DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

NATURAL RESOURCES SECTION
REPORT NUMBER 55
10 September 1946

LIST OF NATURAL RESOURCES SECTION REPORTS

Report No.	1.	Classified	31 Oct 45
Report No.	2.	Classified	13 Nov 45
Report No.	3.	Basic Problems of the Coal Mining Industry in Japan	14 Nov 45
Report No.	4.	Culture and Utilization of "Kozo" and "Mitsumata" for the Manufacture of High-Grade Paper in Japan	24 Nov 45
Report No.	5.	Ownership and Administration of Japan's Forests	27 Nov 45
Report No.	6.	Administration of the Japanese Mining Industry	1 Dec 45
Report No.	7.	Classified	11 Dec 45
Report No.	8.	Stockpiles of Logs and Lumber in Japan	11 Dec 45
Report No.	9.	Classified	17 Dec 45
Report No.	10.	Classified	20 Dec 45
Report No.	11.	Estimate of the Forestry Situation in Hokkaido	28 Dec 45
Report No.	12.	Sources of Phosphate for Japan	31 Dec 45
Supplement to NRS Report No. 12 (Sources of Phosphate for Japan, 31 Dec 45)			15 Mar 46
Report No.	13.	Forest Areas, Forest Composition, and Standing Timber by Volume in Japan	10 Jan 46
Report No.	14.	Production of the Fishing Industry of Hokkaido	20 Jan 46
Report No.	15.	Classified	21 Jan 46
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Report No.	17.	Wartime Administration of the Japanese Mineral Industry	29 Jan 46
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Report No.	21.	The Coal Industry of Japan in Recent Years	20 Feb 46
Report No.	22.	Japanese Fishing Areas	25 Feb 46
Report No.	23.	Korean Mineral Industry Statistics	18 Mar 46
Report No.	24.	Classified	22 Mar 46
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Report No.	26.	Estimate of the Charcoal and Firewood Situation in Japan	1 Apr 46
Report No.	27.	Production, Consumption, and Stockpiles of Bamboo	5 Apr 46
Report No.	28.	Estimate of the Pulpwood Situation in Japan	15 Apr 46
Report No.	29.	The Honkeiko Colliery Disaster	18 Apr 46
Report No.	30.	Classified	18 Apr 46

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Report No.	31.	The Japanese Salmon Industry	25 Apr 46
Report No.	32.	Lumber Production in Japan	26 Apr 46
Report No.	33.	Classified	6 May 46
Report No.	34.	Veneer and Plywood Manufacturing in Japan	8 May 46
Report No.	35.	The Mineral Industry of Korea in 1944	14 May 46
Report No.	36.	Classified	4 May 46
Report No.	37.	Fisheries Education and Research in Japan	31 May 46
Report No.	38.	A Survey of Timber Control in Japan Since 1941	10 Jun 46
Report No.	39.	Hydroelectric Power in Japan	12 Jun 46
Report No.	40.	Forestry Situation in Kyushu	17 Jun 46
Report No.	41.	Japanese Research Institutions in the Field of Mining and Geology	25 Jun 46
Report No.	42.	The Japanese Agar-Agar Industry	28 Jun 46
Report No.	43.	Hydrology of Japan	1 Jul 46
Report No.	44.	Mineral Resources of Japan Proper 1925-1945	5 Jul 46
Report No.	45.	Statistics of Fruit Production in Japan 1926 to 1946	12 Jul 46
Report No.	46.	The Imperial Forests of Japan	19 Jul 46
Report No.	47.	The Forestry Situation in Southern Korea	26 Jul 46
Report No.	48.	Forestry and Forest Industries in Shikoku	31 Jul 46
Report No.	49.	Japanese Petroleum Methods and Equipment	7 Aug 46
Report No.	50.	Iron and Steel Metallurgy of the Japanese Empire	31 Oct 46
Report No.	51.	Forestry Education in Japan	16 Aug 46
Report No.	52.	Economic Controls in the Japanese Coal Industry	21 Aug 46
Report No.	53.	Dolomite Resources in Japan	26 Aug 46
Report No.	54.	Cobalt Resources in Japan	31 Aug 46
Report No.	55.	Fertilizer in Japan	10 Sep 46

CORRECTION

Title of NRS report No 50 has been changed to Iron and Steel Metallurgy of the Japanese Empire

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NATURAL RESOURCES SECTION
REPORT NUMBER 55
10 September 1946

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(Subject to Change)

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WDM/ACD/at acd
700 500
15 December 1946

AG 004.03 (15 Dec 46) ECE/mb

SUBJECT: Report on Japanese Nitrogenous Products

TO: The Department of State, Washington 25, D. C.

1. Information requested in radio, WX State Circular 14th Department (1504002), dated 15 October 1946, relating to Japanese nitrogenous products, has been summarized in the attached tables by the Research and Statistics Division of the Economic and Scientific Section of this Headquarters.

2. While this information was being assembled, there became available a report on fertilizers prepared by the Natural Resources Section. A copy of this report is also enclosed.

3. With respect to question 4 in the radio, it should be noted that the Japanese Government derives no pecuniary benefit from nitrogenous products. Instead, as indicated in Table 4, it has paid subsidies to manufacturers since 1940. The subsidies were discontinued in 1946.

4. It is of importance to note that sodium nitrate is not a satisfactory substitute for other nitrogenous fertilizers in Japan. This is due to the fact that the period of vegetation in the paddy fields corresponds to the time of maximum precipitation in Japan, so that nitrates, which are highly soluble, would be washed out to a great extent.

FOR THE SUPREME COMMANDER:

R. G. HERSEY
Lt. Col. AGD,
Asst. Adj. Gen.

8 Incls:
1. Table 1
2. Table 1a
3. Table 2
4. Table 3
5. Table 3a
6. Table 4
7. Table 5
8. Report No. 55, (Nat. Res. Sec.)

G-2

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

ER/ACD/at

MEMO FOR RECORD:

Information requested in radio NR State Circular 14th Department (150400Z), dated 15 October 1946, is transmitted in attached memorandum to the Department of State, Washington, D. C. The material enclosed is too bulky to reply by radio.

E. R.

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

Martin file

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: December 12, 1946

SUBJECT:

PARTICIPANTS: Mr. Martin - JK
Mr. Hodge - JK
Mr. Claxton - A-H
Mr. Myer - Standard Vacuum Oil Company
Mr. Seitz - Standard Vacuum Oil Company

COPIES TO:

RW/R Central Files

894.6363

894.659/12-1246 CS/Y

1—1493

On December 4, a conference was held between the State Department representatives listed above and representatives of the Standard Vacuum Oil Company at the request of the latter on the question of U.S. policy with respect to the level of petroleum refining to be permitted Japan.

Mr. Myer stated that the Standard Vacuum Oil Company was disturbed by newspaper reports to the effect that Ambassador Pauley had recommended retention of 40,000 barrels per day refining capacity in Japan which he estimated would mean approximately 12 million barrels per year. He said that if this were the U. S. policy he believed the effect would be the complete elimination of Standard Vacuum's pre-war trade with Japan which consisted of refined petroleum products and accounted for approximately 20% of all Japan's pre-war refined petroleum imports. He stated that from information received from the Petroleum Advisory Group attached to SCAP's staff the total Japanese consumption of refined petroleum products in 1947 would be about 7 million barrels; and would probably not exceed 10 or 12 million barrels before 1950. He felt, therefore, the automatic effect of adopting Pauley's proposal would be the complete substitution of crude to be refined by the Japanese for their own use for that portion of refined products which they had imported before the war.

Mr. Martin replied that there was as yet no U.S. policy with regard to any specific level of refining capacity to remain in Japan and that in any event U.S. policy when formulated would have to be negotiated with the other FEC countries. He said that he wished to point out the fact that the U.S. was committed to the general overall policy of cutting back productive capacity

894.659/12-1246

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in selected Japanese industries where security considerations were important, and that the Japanese petroleum refining industry was a case in point. On the other hand these cut-backs in industries which were only war supporting and were not direct war industries, such as armament companies, could not be so severe as to deprive the Japanese of a reasonable opportunity to meet their minimum essential civilian requirements either through production for domestic use or for exports to pay for necessary imports. In the case of petroleum refining our decision to regard this as an industry subject to cut-back for reasons of security was more of a protection to non-Japanese petroleum importers, such as Standard Vacuum Oil Company, than ~~as~~ if we had decided to take no action with respect to the level to be permitted the Japanese petroleum refining industry. The exact extent to which the Japanese petroleum refining industry should be cut back for security purposes, consistent with leaving the Japanese sufficient domestic economy was a problem. The Department was actively studying this problem and negotiating it within the U. S. Government. As yet, no final decision has been made as to what this appropriate level should be so far as U.S. policy is concerned.

Mr. Martin further stated that our studies thus far had produced results considerably at variance with the information received by the Standard Vacuum Oil Company as to probable future Japanese requirements for petroleum products. We estimated that in an early normal post war year the Japanese would require nearly 18 million barrels annually of refined products; ~~whereas~~, even assuming the Pauley recommendation of 40,000 barrels per day to be adopted, this would leave a margin between 4 to 6 million barrels for imports of refined products. Moreover, even this assumption had to be modified in the light of currently useable capacity in the Japanese refining industry which at present we understood to be only 17,000 barrels per day. Until Japanese industry had been rehabilitated or additional units built to replace those badly damaged or destroyed this would mean the Japanese would require 5 to 6 million additional barrels per year which could be met only from imports of refined products.

The representatives of the Standard Vacuum Oil Company expressed some doubts as to whether they would be able to maintain their pre-war imports of refined products to Japan, either in whole or in part, even under these circumstances. These doubts were based on two considerations: (1) The Japanese Government would doubtless try to discourage imports of refined products, even though such imports were cheaper than Japanese refined products produced from imported crudes, through the creation of preferential tarrifs in favor of crude as against refined imports; and (2) would encourage, through subsidization or otherwise, the non-economic expansion of Japanese refining capacity as they had done before the war.

After some discussion as to the source of crudes which Japan could rely upon and the relative cost including transportation of refined versus crude, Mr. Martin stated that it was firm U.S. policy that Japan would be required to extend most-favored nation treatment to all importers and that discriminatory tarrifs designed to favor one type of product over another would not be permitted. Furthermore, it was U.S. policy that the Japanese would have to extend to nationals of foreign countries the same rights and privileges which it extended to its own nationals in maintaining or establishing industrial enterprises of whatever character in Japan. Therefore, as soon as private trade with Japan could be allowed, Standard Vacuum Oil Company or any other foreign oil company would, under this policy, be placed in a relatively more favorable

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competitative position than it had occupied before the war to the extent that it was actually able in a free competitive market to import refined petroleum products at less cost than the Japanese could import crude and refine it. Likewise, Standard Vacuum Oil Company or any other foreign company could go into Japan and erect refineries under the same conditions and with the same advantages as Japanese nationals could do so if they thought this to be economically advantageous. In this connection Mr. Martin pointed out that after the initial cut-back of Japanese refining capacity to whatever figure might be ultimately decided upon, the Japanese would be free, so far as present U.S. policy thinking was concerned, either to rely upon imports of finished petroleum products or to expand refining capacity in Japan, whichever course was economically more feasible, provided that in neither case would the Japanese be permitted to set up any artificial or discriminatory barriers against nationals of other nations and in favor of their own nationals.

