1 was based primarily on the dollar and thus undervalued the yen in relation to sterling.

As indicated by the attached draft, the Washington agencies are not persuaded by SCAP's analysis, and believe it rests too much on the favorable position in cotton textiles and on hopes for rationalization in other export industries which is not likely to be accomplished in the near future. An extended delay in devaluing is likely to give competitors the edge, and rationalization would be assisted rather than impeded by a price structure which would leave room for profits. It is necessary for Japan not merely to maintain existing markets but to capture new ones. The devaluation has been so general that they amount to an upward valuation of the

dollar

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dollar, so that it cannot be said the yen-dollar rate is unaltered. Finally, they believe that it is impossible to make any effective statement reassuring traders who are now holding off as long as there is substantial opinion that devaluation is necessary.

D
Rev <i>wh</i>
Cat

~~TOP SECRET~~



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

Handwritten signature and initials

United States Political Adviser
for Japan

13
REC'D
NOV 28

Tokyo, November 25, 1949

DIVISION OF
PROTECTIVE SERVICES

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DEPARTMENT OF STATE

ACTION
DS

No. 812

RESTRICTED

INFO
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Subject: Protection of Japanese Interests by Swedish Legation
in Brazil

The Acting Political Adviser has the honor to refer to the Mission's despatch no. 791 of December 20, 1948, and to the Department's instruction no. 101 of May 23, 1949, concerning requests submitted by the Swedish Government, through its Diplomatic Mission in Tokyo, for the release of funds required for the protection of Japanese interests abroad. Further reference is made to this Mission's airgram no. A-271 of October 17, 1949, which mentioned the possibility that the Swedish Government may have discussed with the Department the maintenance of files of the ex-Consulate General of Japan in Honolulu only in order to explore the more important question of possible reimbursement by Japan of approximately \$300,000, expended by Sweden in representing Japanese interests abroad during the past four years.

There is now forwarded for the Department's information a copy of an informal note dated October 24, 1949 prepared by the Japanese Ministry of Foreign Affairs and handed to an officer of this Mission by Mr. A. Matsui, Chief of the General Affairs Section of that Ministry. The source of the information contained in the enclosed note is said to be a letter received by the Director of the Political Affairs Bureau, Ministry of Foreign Affairs, from Mr. Suetaka Hayano, former Secretary in the Japanese Legation in Brazil, now employed by the Swedish Legation at Rio de Janeiro.

According to this note the Brazilian War Indemnities Commission has recently ruled that no further funds may be drawn from the Japanese Government account, now jointly administered by the Embassies of the United States, Great Britain and China at Rio de Janeiro, for the payment of expenses involved in the protection of Japanese interests in Brazil. In as much as it is reported that the Swedish Legation now possesses insufficient funds to permit it to function for more than a limited period, the Japanese Ministry of Foreign Affairs approached the Swedish Diplomatic Mission in Tokyo informally, according to Mr. Matsui, to ascertain whether the Swedish Government would protest the Brazilian action or take other steps to furnish the necessary funds to the Swedish Legation at Rio de Janeiro.

Mr. Matsui

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

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Tokyo's Despatch No. 812
November 25, 1949

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Mr. Matsui stated that he had been advised by the Swedish Mission here that the latter intended to take no action whatsoever and that it was assumed that, unless the necessary funds were made available, the protection of Japanese interests in Brazil would soon be relinquished without further intervention by the Swedish Government or the Legation at Rio de Janeiro.

In reply to Mr. Matsui's informal request for assistance by the United States in this matter, he was advised that, while the enclosed note would be forwarded for the Department's information, it was not believed that the United States could properly intervene in a matter on which the Brazilian Government has apparently made a final determination.

Enclosure: *att.*

✓ Informal Note from Japanese
Foreign Office

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Parchment Mat to the Department

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Enclosure No. 1 to Despatch No. 812 dated November 25, 1949 from the United States Political Adviser for Japan, Tokyo, on the subject "Protection of Japanese Interests by Swedish Legation in Brazil".

(COPY)

Re Expenses Incurred in Protecting Japanese Interests in Brazil by Swedish Legation.

24 Oct. 1949

(I) A private letter, dated October 11, 1949, was received by Mr. Katsumi Ohno, Director of Political Affairs Bureau, Ministry of Foreign Affairs, from Mr. Suetaka Hayano, former secretary in Japanese Legation in Brazil and at present employed in the department looking after Japanese interests in Swedish Legation in Rio de Janeiro, Brazil. On the expenses incurred by Swedish Legation in protecting Japanese interests, Mr. Hayao's letter revealed the following points:

1. After the termination of war, the funds which was at the disposal of Swedish Legation in protecting Japanese interests was transferred to American, British and Chinese Embassies in Brazil and was then deposited in the bank as their "joint account". The Swedish Legation, therefore, in accordance with the minutes of transfer of fund withdrew the necessary amount from time to time. However, the Brazilian War Indemnities Commission voiced a complaint last year and it became necessary for the Swedish Legation to receive the approval of the said Commission prior to the withdrawal of amount needed in paying the expenses.

