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UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

OFFICE OF THE SECRETARY
DEPARTMENT OF STATE

February 7, 1946

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The Secretary of State
The Secretary of War
The Chairman of the Board of
Directors, U.S. Commercial Company
Washington, D. C.

Office of
FAR EASTERN AFFAIRS
FEB 8 - 1946
DIRECTOR
Department of State

Gentlemen:

A number of conversations have been held between representatives of the Department of State, the War Department, U.S. Commercial Company (hereinafter referred to as USCC), and Commodity Credit Corporation (hereinafter referred to as CCC) for the purpose of formulating a program under which raw cotton owned by CCC would be shipped to Japan and manufactured into cotton textiles, and payment for such cotton and all other costs in connection with the program would be made from the proceeds of the sale of such textiles.

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We now understand that the following terms are satisfactory to all of the agencies concerned:

1. As used herein, the word "Cotton" shall mean raw cotton and the word "Textiles" shall mean cotton textiles and cotton yarn.

2. The Supreme Commander of the Allied Powers in Japan (hereinafter referred to as SCAP) will cause the Japanese government to nominate a Japanese government agency to take any and all steps that may be necessary or convenient to facilitate the program as hereinafter set forth. The Japanese agency will at all times during the term of this agreement act under the direct supervision and control of SCAP.

3. CCC shall dispose of hereunder for export to Japan such number of bales of cotton in accordance with such schedules of shipment as shall be mutually agreed upon by the War Department and CCC.

4. CCC shall determine the quality, grade and staple length of the cotton to be disposed of hereunder. Before making such determination, CCC shall consult with USCC. CCC shall obtain the concurrence of the War Department (and through the War Department, SCAP) in such determination.

5. CCC shall receive as the price for cotton disposed of hereunder the domestic market price for cotton which shall be the

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- 2 -

average price per pound of Middling 15/16-inch white cotton on the 10 designated spot markets, as quoted by the United States Department of Agriculture, on the date the cotton is delivered f.a.s. vessel, plus 120 points (1.2 cents per pound), and plus or minus, if the cotton is of a quality other than Middling 15/16-inch white cotton, the average premium or discount for such quality of cotton on the 10 designated spot markets, as quoted by the United States Department of Agriculture on such date, plus one-half percent of such price. The price specified in this paragraph is for cotton in high-density compressed bales and includes all charges against the cotton before it is ready to be loaded aboard vessel for 30 days after the date the cotton is delivered at U.S. port f.a.s. vessel. If the cotton is not placed aboard vessel during 30 days after the cotton is so delivered at a United States port, the foregoing price shall be increased by an amount equal to all charges paid by CCC which accrue against said cotton subsequent to said 30-day period until it is loaded aboard vessel. In computing the price of cotton the weight shall be the gross weight as shown on the warehouse records where stored and the class shall be the official classification as shown in CCC's Sales Catalogue.

6. CCC shall establish an account receivable for the total price of all cotton delivered f.a.s. vessel hereunder. Interest shall accrue on such account receivable at the rate of 3 percent per annum on the amount of the account outstanding at the end of each calendar month. Said account receivable, with interest as provided above shall be the amount due and payable to CCC hereunder. CCC shall advise USCC and the War Department of the amount outstanding in this account and the interest due thereon at the end of each month.

7. CCC shall deliver the cotton f.a.s. vessel, United States ports designated by it after consultation with USCC. Each bale of cotton delivered by CCC shall be marked to indicate the grade and staple length of the cotton. USCC will act on behalf of CCC in receiving the cotton f.a.s. vessel at such United States ports and effecting its transportation to Japan. USCC shall pay all costs in connection with loading the cotton aboard vessels, ocean transportation and unloading vessels in Japan.

8. Each shipment of cotton will be consigned to order of CCC. Upon arrival of each shipment in Japan, USCC, on behalf of CCC, will endorse the bill of lading to the Japanese agency and the cotton shall be delivered to the Japanese agency ex-vessel Japanese port and the Japanese agency shall deliver to USCC through SCAP a receipt in duplicate therefor. SCAP will endorse upon each such receipt the fact that the cotton therein described was delivered by USCC to the Japanese agency pursuant to agreement between CCC, USCC and the War Department. Title to the cotton shall pass to the Japanese agency upon the delivery of such cotton to the Japanese agency.

- 3 -

9. The Japanese agency, subject to the direct supervision and control of SCAP, shall retain title to the cotton and all textiles made therefrom until the disposition of the textiles as hereinafter set forth; provided, however, that until such disposition SCAP will take such steps as are necessary to assure CCC a paramount security claim upon all of the cotton and the textiles:

a. SCAP will be responsible for the cotton in Japan, for its unloading from vessels, for its manufacture into textiles and for the delivery of textiles to USCC hereunder. SCAP will take such steps as are necessary fully to protect the interests of CCC from the time of the arrival of cotton in Japan until textiles are delivered to USCC as provided herein.

b. Until such time as USCC and CCC shall have been paid in full for all amounts due them hereunder, SCAP will cause the Japanese agency to deliver to USCC for sale such quantities of textiles conforming to such specifications and instructions as are prescribed by USCC and SCAP with the approval of CCC. The textiles so required to be delivered to USCC will be not less than 60 percent of all the textiles manufactured during each 3-months' period. It being a primary consideration of the parties hereto that CCC and USCC shall be paid in full for all amounts due them hereunder, the War Department, (and through the War Department, SCAP) CCC, and USCC shall consult with each other from time to time for the purpose of adjusting the quantity of textiles to be delivered hereunder in order to insure that CCC and USCC will be fully paid.

c. The balance of the textiles shall be disposed of for such purposes as the War Department and SCAP shall deem appropriate.

d. Prior to delivery of textiles to USCC, SCAP will advise USCC directly or through the War Department all pertinent details relative to any textiles available and approved for delivery and upon approval by SCAP such textiles shall be placed aboard a ship destined for such port as may be specified by USCC unless USCC shall request prior delivery. SCAP will take all reasonable steps to assure that requests of USCC regarding packing, routing and other normal details of shipping are carried out.

e. SCAP will cause to be established and maintained accounting and inventory controls for all of the cotton delivered to Japan hereunder and all textiles made therefrom. Such records and accounts shall be available to any of the parties hereto for examination and quarterly reports shall be furnished to the parties hereto.

- 4 -

10. At the time of delivery of textiles to USCC, SCAP will cause the Japanese agency to transfer title to such textiles, free and clear of all claims and interests, to USCC. The indicia of such transfer of title will be a bill of sale or similar document in form satisfactory to USCC. Such document will in the first place be delivered by the Japanese agency to SCAP who will endorse thereon the fact that the property therein described is delivered to USCC for disposition pursuant to this agreement. After such endorsement SCAP will deliver the document to USCC.

11. Unless delivery of the textiles shall be requested by USCC at an earlier time, delivery of the textiles to USCC will take place upon issuance of on-board ocean bill of lading at port of embarkation. Title shall pass to USCC upon delivery. At the time of delivery, SCAP will furnish USCC with such other commercial documents as may be required.

12. USCC will sell such textiles in such manner as it deems to be to the best interest of all concerned in such countries and at such price levels as it shall determine with the approval of the other parties hereto. Sales shall not be made on credit without the approval of CCC and the War Department.

13. USCC will obtain and pay for marine and war-risk insurance coverage on the cotton and textiles. All insurance policies shall be subject to the approval of CCC. If any insured loss occurs, USCC will as agent of CCC or as title holder or otherwise make claim for the insurance proceeds. For the purpose of this agreement, the proceeds of any such insurance policies shall be deemed to be proceeds from the sale of textiles received by USCC hereunder.

14. USCC will maintain a separate account which will reflect the receipts and disposition of all proceeds from the sale of textiles hereunder. The proceeds, on hand at the end of each calendar month, shall be disposed of as follows:

a. USCC will first credit itself for all out-of-pocket expenses incurred and a 3 percent charge on the gross proceeds to cover administrative expenses. Out-of-pocket expenses shall include all direct expenses, such as freight, insurance, storage, in and out handling charges, loading and unloading charges, and other similar charges but shall not include salaries of employees, employees travel expenses and subsistence, office rent, interest, or other similar charges.

b. USCC will then pay CCC in United States dollars all amounts due CCC hereunder.

c. The balance shall be paid by USCC to the War Department or to its designee.

- 5 -

Until such time as USCC and CCC shall have been paid in full for all amounts due them hereunder, USCC shall set aside in a special fund one-half of the net proceeds derived from the sale by USCC of all exports from Japan, other than textiles, sold by USCC pursuant to an agreement contained in letter dated January 15, 1946 from the Chairman of the Board of Directors of Reconstruction Finance Corporation to the Secretary of War. Net proceeds under said agreement means gross proceeds of all sales by USCC thereunder less all of USCC's out-of-pocket expenses and less USCC's administrative charge of 3 percent of the gross receipts from all sales thereunder. Such special fund shall be established in the name of CCC and shall not be used for any purpose other than to pay to USCC and CCC the amounts due them hereunder. Such special fund need at no time exceed the amount then due USCC and CCC hereunder plus the total price, as estimated by CCC, of cotton scheduled by the War Department and CCC for shipment to Japan but not received by USCC f.a.s. vessel. Upon demand by CCC, USCC shall pay CCC from the special fund the amount due CCC hereunder. No change in the above mentioned agreement between USCC and the War Department, shall operate to affect the maintenance of the same or a similar fund. Upon the conclusion of the cotton program provided for herein or the termination of this agreement and after USCC and CCC have received all amounts due them hereunder, any balance remaining in such special fund shall be paid by USCC to the War Department or its designee.

15. In no event shall USCC be responsible for any losses incurred either to the cotton or to the textiles, nor shall it have any other financial obligations, except as provided herein, save to account to CCC and the War Department for the gross proceeds received by USCC in connection with the cotton and the textiles as hereinabove set forth.

16. The War Department will take all steps within its authority to hold USCC and CCC harmless from all loss, cost, damage or expense incurred by USCC and CCC arising directly or indirectly under this agreement or under any contract or arrangement entered into with third persons pursuant to this agreement.

17. All documents to be delivered to USCC hereunder shall be delivered to USCC in Washington, D. C. or to such other office of USCC as USCC may from time to time direct. All payments to be made to CCC hereunder shall be made to CCC in New Orleans, La., or to such other office of CCC as CCC may from time to time direct.

18. USCC shall make quarterly reports to the other parties hereto as to its operations hereunder.

- 6 -

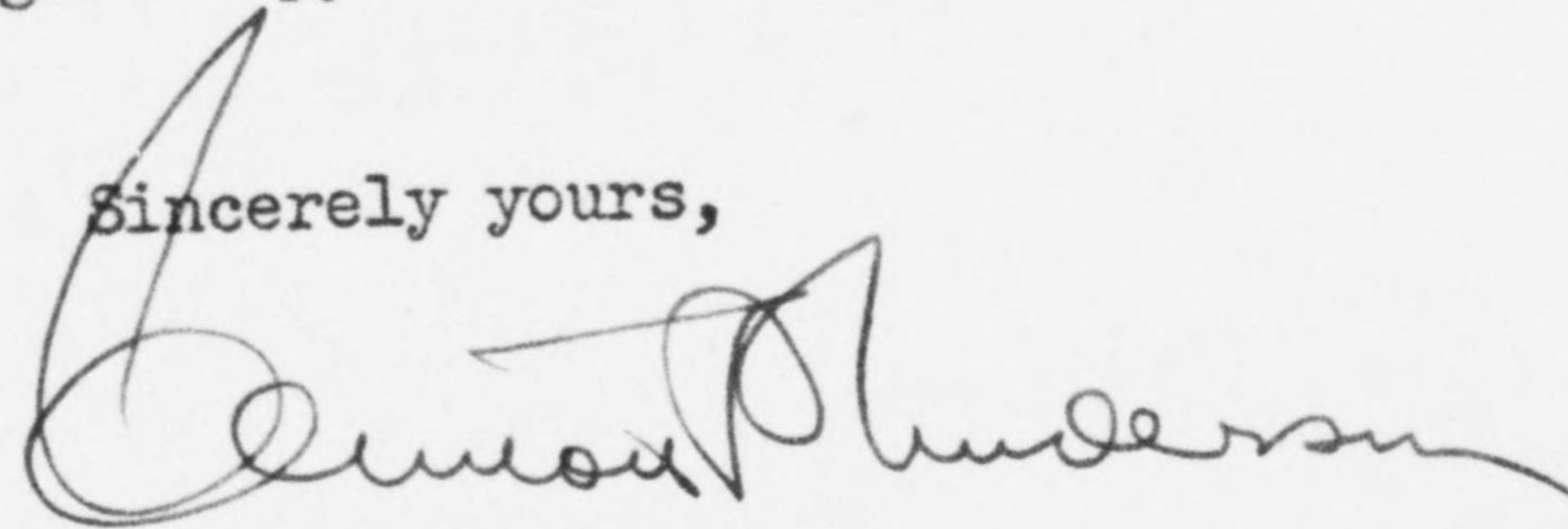
19. This agreement shall be subject to re-examination at any time and may be amended as changed circumstances may require.

20. CCC, USCC and the War Department shall each have the right to terminate this agreement at any time on sixty days written notice to the other parties hereto; provided, however, that no such termination shall be deemed to affect any cotton received by USCC from CCC prior to the expiration of such notice period, nor shall it be deemed to affect any textiles thereafter delivered to USCC hereunder. In the event of such termination, all costs incurred by CCC incident to the preparation of cotton for scheduled shipments, which cannot be made because of such termination, shall be an additional amount due CCC hereunder.

21. This agreement is limited to the export of cotton from the United States to Japan and to textiles to be made therefrom in Japan.

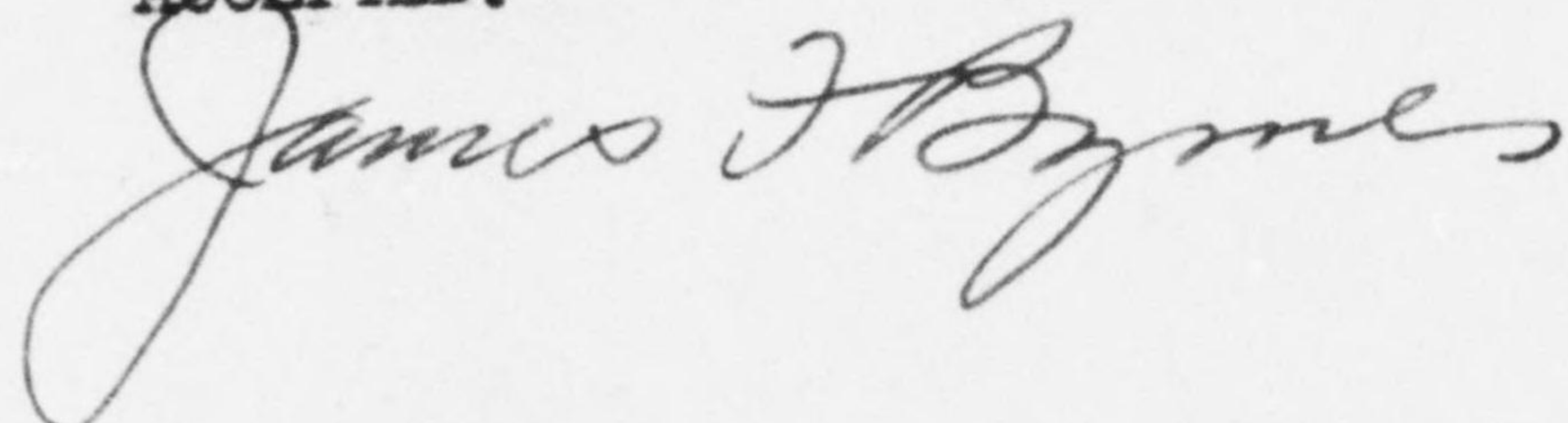
If the foregoing is acceptable to you, will you please so signify on the original and three of the enclosed duplicate copies of this letter. Will you then please return one of the signed copies to us and forward a signed copy to each of the other two parties.