After some further discussion of estimated costs of rebuilding present Japanese refining capacity and similar matters related to this problem, the representatives of the Standard Vacuum Oil Company stated that they felt somewhat, though not entirely, reassured; and requested that the statements which they had made on behalf of the Standard Vacuum Oil Company be given careful consideration. Mr. Martin again stated that the U.S. Government is still considering the problem and that the statements made by the representatives of the Standard Vacuum Oil Company would be carefully weighed together with other evidence at our disposal in arriving at a decision as to the final level of petroleum refining to be retained in Japan within the limits of the overall general policy which he had previously outlined.

eLH
JK:CLHodge

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--ooOoo--

DC/R Correction Desk

an
See correction in
Telegram #

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SEP 29 1947

173

894.659/6-2847

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INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

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1947 JUN 30 AM 9 30
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Control 9956

Rec'd June 29, 1947
2:47 a.m.

FROM: Tokyo

TO : Secretary of State

NO : C 53689, June 28

PRIORITY

FROM SCAP TO WAR (PASS TO SECSTATE)

1. SCAP Headquarters is issuing following to press:

"A spokesman for General MacArthur's Headquarters said:

"There has been brought to the attention of this Headquarters an Associated Press dispatch from London, dated 28 June, quoting a spokesman of the British Foreign Office as saying, 'General MacArthur presumably did not consult the Far Eastern Commission or the British Government before authorizing the Japanese to operate a phosphate project on Angaur Island in the Palaus. Press reports of the decision represented the first intimation the British Government has received of the question.'

"The facts of this matter are as follows:

The operation of a phosphate rock project on Angaur, formerly a Japanese mandated island, has been in progress for over a year in order to supply Japan with required fertilizer to increase indigenous food production and reduce the amount of United States appropriated funds required to meet the food deficit in Japan. Such use of stockpiles of phosphate rock on Angaur Island was initially authorized by the Fertilizer Committee of the Combined Food Board, an international body on which the British Government has been represented. Subsequently, a contract was made with J.H. Pomeroy and Company, an American concern, for the

mining of

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mining of additional phosphate rock. When funds for this purpose expired, Washington authorized General MacArthur as Commander in Chief of the Far East Command to take over the project and operate it for occupation purposes with Japanese labor. The new arrangement for the conduct of the mining ensures the continuance of this essential enterprise. All expenses involved are being met by the Japanese. The mining equipment, which is American, is to be returned to the United States upon completion of the project.

"Angaur is a part of the Caroline Islands, formerly mandated to Japan but now under the trusteeship of the United States. As Angaur was captured by force of United States arms and is under United States control, there is no question as to the propriety of the United States utilizing the indigenous resources of the island to meet the vital needs of the Allied occupation of Japan.

"The Headquarters spokesman also stated that the reference made by the British Foreign Office to the Far Eastern Commission in connection with the Angaur project is not understood, as the Far Eastern Commission deals only with Japan Proper." End press release.

2. News story in question also stated, "Earlier the spokesman was reported to have said SCAP did not consult the Far Eastern Commission before allocating to the United States 100 of 400 permits for foreign businessmen to enter Japan. This was incorrect, the spokesman having misunderstood a question."

3. British Foreign Office action appears to reflect an attitude (probably arising from disappointment over whaling decision) of seeking any possible chink in occupation administration to exploit as public criticism. This is corrollary to Australian attitude manifest inter alia by Evatts June 23 statement which contained dishonesties in implication. It is felt

in highest

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in highest circles this Headquarters that this evident British Government tendency toward sharp open criticism of the occupation is especially deplorable at juncture when important issues depend upon maintenance of United States and British Commonwealth solidarity. It gives propaganda ammunition to those who for their own ulterior ends oppose our vital policies in world affairs and is exceedingly harmful to Allied interests in this part of the world.

4. Request this telegram be repeated to London and that Department consider instructing Embassy make appropriate representations to British Government.

Note: This telegram NOT repeated to LONDON - CWO-PEP

EHL:PPM

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COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE

INCOMING TELEGRAM

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Office of
FAR EASTERN AFFAIRS
JUL 1 1947
DIVISION
Department of State

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CORRECTION 6/30/47
4 p.m.

Control 9956

Rec'd June 29, 1947
2:47 a.m.

DIVISION OF
NORTHEAST ASIAN AFFAIRS
JUL 1 - 1947
DEPARTMENT OF STATE

FROM: Tokyo

TO: Secretary of State

NO: 173, June 28, 5 p.m.

The serial number of this message received as C-53689 should be corrected to read 173 June 28, 5 p.m.

TELEGRAPH BRANCH

DIVISION OF COMMUNICATIONS AND RECORDS

CSB:ECW

FILED
JUL 23 1947

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5-13-47

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DEPARTMENT OF STATE

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INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

2 UNCLASSIFIED 1118

A

From: Manchester
Date: December 23, 1947
Rec'd: January 8, 2:27 p.m.

ACTION:DC/L
INFO:
DC/R
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Secretary of State
Washington

A-63, December 23, 1947

Please inform this office the number of Levers, curtain and plain net machines respectively that are intact in Japan at the present time. An inquiry for this information has come from the Nottingham Chamber of Commerce.

THOMPSON

866.12
W.Milbourne Neighbors:mg
RETYPE

UNCLASSIFIED

DEPARTMENT OF STATE
JAN 9 - 1948
DC/L
LIAISON OFFICE

894.659/12-2347

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JAN 12 1948

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1903

FEB 11 1948

In reply refer to
OE

894.659/2-1148

My dear Mr. Swanson:

Acknowledgment is made of the receipt of five copies each of your three articles concerning fertilizers and the soil survey in Japan. Since the food situation is so serious in Japan these articles are of great interest to all of us concerned with the problem, and I know that my staff will be very interested in information contained in them.

Your thoughtfulness in making them available to the Department is deeply appreciated.

Sincerely yours,

PHW

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

Mr. C. L. W. Swanson,
P. O. Box 1106,
New Haven 4, Connecticut.

OE:WSMcCornick:bcb
2/9/48

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FEB 11 1948 P.M.

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CS/A-11-2-1148 894.659/2-1148

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CONFIDENTIAL

DEPARTMENT OF THE ARMY
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

O files

5 - MAR 1948

Honorable Charles E. Saltzman

Assistant Secretary of State

Dear Mr. Saltzman:

This is in answer to your communication dated 2 February 1948 introduced by mention of reported proposals for shipments of alumina into Japan for processing there. As you doubtless know, representatives of both the Reynolds Company and the Permanente Corporation, subsequent to conferences with representatives of the Departments of State and Army, went to Japan to discuss with SCAP the possibility of reducing alumina in Japanese plants. No proposals have yet been received from SCAP as a result of these negotiations. In fact, SCAP has made no proposals for importing alumina into Japan in order to permit the export of aluminum ingot from Japan, or other proposals for aluminum production for export which would necessarily require approval by the United States Government.

As you know, a representative of the Permanente Corporation has approached officials of this Department as well as the Department of State concerning prospects for obtaining aluminum, aluminum products and steel products from Japan. The Permanente representative suggested to Department of the Army representatives that his organization and affiliates might be willing to supply raw materials and other imports into Japan in order to accomplish the necessary production to provide the products in which they were interested. It was suggested to the Permanente representative that no policy difficulty appeared to be involved in connection with their interest in obtaining steel products. In connection with their interest in aluminum and aluminum products, it was pointed out that negotiations in the FEC were somewhat delicate concerning approval for retention of aluminum producing capacity in Japan. It was suggested that if they would emphasize their interest in aluminum products, the matter might be handled more favorably than would an interest in aluminum ingots. In any event, it was suggested to them that any contracts which they might develop for obtaining either aluminum or aluminum products should guarantee that under no circumstances would the operation of the contract delay to any significant degree reparations removals of aluminum producing capacity once a policy determination is crystallized respecting the amount of aluminum capacity which Japan may retain and the capacity which must be made available for reparation removals. The position expressed above to the Permanente representative was discussed with Messrs. Dean Bowman and Burr Smith of OE of your Department who indicated general agreement with the position as stated.

894.6574/3-548

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7

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We have as yet received no reports from SCAP concerning the results of the discussions in Japan with Reynolds and Permanente representatives. In addition, we have been withholding consideration of and reply to SCAP's recent proposal for the production of 20,000 tons of aluminum ingots in 1948 against minimum yearly needs of the Japanese economy of 15,000 metric tons of aluminum products. The views of SCAP may have changed as a result of the Reynolds and Permanente discussions. Consequently we are asking SCAP to report on the status of his proposal and to comment on the discussions with Reynolds and Permanente. When a reply has been received we may be in a better position to discuss the points mentioned in your letter.

It is believed that SCAP is thoroughly acquainted with outstanding directives and with the terms of United States policy as adopted by SWNCC and SANACC, as well as with the course of negotiations in the Far Eastern Commission as reflected in the various reports and minutes of committee meetings published by the FEC. It would seem unnecessary at this time, therefore, to send to SCAP the specific terms of the reservations contained in your letter. In any case, it would seem sufficient that arrangements made for production of aluminum or aluminum products for export assure that reparations removals of aluminum capacity would not be unduly delayed by the operation of such arrangements, and, of course, the Departments of State and Army be kept informed of developments. If, however, you feel that SCAP is not familiar with all directives and other pertinent materials pertaining to the retention and operation of aluminum production capacity in Japan so that additional information should be furnished to SCAP, the Civil Affairs Division will collaborate with your representatives in preparing a suitable communication to SCAP.

Sincerely yours,

William H. Draper, Jr.

William H. Draper, Jr.
Under Secretary of the Army

MR SALTZMAN
DEPT OF STATE

1948 MAR 5 PM 5 27

ASSISTANT SECRETARY
A-S

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

Form DS-10
6-1-45

Department of State

REFERENCE SLIP

Date 3/18/48

To: Mr. G. Lewis

4214 New State

	Advise		Note & Return
	Approve & Return		Note & File
X	As You Requested		Per Telephone Talk
	Attention		Previous Correspon.
	Attach File		Priority Action
	Comment & Return		Reconsider
	Consider		Recommend Action
	Copying		Record
	Correct		Reply
	File		Return to Sender
	Follow-up		Rewrite
	Hold		Signature Required
	Initials Needed		See Me
	Investigate & Report		Take Action
	Instruct		Transfer
	Justify		Type
	Keep Me Advised		Verify
	Legal Matter		Reply for Signature of
	Memo Required		
	Not Interested		
	Note & Destroy		
	Note & Forward		

REMARKS:

The attached are copies of cables which Bowman and I agreed on yesterday - 3/17/48.

From Burr Smith
R. Burr. Smith

This Form Printed on Salvaged Stock

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Mr. Lewis

Part III In reply our query NEI reps indicate NEI bauxite immediately available to extent of at least 50,000 tons annual rate. Reps indicated NEI desire sell on CIF Japan basis and prefer payment in free dollars. After further discussion NEI reps suggested NEI probably willing negotiate part payment in dollars for textiles by NEI and for part payment in dollars for bauxite by SCAP. NEI anxious have negotiations reach agreement soon.

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RESTRICTED

17 Mar 48

DRAFT CABLE TO SCAP
(Pass for info to Cheseldine and Dupuy, TDI, Tokyo)

Aluminum Production is subject;

Reurads Z34581 and C 59033; ourads W 84940 of Aug 47 and W 96643 Mar 48.