2. Towards the end of September of this year, the Brazilian Foreign Office forwarded an official note to the American Embassy to the effect that "the Brazilian Indemnities Commission sent its opinion to the said Foreign Office that it is prejudicial to the interests of Brazil to permit the Swedish Legation to withdraw the Japanese representation expenses from the joint account of American, British and Chinese Embassies". The American Embassy in Brazil reported this effect to Washington and is said to have transmitted the same note to the Swedish Legation in Brazil.

3. The yearly amount needed by the Swedish Legation in defraying the Japanese representation allowance totals to a meager sum of \$20,000 (4000 Contos) and if the withdrawal of required amount becomes impossible, the Swedish Legation will become unable hereafter to continue its function as a protecting organ of Japanese interests. The sum remaining at present in the joint account is said to be only 100 Contos.

(II) According to the Minutes drawn up on the 6th of March, 1946 concerning the disposal of the funds and other belongings of the former Japanese Embassy and consular representations in Brazil, the Japanese funds, which the Swedish Minister handed over to the

representatives

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Enclosure No. 1
to Tokyo's Despatch No. 812,
November 25, 1949

-2-

representatives of the Embassy of the United States of America, China and Great Britain, are as follows:

- (1) 134,000 : (U.S. dollars)
- (2) 1,435.99 (Contos)

Moreover, the Swedish Legation is entitled to withdraw the amounts necessary for its continued handling of the protection of Japanese interests in Brazil up to the limit of 500 : 00 Contos.

(III) Above is the gist of Mr. Hayao's letter, but according to the note verbale from the Swedish Diplomatic Mission in Tokio to the Japanese Ministry of Foreign Affairs on July 20, 1948 the following points have been mentioned:....., the expenses in those countries (Brazil, Peru, and Chile) have hitherto been met by utilizing the available Japanese funds....., whereas the Legation at Rio de Janeiro and Santiago de Chile have received necessary means out of Japanese funds under Allied control. However, at Rio de Janeiro certain difficulties to obtain means have, as of late, arisen due to the Brazilian Government maintaining that existing Japanese funds must be reserved for settling Brazilian claims on Japan. Up till now, however, the Brazilian Authorities have consented to the payment of necessary means to the Swedish Legation.

.....the safeguarding of Japanese interests in Brazil and Chile depends on whether means in future can be placed at the disposal of the respective Swedish Legation from locally available Japanese funds. On account of the present Swedish exchange situation it is not possible for the Royal Ministry to remit means from Stockholm to the Legations in those countries, unless funds are placed at disposal in suitable currency.

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DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE

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INCOMING TELEGRAM OF

NORTHEAST ASIAN AFFAIRS

DEC 12 1949

DEPARTMENT OF STATE

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SS Name of Officer _____
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Control 4258

Rec'd December 10, 1949
5:40 a.m.

FROM: Tokyo
TO: Secretary of State
NO: 546, December 10.

740.0011PW (Peace) /12-649
Secret file

740.0011PW (Peace) /12-949
Secret file

Re DEPTTEL 634, December 6 and MYTEL 540 December 9.

Japanese Ministry of Finance holds in its account at Bank of Japan some 152,000,000 type B military yen. Additionally, negligible amount such currency still outstanding. This currency has not been legal tender since July 15, 1948 but has not been declared void. Legal counsel here is of opinion outstanding type B military currency in hands of Japanese Government could be basis for claim against US.

In discussion this matter we are convinced claim of this type could easily give rise to problems entirely out of proportion to amount involved. We therefore propose investigation possibility settling this account by appropriate bookkeeping transactions and after consulting in headquarters should be in position within two weeks make further recommendations to Department.

SEBALD

TT:HJC

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CSA SECRET FILE

FILED
JUL 14 1952

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DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE

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Action Assigned to NA NORTHEAST ASIAN AFFAIRS

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Action Office Symbol _____

Name of Officer _____

Direction to DC/R _____

DEPARTMENT OF STATE
Control 10015

Rec'd December 24, 1949
9:23 a.m.

Office of
FAR EASTERN AFFAIRS
DEC 27 1949
DEPUTY DIRECTOR
Department of State

FROM: Tokyo
TO: Secretary of State
NO: 593, December 24

894.515/12-1049 Secret File

Type B yen held in account Japanese minister finance (REMYTEL 546, December 10) has now been charged to termination of war account Japanese budget. Upon completion necessary transfer procedures, no basis will exist for claim arising from this currency apart from general claim relative to costs of occupation embodied in termination of war account.

SEBALD

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JUL 14 1952

CSA SECRET FILE

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