Sincerely yours,



Secretary

ACCEPTED:



In reply refer to
A-C

FEB 25 1946

My dear Mr. Henderson:

I am in receipt of a letter dated February 7, 1946 from the Honorable Clinton F. Anderson, Secretary of Agriculture, setting forth the terms of an agreement to be entered into by the Department of State, the War Department, the Commodity Credit Corporation, and the United States Commercial Company under which raw cotton owned by the Commodity Credit Corporation is to be shipped to Japan for manufacture into cotton textiles.

The agreement is satisfactory to the Department of State and, in accordance with the request of the Secretary of Agriculture, I send you herewith a copy of his letter on which my acceptance is noted. Similar copies are being sent to the Secretary of War and the Secretary of Agriculture.

Sincerely yours,

James F. Byrnes

Enclosure:
As stated

The Honorable
Charles B. Henderson,
Chairman of the Board of Directors,
United States Commercial Company.

JK:KHWhitman

A-C:KWHamilton:gs-2/30/46

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CS 10 894.61321/2-746



OR
21 1946 P.M.

In reply refer to
A-0

FEB 25 1946

My dear Mr. Secretary:

I am in receipt of your letter dated February 7, 1946 setting forth the terms of an agreement to be entered into by the Department of State, the War Department, the Commodity Credit Corporation, and the United States Commercial Company under which raw cotton owned by the Commodity Credit Corporation is to be shipped to Japan for manufacture into cotton textiles.

The agreement is satisfactory to the Department of State and, in accordance with your request, I am returning herewith a copy of your letter on which my acceptance is noted. Similar copies are being sent to the Secretary of War and the Chairman of the Board of Directors of the United States Commercial Company.

Sincerely yours,
James F. Byrnes

Enclosure:
As stated

The Honorable
Clinton P. Anderson,
Secretary of Agriculture.

CR
FEB 21 1946 P.M.

JK:RH/htman
A-C:KWHamilton:gr-2/20/46

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~~Handwritten signature and stamp~~

FEB 25 1946

In reply refer to
A-0

My dear Mr. Secretary:

I am in receipt of a letter dated February 7, 1946 from the Honorable Clinton P. Anderson, Secretary of Agriculture, setting forth the terms of an agreement to be entered into by the Department of State, the War Department, the Commodity Credit Corporation, and the United States Commercial Company under which raw cotton owned by the Commodity Credit Corporation is to be shipped to Japan for manufacture into cotton textiles.

The agreement is satisfactory to the Department of State and, in accordance with the request of the Secretary of Agriculture, I send you herewith a copy of his letter on which my acceptance is noted. Similar copies are being sent to the Chairman of the Board of Directors, United States Commercial Company, and the Secretary of Agriculture.

Sincerely yours,

W. F. BYRNE

Enclosure:
As stated

The Honorable
Robert P. Patterson,
Secretary of War.

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FEB 21 346 P.M.

JK:RUBhitman
A-0:KWHamilton:gs-2/30/46

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A true copy of the original was
sent

10-1

FROM: Thorp, Willard L. - AC		FILE DESIGNATION	
CR	DATE 2-12-46	NO. 3007	7495
SUBJECT: Memo re Arrangements for shipment of cotton from U.S. to Japan attached; letter of 2/7 from Clinton Anderson re above		NO REPLY	
REFERRED TO: 212		DATE 2-16-46	RFRD AC - Clayton
PREVIOUS CORRESPONDENCE	ATTACHED	NO RECORD	CHARGED TO
FORM OWMR-1 PERMANENT FILE COPY			

FROM: Thorp, Willard L. - AC		FILE DESIGNATION	
CR	DATE 2-12-46	NO. 3007	7495
SUBJECT: Memo re Arrangements for shipment of cotton from U.S. to Japan attached; letter of 2/7 from Clinton Anderson re above		NO REPLY	
REFERRED TO: 212		DATE 2-16-46	RFRD AC - Clayton
PREVIOUS CORRESPONDENCE	ATTACHED	NO RECORD	CHARGED TO
FORM OWMR-1 TICKLER & CROSS REFERENCE FILE COPY			

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Secretary

DATE: February 12, 1946

FROM : AC - Willard L. Thorp *WLT*

1946 FEB 25 12 27

SUBJECT: Arrangements for Shipment of Cotton from United States to Japan

3007

The Department of State has been participating actively with the Departments of Agriculture and War, and the U. S. Commercial Company in order to get surplus United States cotton sent to Japan for the purpose of helping to meet the world-wide textile shortage as well as to aid the revival of Japanese peaceful industry.

The attached document from the Secretary of Agriculture embodies the agreements reached by the various parties as to financing and other responsibilities of the program. It is recommended that the proposal of the Secretary of Agriculture be accepted.

The arrangements made do not preclude sharing the Japanese raw cotton market with other suppliers, if it is so desired.

Liberty to Assist Secretaries
for Economic Affairs
FEB 18 1946
DEPARTMENT OF STATE

*I approve if
Clayton agrees*

MAR 1 - 1946

JFB

DCR - ITP Unit	
Anal
Rev.
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I approve.

W.L.T. 2/19/46

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DEPARTMENT OF STATE

ASSISTANT SECRETARY

February 21, 1946

CR ✓ - Mrs. Halla

You will note that the Secretary has already indicated his approval of the agreement covered in the attached letters, subject to Mr. Clayton's approval. Mr. Clayton has indicated his approval and the Secretary's signature is now required at the end of ^{the original &} each of the copies of Secretary Anderson's incoming letter under the heading marked "ACCEPTED". This of course is in addition to his signature on the letters transmitting copies of the agreement to the other interested agencies.


A-C:KWHamilton:gm

February 21, 1946

CR - Mrs. Halla

You will note that the Secretary has already indicated his approval of the agreement covered in the attached letters subject to Mr. Clayton's approval. Mr. Clayton has indicated his approval and the Secretary's signature is now required at the end of each of the copies of Secretary Anderson's incoming letter under the heading marked "ACCEPTED". This of course is in addition to his signature on the letters transmitting copies of the agreement to the other interested agencies.

A-G:K/Hamilton:gn

MAR 1 - 1946

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FW 894.61321/2-1246

February 21, 1946

CR - Mrs. Halla

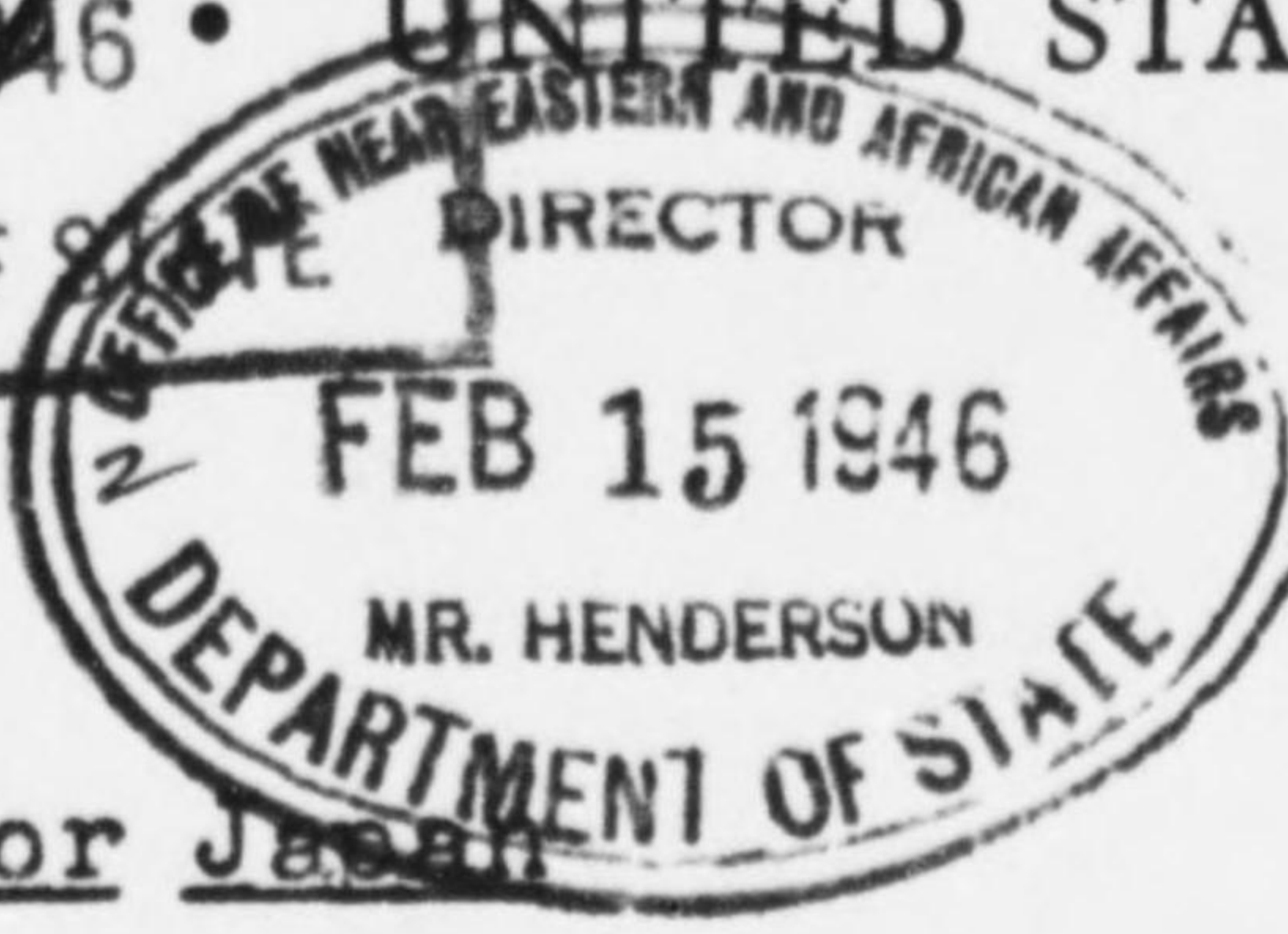
You will note that the Secretary has already indicated his approval of the agreement covered in the attached letters subject to Mr. Clayton's approval. Mr. Clayton has indicated his approval and the Secretary's signature is now required at the end of each of the copies of Secretary Anderson's incoming letter under the heading marked "ACCEPTED". This of course is in addition to his signature on the letters transmitting copies of the agreement to the other interested agencies.

A-C:K/Hamilton:gm

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DEPARTMENT OF STATE



Mr. Berry: Please see me

TO : NEA - Mr. Henderson

DATE: February 15, 1946.

FROM : ME

DC/R

SUBJECT: Raw Cotton Supplies For Japan

I am informed that on Tuesday next (February 19) there will be a meeting of the Secretary's staff committee of which you are a member. At this meeting there will be discussed the question of raw cotton supplies for Japan. The Japanese market for raw cotton was one which was shared equally between the United States and India before the war.

It is my understanding that there will be put before the staff committee two alternatives with regard to this cotton problem:

- (1) that beginning immediately arrangements will be made for equal quantities of Indian and American cotton to be imported into Japan in line with the prewar trade position there;
- (2) that for the time being the United States be the only supplier of raw cotton to Japan, possibly for a period of several months, pending a study by the Far Eastern Commission of the proper kind of allocation for Japanese cotton imports on a more permanent basis.

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CS/LF

The Government of India through the Agency General here has taken a strong stand on India's right to share equally with the United States immediately in the Japanese market for cotton. On the other hand, United States cotton interests and their spokesman in Congress feel that the United States should be the only supplier of cotton to Japan for the time being.

It is my opinion that to keep Indian cotton out of the Japanese market will place American cotton interests in an unjustifiably preferential position in Japan and will be detrimental not only to our relations with India but to the position of the United States as a trade nation. We are now taking the lead in calling a conference of the important trade nations of the world, one of them being India, and we are trying to get these nations to subscribe to a whole set of lofty trade principles, among them the principle of an equitable sharing of the world's markets without artificial restrictions. How much success our proposals

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FEB 28 1946

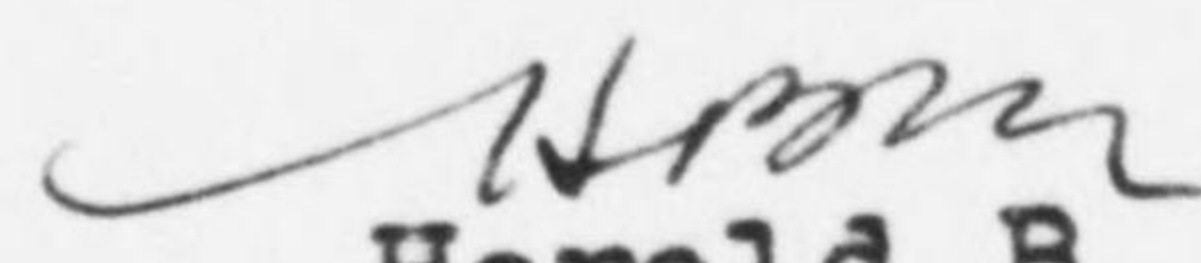
will


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will achieve if we try to exclude India from a market which she had developed in the world in fair competition with us I do not know.

It might also be kept in mind that while Indian contribution to the defeat of Japan was by no means as great as that of the United States, nevertheless, India's supplies and men were an important factor in the war against Japan.

I hope that you will find it possible to take a strong position with regard to this matter at the staff meeting next Tuesday.


Harold B. Minor


ME:RLThurston:ac

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DEPARTMENT OF STATE
WAR DEPARTMENT
WASHINGTON, D. C.

APR 10 1946 *White*

FEB 28 1946

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~~CP~~
~~JA~~

1946 MAR 1 AM 11 29

The Honorable

The Secretary of State

RECORDS BRANCH

Dear Mr. Secretary:

DEPARTMENT OF STATE
MAR 4 - 1946
DIVISION OF FOREIGN REPORTING SERVICES

file
KOREAN
AFFAIRS
DEPARTMENT OF STATE
Copy drafted by R.H. Whitman
MAR 29 1946 4/3/46

There is attached herewith a signed copy of a letter agreement from the Secretary of Agriculture dated February 7, 1946, under which raw cotton will be shipped to Japan.

The terms of the agreement contained in the letter from the Secretary of Agriculture are acceptable to the War Department. The War Department does not construe this February 7, 1946 letter agreement to make available to USCC or CCC any War Department appropriated funds to bear possible loss, cost, damage or expense incurred by USCC or CCC as a result of this agreement.

x R
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There is also attached a copy of a form of receipt and endorsement on which raw cotton is to be delivered to an agency of the Imperial Japanese Government, ex-vessel Japanese port, and a form of transfer of title and endorsement on which the cotton textiles are to be delivered to USCC for export. It is understood that these forms are acceptable to CCC and USCC within the meaning of paragraphs 8 and 10 of the attached letter agreement, dated February 7, 1946.

It is my understanding that the State Department approves the reactivation of the present operable textile capacity in Japan, to the extent that it can be utilized to alleviate the present world critical shortage of cotton textiles and to enable Japan to more nearly satisfy essential internal civilian requirements, and that the enclosed agreement is consistent with present governmental policy.