PART I Views requested urad Z 34581 re proposed program to produce 20,000 m.t. ingot 1948 against 15,000 m.t. product requirement of Japanese economy are that program appears satisfactory provided (a) there is full compliance with terms of para 10 (Occupation Needs) of JCS Directive 87 (Need here analytical statement justifying requirement including treatment of reasons substitutes such as steel and copper are unavailable or impractical. This info needed as basis for handling relations with representatives FEC members. This request for information should not be taken as causing you any delay in going forward your program); and (b) no unreasonable delay in making reparations deliveries is caused by operation of program. (Assume desireable arrange for reasonably prompt reduction or termination of flow of raw material imports should reparations decisions make facilities in operation subj to removal.)

PART II Regarding possible production of aluminum and aluminum products for export, same provisos apply as in Part I. Also Depts of Army and State should be informed of arrangements for, and initial developments on, production for export well in advance of any publicity thereon. Such advance notice will permit Dept of State to give timely assurance to other countries, particularly FEC member, that their interests are being fully protected. Presumably contractual arrangements with non-Japanese interests, if any, for rehabilitation of production facilities or procurement of raw material will need suitable cancellation provisions, e.g., upon 30 days' notice, applicable at termination of the occupation.

Z 34581 is MC IN 52703 of 9 Jan 48
C 59033 is CM IN 1239 of 6 Mar 48

RESTRICTED

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

RESTRICTED

3-3/427 & 3-3/224
Mr. George Pollard & Lt Col Hartman /rk 5013/4361 18 Mar 48

Restricted Routine

SCAP Action

State (G. Lewis, Bowman, Burr Smith)

WAR 97992
19 March.

US/A, P&O, State, Navy, CAD

CSCAD CITE, Econ

Please pass for info to Cheseldine and Dupuy, TDX, Tokyo.

References - Z 34581, 8 Jan 48; C 59033, 5 Mar 48; W 84940, 23 Aug 48; W96643, 27 Feb 48

Aluminum production is subject.

Part I Views requested urad Z 34581 re proposed program to produce 20,000 m.t. ingot 1948 against 15,000 m.t. product requirement of Japanese economy are that program appears satisfactory provided (a) there is full compliance with terms of para 10 (Occupation Needs) of JCS Directive 87 (Need here analytical statement justifying requirement including treatment of reasons substitutes such as steel and copper are unavailable or impractical. This info needed as basis for handling relations with representatives FEC members. This request for information should not be taken as causing you any delay in going forward your program); and (b) no unreasonable delay in making reparations deliveries is caused by operation of/program. (Assume desirable arrange for reasonably prompt reduction or termination of flow of raw material imports should reparations decisions make facilities in operation subj to removal.)

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RESTRICTED

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Part III In reply to State query NEI reps indicate NEI bauxite immediately available to extent of at least 50,000 tons annual rate. Reps indicated NEI desire sell on CIF Japan basis and prefer payment in dollars. After further discussion NEI reps suggested NEI probably willing negotiate part payment in dollars for textiles by NEI and for part payment in dollars for bauxite by SCAP. NEI anxious have negotiations reach agreement soon. Report from Office Chief of Naval Operations, Island Governments indicates bauxite not being mined in Palaus at this time, equipment and loading facilities in poor shape and question of producing not resolved. More information on Palau situation will be forwarded in several days.

(Z 34581 is MC IN 52703, 8 Jan 48)
(C 59033 is CM IN 1239, 5 Mar 48)

RESTRICTED

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RESTRICTED

MEMO FOR RECORD:

SCAP in MC IN 52703 dated 8 Jan 48 requested views of Army re proposed program to produce 20,000 m.t. aluminum ingot in Japan in 1948. SCAP was queried on 27 Feb 48 by W 96643 whether negotiations with Reynolds and Kaiser (Permanente) interests had changed situation. SCAP's reply in CM IN 1239 of 6 Mar 48 indicated no change in the proposed program to fill requirements for Japanese economy. Working party of Army (Hartman and Pollard, CAD) and State (Bowman, Burr Smith, Geof. Lewis, Whitman and John Shaw) agreed to dispatch of message to SCAP along lines of Parts I and II of above message, which agree with spirit of exchange of ltrs between ASSOA Saltzman (2 Feb 48) and USA Draper (1 Mar 48) re aluminum production programs in Japan.

Para 10 of JCS Directive No. 87 (sent in W 84940 of 23 Aug 47) reads as follows:

"10. Occupation needs.

The Supreme Commander should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, in so far as such facilities are required to meet the needs of the occupation. In such cases the Supreme Commander will, after consultation with the Allied Council for Japan in accordance with the terms of reference of the Allied Council for Japan, provide an explanation of reasons for retention and an estimated date of removal or destruction."

Naval Dept advises Navy is waiting for a report on bauxite deposits prepared by US Geological Survey. USGS forwarded info to SCAP for printing. Report not yet available. Info re Palau in cable cleared with Capt Jennings, Island Government. Further action will be taken where Navy replies to CAD ltr re this matter.

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APR 221948

894.659/4-2248

In reply refer to
OE:

My dear Mr. Swanson:

Thank you for your paper entitled "Fertilizer Practices for the Staple Food Crops in Japan" and the maps attached thereto.

This material will be of considerable value to the Division of Research for the Far East in the Department.

Sincerely yours,

DCR - NEP Unit
Acad.
Dev.
Cat.
Dist.

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

Mr. C. L. W. Swanson,
Department of Soils,
The Connecticut Agricultural
Experiment Station,
P. O. Box 1106,
New Haven 4, Connecticut.

A true copy of the signed original
CS/V

APR 22 1948

OE:RHWhitman:emh 4-21-48

894.659/4-2248

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

2715

ACTION is assigned to FE ~~CA~~

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

G. DIVISION OF NORTHEAST ASIAN AFFAIRS
for action to OTP
FEB 9 - 1949
DEPARTMENT OF STATE

United States Political Adviser
for Japan

Tokyo, January 21, 1949.

D/R

No. 42

CONFIDENTIAL (FOR DEPARTMENT USE ONLY)

Subject: Military Vehicle Rebuilding Operation Under Supervision of United States Eighth Army in Japan.

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Dyk
DEPARTMENT OF STATE
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1949 FEB 8 PM
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OFFICIAL RECORD COPY
Return to DC/R Files
when ACTION is completed.
No action necessary
PLT (WD) 3/1 file
DIVISION OF INTELLIGENCE
MAR 1 1949
DEPARTMENT OF STATE

The Honorable
The Secretary of State,
Washington.

Sir:

As of present and future economic significance, I have the honor to report the following observations made by Consul General U. Alexis Johnson during a tour in this area of the "Big-5" operation of the United States Eighth Army, in company of the Eighth Army Ordnance officer who has immediate responsibility for that operation.

Because it was unable to obtain new vehicles from the United States, and in view of the large stocks of spare parts available in stockpiles accumulated during the war throughout the Pacific islands, the Eighth Army has recently undertaken in Japan a major vehicle rebuilding program. This program transcends the usual basic maintenance operations of the Army, and is in itself a major industrial undertaking patterned on commercial practices, entirely different in approach from anything thus far undertaken by the Occupation Forces in Japan. Because of its significance in training a considerable body of Japanese workmen and managers in the most advanced techniques of American mass automotive production, as well as other obvious economic considerations, it is reported as being of interest to the Department.

XR
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894.60

The term "Big-5" represents "Base Industrial Group, Fifth Echelon", which is a subsection of the Ordnance Section, Eighth Army Headquarters, Yokohama. Except for the general supervision exercised by the Ordnance Officer, there are no military personnel whatever in the operation which is staffed entirely by 191 Americans who hold the status of Department of the Army civilian employees, and approximately 16,000 Japanese employees.

XR
894.504
740.00119
Control (Japan)

The project consists of four major operations -- (1) the Tokyo Engineering Works for the rebuilding of Jeep and GMC "six by six" truck engines and power trains; (2) the Opama Vehicle Rebuild Shops located at the site of a former Japanese seaplane base between Yokohama and Yokosuka; (3) the Akabane Tire Rebuild Plant in a former Japanese Akabane Arsenal near Tokyo; and (4) the Sedan Rebuild Plant

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NNDG# 760050
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MAR 5 1949

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Plant at Nagoya.

The engine rebuild plant (1) is at present in full operation, and is rebuilding approximately 3,000 engines a month. Machinery for the power train portion of the plant is now being installed, and the plant will be in operation within a few months.

The vehicle rebuild plant (2) is in course of having machinery installed, and will have a designed capacity of 2,000 jeeps and "six by six" trucks a month, the operation being integrated with that of the Tokyo Engineering Works.

The tire rebuild plant (3) will be in production shortly with a designed capacity of 20,000 tires a month.

It is understood to be probable that the sedan rebuild plant (4), with a designed capacity of 100 sedans a month, will not be in operation until late in 1949.

Planning envisions having the entire operation in balanced and capacity production in the early part of 1950.

Thus far, approximately 25,000 vehicles for rebuilding have been received from other commands in the Pacific, in addition to tens of thousands of vehicles in Japan requiring rebuilding. In general, all of these vehicles are in a very deteriorated condition in consequence of prolonged misuse and exposure.

There have also been received approximately 45,000 tons of spare parts from various Pacific areas. While these parts have also been subject to prolonged exposure, and the packing cases are often almost entirely deteriorated, the contents are usually in excellent condition because protected by high grade moisture-proof interior wrappings. As the case markings are often illegible, and the parts were stored and shipped in great disorder, the task of sorting and inventorying these shipments is stupendous.

The goal of the entire operation is to utilize all of these parts and vehicles, supplemented by parts obtained from stockpiles in the United States or manufactured by sub-contractors in Japan, to place the maximum possible number of vehicles in virtually new condition.

All materials, equipment and labor originating in Japan are being obtained through the usual channels of procurement demands on the Japanese Government. However, it is understood that the SCAP foreign trade account will be credited with that portion incurred by the Japanese Government of the cost of rebuilding vehicles furnished to units outside of Japan.

The motor rebuild plant visited at the Tokyo Engineering Works is located in the former plant of the Mitsubishi Heavy Industries Company tank factory in the southern section of Tokyo. The plant was built immediately prior to the war, and consists of a series of large and modern factory buildings covering approximately twenty-five acres, well supplied with overhead electric cranes, a central steam plant, and office space. As a commentary on Japanese efficiency it is of interest to note that, in spite of the size and

modernity

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modernity of the plant, as well as the large volume of heavy materials handled, it was supplied entirely by truck over a single narrow and unimproved dirt road. A small portion of the plant is still being used by the company for the production of diesel truck engines.

The motor rebuilding operation consists of two parallel conveyor lines, one for the four cylinder jeep engines, and the other for the six cylinder GMC truck engines, together with all operations subsidiary thereto. As the engines are received they are cleaned and completely disassembled, sub-assemblies such as electrical, ignition and carburetor parts being removed for rebuilding in the sub-assembly shops located between the two lines. The remainder of the engine passes along the conveyor for reboring and honing of the block, regrinding of the crankshaft, fitting of new pistons, rings, bearings, and other necessary operations. As the engine progresses along the line, it is entirely rebuilt and sub-assemblies are re-installed so that it emerges in virtually the same condition as a new engine. Each engine is subjected to a rigorous two hours and ten minutes dynamometer test after which it is painted and boxed for shipment.

Most of the more complicated machinery such as crankshaft grinders, cylinder reborers and dynamometers, are of American manufacture and have been supplied from Army stocks in the Pacific or obtained from the United States. Labor and labor management is supplied by the Mitsubishi Heavy Industries Company at the rate of ¥9,000 (approximately $33.00 at the present military conversion rate of ¥270 to U.S. $1.00) for each engine accepted. It is understood that this present dollar equivalent of the direct labor cost is approximately the same as that for a similar operation in the United States.

Some parts not obtainable by salvage or from stockpiles of new parts are obtained from Japanese sub-contractors. Through close supervision and inspection of the work of such contractors, the concerned American personnel state that quality now approximates American standards. The volume of parts so procured is gradually being increased.

To the untrained observer the plant gives an impression of cleanliness, orderliness and smooth efficiency, entirely comparable to any similar American plant. The American personnel appear to be technically capable, and very enthusiastic in the approach to their work.

It is obvious that with a few relative minor changes the plant readily could be converted to the manufacture of new engines from parts obtained from the growing number of sub-contractors engaged

in basic

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MAR 8 1949

in basic manufacture. There also exists a nucleus of trained American and Japanese personnel around which a considerable expansion of operations could rapidly be effected.

Respectfully yours,

W. J. Sebald

430.2
UAJohnson:hap

Original and hectograph to the Department

Copy to: US POLAD, Yokohama

CONFIDENTIAL

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: April 5, 1949

TO : FE - Mr. Allison

FROM : NA - Mr. Bishop

SUBJECT: Attached Memorandum.

APR 1

The attached memorandum forwarded by Mr. Dodge, which was unfortunately mislaid for a time in NA, contains a succinct description of the uneconomic use of scarce resources, including resources imported from the United States, in Japanese industry. Although the picture presented is highly significant, it is a familiar one to which current efforts to reduce subsidies, improve allocations machinery, and establish an exchange rate are being directed.

A proposed letter of thanks and comment from Mr. Butterworth to Mr. Dodge is enclosed.

this seems to me OK
if you think so
DA

FE:NA:RAF

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NA

For preparation of reply + comment for WWB.

This seems to indicate at least 2 important things.

1) Concentration in certain industries is to be encouraged, the anti-trust boys to the contrary notwithstanding.

2) At least in this one industry there is surplus capacity which could be made available for mobilization

JMc.

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NA

DEPARTMENT OF THE ARMY
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

DEPARTMENT OF STATE
RECEIVED
APR 18 1949
DIVISION OF
COMMUNICATIONS AND RECORDS

16 March 1949

Office of
FAR EASTERN AFFAIRS
MAR 17 1949
DIRECTOR
Department of State

DIVISION OF
NORTHEAST ASIAN AFFAIRS
MAR 18 1949
DEPARTMENT OF STATE

Mr. W. W. Butterworth
Room 3152, New State Building
Department of State
Washington, D. C.

Dear Mr. Butterworth:

Mr. Joseph Dodge, Financial Adviser to SCAP, has requested that the attached copy of Dr. Paul O'Leary's memorandum, "Present Uneconomical Production of Soda Ash and Caustic Soda," be transmitted to you for your information.

Sincerely yours,

R. W. PORTER, JR.
Colonel, General Staff Corps
Executive Officer

Encl
Memo frm Dr O'Leary

894.659/3-1649
CS/A

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CONFIDENTIAL

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CONFIDENTIAL

16 March 1949

Mr. W. W. Butterworth
Room 3152, New State Building
Department of State
Washington, D. C.

Dear Mr. Butterworth:

Mr. Joseph Dodge, Financial Adviser to SCAP, has requested that the attached copy of Dr. Paul O'Leary's memorandum, "Present Uneconomical Production of Soda Ash and Caustic Soda," be transmitted to you for your information.

Sincerely yours,

SIGNED

R. W. PORTER, JR.
Colonel, General Staff Corps
Executive Officer

Encl
Memo frm Dr O'Leary

CONFIDENTIAL

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

CONFIDENTIAL

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Office of the Financial Adviser
APO 500

FMO'L/jen

7 March 1949

MEMORANDUM:

SUBJECT: Present Uneconomical Production of Soda Ash and Caustic Soda.

Solvay process soda ash and caustic soda are now being produced in three Japanese plants to which coal and salt, scarce raw materials, are being allocated. (Salt is a GARIO-EROA material.) One additional plant earmarked for reparations is not now in production but the Ministry of Commerce and Industry would like to put it in production.

There is strong opinion in ESS urging that production be centered in two plants instead of three. Coal allocations are to be made April 1. Centering production in two plants would permit plant operations at about 60% of capacity. Production in three plants reduces this to a rate of about 50% of capacity. Four plants would have to operate at about 35% of capacity.

Per unit costs in Solvay process plants are sharply affected by plant rate of operation. For example, it is reported to me that coal consumption will increase about 35-40% with no increase in end product for each plant above two allowed to share in allocation of coal and salt. For caustic soda with three plants operating unit costs are estimated at $220 per ton, of which $140 is for coal and salt. If only two plants are operated, unit costs fall to $180-190 per ton. No unsubsidized export trade is now possible with three plants operating. Soda ash and caustic soda now receive aid from coal subsidies, domestic band subsidies, and salt import yen conversion rate subsidies.

One striking statement made to me is that by closing down one of three plants now operating enough money could be saved to pay its full labor costs for one year, keep the plant in stand-by condition, show an appreciable yen saving, and not reduce output of end product one pound!

This Solvay process industry has exceptional capacity because it was expanded for war production purposes to supply the Japanese aluminum industry, itself a war industry uneconomical to operate in a peacetime economy.

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7 Mar 49

Memorandum--Present Uneconomical Production of Soda Ash and Caustic Soda

Apparently, there is conflicting opinion in ESS in regard to the desirability of compelling the Ministry of Commerce and Industry to center production in two plants through allocations. The opposition must certainly be based on other than economic grounds! The Japanese Ministry of Commerce and Industry would even like to open the fourth plant!

The situation described above for this one industry is, I fear, fairly typical of the general industrial pattern in Japanese industries receiving scarce allocated materials. I am gathering information now. I think, however, it is safe to conclude that a rationalized and tight system of allocation can effect really astounding reductions in Japanese costs of production. At present, we are subsidizing grossly inefficient rates of plant operation. Such subsidies can safely be withdrawn if plant operations are organized to proceed at or even close to optimum rates.

Paul M. O'Leary.

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CONFIDENTIAL

APR 15 1949

Dear Mr. Dodge:

Thank you for sending me an information copy, forwarded by Colonel R. W. Porter of the Army Department, of Dr. Paul O'Leary's memorandum of March 7 on the "Present Uneconomical Production of Soda Ash and Caustic Soda".

The state of affairs described in this memorandum seems to lie close to the heart of the Japanese stabilization and recovery problems. Until wasteful, high cost production methods resulting from spreading of scarce materials among an excessive number of plants for the sake of maintaining employment, preventing the development of "excessive concentrations of economic power" or for any other purpose has been stopped, production of required greater quantities of materials at prices the Japanese people can afford to pay and which can be sold in foreign competition will not be achieved. At the same time we must realize, as I know you do, that, although an essential part of the rationalization process, dismissal of large numbers of workers who would normally be retained under Japanese paternalistic employment practices will present serious political as well as economic problems if not dealt with through a greatly expanded system of unemployment relief.

Your attack on the subsidy question, and the soon to be established exchange rate for the yen should greatly assist in rectifying the situation described in Dr. O'Leary's memorandum. You may count on our fullest support in carrying on the work you have begun.

I hope you will continue to forward us reports in which you believe we would be interested. I am looking forward

The Honorable
Joseph M. Dodge,
Financial Adviser to the
Supreme Commander for the Allied Powers,
Tokyo.

DOS OITP Unit
Encl. 1
Dev.
Cat.
Dist.

CONFIDENTIAL

894.659/3-1649

CSA 894.659/3-1649

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

forward to a thorough discussion of the Japanese economic situation with you during your stay in Washington next month.

Sincerely yours,

W. Walton Butterworth
Director for Far Eastern Affairs

APR 14 1949 P.M.

FE:NA:RAFearey:clh/lk
4/5-14/49

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894.c59/3-3149

FILE NO. TEL. C-68915 FROM TOKYO

KJ

SECRET FILE

FILED

AUG 24 1949

M-184
11-9-48

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

8

DEPARTMENT OF STATE
1949 MAR 31 AM 9 31

Action: DCL
Info :
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CIA
UFAA
ITP
DCR

Control 12519

Rec'd March 31, 1949
3:42 a.m.

FROM: Tokyo

TO: Secretary of State

NO: C-68915, March 31 (Army Message)

PRIORITY

FOR CSCAD PASS TO DEPARTMENT OF COMMERCE, BUREAU FEDERAL SUPPLIES AND ECONOMIC COOPERATION ADMINISTRATION.

REURAD W 86786 August 48. Subject is ferrotungsten.

1. Approximately 900 metric tons ferrotungsten available for export.

2. Floor prices at which being offered $1.15 per pound contained wolfram 78 percent up, $1.10 per pound contained wolfram 75 percent up, f.o.b. Japan. Reaction by prospective buyers has been that for US consumption price is high considering quality Japanese ferrotungsten and import duty.

3. Bureau Federal Supplies previously advised not interested. What is present position? Is ECA interested?

4. For your information, there has been considerable interest in this commodity for shipment to European countries, however, SCAP requires country of ultimate consumption to be stated in contract. Recently one buyer desired to purchase 60 tons for shipment to Antwerp, ultimate destination was later found to be Poland. Another buyer made offer for 150 tons for shipment to New York; firms local representative subsequently advised material actually destined for Austria, presumably Russian zone. Neither of these contracts were validated.

5. Request comments on current floor prices and possible markets where this commodity can be sold.

DCR - ITP Unit
PPM:JAN
Ancl.
Rev.
Cat.

SECRET

SECRET FILE

894.65/3-3149

INFORMATION COPY

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DC/R

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

United States Political Adviser
for Japan

Tokyo, April 27, 1949

No. 260

INTERNATIONAL RESOURCES DIVISION
MAY 6 1949
DEPARTMENT OF STATE

Action Assigned to Hall
Action Taken None

UNCLASSIFIED

Subject: Transmitting Report on Japanese Chemical Plants Prepared by Pope Chemical Mission to Japan

Date of Action 5/10/49
Action Office Symbol FRP-1R
Name of Officer Lev.
Direction to DC/R FILE

REC'D
MAY 2

ACTION
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C

The Acting Political Adviser for Japan has the honor to enclose a copy of a press release issued April 20, 1949, by General Headquarters, Supreme Commander for the Allied Powers, Tokyo, regarding a report entitled "Japanese Chemical Plants" submitted April 8, 1949, to General MacARTHUR by Mr. Frederick POPE, head of a special mission sent to Japan by the Department of the Army to investigate the Japanese chemical industry. Mr. Pope and his group arrived in Tokyo in February 1949 and are now enroute to the United States.

Issuance of the press release followed publication April 18 by Newsweek magazine, New York, of an article purporting to contain the substance of Mr. Pope's report, together with certain statements attributed to him which are not found in the SCAP press release. For the sake of ready reference, a copy of the Newsweek article, entitled "What's Wrong in Japan? Plenty, Blasts Survey Expert," is enclosed.