Sincerely yours,

R. H. Whitman

Secretary of War

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CS/LF

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Cat. *[Signature]*
Dist. *[Signature]*

DIVISION OF JAPANESE AFFAIRS
APR 8 - 1946
DEPARTMENT OF STATE

DIVISION OF COMMERCIAL POLICY
MAR 6 1946
DEPARTMENT OF STATE

APR 1 6 1946
FILED



28 FEB 1946

The Honorable

The Secretary of State

Dear Mr. Secretary:

There is attached herewith a signed copy of a letter agreement from the Secretary of Agriculture dated February 7, 1946, under which raw cotton will be shipped to Japan.

The terms of the agreement contained in the letter from the Secretary of Agriculture are acceptable to the War Department. The War Department does not construe this February 7, 1946 letter agreement to make available to USCC or CCC any War Department appropriated funds to bear possible loss, cost, damage or expense incurred by USCC or CCC as a result of this agreement.

There is also attached a copy of a form of receipt and endorsement on which raw cotton is to be delivered to an agency of the Imperial Japanese Government, ex-vessel Japanese port, and a form of transfer of title and endorsement on which the cotton textiles are to be delivered to USCC for export. It is understood that these forms are acceptable to CCC and USCC within the meaning of paragraphs 8 and 10 of the attached letter agreement, dated February 7, 1946.

It is my understanding that the State Department approves the reactivation of the present operable textile capacity in Japan, to the extent that it can be utilized to alleviate the present world critical shortage of cotton textiles and to enable Japan to more nearly satisfy essential internal civilian requirements, and that the enclosed agreement is consistent with present governmental policy.

Sincerely yours,

(Signed) ROBERT P. PATTERSON
Secretary of War

February 7, 1946

The Secretary of State
The Secretary of War
The Chairman of the Board of Directors,
U. S. Commercial Company
Washington, D. C.

Gentlemen:

A number of conversations have been held between representatives of the Department of State, the War Department, U. S. Commercial Company (hereinafter referred to as USCC), and Commodity Credit Corporation (hereinafter referred to as CCC) for the purpose of formulating a program under which raw cotton owned by CCC would be shipped to Japan and manufactured into cotton textiles, and payment for such cotton and all other costs in connection with the program would be made from the proceeds of the sale of such textiles.

We now understand that the following terms are satisfactory to all of the agencies concerned:

1. As used herein, the word "Cotton" shall mean raw cotton and the word "Textiles" shall mean cotton textiles and cotton yarn.
2. The Supreme Commander of the Allied Powers in Japan (hereinafter referred to as SCAP) will cause the Japanese government to nominate a Japanese government agency to take any and all steps that may be necessary or convenient to facilitate the program as hereinafter set forth. The Japanese agency will at all times during the term of this agreement act under the direct supervision and control of SCAP.
3. CCC shall dispose of hereunder for export to Japan such number of bales of cotton in accordance with such schedules of shipment as shall be mutually agreed upon by the War Department and CCC.
4. CCC shall determine the quality, grade and staple length of the cotton to be disposed of hereunder. Before making such determination, CCC shall consult with USCC. CCC shall obtain the concurrence of the War Department (and through the War Department, SCAP) in such determination.

OSW 423 (2/7/46)

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5. CCC shall receive as the price for cotton disposed of hereunder the domestic market price for cotton which shall be the average price per pound of Middling 15/16-inch white cotton on the 10 designated spot markets, as quoted by the United States Department of Agriculture, on the date the cotton is delivered f.a.s. vessel, plus 120 points (1.2 cents per pound), and plus or minus, if the cotton is of a quality other than Middling 15/16-inch white cotton, the average premium or discount for such quality of cotton on the 10 designated spot markets, as quoted by the United States Department of Agriculture on such date, plus one-half percent of such price. The price specified in this paragraph is for cotton in high-density compressed bales and includes all charges against the cotton before it is ready to be loaded aboard vessel for 30 days after the date the cotton is delivered at U. S. port f.a.s. vessel. If the cotton is not placed aboard vessel during 30 days after the date the cotton is delivered at a United States port, the foregoing price shall be increased by an amount equal to all charges paid by CCC which accrue against said cotton subsequent to said 30-day period until it is loaded aboard vessel. In computing the price of cotton the weight shall be the gross weight as shown on the warehouse records where stored and the class shall be the official classification as shown in CCC's Sales Catalogue.

6. CCC shall establish an account receivable for the total price of all cotton delivered f.a.s. vessel hereunder. Interest shall accrue on such account receivable at the rate of 3 percent per annum on the amount of the account outstanding at the end of each calendar month. Said account receivable, with interest as provided above shall be the amount due and payable to CCC hereunder. CCC shall advise USCC and the War Department of the amount outstanding in this account and the interest due thereon at the end of each month.

7. CCC shall deliver the cotton f.a.s. vessel, United States ports designated by it after consultation with USCC. Each bale of cotton delivered by CCC shall be marked to indicate the grade and staple length of the cotton. USCC will act on behalf of CCC in receiving the cotton f.a.s. vessel at such United States ports and effecting its transportation to Japan. USCC shall pay all costs in connection with loading the cotton aboard vessels, ocean transportation and unloading vessels in Japan.

8. Each shipment of cotton will be consigned to order of CCC. Upon arrival of each shipment in Japan, USCC, on behalf of CCC, will endorse the bill of lading to the Japanese agency and the

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cotton shall be delivered to the Japanese agency ex-vessel Japanese port and the Japanese agency shall deliver to USCC through SCAP a receipt in duplicate therefor. SCAP will endorse upon each such receipt the fact that the cotton therein described was delivered by USCC to the Japanese agency pursuant to agreement between CCC, USCC and the War Department. Title to the cotton shall pass to the Japanese agency upon the delivery of such cotton to the Japanese agency.

9. The Japanese agency, subject to the direct supervision and control of SCAP, shall retain title to the cotton and all textiles made therefrom until the disposition of the textiles as hereinafter set forth; provided, however, that until such disposition SCAP will take such steps as are necessary to assure CCC a paramount security claim upon all of the cotton and the textiles:

- a. SCAP will be responsible for the cotton in Japan, for its unloading from vessels, for its manufacture into textiles and for the delivery of textiles to USCC hereunder. SCAP will take such steps as are necessary fully to protect the interests of CCC from the time of the arrival of cotton in Japan until textiles are delivered to USCC as provided herein.
- b. Until such time as USCC and CCC shall have been paid in full for all amounts due them hereunder, SCAP will cause the Japanese agency to deliver to USCC for sale such quantities of textiles conforming to such specifications and instructions as are prescribed by USCC and SCAP with the approval of CCC. The textiles so required to be delivered to USCC will be not less than 60 percent of all the textiles manufactured during each 3-months' period. It being a primary consideration of the parties hereto that CCC and USCC shall be paid in full for all amounts due them hereunder, the War Department, (and through the War Department, SCAP) CCC, and USCC shall consult with each other from time to time for the purpose of adjusting the quantity of textiles to be delivered hereunder in order to insure that CCC and USCC will be fully paid.
- c. The balance of the textiles shall be disposed of for such purposes as the War Department and SCAP shall deem appropriate.

4 -

- d. Prior to delivery of textiles to USCC, SCAP will advise USCC directly or through the War Department all pertinent details relative to any textiles available and approved for delivery and upon approval by SCAP such textiles shall be placed aboard a ship destined for such port as may be specified by USCC unless USCC shall request prior delivery. SCAP will take all reasonable steps to assure that requests of USCC regarding packing, routing and other normal details of shipping are carried out.
 - e. SCAP will cause to be established and maintained accounting and inventory controls for all of the cotton delivered to Japan hereunder and all textiles made therefrom. Such records and accounts shall be available to any of the parties hereto for examination and quarterly reports shall be furnished to the parties hereto.
10. At the time of delivery of textiles to USCC, SCAP will cause the Japanese agency to transfer title to such textiles, free and clear of all claims and interests, to USCC. The indicia of such transfer of title will be a bill of sale or similar document in form satisfactory to USCC. Such document will in the first place be delivered by the Japanese agency to SCAP who will endorse thereon the fact that the property therein described is delivered to USCC for disposition pursuant to this agreement. After such endorsement SCAP will deliver the document to USCC.
11. Unless delivery of the textiles shall be requested by USCC at an earlier time, delivery of the textiles to USCC will take place upon issuance of on-board ocean bill of lading at port of embarkation. Title shall pass to USCC upon delivery. At the time of delivery, SCAP will furnish USCC with such other commercial documents as may be required.
12. USCC will sell such textiles in such manner as it deems to be to the best interest of all concerned in such countries and at such price levels as it shall determine with the approval of the other parties hereto. Sales shall not be made on credit without the approval of CCC and the War Department.
13. USCC will obtain and pay for marine and war-risk insurance coverage on the cotton and textiles. All insurance policies shall be subject to the approval of CCC. If any insured loss occurs,

5 -

USCC will as agent of CCC or as title holder or otherwise make claim for the insurance proceeds. For the purpose of this agreement, the proceeds of any such insurance policies shall be deemed to be proceeds from the sale of textiles received by USCC hereunder.

14. USCC will maintain a separate account which will reflect the receipts and disposition of all proceeds from the sale of textiles hereunder. The proceeds, on hand at the end of each calendar month, shall be disposed of as follows:

- a. USCC will first credit itself for all out-of-pocket expenses incurred and a 3 percent charge on the gross proceeds to cover administrative expenses. Out-of-pocket expenses shall include all direct expenses, such as freight, insurance, storage, in and out handling charges, loading and unloading charges, and other similar charges but shall not include salaries of employees, employees travel expenses and subsistence, office rent, interest, or other similar charges.
- b. USCC will then pay CCC in United States dollars all amounts due CCC hereunder.
- c. The balance shall be paid by USCC to the War Department or to its designee.

Until such time as USCC and CCC shall have been paid in full for all amounts due them hereunder, USCC shall set aside in a special fund one-half of the net proceeds derived from the sale by USCC of all exports from Japan, other than textiles, sold by USCC pursuant to an agreement contained in letter dated January 15, 1946 from the Chairman of the Board of Directors of Reconstruction Finance Corporation to the Secretary of War. Net proceeds under said agreement means gross proceeds of all sales by USCC thereunder less all of USCC's out-of-pocket expenses and less USCC's administrative charge of 3 percent of the gross receipts from all sales thereunder. Such special fund shall be established in the name of CCC and shall not be used for any purpose other than to pay to USCC and CCC the amounts due them hereunder. Such special fund need at no time exceed the amount then due USCC and CCC hereunder plus the total price, as estimated by CCC, of cotton scheduled by the War Department and CCC for shipment to Japan but not received by USCC f.a.s. vessel. Upon demand by CCC, USCC shall pay CCC from the special fund the amount due CCC hereunder. No change in the above mentioned agreement between USCC and the War Department, shall operate to affect the maintenance of the same or a similar

6 -

fund. Upon the conclusion of the cotton program provided for herein or the termination of this agreement and after USCC and CCC have received all amounts due them hereunder, any balance remaining in such special fund shall be paid by USCC to the War Department or its designee.

15. In no event shall USCC be responsible for any losses incurred either to the cotton or to the textiles, nor shall it have any other financial obligations, except as provided herein, save to account to CCC and the War Department for the gross proceeds received by USCC in connection with the cotton and the textiles as hereinabove set forth.

16. The War Department will take all steps within its authority to hold USCC and CCC harmless from all loss, cost, damage or expense incurred by USCC and CCC arising directly or indirectly under this agreement or under any contract or arrangement entered into with third persons pursuant to this agreement.

17. All documents to be delivered to USCC hereunder shall be delivered to USCC in Washington, D. C. or to such other office of USCC as USCC may from time to time direct. All payments to be made to CCC hereunder shall be made to CCC in New Orleans, La., or to such other office of CCC as CCC may from time to time direct.

18. USCC shall make quarterly reports to the other parties hereto as to its operations hereunder.

19. This agreement shall be subject to re-examination at any time and may be amended as changed circumstances may require.

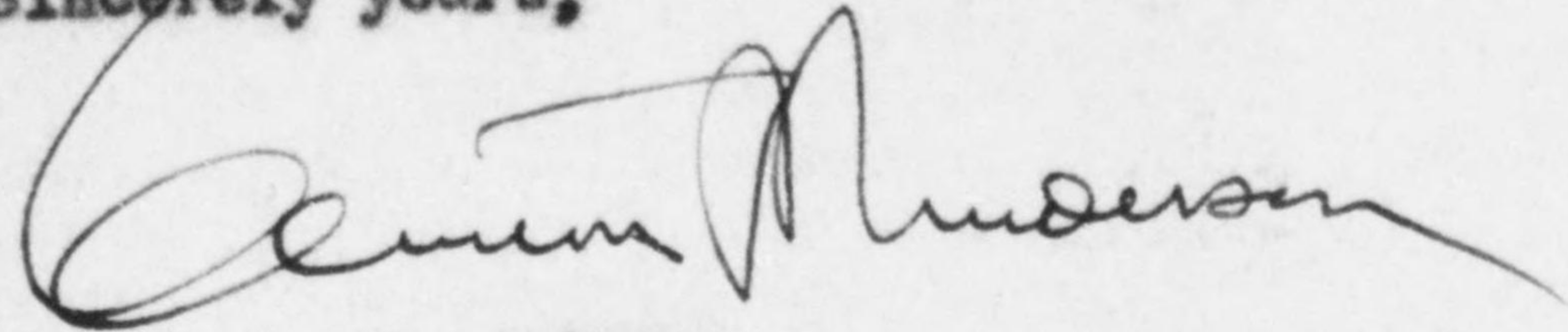
20. CCC, USCC and the War Department shall each have the right to terminate this agreement at any time on sixty days written notice to the other parties hereto; provided, however, that no such termination shall be deemed to affect any cotton received by USCC from CCC prior to the expiration of such notice period, nor shall it be deemed to affect any textiles thereafter delivered to USCC hereunder. In the event of such termination, all costs incurred by CCC incident to the preparation of cotton for scheduled shipments, which cannot be made because of such termination, shall be an additional amount due CCC hereunder.

21. This agreement is limited to the export of cotton from the United States to Japan and to textiles to be made therefrom in Japan.

7 -

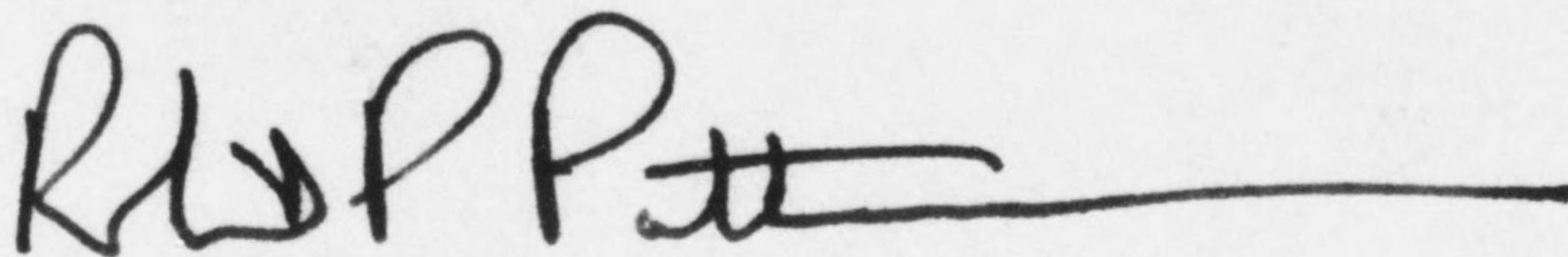
If the foregoing is acceptable to you, will you please so signify on the original and three of the enclosed duplicate copies of this letter. Will you then please return one of the signed copies to us and forward a signed copy to each of the other two parties.