As reported in the SCAP press release, Mr. Pope recommended the following: (1) Japanese chemical plants should make every effort to hire the best possible men for key positions, no matter what their age or present circumstances, (2) relatively long-term loans at low interest should be made available to the industry; (3) removal of chemical plants as reparations, which "can...be explained only as revenge," should be stopped immediately; (4) elimination of all Fischer-Tropsch plants for synthetic fuel production, (5) careful review of present limitations on output of potential war products so that legitimate industries shall not be handicapped by unnecessary restrictions; (6) Deconcentration Board to be encouraged to adopt a policy of not breaking up chemical concerns except in urgent and very clear cases; (7) appointment of a joint American-Japanese executive engineering board under SCAP for rationalization of the chemical industry; (8) reduction in use of sulphur for manufacture of fertilizers, accompanied by encouraged production of urea and ammonium nitrate; (9) permission for Japanese chemical engineers to study abroad; (10) permission for Japanese salesmen to go abroad to promote future sales of chemical products; (11) permission to allow Japanese chemical companies to obtain dollars to pay for foreign advice and information; (12) implementation of steps designed to combat Communism, including permanence of employment, improved transportation

OFFICE OF INTERNATIONAL TRADE POLICY
MAY 6 1949
DEPARTMENT OF STATE

FILED
MAY 17 1949
DMR

894.659/4-2749

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ACTION COPY

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

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transportation from homes to plants, recreational facilities, et cetera; and (13) drawing up by the Japanese Government of more accurate statistical records.

With respect to the Newsweek article, it may be noted that Mr. Pope, after its release, sent a telegram to General MacARTHUR, presumably from Honolulu, stating that he had been misquoted and that he had much admiration for the results achieved by the Occupation authorities in Japan.

Enclosures:

1. Press release issued April 20, 1949, by General Headquarters, SCAP;

2. Copy of article published April 18, 1949, by Newsweek magazine.

Parchment Mat to Department

Copy to American Embassy, London

559.7
CHBoehringer:rc

UNCLASSIFIED

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

Enclosure No. 1 to Despatch No. 260 dated April 27, 1949 from United States Political Adviser for Japan, Tokyo, on the subject "Transmitting Report on Japanese Chemical Plants Prepared by Pope Chemical Mission to Japan."

UNCLASSIFIED

PRESS RELEASE

General MacArthur today made public the Report entitled "Japanese Chemical Plants" submitted by Mr. Frederick Pope to the Supreme Commander on April 8th.

Mr. Pope, who was sent to Japan by the Secretary of Army to survey the chemical industry, is former president of the Chemical Construction Company of New York and was prominently identified with the building of the Sumitomo ammonia plants in Japan between 1925 and 1932. He and members of his mission presently are en-route to the United States where he will present his report to Department of Army.

At the beginning of April 1949 the chemical industry production index had reached 85.3% of the 1930-34 levels which have been established by Far Eastern Commission as the standard for a peacetime economy in Japan. At the end of 1945 the index stood at 20.4% of the same base period. Within the past 44 months significant strides have been registered in introducing into Japan certain techniques and facilities for the commercial production of important pharmaceuticals such as penicillin and of improved insecticides, none of which were produced in the prewar period. Significant progress also has been made in the mixing of sub-standard fuels and petroleum coke in order to increase the efficiency of the low grade coal mined in this country.

On April 14th the Holding Company Liquidation Commission removed from d esignation as excessive concentrations of economic power under provisions of Public Law No. 207, the Mitsui Chemical Company, Nisshin Chemical Company, Mitsubishi Chemical Company and Toyo High Pressure Company. Previously the Nissan Chemical Company and Japan Soda Company had been similarly eliminated from provisions of this law. One additional chemical company presently is under consideration by the Deconcentration Review Board and a final recommendation is expected in the near future.

The text of the report and recommendations follows:

1. The Under Secretary of the Army, with your acquiescence I understand, invited me to report on the condition of the Japanese chemical industry. To make such a report I have visited, inspected, and questioned the management of forty-two Japanese chemical plants. I beg to point out what is, of course, self-evident, that it is impossible in a visit of a day or part of a day to gain complete information about a chemical plant. However, it is possible for a person with sufficient background and experience to obtain educated impressions which are, in general, correct. The conclusions I have reached are clear to me.

2. The

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2. The output of basic chemicals is increasing. Curves showing the production of sulphuric acid, alkali, ammonia, dyes, and other products are given in Appendix A. The figures, in general, are given in Appendix B.

3. The cost of production as recorded for each plant in Appendix C is a matter of concern. The general high cost is due, I believe, in most cases to one or two of the following: Poor management; labor costs and conditions; partial operation of the plant because of shortages of power, coal, or other raw materials; mechanical condition of the plants; as well as government or war potential limitation of production.

4. The first and most important deficiency is good top men. It is particularly true in the chemical industry that good men at the top are sine qua non. The poorest sort of a broken down plant with good management is far more likely to succeed than the best up to date plant with incompetent management. That may be called a platitude and true of all industry, but it is peculiarly true of the chemical industry. I feel the chemical companies should search the country for good men no matter how old they may be or what their present circumstances are. Plant and company management, I find, is frequently in the hands of ill-prepared men. On the other hand, some companies are excellently well managed.

5. The next need is money. How money may be had it is not my province to say. I do believe, howeve, that, if a substantial sum of money, even many million yen, were loaned to selected Japanese chemical companies at low interest - say 4½% - for terms varying from five to fifteen years, something between 95-98% (?) would be paid back.

6. The next need is raw material which includes fuel and power. This is a difficult problem, but I believe men and money would solve it. Much sulphuric acid demand could be relieved by using other substances to combine with ammonia in ammonia fertilizers. Another relief would be by using the sulphur dioxide in waste gases now thrown away as, for example, by the Dowa Mining Company at Kosaka and the Nippon Mining Company at Hitachi and Saganoseki. A further relief to the sulphur situation would be the use of other carriers of nitrogen; for example, as in the case of urea. It would pay to study the action under Japanese conditions of ammonium chloride, a fertilizer difficult to make and little used. Careful tests might show the usability, under Japanese conditions, of nitrochalk (a trade name for a mechanical mixture of ground limestone and ammonium nitrate). I believe it would pay to make some nitrochalk without awaiting the tests. There are crops - say wheat, for example - on which in most locations nitrochalk might be used. It probably is necessary to obtain authority to manufacture the ammonium nitrate needed to produce nitrochalk. The sulphur situation is of sufficient importance to warrant the conclusion that Japan will probably be obliged to use substantial amounts of ammonium nitrate as such. The way it is

used

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used, the form in which it may be used, and how the granules may be covered should be studied earnestly and expeditiously. This should not be done at the expense of any investigations concerning urea or ammonium chloride, but concurrently, and the comparative costs and merits determined.

7. There is no question but that salt is urgently needed. It is brought now from long distances, most of it coming from the Mediterranean and East African points. Formerly a large amount came from China and Manchuria. I wonder if the manufacture of salt in Japan should be encouraged, thus cutting down freight and the exporting of money. The reestablishment of the industry in Manchuria and other similar places should be encouraged as it would cut down shipping costs, hence the cost of salt, and make payment easier - possibly in goods.

8. The phosphate rock situation is bad. Phosphate rock is being imported from the United States at great expense. If Japanese ships were available, and if the Japanese were permitted to do so, the mining of phosphate rock in the Pacific islands should be seriously considered.

9. Power is really not my subject. However, fluctuations in hydroelectric output have serious effects on the operation of chemical plants where continuous operation is the rule. Therefore I fail to see why steam plants to even out the supply in times of low water are not more common in Japan.

10. Fuel, too, is not my subject except as it affects the chemical industry. I find that no coal benefaction other than coal washing with water is generally known in Japan. Heavy Media Separation and "sink and float" processes would eliminate up to three-quarters of the ash in most Japanese coals. Were these installed at the mines, it would not only greatly improve the quality of the coal, but also mean a saving in freight of fifteen per cent, more or less. It is very clear that, if not at the mines, they should be installed in certain of the chemical plants to improve the usability of the fuel.

11. I have not mentioned research which will be of the utmost importance in the future. At the moment, however, I feel that all Japanese efforts should be placed on the rehabilitation of industry, letting commercial research follow in a year or two.

12. Chemical patents are an essential and important part of any chemical industry. I recall the situation in Germany where the matter is being intensively studied. There German citizens were, as late as last fall, permitted only to file priority dates, which is entirely unsatisfactory to them. I hope that not only will prompt study be given the subject of Japanese patents but that Japanese chemical companies will be permitted to purchase licenses to use American patents.

13. As

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13. As to reparations, the moving of chemical plants for reparations can, I think, be explained only as revenge. No chemical plant built by moving the machinery and apparatus from another chemical plant can cost on the average less than 90-95% of the cost of a new plant and the result is a second-hand plant - an abomination if not a liability to any chemical manufacturer. I earnestly hope that this vicious procedure may be stopped. I will mention four instances among many:

a. In one dye plant, the Nissin Chemical Company, Limited, Osaka Plant, there is a plant producing sulphur trioxide. It is, in effect, a part of a ten-ton sulphuric acid plant. It is proposed to more it for reparations. It would cost more to build a new plant by pulling that one down and moving it than it would to build a new, complete sulphuric acid plant, and yet, moving that plant, I am informed, would throw two thousand men out of work.

b. Another case, the Asahi Chemical Company, Limited, Nobeoka Plant, away at the southern part of Kyushu, has a small mercury cell caustic plant, part of a large chemical plant - as a unit practically useless to anyone else. To move that for reparations would, I am informed, throw eight hundred men out of work. In that case the caustic and chlorine to be used in the main plant must be brought in from plants located at a distance.

c. Another example that clearly stands out is the Nippon Soda Company, Limited, Nihongi Plant. About ten percent of the value of the plant has been marked for reparations. Be that ten percent removed, it would, I am reliably advised, make the whole plant inoperative except as a loss, thus throwing three thousand four hundred men out of work. Everything they make is founded on caustic soda and chlorine. The plant was started twenty years ago. The village and the surrounding villages are largely dependent on its payroll for their existence. The question immediately arises, why shouldn't the necessary caustic soda and chlorine be imported from other plants? The answer is that it would cost so much that the plant would soon use up its capital and would have to operate on a government subsidy, or not at all. I believe the equipment it is proposed to leave will produce an insufficient amount of chlorine and caustic to permit the plant to operate at a profit. Here is a clear case of, in effect, wiping out a community or paying a government subsidy to meet a conclusion based on an individual opinion.

d. The other side of the picture is illustrated at the Nissan Chemical Industrial Company, Limited, Toyama Plant, where there is a contact sulphuric acid plant that was moved during the war by orders of the Japanese Army. I am told it cost much more to move it than a new plant would have cost and the plant is unsatisfactory. Of course, then they had an excuse - time. It is, nevertheless, a good example of what should not be

done

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done. Only thirty percent of the original value could be moved. The cost of taking down, packing and transportation was much more than thirty percent when new.

In all cases of electrolytic caustic soda plants marked for reparations or as surplus, one must consider the possibility of at some time using ammonium chloride as a fertilizer, in which case all of the now surplus chlorine would be urgently needed.

Furthermore, what a field for Communist agitation! It is known to the workers at the plants mentioned in a, b, and c above that such action is contemplated. They are all worried about their livelihood now and later and wondering if their futures would not be more secure with the Communists who promise them that, if Communism comes in, the plant will be either maintained as it is or restored. Also, uncertainty as to the moving of a plant for reparations is disconcerting to management as well as to the workers.

14. While I understand there are no Fischer-Tropsch or similar plants operating today in Japan, there are partially dismounted plants. Today there is no place for Fischer-Tropsch plants in Japan either from an economic or security standpoint. In one place a Fischer-Tropsch is housed in an exceptionally good building that should be used for some other purpose. The process apparatus should be sold as scrap, salvaging for other purposes all standard machinery and equipment.