Sincerely yours,



Secretary

ACCEPTED:



Secretary of War

TRANSFER OF TITLE TO JAPANESE MERCHANDISE

For and in consideration of the undertakings of U.S. Commercial Company, an agency of the United States of America, to dispose of the merchandise hereinafter described pursuant to an agreement entered into between U.S. Commercial Company and the War Department of the United States of America, and in consideration of the benefits to be derived by the undersigned from the performance of the terms of said agreement, the undersigned transfers and delivers the said merchandise and all title and ownership therein to U.S. Commercial Company, free and clear of all claims and interests:

<u>Merchandise</u>	<u>Description & Markings</u>	<u>Quantity</u>
--------------------	-----------------------------------	-----------------

The undersigned warrants that it has sole and exclusive title and ownership to the merchandise above described and that there are no outstanding claims against or interests in said merchandise or any part thereof.

It is understood that U.S. Commercial Company will dispose of the above described merchandise and will account for the proceeds thereof in accordance with the direction of the War Department of the United States of America pursuant to the aforesaid agreement.

The undersigned agrees that it shall in no event make any claim or demand whatsoever against U.S. Commercial Company or any subsequent recipient of said merchandise in connection with said merchandise or any of the proceeds thereof.

Dated: _____ An Agency of The Imperial Japanese Government

By: _____

Title _____

ENDORSEMENT

The merchandise described in the above Transfer of Title is delivered to US Commercial Company for disposition pursuant to agreement heretofore entered into between U.S. Commercial Company and the War Department of the United States of America.

Dated: _____ Supreme Commander for the Allied Powers

By: _____

Title _____

Receipt for Cotton

Received of U.S. Commercial Company acting on behalf of Commodity Credit Corporation the following cotton:

Bales	Mark	Bales	Mark	Bales	Mark
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Bales _____

Grand Total Bales _____ Received from Steamship _____ Total Bill of Lading Weight _____

Dated _____

An Agency of The Imperial Japanese Government

By _____

Title

Endorsement

The cotton described in the above receipt was delivered by U. S. Commercial Company acting on behalf of Commodity Credit Corporation for disposition pursuant to agreement heretofore entered into between U. S. Commercial Company, Commodity Credit Corporation and the War Department of the United States of America.

Dated _____

Supreme Commander for the Allied Powers

By _____

Title

APR 10 1946

In reply refer to
JK 894.61321/2-2846

My dear Mr. Secretary:

This is in reference to your letter of February 28, 1946, on the subject of arrangements for providing United States cotton for use in the Japanese textile industry.

The Department of State sees no objection to the forms to be used in delivering the cotton to an agency of the Japanese Government, and delivering cotton to the United States Commercial Company for export which were attached to your letter.

The policy of the Department of State with regard to the re-activation of the present operable textile capacity in Japan is more fully stated in my letter to you of March 1, 1946, and the agreement concurred in by the Departments of State, War, and Agriculture, and the Reconstruction Finance Corporation is consistent with present governmental policy.

Sincerely yours,

James F. Byrnes

The Honorable
Robert P. Patterson,
Secretary of War.

APR 9 1946
ORDERS

[Handwritten signature]
JK:RHWhitman:aw

[Handwritten initials]

4/3/46

[Handwritten initials]

[Handwritten initials]

JA
HB

A-C
[Handwritten initials]

894.61321/2-2846

CS/A 894.61321/2-2846

DAVID I. WALSH, MAET., CHAIRMAN
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 RICHARD B. RUSSELL, GA.
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M. E. GALLAGHER, CLERK

United States Senate

COMMITTEE ON NAVAL AFFAIRS
March 5, 1946

CP
JK

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE
file
MAR 22 1946

894.61321/3-546

The Honorable James F. Byrnes
Secretary of State
Department of State
Washington, D. C.

Dear Sir:

I enclose herewith a copy of a telegram, which is self-explanatory. My views are in accord with the writer's, and I respectfully request that you give them careful consideration.

With kindest personal regards, I am

Sincerely yours,

John L. McClellan
John L. McClellan

JLM:rb

4
RECEIVED
DEPARTMENT OF STATE

MAR 9 1946

RECORDS BRANCH

will
OK. copy to reply 3/15/46
DIVISION OF COMMERCIAL POLICY
DEPARTMENT OF STATE
MAR 9 1946
Report to JK for action

DCR - ITP Unit
Anal *JB*
Rev *JB*
JA

MAR 27 1946

894.61321/3-546

COPY

Charge to the account of

CLASS OF SERVICE DESIRED	
DOMESTIC	CABLE
TELEGRAM	ORDINARY
DAY LETTER	URGENT RATE
SERIAL	DEFERRED
NIGHT LETTER	NIGHT LETTER

Patrons should check class of service desired; otherwise the message will be transmitted as a telegram or ordinary cablegram.

WESTERN UNION

1206

A. N. WILLIAMS
PRESIDENT

CHECK
ACCOUNTING INFORMATION
TIME FILED

Send the following telegram, subject to the terms on back hereof, which are hereby agreed to
1946 MAR 4

SENATOR JOHN L MCCLELLAN
SENATE OFFICE BLDG.

**FOR VICTORY
BUY
WAR BONDS
TODAY**

DEPARTMENT OF AGRICULTURE AND ARMY HAVE WORKED OUT PROGRAM TO SUPPLY JAPAN WITH APPROXIMATELY MILLION AND HALF BALES OF OUR LOW GRADE SHORT STAPLE COTTON NOW OWNED BY CCC AND WHICH WE BADLY NEED TO GET RID OF. JAPAN WILL PAY FOR COTTON WITH TEXTILES. UNDERSTAND BRITISH ARE NOW INSISTING 40 PERCENT OF COTTON TO BE SUPPLIED JAPAN UNDER THIS PROGRAM COME FROM INDIA. UNITED STATES CARRIED MAIN LOAD OF JAPANESE WAR AND STILL CARRYING LOAD OF REESTABLISHING JAPANESE ECONOMY ON PEACEFUL BASIS. INDIA DID NOTHING IN THE WAR EXCEPT MAKE TROUBLE. EVERYTHING CONSIDERED, BELIEVE WE SHOULD INSIST JAPANESE PROGRAM BE CARRIED OUT JUST AS PLANNED WITH UNITED STATES COTTON. WOULD APPRECIATE YOUR IMMEDIATELY CONTACTING SECRETARIES BYRNES AND ANDERSON ON THIS. REGARDS.

SIDNEY WEST, CHAIRMAN, COMMITTEE ON FOREIGN TRADE
NATIONAL COTTON COUNCIL

MAR 20 1946

In reply refer to
JK 894.61321/3-546

My dear Senator McClellan:

I refer to your letter of March 5, 1946, enclosing a copy of a telegram from Mr. S.Y. West, of the National Cotton Council, concerning sources of Japanese raw cotton imports.

The Government of India has requested that the Japanese raw cotton market be shared in the same proportions as in pre-war years. During that period Japanese imports from India and from the United States were roughly equal but the United States portion was declining. India's casualties in the war against Japan were over three quarters of a million and, in addition, a million and a half persons died in the famine in Bengal Province in 1943 which resulted, in part, from the war.

will ~~The Department of State holds to the belief that~~ The question of how the Japanese cotton market should be shared during the next few months ~~will be~~ determined by the Far Eastern Commission, formed at the Moscow Conference with power to determine policy for the occupation of Japan, as a part of the general problem of equitable sharing of the Japanese import market. This Government has an obligation not to use its position as the principal occupying power to injure the commercial interests of countries allied with us in the war against Japan.

To expedite the contribution of Japanese industry to the current world shortage of textiles, raw cotton urgently required for the initial 3 months of mill operation will be shipped from the United States in the near future. The source of the balance of the requirements will be decided upon after action by the Far Eastern Commission.

With best wishes, I am

Sincerely yours,

James F. Byrnes

The Honorable:
John L. McClellan,
United States Senate.

MAR 13 1946
MAR 20 1946

JK:WMBrown:me 3/11/46

IR CP ME BC JA A-C Secretary
WMB
RMB
WST
HGB

894.61321/3-546

CS/LF

894.61321/3-546

JAMES E. MURRAY, MONT., CHAIRMAN
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CHARLES A. MURRAY, CLERK
 PAUL SAMPLE, ASST. CLERK

United States Senate

COMMITTEE ON EDUCATION AND LABOR

INTERNATIONAL RESOURCES DIVISION

March 6th, 1946

MAR 20 1946
 DEPARTMENT OF STATE

DIVISION OF JAPANESE AFFAIRS
 MAR 25 1946
 DEPARTMENT OF STATE

DIVISION OF JAPANESE AND KOREAN
 ECONOMIC AFFAIRS
 DEPARTMENT OF STATE
 MAR 22 1946

894.61321/3-646

Hon. James F. Byrnes,
 Secretary of State,
 State Department,
 Washington, D. C.

Dear Mr. Secretary:

I enclose a copy of a telegram which I have received from Sid Y. West, Chairman, Committee on Foreign Trade, National Cotton Council, Memphis, Tennessee.

You will note that Mr. West has stated the position of the National Cotton Council with regard to the negotiations for the sale of surplus low grade short staple cotton to the Japanese. He particularly feels that the British should not be permitted to supply the proposed 40% of the cotton involved.

With kind regards, I am

Sincerely yours,

J. W. Fulbright
 J. W. Fulbright

JWF:pn
 Encl. (1)

RECEIVED
 DEPARTMENT OF STATE

1946 MAR 8 AM 11 31

DOR - ITP Unit

Anal *JB*

Rev. *JB*

Dist. *JB*

DIVISION OF JAPANESE AND KOREAN
 ECONOMIC AFFAIRS
 DEPARTMENT OF STATE
 MAR 12 1946

DIVISION OF ECONOMIC POLICY
 MAR 14 1946
 DEPARTMENT OF STATE
 MAR 27 1946

Referred to J.K. E.H.C.

*Reply by 4/10/46
 WMB.
 894.61321/3-646*

*CP
 JA
 DCR*

Whitman

CLASS OF SERVICE
 This is a full-rate Telegram or Cablegram unless a deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1220

SYMBOLS	
DL	Day Letter
NL	Night Letter
LC	Deferred Cable
NLT	Cable Night Letter
Ship Radiogram	

A. N. WILLIAMS
PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

QA59

RXQ.MGA527 179/178 7 EXTRA 1/157/156=MEMPHIS TENN 4 318P

SENATOR J WILLIAM FULBRIGHT=
SENATE OFFICE BLDG WASHDC=

ONCE AGAIN I WANT TO IMPOSE ON YOU AND ASK YOUR ASSISTANCE IN A MATTER THAT IS VITAL TO OUR NATION. THERE HAS BEEN A PLAN WORKED OUT THROUGH DEPARTMENT OF AGRICULTURE AND ARMY TO SUPPLY JAPAN WITH ABOUT MILLION AND HALF BALES OF OUR LOW GRADE SHORT STAPLE COTTON TO BE MADE UP INTO GOODS UNDER GENERAL MACARTHUR'S SUPERVISION, UNITED STATES GOVERNMENT RECEIVING PAYMENT FOR THE COTTON WHICH THEY NOW OWN. BRITISH UP TO NOW HAVE BLOCKED ALL OUR EFFORTS TO SELL COTTON TO ITALY ON EXPORT-IMPORT BANK TERMS AND ARE NOW INSISTING THEY BE ALLOWED TO SUPPLY 40 PERCENT OF INDIAN COTTON ON THIS JAPANAPNESE DEAL. INDIA DID NOTHING BUT MAKE TROUBLE DURING THE WAR. BRITISH INSOFAR AS COTTON IS CONCERNED ARE IN SAME BOAT. SOMETHING IS GOING TO BE DECIDED ON THIS MATTER IN NEXT 24 HOURS. PLEASE CONTACT SECRETARIES ANDERSON AND BYRNES IMMEDIATELY TODAY AND DO EVERYTHING YOU CAN TO GET THEM=

END SHEET 1.

ADD CO PTY ANS REQ DLR AM 720P YX

PM 6 31

De 6121

No.	To
By	To Be
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ferred ch... indicated by a suitable symbol above or preceding the address.

UNION

A. N. WILLIAMS
PRESIDENT

(73)

LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

Q.MGA527 2/22=

1946 MAR 4 PM 5 26

=TO TELL THE BRITISH WE ARE GOING TO DO THIS OUR WAY THIS
TIME REGARDS=

SID Y WEST CHAIRMAN COMMITTEE ON FOREIGN TRADE
NATIONAL COTTON COUNCIL.

40 24.

MAR 20 1946

894.61321/3-646

In reply refer to
JK 894.61321/3-646

My dear Senator Fulbright:

I have reference to your letter of March 6, 1946, enclosing a copy of a telegram from Mr. S. Y. West of the National Cotton Council, concerning sources of Japanese raw cotton imports.

The Government of India has requested that the Japanese raw cotton market be shared in the same proportions as in the pre-war years. During that period Japanese imports from India and from the United States were roughly equal but the United States portion was declining. India's casualties in the war against Japan were over three quarters of a million, and, in addition, a million and a half persons died in the famine in Bengal Province in 1943 which resulted, in part, from the war.

The question of how the Japanese cotton market should be shared during the next few months will be determined by the Far Eastern Commission, formed at the Moscow Conference with power to determine policy for the occupation of Japan, as a part of the general problem of equitable sharing of the Japanese import market. This Government has an obligation not to use its position as the principal occupying power to injure the commercial interests of countries allied with us in the war against Japan.

To expedite the contribution of Japanese industry to the current world shortage of textiles, raw cotton urgently required for the initial 3 months of mill operations will be shipped from the United States in the near future. The source of the balance of the requirements will be decided upon after action by the Far Eastern Commission.

With best wishes, I am James F. Byrnes

Sincerely yours,

The Honorable
J.W. Fulbright,
United States Senate.

JK:WMBrown:me 3/15/46 IR CP ME BC JA A-C

OCR - TTP Unit

Handwritten initials

Handwritten initials
MAR 20 1946 P.M.

CS/LF

894.61321/3-646

Handwritten signature

JK
9-2

WAR DEPARTMENT
WASHINGTON, D. C.

3
RECEIVED
DEPARTMENT OF STATE

1946 MAR 26 PM 3 36

MAR 21 1946

DC/R
RECORDS BRANCH

DC/R

The Honorable

The Secretary of State

Dear Mr. Secretary:

894.61321/2-746
gk a-c

This is in reply to your letter of 25 February 1946, to me concerning an agreement to be entered into by the Department of State, the War Department, the Commodity Credit Corporation, and the U. S. Commercial Company under which raw cotton will be shipped to Japan for manufacture into cotton textiles.

The letter contract is satisfactory to the War Department. Signed copies of the agreement were dispatched to the Department of State, the Department of Agriculture, and the President of the U. S. Commercial Company on 28 February 1946.