16. As a temporary measure, I recommend establishing an Executive Engineering Board in SCAP with an American as the nominal head with veto powers, etc., composed of two first-class Japanese chemical executives, two first-class Japanese engineers; and two first-class American chemical engineers (men competent to earn in the neighborhood of $25,000 a year in America). The object of this board would be to receive each week the most concise report of production, inventory, shipment, and conditions of raw materials, labor and repairs from, let us say, fifty to sixty Japanese chemical plants. With this information the Board should be able to help a faltering Japanese chemical company to its feet. Before the war the Japanese chemical industry was a successful one. Its routine operation needed no outside help. I feel such a board as this would be unnecessary after say two years. In such period of time it should be able to give the Japanese chemical industry the necessary help and encouragement.

17. The American authorities must be urged to be very sure of their facts before issuing drastic orders that may have a long-time effect on the Japanese chemical industry.

18. It

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18. It is now impossible for most Japanese chemical companies to get either foreign publications or foreign advice as they lack the necessary foreign exchange. Chemistry has to go ahead or go backwards. There is no such thing as standing still. This outside help and outside information is a necessity.

19. I believe that Japanese salesmen should be permitted to go abroad in the near future anticipating the export of such pharmaceuticals, dyes, and other chemical products as may soon be exported. To defer sending salesmen abroad until the exportable products are on hand seems a poor policy. Japan will have more than ordinary resistance to the sale of her products due to the hate built up in various parts of the world. Her highest possible caliber of men must pave the way in many of the countries to which Japan would naturally export.

20. The question of ships is very distinctly not part of the chemical industry, but, on the other hand, transportation of raw materials and finished products is an essential factor in the chemical field. Some of the lowest class war-time merchant ships laid up at home, if chartered to the Japanese and run by Japanese crews, could make a lot of difference in the cost of importing salt and phosphate rock, moving coal between the islands, etc.

21. The condition of Japanese chemical plants is not very good, with two or three outstanding exceptions. We saw one plant that would be a model plant anywhere. We saw some plants so bad as to be pathetic. The machine shops connected with the various plants vary widely. Most of them are good. Some of them have foundries. The Japanese mechanics, I have observed over years, are, in general, very good. Lighting and safety precautions are in most cases woefully poor. Adequate light should be installed. The same is true of safety precautions. Stair rails, belt guards, covering of holes in the floor, etc., are necessary.

22. In practically all the Japanese chemical plants there is a vast amount of rusty iron scrap; some neatly piled up, some spread throughout the plant. This scrap has a very real cash value which is lessening as the scrap market goes down and the quality of this scrap deteriorates. The scrap is frequently a very real detriment to the operation of the plants. It is often in the way. It occupies space that could be used for useful purposes and it has, without the slightest doubt, a bad psychological effect on the workers. It is important that workers should feel that they are working a well-managed, business-like plant and to put them into a disorderly area is wrong. I would like to see the chemical plants encouraged in the removal of the scrap, possibly by a central purchasing bureau. If possible, means to force the chemical plants to clean up scrap should be used if they will not do it otherwise.

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It might be necessary to have a traveling baling machine or traveling shears, either of which could be mounted on a flat car. I really know nothing about the scrap business. These remarks are from the point of view of a manufacturing chemist.

23. Something must be done about the allocations made by the Japanese Government. There is, I believe, unmistakable evidence that there is a great deal of favoritism and even dishonesty in the matter of allocations.

24. Communistic tendencies in the workmen are creating an increasingly bad situation. In considering only the labor in chemical plants, the advantages of something in the nature of a community center occurred to me. This more properly comes under the scope of Civil Education and Information, or possibly Public Health and Welfare, than under the chemical industry. However, I have made some observations which are contained in Appendix D.

25. There is weakness in many of the new directorates where unions have a hand in the election of directors. Some theorists may favor it but it is wrong in theory. I am told there are some cases where it has been tried and abandoned. Such directors are interested only in appeasing the unions. Frequently directors now representing new shareholders have no knowledge, interest or concern in the health of the industry, their only interest being what dividends may be had for the shareholders they represent.

26. The policy of permitting corporations to pay the salaries of union officials is manifestly and obviously wrong and should be forbidden.

27. As an additional comment on management, I wish to point out that in the Arai Plant of the Dainippon Celluloid Company, Limited, one of the best managed plants, the productivity of labor is reported by the management to be four percent above pre-war.

28. While I cannot be sure, I am strongly inclined to believe that allocation is carried to a greater extent than is necessary. On the other hand, a great deal of raw material now allocated in the chemical industry should be free of allocation. This would clean up some unfortunate situations and be a step toward normalcy.

29. The manufacture of dyes in Japan, in general, is well organized. The plants are reasonably good. The management and technical men are better than average. If the dye industry is allowed to proceed as it is going now, it should make an early recovery and produce exportable goods. It would be possible to go at length into this matter but all the industry really needs is an adequate supply of raw material and, I repeat, to be let alone.

30. The

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30. The plastic industry needs help and encouragement. Competent organizations are contemplating expanding plastic production. The Dainippon Celluloid Company, Limited, is an excellent example of what a good plastic factory should be. In general, the industry can and should grow to be an important one, but it will need foreign help. I especially hope the Japanese companies will give serious attention to vinyl plastics.

31. As to the pharmaceutical industry, it should be, and before the war was, good. In some cases it is. In other cases it needs a very strong hand as many of the pharmaceutical products are not up to U. S. A. and world standards. I understand one factory is at a standstill, its stock rooms full, unable to sell its products because they do not meet world standards. It might be wise if the Japanese Government imposed world standards for pharmaceuticals. This industry should be very profitable and produce goods for export.

32. The paint industry seems to be in perfectly competent hands. The need for paint is very great but the industry is held back for lack of raw materials. As the need is so great, every effort should be made to provide the industry with the necessary raw materials.

33. Recommendations: I recommend:

a. That Japanese chemical companies be encouraged to do all that may be done to find the best possible men to fill the top executive and administrative offices. That if the age limit established by some companies stands in the way, encourage the waiving of it until the emergency of rehabilitation is past.

b. That funds be made available - how is not within my knowledge and not in my province to say - Japanese chemical companies deserving help, at a low rate of interest, not over 4½%, and for a reasonably long time.

c. That the moving of chemical plants for reparations be stopped.

d. That all Fischer-Tropsch plants, in such state as they may be, be razed to the ground, metal parts and machinery not properly useful be bundled into scrap and removed from the premises.

e. That limitations of output of potential war products be carefully viewed so that legitimate industries shall not be handicapped by unnecessary restrictions.

f. That the Deconcentration Board be encouraged in a policy of not breaking up organizations except in urgent and very clear cases.

g. That

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g. That the Executive Engineering Board such as described in paragraph 16 be appointed, it being recognized as a temporary measure.

h. That measures be taken to reduce the demand for sulphur in fertilizer products. This means, among other things, encouraging the manufacture of urea and ammonium nitrate. To that end authorization to produce nitric acid and ammonium nitrate must be given fertilizer manufacturers.

i. That Japanese engineers be permitted to travel abroad to study the chemical industry, even if only in libraries.

j. That Japanese salesmen be permitted to go abroad to promote future Japanese sales.

k. That dollars be made available to the Japanese chemical companies to pay for foreign advice and information.

l. That attention be given to everything combatting Communism, such as permanence of employment in existing plants, improved transportation from homes to plants, recreational centers in bleak areas, etc.

m. That the Japanese Government be encouraged to keep more accurate records, filed so that they will be more easily available than they seem to be now.

In preparing this report I owe most sincere thanks to Mr. C. P. Davis, to Dr. H. S. Carroll, and to Mr. R. S. Pope.

FREDERICK POPE

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Enclosure No. 2 to Despatch No. [illegible] dated April 27, 1949 from United States Political Adviser for Japan, Tokyo, on the subject "Transmitting Report on Japanese Chemical Plants Prepared by Pope Chemical Mission to Japan."

(Copy of article published in April 18, 1949 issue of Newsweek)

WHAT'S WRONG IN JAPAN? PLENTY, BLASTS SURVEY

Japanese industrial production (it stands at only 60 per cent of the 1930-34 level) lags behind that of every major power with the possible exception of war-torn China. Japan is the only country (again with the exception of China) not under the direct control of Russia where Communism is not losing ground but actually gaining.

In an effort to restore Japan's economy and reverse the trend toward Communism Washington has reversed policies, sent missions of businessmen to Tokyo, and conducted detailed surveys of Japanese industry. One of the most searching surveys--of the Japanese chemical industry--has just been completed by Col. Frederick Pope, 71-year-old former president of the Chemical Construction Co. of New York.

Pope gained a worldwide reputation building 38 chemical plants in 22 countries and served on the war-production board and in the war mobilization set-up. He recently surveyed the German chemical industry and was persuaded to do the same job in Japan. His completed report was submitted to General MacArthur April 2. Last week Pope gave Mrs. Helen J. Folster of Newsweek's Tokyo bureau a preview of the report and his answers to the 64-yen question: What's wrong in Japan?

What's wrong in Japan, Pope felt, was pretty much what was wrong in chemicals, since the difficulties in this fourth most important Japanese industry were basic and common to the entire economy. He concluded that the chemical industry and the Japanese economy needed two things--men and money.

Men: The much criticized "purge" of Japanese businessmen removed at one stroke the best brains in Japanese industry. On this point Pope commented:

"The purge has taken away the greatest asset the Japanese chemical industry had. Wholesale reexamination is needed. Most of the top men were honest, earnest, and hardworking. They did what they were told. Most of them weren't interested in politics. These purged men should be given the right to work to help take Japan off the neck of the American taxpayer.

"Some of the new fellows in the chemical industry have done very well considering their lack of experience. Others are running

their

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their plants into bankrupcy, not purposely, they just don't know. One important chemical plant is being run by a former bookkeeper."

Money: Pope thinks "the chemical industry has got to have money. But the idea of giving money to Japan is no good. We should loan money to Japanese industry through Japanese banks. I would recommend an interest rate of around 4½ per cent. Loans could run from five to fifteen years. I say in my survey I believe 95 to 98 per cent of the loan would be repaid. I am convinced myself that 100 per cent would be repaid. If you lend to people instead of giving, they keep their self-respect and I think especially with the Japanese this is true. The Japanese are long on self-respect.

"Along with the idea of loaning these Japanese companies money, instead of giving it to them, I think it would be a good idea to allow them to charter American ships to transport salt, which they now must import from the Red Sea and the Mediterranean at terrific transportation prices in American or British bottoms."

Spanking: Pope felt strongly about reparations: "In my opinion, the only excuse for reparations is revenge. As far as chemical plants are concerned, reparations are an impossibility both in Germany and in Japan. You can't move a chemical plant, tear it down, and rebuild it as cheaply as you can build a new one. If you do move one, you start with a secondhand plant—there's nothing worse than a secondhand chemical plant. However, I've certainly recommended razing to the ground the two Fischer Tropsch plants in Japan. They are a war potential and show a high waste of raw materisla."

The engineer questioned the practicality of plans by the American Deconcentration Review Board to break up big Japanese chemical companies by removing plants or parts of plants: "The Deconcentration Review Board should be spanked, sent home, and told to grow up. It is high time someone realized that only a real expert in each field is equipped to deal practically with such problems. If decentralization is to be considered at all, it should be done wisely and conservatively. I also recommend that production limitations be reviewed."

Figures: Pope went on: "I have seen an example of the mistakes that can be made here by an untrained, inexperienced man who, unfortunately, is considered an expert by the occupation. Not only is this man just a 'lad,' but after talking with him, I brought out the fact that all he really knew about the chemical business was what he had picked up here in Japan and from a few books he had read before. However, it rested upon this so-called expert to make a very important decision about the Japanese chemical industry.

"There are three operating alkali plants in Japan, one running at 50 per cent production, the other two at 30 per cent. It was decided to close down two of these plants for one year. I don't know,

myself

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myself, yet whether these plants should be closed down--production of alkali is important in the Japanese chemical production of Japan--but I do know that the decision of this man to close them down for one year, to put them in storage, as it were, was the most ridiculous idea that has been presented in the chemical industry.

"Anyone who knows anything at all about chemical plants knows that leaving a chemical plant stand idle for any length of time is completely impractical. Employes, usually trained over a life-time, scatter. The management scatters. Since chemicals are corrosives the plant goes to pieces.

"I believe that there should be some way of holding responsible those men who make decisions without sound and expert knowledge, whose decisions affect the lives and the economy of sometimes thousands of people--and whose decisions later prove mistakes."

Pope discovered that "inaccuracies and completely wrong figures have been used in occupation reports. I found that wrong figures have been submitted to Joseph M. Dodge, who has been brought to Japan as financial adviser to General MacArthur. A man cannot be an expert in every field he must consider--but it is dangerous to make recommendations that will affect the lives and future of many thousands of people, when those recommendations are based on conclusions drawn from false figures."

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INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

AIRGRAM

5839

A.
ACTION: DC/L
INFO:
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FROM: USPOLAD, Tokyo.

Dated: May 27, 1949

Date of mailing May 27, 1949

Rec'd: May 30, 1949 9:55 A.M.

UNCLASSIFIED

Secretary of State,

Washington.

A-1[illegible], May 27, 1949.

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Following information concerning Japanese cellulose production, supplied under date May 24, 1949, by Industry Division, Economic and Scientific Section, General Headquarters, SCAP, to French Reparations and Restitution Delegation in Japan, forwarded as of possible interest to Department and other U. S. Government agencies:

1. Number of working plants:	Prewar	Present
Cellulose nitrate	13 (1941)	10
Cellulose acetate	4 (1940)	2
Cellophane	13 (1940)	6
Films	4 (1940)	2

2. Production:

Cellulose nitrate (m.t.)	4,239 (1941)	1,257 (1948)
Cellulose acetate "	254 (1941)	117 (1948)
Cellophane "	4,680 (1941)	940 (1948)
Films (square meters)	2,691,432 (1940)	1,499,718 (1948)

Imports of above during 1948 were limited to 76 metric tons of cellulose acetate imported from United States.

HUSTON

JUN 3 1949
FTI FBI

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

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Action Assigned to CWN

Action Taken No action to file

OFFICE OF INTERNATIONAL TRADE POLICY
JUL 6 1949
DEPARTMENT OF STATE

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

Date of Action 7/6/49

Action Office Symbol POL

Name of Officer CWNicol

Direction to DC/R file

Office of the U. S. Political Adviser for Japan

Tokyo, June 20, 1949.

No. 398

REC'D JUL 2

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ACTION
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Subject: Information on Japanese Woven Wire Industry.

The Chargé d'Affaires ad interim has the honor to refer to this Mission's despatch no. 370 of June 10, 1949, entitled "Information on Production of Ferroalloys in Japan," and to transmit herewith information on the Japanese woven wire industry supplied under date of June 13, 1949, by the Industry Division, Economic and Scientific Section (ESS), General Headquarters, SCAP, to the United Kingdom Liaison Mission in Japan. The latter requested the information under date of May 24, 1949, on behalf of the Board of Trade, London.

There are at present 79 factories engaged in the woven wire industry in Japan. The total number of machines in wire netting and fence manufacturing is 2,325. Their present approximate proportions of use are 57 per cent for woven wire cloth and 34 per cent for chain link fencing. The balance of the machines is used for producing other types of netting and fencing.

The available production figures quoted by the ESS Industry Division give output of woven wire cloth at 570 and 2,322 metric tons respectively in 1947 and 1948; output of chain link fencing during the same two years is reported at 1,193 and 2,461 metric tons respectively. No record is available of prewar exports; exports of woven wire cloth in 1947 aggregated 190 metric tons at $55,200, with exports in 1948 increasing to 420 metric tons at $126,000. No exports of chain link fencing were made in 1947 and 1948.

The current number of operatives in the Japanese woven wire industry is 3,400. The 79 factories engaged in this industry are members of three associations, including the Kansai Kanaami Konwakai (Kansai Wire Netting Association) with 48 members; the Kanto Kanaami Konwakai (Kanto Wire Netting Association) with 28 members; and the Shindo Kogyokai (Shindo Industrial Association) with 3 members.

In response to a previous inquiry from the United Kingdom Liaison Mission in Japan, the ESS Industry Division under date of January 31, 1949, stated that 82 factories were then engaged in the woven wire industry, with total number of looms being 1,832 and number of operatives being 3,333.

It is believed that information of the foregoing type on lesser known industries of Japan may prove useful to the Department and to other United States Government agencies.

Parchment mat to the Department.

Copy to American Embassy, London

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CHBoehringer:lee

OFFICE OF INTERNATIONAL RESOURCES DIVISION
JUL - 6 1949
DEPARTMENT OF STATE

FILED
JUL 12 1949

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DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

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ACTION: DC/L
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AIRGRAM

3861

FROM: USPOLAD, Tokyo

Date of mailing: Sept. 20, 1949

Rec'd: Sept. 22, 1949 5:12 p.m.

UNCLASSIFIED

Secretary of State,

Washington.

A-233, Sept. 17, 1949.

Following are texts of memorandum of August 5, 1949, from Head of Australian Mission in Japan to G-2 Section, General Headquarters, SCAP, and of reply prepared under date of August 30, 1949, by Scientific and Technical Division, Economic and Scientific Section, General Headquarters, SCAP, regarding manufacture of picric acid and chloropicrin from phenol:

MEMORANDUM FOR: Supreme Commander for the Allied Powers — 5th August, 1949

G-2: Foreign Liaison

Technical Information - Manufacture of Chloropicrin

An enquiry has been received from Australia for information on the manufacture in Japan of picric acid and chloropicrin from phenol.

Specifically, it is desired to ascertain whether the Japanese have manufactured picric acid, and subsequently chloropicrin, from phenol, and if they have used stainless steel reaction vessels in the process. If so, has it been found that 18-8 Stainless Steel has any inhibiting effect on the nitration of phenol carried out initially at 35° - 40°C and finally at 115°C, and are other materials of construction more suitable than 18-8 stainless steel for reaction vessels?

Any information that can be made available relating to this process will be appreciated.

/s/ Patrick Shaw
Head of Mission.

MEMORANDUM FOR: The Head of the Australian Mission in Japan — 30 August 1949

SUBJECT: Technical Information - Manufacture of Chloropicrin

1. Reference is memorandum from the Australian Mission to the Supreme Commander for the Allied Powers, Ref. No. T1/38.1/724, dated

894.659/9-1749

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DEPARTMENT OF STATE SEP 23 1949 LIAISON OFFICE

SEP 22 1949 FILED

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DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NNDG# 760050

5 August 1949, subject, as above.

2. As far as is known, picric acid in commercial quantities is not being manufactured in Japan. Chloropicrin is being manufactured from surplus stocks of picric acid. Mitsui Chemical Industrial Co. states that picric acid was manufactured at their plant by nitration of phenol at approximately the temperature given in the referenced memorandum. While 18-8 stainless steel has been used in the past, the company considers this material rather luxurious for the quality of picric acid required as an intermediate in the manufacture of chloropicrin. Normally, porcelain kettles are employed. It is reported, however, that 18-8 stainless steel does not inhibit the nitration.

3. Mitsubishi Chemical Industrial Company formerly manufactured picric acid from mono-chlorbenzene which was nitrated in a mild steel kettle with cast iron cooling pipes to dinitro-benzene, starting under 45°C and reaching 105°C maximum. After saponification to dinitro-chlorphenol, the final nitration to picric acid was accomplished in an 18-8 stainless steel water-jacketed kettle starting below 36°C and reaching 95°C maximum.

4. Nisshin Chemical Company and Nippon Kayaku Company formerly manufactured picric acid by processes similar to that used by the Mitsubishi Company. Nisshin employed a reaction kettle of chrome nickel steel, the composition of which has not been learned. Nippon Kayaku Company employed cast iron reaction vessels. The latter company had attempted to use porcelain vessels but has encountered considerable difficulty due to cracks developing during the reaction.

FOR THE SUPREME COMMANDER:

/s/ A.J. Rehe

Following is revised text of paragraph 3 of above ESS memorandum as submitted to Australian Mission on September 14, 1949:

> Mitsubishi Chemical Industrial Company formerly manufactured picric acid from monochlor-benzene which was nitrated in a mild steel kettle with cast iron cooling pipes to monochlor-dinitro-benzene, starting under 45°C and reaching 105°C maximum. After saponification to dinitro-phenol, the final nitration to picric acid was accomplished in an 18-8 stainless steel water-jacketed kettle, starting below 35°C and reaching 95°C maximum.

Believe this information may be of interest to Department of Commerce.

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Office of the U. S. Political Adviser
for Japan

Tokyo, November 15, 1949.

No. 796

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Subject: Statistics Covering Production of Electric Equipment in Japan.

The Acting Political Adviser has the honor to enclose a table covering production in Japan of certain electrical equipment including standard motors, standard transformers, measuring instruments, dry cell batteries, wires and cable, lamp bulbs, and storage batteries. The data, prepared by the Industry Division, Economic and Scientific Section, General Headquarters, SCAP, in response to a request from the United Kingdom Mission in Japan, show production by months in 1948 and during the first nine months of 1949.

Enclosure:

Copy of table showing production of specified electrical equipment.

Parchment Mat to the Department.

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Enclosure to Despatch No. 796, November 15, 1949, from the Office of the U.S. Political Adviser for Japan, Tokyo, on the subject "Statistics Covering Production of Electric Equipment in Japan."

(COPY)

1948 PRODUCTION

	Standard Motor Pcs	Standard Transformer Pcs	Measuring Instrument Pcs	Dry Cell Batteries Pcs	Wire & Cable MT	Lamp Bulbs Pcs	Storage Batteries Pcs
Jan	6,883	3,921	28,092	4,907,346	4,226	12,831,865	103,542
Feb	9,514	4,844	76,269	6,661,707	4,757	11,501,539	148,438
Mar	13,265	5,545	80,811	6,040,982	5,249	15,410,710	139,017
Apr	10,941	4,660	70,629	6,178,889	5,640	12,911,182	113,318
May	12,359	4,563	73,245	4,823,869	6,054	12,682,790	190,974
Jun	12,976	4,241	62,041	4,547,610	6,047	12,834,957	119,817
Jul	12,010	5,194	82,462	4,348,948	5,707	13,399,972	127,657
Aug	13,239	5,391	90,110	5,316,868	5,396	13,417,310	167,467
Sep	15,801	7,448	85,748	8,246,433	5,816	17,025,971	83,426
Oct	17,158	8,470	91,779	8,380,550	5,546	17,006,287	84,445
Nov	16,647	8,128	106,461	8,430,468	5,195	20,183,689	74,404
Dec	17,710	8,433	100,250	7,117,069	5,334	23,123,256	62,822

1949 PRODUCTION

Jan	15,778	8,646	92,230	4,840,226	4,675	21,049,990	78,778
Feb	19,144	9,724	119,011	7,786,946	5,045	21,006,575	85,528
Mar	18,641	10,274	111,773	3,493,516	5,224	18,014,933	85,727
Apr	19,791	8,379	113,181	5,137,508	5,154	18,580,553	74,362
May	19,811	8,561	117,778	2,953,606	4,144	15,059,087	64,087
Jun	21,021	8,276	134,369	3,718,793	4,149	11,819,532	79,260
Jul	22,402	6,993	130,663	4,178,657	3,531	9,719,807	67,088
Aug	23,914	6,326	103,189	5,010,398	3,699	8,698,715	87,473
Sep	24,923	6,370	122,469	6,457,545	4,229	8,906,941	53,146

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INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

FROM: USPOLAD, Tokyo. 1501

Date of mailing: December 9, 1949.