Sincerely yours,

Robt P. Patterson
Secretary of War

DIVISION
EDUCATION
DEPARTMENT OF STATE
MAR 27 1946

APR 1 1946

FILED

894.61321/3-2146

CS/VJ

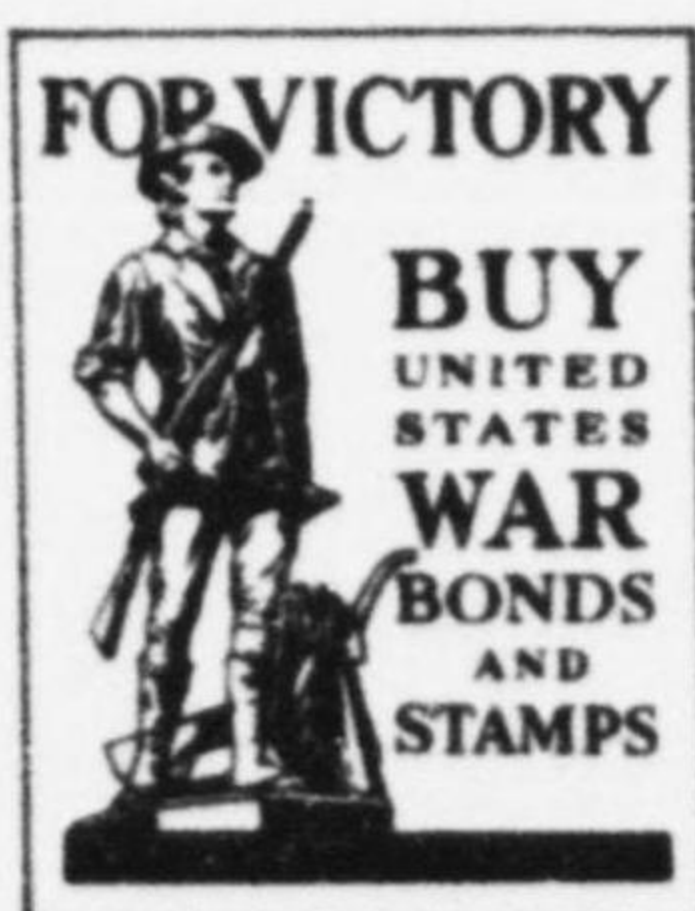
894.61321/3-2146

ASSISTANT SECRETARY
W. L. CLAYTON

MAR 29 1946

W.L.C.
DEPARTMENT OF STATE

DCR - ITP Unit	
Anal	<i>LD/K</i>
Rev.	<i>gk</i>
Dist	<i>gk</i>



DIVISION OF MIDDLE EASTERN AND INDIAN AFFAIRS

JAN 31 1947

DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.



UE - Mr. Clayton 1946
Under Secretary for Economic Affairs
FEB 3 1947
DEPARTMENT OF STATE

Run 4 - Stop 209
MAY 9 AM 11 04

May 8, 1946

DC/A
~~JR~~
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~~JR~~
3502

No reply reqd
WMB

The Honorable
The Secretary of State

Dear Mr. Secretary

This is in reply to your letter of April 8 with reference to shipment of cotton to Japan. This Department, as you know, initiated vigorous action to promote the shipment of cotton to Japan, and we appreciate the cooperation given us by the State Department. The first cotton moved in April and additional shipments will continue to move each month.

You mention a cable which we sent to Colonel R. L. Harrison in Tokio with reference to prospective shipments of the 890,000 bales of United States cotton in this calendar year. The information received through the Army by teletype gave a number of figures which indicated that this Department would be expected to furnish a total of 890,000 bales this year. Colonel Harrison was representing us on other matters in Japan, and we wanted to be sure whether or not this was the exact amount of cotton which we would be expected to supply this year. The reply from Japan indicates this may be the case. I am sure that you are aware of the fact that India recently prohibited exports of cotton from that country of a staple length of 13/16 inch and longer. We think this fact together with the present cotton situation in India with reference to consumption as well as exports together with its huge requirements for food should be given consideration before any commitments are made with reference to moving Indian cotton to Japan.

This Department will be glad to work with the State Department in trying to arrive at a satisfactory solution of this problem.

Sincerely yours,

N.E. Todd

Acting Secretary

DCR - ITP Unit
LDM
Dist

FEB 4 1947

FILED

894.61321/5-846

CS/A

894.61321/5-846

JR
file

WAR DEPARTMENT
WASHINGTON, D. C.

18 MAY 1946

The Honorable
The Secretary of State
Dear Mr. Secretary:

This is in reply to the Secretary of Agriculture's letter dated 8 May 1946, relative to appointment of representatives by Department of State, War Department, and U. S. Commercial Company to act in matters relating to the inter-agency cotton contract for Japan.

The proposal advanced by the Secretary of Agriculture is acceptable to the War Department. In accordance with the Secretary's suggestion a copy of his letter with the names of War Department's representatives added is forwarded for your reference.

Sincerely yours,

Ruby P. Patton

Secretary of War

Incl:
Ltr dtd 8 May 46

ASSISTANT SECRETARY
W. L. CLAYTON

JUN 19 1946

A-C
DEPARTMENT OF STATE

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

MAY 24 1946

JUL 8 1946

894.61321/5-1846
CS/A
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DIVISION OF COMMERCIAL POLICY
To DCR July 8 1946
JUL 8 1946
DEPARTMENT OF STATE

DCR TFP Unit

JB
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a



RECEIVED DEPT. OF STATE
1946 MAY 22 PM 2 10

RECORDS BRANCH

JK
~~*AK*~~
~~*IR*~~
~~*CP*~~

DCR

May 8, 1946

The Secretary of State
The Secretary of War
The Chairman of the Board of Directors,
U. S. Commercial Company
Washington, D. C.

Gentlemen:

Recently the Department of State, the War Department, U. S. Commercial Company (hereinafter referred to as USCC), and Commodity Credit Corporation (hereinafter referred to as CCC) formulated an inter-agency program (hereinafter referred to as the program) under which raw cotton owned by CCC would be shipped to Japan and manufactured into cotton textiles, and payment for such cotton and all other costs in connection with the program would be made from the proceeds of the sale of such textiles.

An agreement embodying the terms of the program was entered into by your acceptance of my letter dated February 7, 1946. In order to facilitate the carrying out of the agreement it is believed desirable that U. S. Commercial Company, the War Department, the State Department, and the Department of Agriculture, respectively, designate a representative authorized to act for it in matters relating to the operation of the agreement and that such representatives be constituted as an inter-agency committee for the purpose of facilitating the handling of matters in connection with the operation of the agreement which require consideration, determination, or action by two or more of the agencies involved. The committee or its members would not be authorized to change the terms of the agreement. It is suggested that each agency designate one representative and one alternate.

JK
IR
CP

2--The Secretary of State
The Secretary of War
The Chairman of the Board of Directors,
U. S. Commercial Company

If the foregoing is acceptable to you, will you please so signify on the original and three of the enclosed duplicate copies of this letter by setting forth the names of the representative and the alternate. Will you then please return one of the signed copies to us and forward a signed copy to each of the other two parties. Our representative and alternate will be E. D. White and C. C. Smith, respectively.

Sincerely yours,

H. E. Toad

Acting Secretary

Enclosures.

_____	_____
(Representative)	(Alternate)
_____	_____
CHAIRMAN OF THE BOARD -USCC	(date)
_____	_____
Colonel J. R. Gilchrist	Lt. Col. R. F. Hartman
(Representative)	(Alternate)
_____	_____
SECRETARY OF WAR	(date)
_____	_____
(Representative)	(Alternate)
_____	_____
SECRETARY OF STATE	(date)

JUN 10 1946

In reply refer to
JK

My dear Mr. White:

During a recent meeting in my office on the subject of the sources and quantities of cotton to be imported into Japan, you expressed a desire to obtain an authoritative statement concerning the ability of the Government of India to supply cotton to meet current Japanese requirements. In consequence, I submitted the attached set of questions to the office of the Agent General for India.

I have now received an official reply to these questions in a letter dated June 1, 1946, the relevant portions of which are copied below:

"As regards the first question in your paper, it is explained that the recent ban on exports of raw cotton was imposed owing to the desire of the Government of India to do everything possible to keep down prices of cloth. This does not, however, in any way alter the interest, willingness, or ability of the Government of India to provide cotton to Japan. This reply is sufficiently categorical to set all doubt at rest on this point.

"As regards your second question, it has not been possible within the short time at their disposal, to prepare a statement showing stocks of raw cotton broken into staple lengths which may be available for export to Japan. This information is being collected and will be furnished to you in due course. I am, however, in a position to state that after allowing for normal domestic consumption and exports to countries, not including Japan, we shall still have on

August

Mr. E. D. White,
Assistant to the Administrator,
Production and Marketing Administration,
Department of Agriculture,
Washington, D. C.

JCR ITP Unit

7 10 H

Handwritten initials

894.61321/6-1046

CS/RH

894.61321/6-1046

-2-

August 31st, 1946, a stock of raw cotton of the order of well over three million bales, most of which will be distributed over staple lengths, which in normal prewar years we exported to Japan."

This reply is quoted for your information in accordance with your request.

Sincerely yours,

Roswell H. Whitman
Acting Chief
Division of Japanese and Korean
Economic Affairs

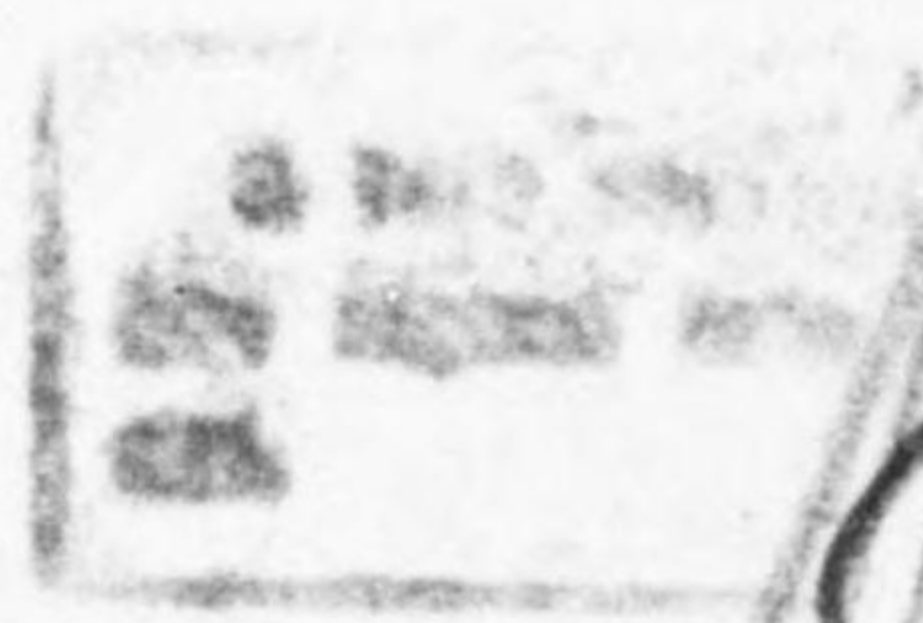
Inclosure:

Copy dated May 24, 1946

PRM
WMB
JK:WMBrown:bcb
6/5/46

IR
JRE

OR NIA
JUN 10 1946



[Handwritten signature]

N. S. W. VANDERHOEF
President

WILLIAM C. PLANZ
Vice President

JOHN W. MURRAY
Secretary-Treasurer

TEXTILE EXPORT ASSOCIATION OF THE UNITED STATES

320 BROADWAY, NEW YORK 7, N. Y.

WORTH 2-0270

7587

June 11, 1946.

ASSISTANT SECRETARY

W. L. CLAYTON

ack. 6/13/46

JUN 12 1946

KWH gm

A-C

DEPARTMENT OF STATE

Mr. Will L. Clayton,
Undersecretary of State,
Department of State,
Washington, D. C.

Dear Mr. Clayton:

As you no doubt know, the Department of Agriculture is shipping substantial quantities of cotton to Japan. In payment for these shipments, Japanese mills are turning over to the United States government a certain percentage of their production of woven cotton goods. The members of this Association are thoroughly cognizant of the necessity for this arrangement, but feel that the handling of these goods by the United States Commercial Co. should be regulated so that it does not hinder the export distribution of textiles by the United States and other friendly nations. As you know, any shrinkage in sales of American textiles in foreign markets is swiftly reflected in adverse developments in domestic textile markets.

XR
894.655

In our opinion, every effort should be made to dispose of these Japanese-made textiles in the following areas in the order of preference:

1. Manchuria
2. North China
3. Korea
4. Formosa
5. China Proper
6. Siam
7. French Indo-China
8. Burma and Malaya
9. Netherlands East Indies

JUL 8 - 1946

TEXTILE

Reply 6-27-46

IR-JCE:rc

We feel that insofar as is possible they should not find their way into the Philippines, India, Ceylon, any portion of Africa, any of the South Pacific Islands, or Latin America. The markets we have enumerated were served and well served by the United States and friendly nations before Japan began to use cotton goods to obtain the wherewithal to finance its imperialistic ambitions and there is no sound reason why oldtime trade relations between these markets and the United States should be disrupted again.

DCR
JFB

Since American textile prices are today the lowest in the world, we feel that the minimum price at which these goods should be sold is American jobbers' price for export as all areas enumerated can afford to pay these prices.

894.61321/6-1146

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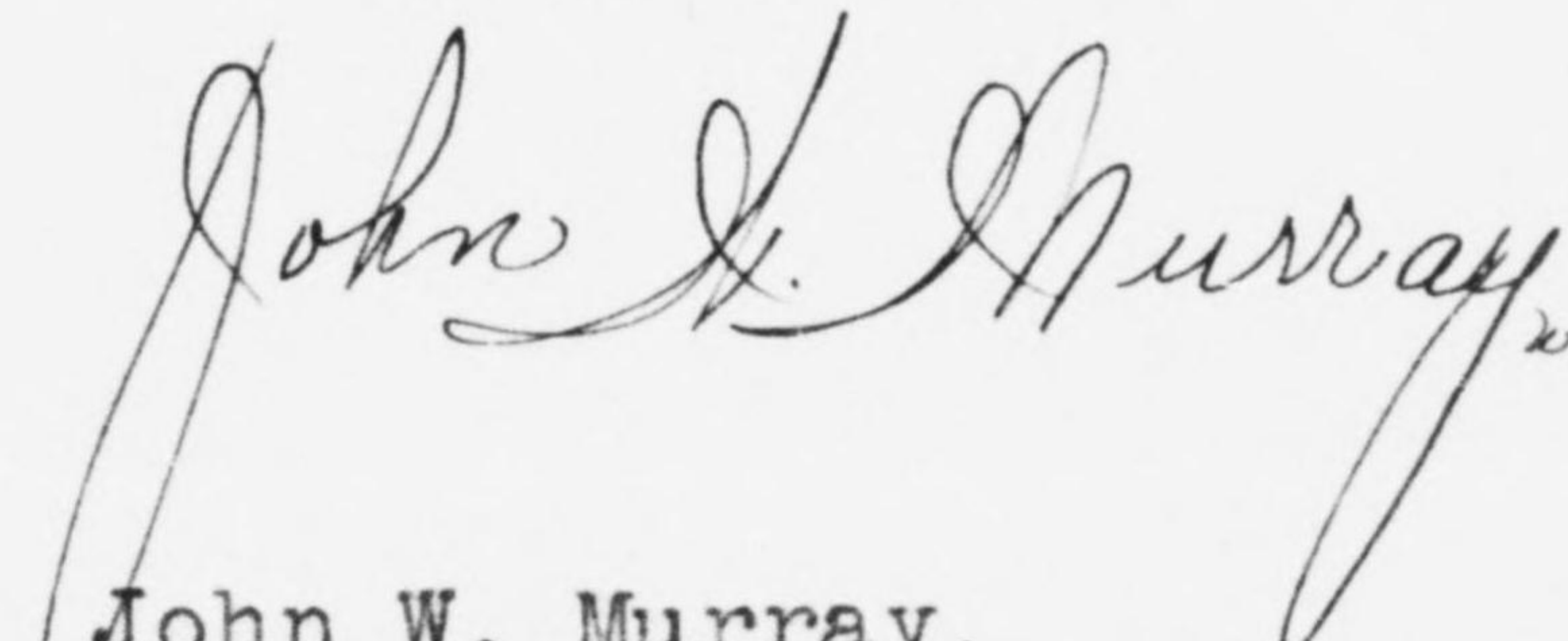
- 2 -

Once the approximate quantities have been ascertained which will be available for export from Japan to the areas enumerated, we suggest that the respective governments in each area be given the opportunity to indicate the yardage that they are interested in and that they should then be permitted to go to Japan, see the fabrics that are being produced on the spot and make their final determination there with the appropriate American authorities for quantity; all these negotiations, of course, to be on a tentative basis and subject to final approval of the deal in Washington, and the arranging of price and terms of payment.