Rec'd: Dec. 12, 1949 5:14 pm

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Secretary of State,

Washington.

A-345, December 8, 1949.

In reply to request from Indian Liaison Mission, Tokyo, for information on Japanese producers of ammonium chloride, particularly status of three companies once known as important producers (Nippon Chisso Hiryo, daily production 50 tons; Nippon Jukagaku Kogyo K.K., 20 tons; and Kiuka Jinken K.K., 20 tons), in connection with India's desire to purchase Japanese equipment for establishment of ammonium chloride plant in India, Economic and Scientific Section, Supreme Commander for the Allied Powers, supplied following data to Indian Liaison Mission by memorandum of December 2, 1949, of possible interest to Department.

"An investigation has been completed regarding facilities of the three (3) companies mentioned for the production of Ammonium Chloride and the following is submitted for your information:

"a. The plant of the Nippon Chisso Hiryo was located at Hongu in Northern Korea. While Ammonium Chloride was produced at this plant during the years 1940 through 1944, the scope of present operations is unknown.

"b. The Nippon (Nihon) Jukagaku Kogyo K.K., located at Amagasaki City, Osaka and the Osaka plant of Kiuka Jinken K.K. have not and presently do not have facilities in order to produce Ammonium Chloride.

"c. Japan does not produce the above chemical in commercial quantities at present, therefore it is impossible to export Ammonium Chloride at this time.

"Various Japanese manufacturers and suppliers were contacted with reference to receiving specification, drawings and other data regarding the desired plant. Among the most qualified are Mitsui Shipbuilding and Engineering Co., Ltd., 2-chome, Nihombashi-Muromachi, Chuo-ku, Tokyo, and Seikow Sangyo Kaisha, Ltd., Nomura Bldg., 2-chome, Ohtemachi, Chuyoda-ku, Tokyo, representing Mitsubishi Chemical Machinery

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Tokyo's A-345,
December 8, 1949.

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"A Gludd or Solvay Process Ammonium Chloride Plant can be manufactured in Japan. However, before a quotation can be prepared, detailed information must be provided regarding the prospective plant site, climatic conditions, water supply and availability and characteristics of electric power. Analysis of coal for ammonia production, lime stone and salt must also be furnished.

"Pending receipt of the above information, provisional estimates of $14,000,000.00 from Mitsui for the Gludd Process Plant having an annual capacity of 60,000 metric tons and $13,200,000.00 from Seikow Sangyo for the Solvay Process Plant having an annual capacity of 210,000 metric tons for ammonia-chloride and 180,000 metric tons for Soda Ash."

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Copy to:

American Embassy, New Delhi.

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INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

AIRGRAM

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FROM: USPOLAD, Tokyo.

Date of mailing: December 16, 1949.

Rec'd: Dec. 20, 1949 10:19 am

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Secretary of State,

Washington.

A-358, December 13, 1949.

The following information was released by General Headquarters, Supreme Commander for the Allied Powers in a press release dated December 6, 1949 under the title "Fall Fertilizer Distribution Up":

"Distribution of commercial fertilizer to farmers throughout Japan as of Oct. 31 showed a sharp increase over the corresponding period a year ago, officials of SCAP's Natural Resources Section announced today.

"According to reports from the Ministry of Agriculture and Forestry, ammonium sulfate equivalents distributed to farmers averaged 59 percent of the total allocation as compared with 41 percent a year ago.

"Hokkaido and Ishikawa are the first prefectures in which farmers have received 100 percent of nitrogenous fertilizer for fall use. The farmers of 27 prefectures have received ammonium sulfate equivalents in quantities greater than the national average of 59 percent. Largely because of typhoon damage, the farmers of Miyazaki Prefecture had taken delivery on only 37 percent of allocated amounts.

"Superphosphate equivalents delivered to farmers averaged 55 percent, an increase of 16 percent over the 1948 figure of 39 percent. Toyama led all prefectures with 99 percent of the fall supply of superphosphate in the hands of farmers.

"Potash delivered to farmers totaled 58 percent of the fall allocation, whereas on Oct. 31 last year only 2 percent had reached consumers. This year the farmers of Hokkaido and Toyama prefectures had received 99 and 95 percent, respectively, of the available tonnage for fall use.

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"In some prefectures, officials said, shortage of funds by farmers has resulted in fertilizer purchases not being made until planting time. Rain during October also interfered with the rice harvest in a number of prefectures and delayed planting of the wheat and barley crops."

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DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

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DIVISION OF NORTHEAST ASIAN AFFAIRS DEC 28 1949 DEPARTMENT OF STATE

FROM: USPOLAD, Tokyo.

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Date of mailing: December 19, 1949.

Rec'd: Dec. 26, 1949 2:02 pm

Office of FAR EASTERN AFFAIRS DEC 28 1949 DEPUTY DIRECTOR Department of State

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Secretary of State,

Washington.

A-377, December 19, 1949.

The following notes on pearl dipping, spraying and lacquering, prepared by the Economic and Scientific Section, GHQ, SCAP, at the request of the Australian Mission in Tokyo, which had been unable to locate any printed material on this subject, are forwarded as of possible interest to Department:

Action Assigned to NA

Action Taken none required

Date of Action 12/28/49

Action Office Symbol NA

Name of Officer Struhsta

Direction to DC/R File

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"PEARL FINISH ON BUTTONS AND BEADS

"1. No Japanese literature is published on the specific subject of pearl spraying, pearl dipping and lacquering of beads and glass and plastic buttons.

"2. In lieu of published material on pearlized finishing of buttons and beads, the following data is presented:

"a. In Japan, the dipping process is used exclusively. It is generally agreed that dipping operations produce the best results because the flow of the solution enables the 'pearl' crystalloids to orient themselves flat surface up, thus giving the best pearl effect with a smooth finish and the minimum amount of material.

"b. Production of imitation pearl necklaces, bracelets and other jewelry items accounts for 96 percent of pearl coating operations. The comparatively small production of pearlized buttons is made by the same manufacturers and by similar methods.

"c. The base material for both beads and buttons in Japan is glass.

"d. The industry utilizes the most simple hand operated equipment.

"e. In manufacturing imitation pearls, hand formed milk white glass beads are strung on brass wires, about 100 beads per wire. Thirty to forty wires are attached in rows to a wooden frame about two by three feet in size. The strung frames are either attached to hand operated submersion racks or carefully held by hand and lowered gradually into flat

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tanks containing the pearlized synthetic lacquer solution. The content of this solution is reported below. As a precaution before using, the solution should be strained through 80 mesh screen to prevent lint and other impurities from passing through. As the beads are slowly covered with the pearlized solution care is exercised to assure that each bead will be individually and completely covered and that bubbles or foreign substances do not mar the surface of each bead. After complete submersion, the frame and beads are carefully removed leaving an even thin pearlized coating. Coated beads are allowed thirty minutes to dry and the dipping process is repeated. The number of coatings determines the thickness of the pearlized coating and therefore affects depth of luster of the beads. Five to eight coatings are applied to commercial beads. An excess of pearl essence crystals in the solution gives an opaque silvery sheen instead of the translucent pearly effect desired.

"MATERIAL REQUIRED FOR PEARLIZING 10,000 STRINGS
IMITATION PEARLS

(17 inch Strands)

Material	Unit	Quantity
Pearl essence	lb	7.6
Volatile Oil (Gasoline, Benzene)	kg	39
Amyl Acetate	"	14
Butyl Acetate	"	40
Ethyl Acetate	"	22
Aceton	"	14
Alcohol	"	40
Celluloid	"	8
Gelatin	"	3

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

Office of the U. S. Political Adviser
for Japan

Tokyo, December 23, 1949.

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JAN 6 1950
DEPARTMENT OF STATE

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Subject: Transmission of Information Bulletin Containing Chemical and Industrial Forecast for 1950.

The Acting Political Adviser has the honor to enclose a copy of Information Bulletin no. 29, dated December 22, 1949, on the subject "Chemical and Industrial Forecast for 1950." As indicated, this statement, which contains predictions and comments attributed to Mr. Maurice M. CLASS, Chief, Industry Division, Economic and Scientific Section, General Headquarters, SCAP, was released by the Public Information Office, General Headquarters, (U.S.) Far East Command, Tokyo.

Mr. Class states that the Japanese chemical industry can look forward to another good year in 1950. Favorable factors include the materially improved coal situation and more plentiful supply of electric power. The chemical fertilizer industry is expected by January, 1951, to reach production rates sufficient to meet all 1951 demands so that further imports of finished nitrogenous fertilizer will not be necessary. Output of soda products in 1950 is expected to show an increase of 25 per cent over 1949, while production of synthetic dyestuffs is expected to total 7,000 metric tons in the new year. Outstanding developments during 1950 are expected in expanded production of dyes for cellulose acetate, cellulose acetate fabrics, and the beginning of large-scale production of pigmented-resin dyes used chiefly for printing cotton fabrics. Virtually all of Japan's insecticide requirements for 1950 will be produced domestically. Total supply of industrial fats and oils is expected to reach about 122,000 metric tons in 1950, this being about double the supply for 1949. Increased output of photographic film is considered likely, while expanded production of glue and titanium oxide is predicted. Development work is being carried on to improve quality of vinyl acetate and vinyl chloride plastics.

Regarding general industrial production, Mr. Class states that "through the assiduous efforts of the government-management-labor team the levels of industrial production have steadily risen during 1949 to postwar highs. The overall index at the end of the year rests at 100 per cent compared to 1932-36 as a base period. The outlook for 1950 appears even more promising and portends greater progress and achievement."

Mr. Class

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MAR 1 - 1950

Mr. Class lists the following "bright spots on the horizon" which assertedly lend credence to his optimistic forecast: (1) completion of noteworthy foreign trade arrangements and improved export prospects; (2) increased availability of raw materials from logical sources of supply at reduced costs; (3) a more adequate supply of indigenous materials, notably coal; (4) an enlarged merchant marine; (5) improved efficiency of operations resulting from advice and recommendations of visiting experts from the United States; (6) rationalization within industry; (7) availability of U.S. Aid Counterpart Funds for industrial rehabilitation; (8) increased representation abroad; (9) a balanced budget and more stable economy; (10) relaxed measures for import-export transactions, and (11) prospects for an early peace treaty.

In closing his statement, Mr. Class points out that "concerted efforts and continued teamwork on the part of all concerned cannot fail to make 1950 a banner year and an important milestone on the road of industrial recovery for Japan."

Enclosure: As stated.

Copy of SCAP Information Bulletin no. 29 dated December 22, 1949, "Chemical and Industrial Forecast for 1950."

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