While we have enumerated above the order in which we feel the markets should be given an opportunity to buy the goods, from information you have on hand it may be deemed advisable to give some other more needy areas an opportunity to purchase some of them and we hope that you will find it within your scope to consult with us should any of the goods have to go outside of the areas mentioned.

Needless to say, we offer the services of our Association, as well as the more qualified members thereof, in any way that will help solve any problems which may arise in the handling of these negotiations and ask that you feel free to call on us.

Very truly yours,


John W. Murray,
Secretary-Treasurer.

Dec. File

Box #

7116

JUL 2 1946

OFFICE OF
INTERNATIONAL TRADE POLICY
JUN 14 1946
DEPARTMENT OF STATE

JUN 14 1946

In reply refer to
A-6

Dear Mr. Murray:

I have your letter of June 11 in regard to the distribution of textiles manufactured in Japan from cotton supplied by the United States. You particularly urge that these goods should not be sent to specified areas which were American export markets before the war.

This matter will receive careful consideration. I appreciate the offer of the services of your Association in any way that may be helpful and I shall write you again in the near future.

Sincerely yours,

W. L. Clayton
Assistant Secretary

Mr. John W. Murray,
Secretary-Treasurer,
Textile Export Association of the United States,
320 Broadway,
New York 7, New York.

DCR - ITP Unit

JS
JS

A true copy of
the signed original
gm

~~AKA~~
A-6:KWHamilton:gm-6/13/46
7567 - ITP-Mr. Wilcox

894.61321/6-1146

CS/V

894.61321/6-1146

JUL 2 1946

In reply refer to

My dear Mr. Murray:

Reference is again made to your letter to me of June 11, 1946 and to a similar letter addressed to Mr. Dewitt G. Schieck, President, U.S. Commercial Company, which has been referred to the Department of State for reply, regarding the views of the Textile Export Association as to the distribution of textiles manufactured in Japan from cotton supplied by the United States.

As you know, a portion of the textiles produced from American cotton supplied to Japan will be sold by the U.S. Commercial Company. I understand that for the present, the Company plans to sell exclusively to foreign governments, or their designated representatives. The sales policy of the Company under existing circumstances must necessarily be influenced by recommendations of the Combined Textile Committee which are based upon the relative needs of the various Far Eastern areas, by the decisions of the Far Eastern Commission, which will reflect the interest of the governments represented in obtaining supplies of Japanese textiles and by the necessity for making contracts which provide satisfactory financial arrangements.

I am glad to have the suggestions of your association in this matter and shall bring them to the attention of this governments' representatives on the Combined Textile Committee and the Far Eastern Commission.

Sincerely yours,

William L. Clayton
Assistant Secretary

Mr. John V. Murray,
Secretary-Treasurer,
Textile Export Association of the United States,
320 Broadway,
New York 7, New York.

IR:JG Evans:rec 6/27/46

ITP CP ✓ JMM
W O'Donnell WKB A-H
Brown Easton

Cleared by phone with Mr. Easton - A-H

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CS/N

894.61321/6-1146

DCR - ITP Unit

[Handwritten initials]

JUL 1 1946
JUN 28 1946 P.M.

[Handwritten initials]

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: June 14, 1946

TO : A-C - Mr. Thorp
FROM : JK - Mr. Whitman
SUBJECT: Attached letter.

Although we still adhere to our original position that the US should not attempt to supply the whole of even the 1946 cotton requirements for Japan to the exclusion of other sources, it now appears best to ask CCC to hold ~~the~~ quantity of cotton beyond the original 650,000 bales presently committed for shipment to Japan. This change comes about after considering the fact that cotton for export will not become available to CCC for a long time in the future unless we act now. Since the US will certainly be entitled to a substantial share of the Japanese market in 1947 no matter what arrangements may be concluded with the Indian Government, it seems prudent to ask CCC to set aside cotton now, which can either be counted against 1947 requirements, or, in the event that difficulties are encountered in accomplishing the expected Indian supply operation, can be used to complete SCAP'S 1946 program.

In our letter to Mr. White we have taken pains to avoid reference to a specific time period to which the quantity may be related.

WMB
JK:WMBrown:bcb
6/14/46

DCR - ITP Unit

ASSISTANT SECRETARY
W. L. CLAYTON

JUN 17 1946

A-C
DEPARTMENT OF STATE

894.61321/6-1446

894.61321/6-1446

JUL 25 1946

FILED

JUN 20 1946

In reply refer to
JK

My dear Mr. White:

This letter is in confirmation of an agreement reached in a discussion conducted on June 12 with you and with representatives of the U.S. Commercial Company and the War Department concerning the supplying of raw cotton to Japan.

It was brought out in discussion that the Commodity Credit Corporation, under terms of its contract with the War Department and the U.S. Commercial Company, has undertaken to supply 650,000 bales of cotton toward Japanese requirements. Most of this cotton has been called to port, and it is expected that the entire amount can be shipped, barring unavoidable transportation difficulties, within the next few months. Further discussion disclosed the fact that the Indian Government is about to commence, or has already commenced, negotiations with SCAP in Tokyo for supplying Indian cotton to Japan on some acceptable credit terms.

Information in the hands of the Department of Agriculture, as reported by you, indicates that unless steps are taken now it will be difficult for some time in the future for CCC to furnish additional cotton to Japan. Mr. McDermott declared, moreover, that USCC is prevented by statutory limitations from purchasing cotton in the open market and supplying it on credit terms to Japan. Although it is expected that India will conclude an arrangement with SCAP for supplying cotton and will be able to make some shipments in the not too distant future, Lt. Colonel Hartman pointed out how essential it is to assure that the flow of textile materials to Japanese mills will be even and uninterrupted.

In view of all the circumstances, it was agreed that the CCC should be asked to set aside for shipment to Japan an additional 240,000 bales of cotton above the 650,000 bales already committed, and that monthly

shipments

Mr. E. D. White,
Assistant to the Administrator,
Production and Marketing Administration,
Department of Agriculture,
Washington, D. C.

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CS/M

894.61321/6-2046

-2-

shipments should conform as closely as possible with the shipping schedule tentatively programmed by the Department of Agriculture. It was agreed that the additional cotton so supplied may be distributed by SCAP for immediate mill consumption, or may be counted against future requirements, depending upon the extent to which cotton is procured from other areas.

Sincerely yours,

Roswell H. Whitman
Acting Chief
Division of Japanese and Korean
Economic Affairs

DCR - ITP Unit

RHW
JK:WMBrown:bc
wmb 6/14/46



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JL/C
A-H

CR
JUN 18 '46

RECONSTRUCTION FINANCE CORPORATION
WASHINGTON 25, D. C.

Whitman files

June 22, 1946

Mr. Weir M. Brown
U. S. Department of State
1818 H Street, N. W.
Washington, D. C.

Dear Mr. Brown:

In compliance with your request I am forwarding to you herewith copy of the U. S. Department of Agriculture Bulletin showing spot cotton quotations on ten designated spot markets on June 19, 1946. The U. S. Department of Agriculture quotations are to be used in calculating the price of cotton being shipped to Japan in accordance with Section 5 of the Inter-Agency Agreement. The Agreement provides, in part, as follows:

"CCC shall receive as the price for cotton disposed of hereunder the domestic market price for cotton which shall be the average price per pound of Middling 15/16-inch white cotton on the 10 designated spot markets, as quoted by the United States Department of Agriculture, on the date the cotton is delivered f.a.s. vessel, plus 120 points, (1.2 cents per pound) and plus or minus, if the cotton is of a quality other than Middling 16/16-inch white cotton, the average premium or discount for such quality of cotton on the 10 designated spot markets, as quoted by the United States Department of Agriculture on such date, plus one-half percent of such price....."

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As an example of the price of Middling 15/16-inch cotton f.a.s. U. S. port and C.I.F. Kobe, Japan on June 19, 1946, the date of the enclosed bulletin, price calculations are shown below.

Avg. Price Mid. 15/16" on 10 designated spot markets June 19, 1946	29.27¢
plus freight and other charges to port	1.20¢
	<hr/> 30.47¢
Plus 1/2 percent per ^{ccc} Sec. #5 of Agreement	.15¢
Price FAS U. S. port	30.62¢
Freight U. S. Gulf Port to Kobe	1.69¢
Est. Cost Marine Insurance	.05¢ .14
Cost CIF Kobe, Japan Mid. 15/16"	<hr/> 32.45

RR

JUL 8 - 1946

FILED

894.61321/6-2246

Mr. Weir M. Brown

- 2 -

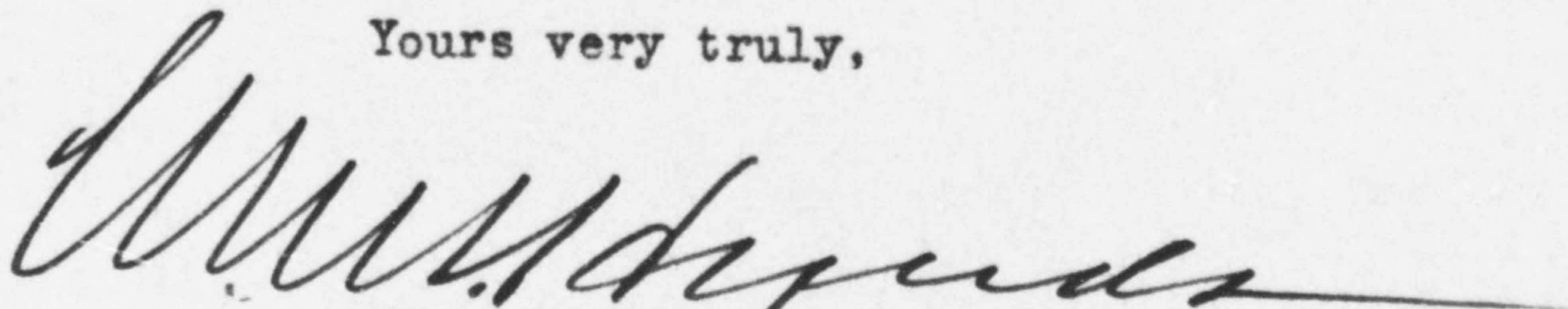
6/22/46

As examples of prices of other qualities I am listing below the average quality differentials of the 10 designated spot markets on June 19, 1946, as per enclosed bulletin, and prices CIF, Japan on that date.

Good Ordinary (G.O.) 13/16" 1349 off	18.85¢	18.96¢
Strict Good Ordinary (S.G.O.) 13/16" 1170 off	20.64¢	20.75¢
Good Ordinary (G.O.) 7/8" 1177 off	20.52¢	20.68¢
Strict Good Ordinary (S.G.O.) 7/8" 1017 off	22.14¢	20.28¢

If you desire further information please let me hear from you.

Yours very truly,



William M. Hynds

JUL - 1 1946

In reply refer to
JK

Dear Mr. Saksena:

In accordance with your verbal request, I am sending you information concerning the prices at which raw cotton is supplied from the United States to Japan.

The contract between the Commodity Credit Corporation and the War Department provides that cotton supplied for Japan shall be transferred at "the average price per pound of Middling 15/16-inch white cotton on the 10 designated spot markets, as quoted by the United States Department of Agriculture, on the date the cotton is delivered f.a.s. vessel, plus 120 points (1.2 cents per pound), and plus or minus, if the cotton is of a quality other than Middling 15/16-inch white cotton, the average premium or discount for such quality of cotton on the 10 designated spot markets, as quoted by the United States Department of Agriculture on such date, plus one-half percent of such price."

Attached hereto is a copy of a recent issue of the "Cotton Quotations on Ten Designated Spot Markets", published by the Production and Marketing Administration of the United States Department of Agriculture. I have circled in red pencil the average price for Middling 15/16-inch cotton for the 10 markets, appearing on the first page.

As an example of the price of Middling 15/16-inch cotton f.a.s. U.S. port on June 19, 1946, calculations are shown below:

Avg. Price Mid. 15/16" on 10 designated spot markets June 19, 1946	29.27¢
plus freight and other charges to port	1.20¢
	<u>30.47¢</u>
Plus 1/2 percent per CCC Agreement15¢
Price FAS U.S. port	<u>30.62¢</u>

Mr. R. R. Saksena,
The Agent General for India,
2107 Massachusetts Ave., N.W.,
Washington 8, D.C.

You

JTB
JKB
R

894.61321/6-2246

894.61321/6-2246

-2-

You will note that on the "Cotton Quotations" sheet the price of Middling 15/16-inch cotton serves as the "base" appearing on the reverse side, and that prices of other grades are computed as additions to or subtractions from the base.

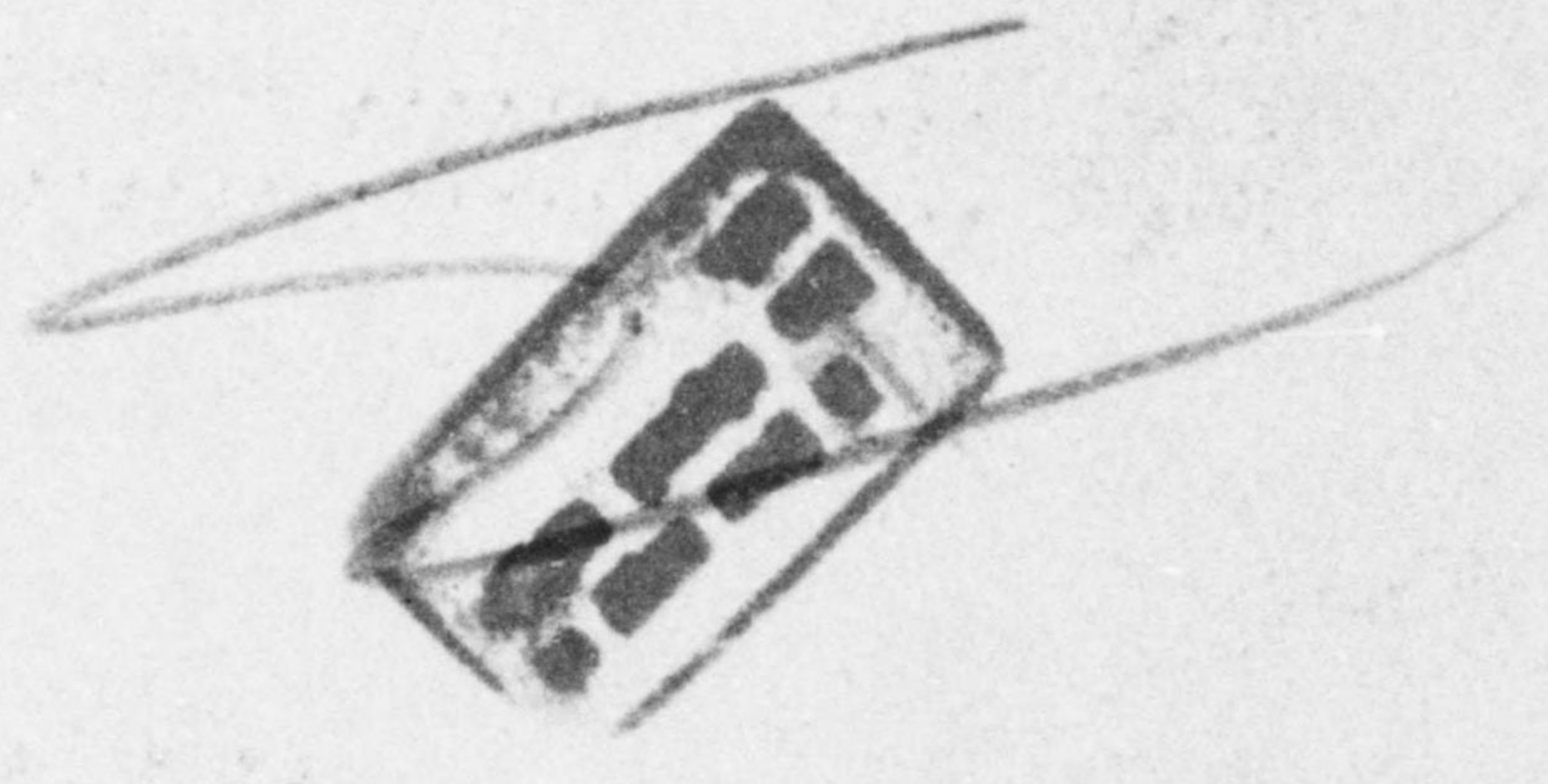
Sincerely yours,

Roswell H. Whitman
Acting Chief
Division of Japanese and Korean
Economic Affairs

Enclosure:

Cotton Quotations Sheet

WMB R7/m
JK:WMBrown:bc
6/28/46



JUL 1 1946

231945

In reply refer to
IR

Mr. D. J. MacKenzie,
Chairman, Japan Tea Committee,
Tea Association of the U.S.A.
91 Wall Street,
New York, New York.

RECEIVED - DEP. OF AGRICULTURE
JUL 10 1946
EJH
EJH

Sir:

I refer to your letter of July 3, 1946 addressed in duplicate to the Secretary of State, the Secretary of Agriculture, the U. S. Commercial Company, and the Office of Price Administration concerning the appointment by the Tea Association of the U.S.A. of a special sub-committee, referred to as the Japan Tea Committee, for the purpose of cooperating with officers of this Government in handling the Japanese tea to be imported into this country through SCAP and the U. S. Commercial Company. You also refer to a resolution passed by the Board of Directors of the Tea Association on June 27, 1946, directing that the sub-committee recommend to the appropriate authorities of this Government that a qualified American with full knowledge of Japan tea and of the American market be appointed to deal with all phases of the importation and distribution of this tea.

This Department has an active interest in the Japanese tea program and appreciates your keeping it informed concerning the action of the Tea Association.

It is understood that the Department of Agriculture, which is primarily responsible for the distribution of Japanese tea in the United States, has assured the Association of its willingness to meet with the special sub-committee to discuss details of importation and distribution as soon as it is feasible to do so. The Department of Agriculture has also informed us that it has invited the Tea Association to recommend a qualified expert who may be appointed in accordance with the resolution passed by the Board of Directors on June 27, 1946.

Officers

894.61332/7-346

894.61332/7-346

Officers of this Government concerned with tea greatly appreciate the Tea Association's offer of cooperation in this matter.

Very truly yours,

For the Secretary of State:

DK

Donald D. Kennedy
Chief
International Resources Division

~~JK~~

PKM
JK

Jay 7-19-46
CP

JK
CR
JUL 23 1946

[Stamp]

JK *MAM*
IR:JKHavenmeyer/MAMoffat:bp
7/17/46

N. S. W. VANDERHOEF
President

WILLIAM C. PLANZ
Vice President

JOHN W. MURRAY
Secretary-Treasurer

TEXTILE EXPORT ASSOCIATION OF THE UNITED STATES

320 BROADWAY, NEW YORK 7, N. Y.

WORTH 2-0270

Just reply requested
INTERNATIONAL RESOURCES DIVISION
JUL 17 1946
DEPARTMENT OF STATE
7/25-46

July 12, 1946.

OFFICE OF
INTERNATIONAL TRADE POLICY
JUL 16 1946
DEPARTMENT OF STATE

Mr. William L. Clayton,
Assistant Secretary,
Department of State,
Washington, D. C.

Dear Mr. Clayton:

We want you to know that we are grateful to you for the interest you have shown in textile exporting problems in the Far East.

In your last letter to us of July 2nd, you point out that "the sales policy of the U. S. Commercial Company under existing circumstances must necessarily be influenced by recommendations of the Combined Textile Committee, which are based upon the relative needs of the various Far Eastern areas, by the decisions of the Far Eastern Commission,....." All that we ask is that before decisions are reached, some effort be made to ascertain the views of the American textile export trade. As you know, we stand ready at all times to help the Commission and feel that we can render valuable service by participating in discussions leading up to final decisions since many of our members have had long experience in the distribution of textiles in the Far East.

Again we wish to thank you for your interest in this matter and for bringing our views to the attention of the Combined Textile Committee and the Far Eastern Commission.

Sincerely yours,

John W. Murray

John W. Murray,
Secretary-Treasurer.

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894.61321/7-1246

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TELETYPE UNIT
104
ASSISTANT SECRETARY
W. L. CLAYTON
7958 JUL 15 1946
A-C
DEPARTMENT OF STATE

FILED
JUL 15 1946

U. S. COMMERCIAL COMPANY

811 VERMONT AVENUE NW.
WASHINGTON 25, D. C.

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Prize
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October 1, 1946

CABLE ADDRESS
"USCOMCO"

Mr. Roswell H. Whitman
Department of State
Division of Japanese and Korean
Economic Affairs
1818 H Street
Washington, D. C.

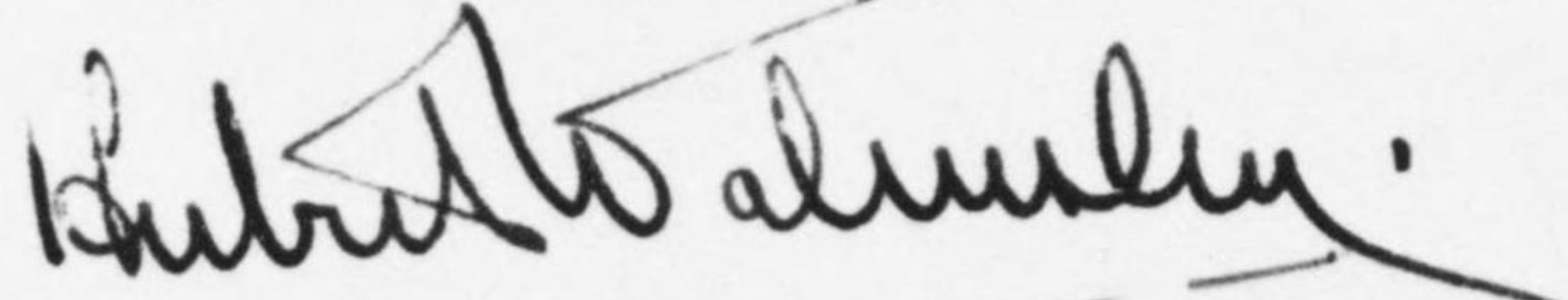
Dear Mr. Whitman:

We are enclosing the original and three copies covering pricing Japanese cotton under agreement and which was agreed upon at a meeting held in the offices of the Department of Agriculture September 24. This agreement clarifies the construction of the pricing provisions of the agreement under which cotton is being shipped to Japan and brings it in line with the agreement covering the same provisions of the agreement under which cotton is being shipped to Germany.

This supplementary agreement has been signed by Mr. White on behalf of Commodity Credit Corporation, Lt. Colonel Hartman on behalf of the War Department and Mr. DeWitt C. Schieck on behalf of U. S. Commercial Company.

Will you please keep the original for your records and if it meets with your approval, return copies to Mr. White, Lt. Colonel Hartman and Mr. Schieck, respectively.

Very truly yours,



Herbert Walmsley
Marketing Division

Enclosures

mk
eggs
ms

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

OCT - 3 1946

RECEIVED
OCT 15 1946

894.61321/10-146

ad

CS IV

894.61321/10-146

PRICING JAPANESE COTTON UNDER AGREEMENT

This is to request agreement of the Committee on the construction of the pricing provisions of the Agreement under which cotton is being shipped to Japan.

Commodity Credit Corporation has consistently invoiced cotton to Lend-Lease, UNRRA, the Army, and other Government agencies upon the basis of the market price prevailing on the date shipping instructions are issued to move the cotton to a specified boat. It was the intention of Commodity Credit Corporation that the cotton shipped under the Japanese Agreement be fixed in the same manner. In fact, Commodity Credit Corporation, being under the impression that the agreement so provided, has already invoiced 620,000 bales of cotton under the Japanese Agreement on that basis. USCC, however, has raised the question whether, under the language of the Japanese Agreement, the date the cotton is delivered f.a.s. vessel should not be used as the date for pricing the cotton.

To adopt the construction that the cotton is to be priced as of the date it is delivered f.a.s. vessel would result in Commodity Credit Corporation having to determine the date each bale (by grade and staple) arrived f.a.s. vessel and the market price prevailing for such grade and staple on each such date. It would also result in several different prices for the same grade and staple of cotton loaded on one vessel. It would greatly simplify Commodity Credit Corporation's work in invoicing the cotton if we base the price on the date shipping instructions are issued to move the cotton to the boat. In view of the rising market on cotton, that method of pricing the cotton would not be to the disadvantage of SCAP.

In drawing the German Agreement for cotton, the method of pricing the cotton was clarified to provide for pricing the cotton on the basis of the price in effect on the date shipping instructions are issued, so that the adoption of this method in the Japanese Agreement would make the methods used under the two agreements consistent.

Commodity Credit Corporation recommends, therefore, that the pricing provisions of the Japanese Agreement be construed as providing for pricing the cotton on the basis of the market price prevailing on the date shipping instructions are issued by USCC to move the cotton to a specified boat.

If this construction is agreeable to the Committee, will you please sign in the designated space below.

Commodity Credit Corporation

By [Signature] ms

War Department

By Roland F. Hartman, Lt. Col., G.S.C.

~~United States~~ ^{U.S.} Commercial Company

By [Signature]

ms

FW 694.61321/10-142

In reply refer to
JK

OCT 11 1946

894.61321/10-146

My dear Mr. Walmsley:

The agreement regarding the pricing of cotton shipped to Japan, enclosed with your letter of October 1, 1946, meets with our approval.

As you suggested we are retaining the signed original, returning one of the signed copies to you, and sending the other signed copies to Lt. Colonel Hartman and Mr. White.

Sincerely yours,

*Encl.
copy of Agreement*

Roswell H. Whitman
Associate Chief
Division of Japanese and Korean
Economic Affairs

CS IV

894.61321/10-146

Mr. Herbert Walmsley,
Marketing Division,
U. S. Commercial Company,
811 Vermont Avenue, N.W.,
Washington 25, D.C.

A true copy of
the signed original

RECEIVED
OCT 9 1946

R.H.

RHW
JK:RMPaige:bc
10/7/46

I.R. gte

NOV 26 1946

In reply refer to
JK

My dear Mr. Badger:

I enclose a memorandum which summarizes the Japanese raw cotton import programs for the years 1946 and 1947. I suggest that you circulate copies to members of the Inter-Allied Trade Board for Japan.

Sincerely yours,

Roswell H. Whitman
Associate Chief
Division of Japanese and Korean
Economic Affairs

DCE - ITP Unit

Anal. *W*
Rev. *SPW*
Dist. *K*

Enclosure:

Memorandum.

Mr. Donald Badger,
Far Eastern Commission,
2516 Massachusetts Ave.,
Washington 25, D.C.

A true copy of the signed original.

NOV 26 1946 F.E.C.

JK:MPaige:bc
11/25/46

894.61321/11-2646

CS / V

894.61321/11-2646

CA
~~_____~~

WILLIAM MOORE HYNDS
KIMBROUGH TOWERS
~~XXXXXXXXXXXXXXXXXXXX~~
Washington, D.C.

January 3, 1947

In reply, address your
communications to:
P. O. Box 468
Benjamin Franklin Sta.
Washington 4, D. C.

Mr. C. W. Nichols
Department of State
Room 809 A, 1818 H St., N.W.
Washington 25, D. C.

INTERNATIONAL RESOURCES DIVISION

Acknowledged SK-12/47
JAN 6 1946
Jo Baldwin
DEPARTMENT OF STATE *file*

894.61321/1-347

Dear Mr. Nichols:

On September 23, 1946 I sent to you a Proposed Follow-Up Program for Supplying Cotton to Japan. Since that date it has been determined that the consumption of American cotton in Japan during the year 1947 will not be as much as anticipated. Therefore, supplement No. 1 to the proposed "follow-up" program has been prepared by me in which proposed arrivals of cotton in Japan and proposed amount of dollars needed in revolving fund to purchase such cotton has been adjusted to the revised requirements.

Three copies of this supplement are being enclosed. Please pass one copy each to Mr. Evans and Mr. Montgomery.

Yours very truly,

William M. Hynds
William M. Hynds

894.61321/1-347

Encls.
WMHynds:pm

TO:	DOR. ITP Unit
BY:	<i>WMS</i>
DATE:	<i>1/3/47</i>
DIST:	

FILED
JAN 23 1947

CS/R

JAN 21 1947

In reply refer to
IR

My dear Mr. Hynds:

I wish to thank you for your letter of January 3, 1947 to Mr. C. W. Nichols with which you enclosed copies of Supplement No. 1 to the Proposed Follow-Up Program for Supplying Cotton to Japan.

Sincerely yours,

DK
Donald D. Kennedy
Chief, International
Resources Division

DCR	IR Unit
Final	<i>WSS</i>
Rev	<i>SPR</i>
Cat	<i>on on</i>
Dist	

Mr. William M. Hynds,
Post Office Box 468,
Benjamin Franklin Station,
Washington 4, D. C.

JAN 21 1947

IR:IA Baldwin:pm 1/21/47

CE
JAN 21 1947

894.61321/1-347

894.61321/1-347

454

RESTRICTED

MAR 24 1947

In reply refer to
JK

894.61321/3-1047

My dear Mr. Robertson:

In your letter of March 10 1947, addressed to Mr. Bowman, you indicated that certain Middle East territories have a requirement for cotton yarn of the type understood to be available for export from Japan and ask for our comments on the question of supplying Japanese yarn to this area.

x2
690.9431

In the paper T 004/6, distributed February 14, 1947 to members of the Inter-Allied Trade Board for Japan, U.S. Government policies regarding distribution of the cotton textiles available for export from Japan were set forth. A copy of this paper is enclosed. You will note that Far Eastern countries were thereby put on notice that after March 1, 1947, the USCC would consider itself free to offer Japanese yarn for sale to any country.

We believe there is an adequate supply to meet the Middle East requirements to which you refer but suggest that purchase negotiations be opened promptly with USCC.

Sincerely yours,

Enclosure:
T-004/6

Edwin H. Martin
Chief
Division of Japanese and Korean
Economic Affairs

Mr. T. S. Robertson,
Commercial Department,
British Embassy,
Washington 8, D.C.

A true copy of the signed original.

Handwritten notes:
JFK
Bowman

MAR 20 1947
MAR 24

JK:RMPaige:bbb
3/12/47

ESP
MIR
JKA
A-H

CS/R

894.61321/3-1047

RESTRICTED

cc: Gardiner - USCC; AMPOLAD, SCAP; Badger, IATB;
Dept Commerce, Roberts

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: 3/20/47

TO : JK - Mr. Paige
FROM : CR - H. L. Daniel
SUBJECT: Security Classification

If the enclosure has been down graded please indicate that and the authority for down grading. If it is still restricted please read VII D 3 of the Security Regulations especially paragraph 4.

Miss Daniel: *H. L. Daniel*
No need to down grade the enclosure, as the British, along with 10 other nations are members of this Inter Allied Trade Board, and all members regularly receive the papers put out by it. Satisfactory? (Paige is away)
W. S. McCord

CIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS
DEPARTMENT OF STATE
MAR 21 1947

454

BRITISH EMBASSY
WASHINGTON 8, D. C.

10th March, 1947.

DEPARTMENT OF STATE
RECEIVED
MAR 25 1947
DIVISION OF
COMMUNICATIONS AND RECORDS

Commercial Department,
No. G.78

Dear Mr. Bowman,

Japanese Cotton Yarn for Middle East Territories

The British member of IATB and myself have on various occasions alluded to the yarn needs of Middle East territories. Almost all of them were recipients of Japanese yarn before the war and during the war through the combined planning machinery they received some supply from India. Unfortunately for them, in 1946 India suspended the export of cotton yarn in order to supply internal needs more adequately. At the same time there was little success in obtaining yarn in the form required from U.S.A. The U.K. export availability is not sufficient to provide any of this need.

KN
690,9431

As far as British responsibilities are concerned, requirements are under investigation for Aden, Eritrea and Tripolitania. The total quantity may not exceed 2 million lb. and may indeed be substantially smaller in view of limited type availability. However, it is known that these territories require yarn for hand loom weaving and that 20's singles is among their requirements.

I will be communicating further on the exact quantities required but in the meantime I should be grateful for your comments on the question of opening up yarn supply to this area.

as
gpr
m m
DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE
MAR 12 1947

Yours sincerely,
T. S. Robertson
T. S. Robertson.

MAR 27 1947

CS/R
FILED

894.61321/3-1047

D. Bowman, Esq.,
19 State Department Building,
Washington, D.C.

cc's: Mr. A.Z. Gardiner
Mr. A.J. Davis

BERTRAND W. GEARHART
9TH DISTRICT CALIFORNIA

KERN MCLAUGHLIN
SECRETARY

COMMITTEE ON
DISPOSITION OF EXECUTIVE PAPERS
WAYS AND MEANS

Congress of the United States
House of Representatives

Washington, D. C.

1947 APR 21 AM 3 19
April 18, 1947.

894.61321
862

INTERNATIONAL RESOURCES DIVISION
Reply SR 4/23/47
APR 23 1947
J. Montgomery
DEPARTMENT OF STATE

894.61321/4-1847

Honorable George C. Marshall,
Secretary of State,
Washington, D. C.

My dear Mr. Secretary:

JK EST. RTA A-H
6707431

It has been called to the attention of the people of the San Joaquin Valley of California, a section of our country in which great quantities of cotton is raised, that the government of the United States, acting through one or another of its agencies, is planning to finance, or in some way to facilitate, the acquisition of foreign grown cotton in order to supply the Japanese and German markets.

x R
862.61321

This information, merely rumored or real, has created what might be described as consternation among those who down through the years have eked out their livelihood from growing, handling or manufacturing cotton into useable form. If any plans have been consummated or any are under consideration by any government agency, the people are entitled to know all about it. The question is a broad one, shall the American people be taxed, the cotton people along with the rest, to raise revenues which are to be used to their economic detriment.

au

Because of the great importance of the general subject which I am herein calling to your attention, I would be very grateful to you indeed, as will those in whose behalf I am now addressing you, if you will let me know whether or not your department or agency plans to participate in the pursuit of any objective such as the one I described herein. And when I speak of plans, I mean indirect as well as direct participation in their formulation.

CS/A

As this whole subject is now at white heat in central California, and the people who are concerned are anxiously

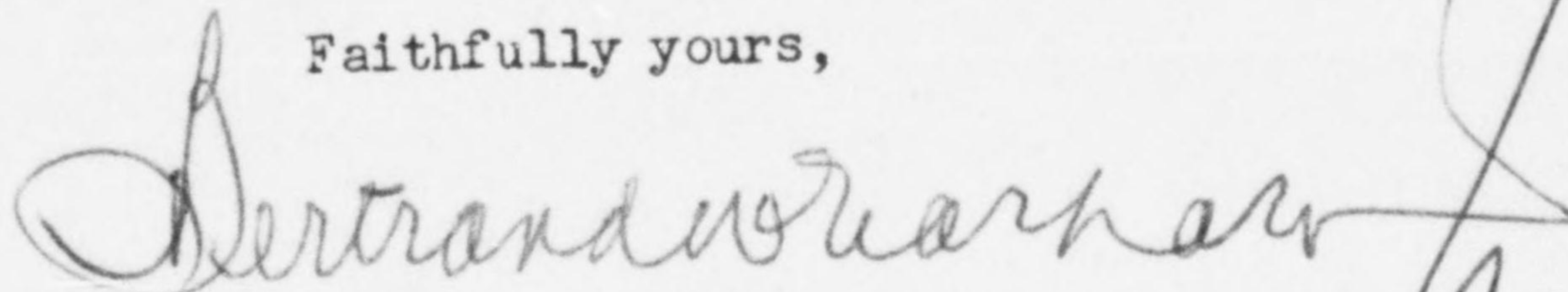
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894.61321/4-1847

awaiting your reply to this communication, I would appreciate it very, very much indeed if you would let me hear from you at your earliest possible convenience. So great is our anxiety that I am sending this letter to you by Special Delivery.

Trusting I am not imposing in asking this very great consideration, and with kindest personal regards and every good wish for your continued success, I beg to remain, my dear Mr. Secretary,

Faithfully yours,



BERTRAND W. GEARHART
Member of Congress

Please notice that it has been
most difficult to obtain agreement
on the terminology. The reply
has been expedited to the fullest
extent possible by the draftsman.
J. C. Montgomery
(J.R.)

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : General Hilldring

DATE: May 28, 1947

FROM : Mr. Moreland *Moreland*SUBJECT: Meeting in Senator Eastland's Office this date on Cotton.

Mr. Wood and myself from the State Department, General Noce and Mr. McDermott from the War Department and Mr. Gardiner of the USCC, today met with Senator Eastland and his Committee of Five to discuss the cotton procurement program for Germany and Japan.

The discussion did not proceed much further than a consideration of the program submitted by the War Department for Japan. The program for Germany was hardly considered.

The War Department proposed a procurement program for the remainder of this year for Japan as follows: 300,000 bales of U.S. cotton (500# each), 140,000 bales Indian cotton (i.e. 170,000 bales at 400# each), 7,500 bales Egyptian cotton (i.e. 5,000 bales at 750# each) and 50,000 bales of U.S. spinnable waste cotton.

The Senators were dissatisfied with this program on two grounds. The first being that the program only covered procurement through the end of this calendar year and secondly, because the War Department did not agree that if the Indians were unable to supply the 140,000 bales allocated to India, that U.S. cotton would be used in place of it, or at least, that no Brazilian cotton would be used.

In regard to the first objection, it was my recollection that at the previous meeting with the Cotton Senators, the War Department promised to submit its procurement program only for the remainder of this calendar year. The Senators evidently now feel that they made a mistake by not insisting that the program cover the full year period.

In regard to the second objection, the War Department representatives would not commit themselves on this point. They stated in effect that the State Department would force them to buy other cotton than U.S. if the Indian cotton were not available in order to maintain the position that the U.S. would not be pre-empting the whole of the Japanese market. To this Mr. Wood stated that it would not be the position of the State Department to try to force the War Department to buy Brazilian cotton, nor would it be the State Department position to try to force the War Department not to buy Brazilian cotton if the War Department felt that it was necessary to do so.

This discussion was to a large extent academic as it is felt by the State Department representatives working on the cotton problem that the Indian cotton could be procured without serious difficulty.

The net result of the meeting was that the Senators themselves are writing a procurement program which they will submit to the War, State and Agriculture Departments for discussion within the next few days.

894.61321/5-2847

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : General Hilldring
FROM : Mr. Moreland *AM*
SUBJECT: Cotton

DATE: April 25, 1947

I have just returned from a meeting in Senator Eastland's office on the subject of cotton. The War Department was represented by Mr. Petersen, General Noce and Mr. McDermott. Mr. Wood and Mr. Evans (IRO) were also there from the State Department and Mr. Gardiner from USCC.

Senator Eastland, representing the Cotton Bloc, stated that in order to prevent remedial legislation, it would be necessary that the U.S. enjoy 79% of the raw cotton market in the U.S. Zone of Germany and a "fair share" in the British Zone. This percentage is based on the ten year period prior to the advent of Hitler.

In regard to Japan it was stated that the United States should have 43% of the market and India 45%, provided that the U.S. supplied any deficiencies left by the failure of India to fulfill its historical purchase share. This percentage is based on the same period of time.

The War Department did not commit itself to this demand but promised that within three weeks it would return to the committee represented by Senator Eastland and lay the entire cotton procurement program through the end of 1947 before them.

The subject of the 65,000 bales per month ceiling on Japan consumption was commented upon. Inasmuch as the War Department assured the Senators that the lack of coal and other necessary supplies in Japan would not permit the creation of a substitute fabric for cotton textile, the Senatorial Committee did not interpose serious objections to such a limitation. The question as to whether the 65,000 bale limitation applied to all cotton or whether merely to U.S. cotton was not finally resolved.

This is for your information.

06/19/47

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : General Hilldring

DATE: April 11, 1947

FROM : Mr. Moreland *(M)*

SUBJECT: Cotton.

Mr. Thorp and Mr. Petersen have recently been under considerable pressure from certain sections of Congress to give assurances that U. S. Military Governments will refrain from going outside the United States to secure cotton for the textile programs under way in Japan and Germany.

The facts back of this pressure from the Hill are as follows:

SCAP estimates he will need 250,000 bales and OMGUS estimates he will need about 125,000 bales to be procured between now and the August domestic harvest in time for September deliveries. On the supply side of the market, the United States had a smaller carry-over this year than has been experienced in seventeen years. The carry-over was only 3,000,000 bales as compared with 7,500,000 bales last year and 11,000,000 bales the year before that. State and War cotton people feel that to dip into the domestic market for 375,000 bales at this time would bring about fifty cent cotton, which is precisely what some of our congressmen want.

State and War have authorized SCAP to enter into negotiations with India for delivery of 394,000 bales of Indian cotton. This position is consistent with State's policy on international trade, our obligation to F.E.C., our desire to get lowest priced cotton for Japan and to prevent a distorted market condition. At the same time the War Department has been investigating possibilities of supplies from Brazil and Egypt. Brazil has offered OMGUS 120,000 bales, and probably will offer SCAP another 200,000 bales. Egypt complains that she supplied Japan with 140,000 bales of cotton a year before the war and now has about 500,000 bales she would like to export.

It seems that domestic producers are particularly concerned over procurement of Brazilian cotton, as it is considered to be more directly competitive to U. S. cotton than Indian or Egyptian cotton.

While the United States has to date supplied all the cotton to these areas for these programs, it is considered that such a procedure is neither politically nor economically desirable in the long run for the reasons mentioned above, especially now that these other producing areas have indicated that they would be interested in assisting in financing such imports to Japan.

Since Senators and Congressmen have already protested to State, War, Commerce, and Agriculture, it is important that governmental policy be clearly established. Mr. Thorp is at present having prepared a detailed report on this subject. I will get you a copy for review as soon as it is available.

I believe that the OAC may be a desirable channel to obtain governmental support for State's position. Is it your desire to have this subject placed on the OAC agenda?

Am 1079

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - Mr. Moreland
FROM : IR - Mr. Phillips
SUBJECT: Foreign Cotton Availability

DATE: March 28, 1947

Brazilian cotton exports for the months March through July 1947, inclusive, will probably be approximately 381,000 bales of staple lengths 13/16 to 15/16 inches. Brazil has offered OMGUS 120,000 bales and SCAP will probably be interested in 200,000 bales.

Egyptian cotton exports, January through July 1947 are expected to be about 535,000 bales. Egypt is anxious to export cotton and has requested an opportunity to ship sizable quantities to Japan.

A SCAP allocation for the procurement of 1500 bales of Egyptian cotton is considered by Egypt to be altogether too small. Prewar annual Egyptian exports to Japan amounted to 140,000 bales.

Indian cotton exports January through July 1947 are expected to be approximately 651,000 bales. A program for SCAP procurement of 394,000 bales of Indian cotton is being considered. Shipments would begin May 15, 1947 and would be made in five equal monthly lots. Grades involved are 148,500 bales of Central Province fine, 8,000 bales of Bengal fine, 142,500 bales of Khandeish fine, 45,000 bales of Berar fine, and 50,000 bales of Jarila fine.

Peruvian cotton exports March through July 1947 are estimated to be 129,000 bales. Before the war, Peru shipped a good deal of its cotton to Japan.

Attachments:

1. Table on availability of cotton.
2. Table on cotton prices.

JG
IR:JGEvans:emt

867936

W.T.P.

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: 3/31/47

TO : Executive - CAD, Attention: Lt. Col. Hartman

FROM : Mr. Moreland

SUBJECT: Foreign Cotton Availability.

At your request, I am enclosing herewith four copies of a table of availability of cotton in Brazil, Egypt, India and Peru, together with a table on prices of cotton in these countries.

Brazilian cotton exports for the months March through July, 1947 inclusive will probably be about 381,000 bales of staple lengths, 13/16 to 15/16 inches. Brazil has offered OMCUS 120,000 bales and has indicated it can probably make 200,000 bales available for SCAP.

Egyptian cotton exports, Jan. - July, 1947 are expected to be about 535,000 bales. Egypt is anxious to export cotton and has requested an opportunity to ship sizeable quantities to Japan. A SCAP allocation for the procurement of 1500 bales of Egyptian cotton was considered by Egypt to be altogether too small. Pre-war annual Egyptian exports to Japan amounted to about 140,000 bales.

Indian cotton exports, Jan. - July, 1947 are expected to be approximately 651,000 bales.

Peruvian cotton exports, March through July, 1947 are estimated to be 129,000 bales. Before the war, Peru shipped a good deal of this cotton to Japan.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - General ~~Hildberg~~

DATE: Jan. 27, 1947

FROM : A-H - Mr. Claxton *RC*

SUBJECT: Proposed Export-Import Bank Loan to US/UK Joint Export-Import Agency.

I have just learned from Mr. August Maffry, of the Exim Bank, who has been guiding the proposed Exim Bank loan to the US/UK Joint Exim Agency, that there is little likelihood that the matter can be brought to a head except by further action on the part of yourself and Mr. Petersen. He suggests an appearance by the two of you before the full Exim Bank Board and that you or Mr. Petersen contact Mr. Martin, Chairman of the Board, directly, in order to arrange such an appearance.

For your information, development of this matter has been as follows:

A meeting was held Thursday, December 26, in Mr. Petersen's office, with Mr. Shephard Morgan and Mr. Barth of the Chase National Bank; Mr. Ward of the National City Bank; Mr. McCloy, Council of the Chase Bank; representatives of the National Shawmut Bank and the First National Bank of Boston; General Noce and General Draper. (This was the meeting to which you sent me). The discussion was on general financing. The bankers had three main concerns: The ability of private U.S. buyers to arrange with German manufacturers for the specifications, etc. for goods to be produced in Germany; security for any loans they might advance; and whom they could sue to enforce this security. They presented a complicated plan to handle all these points. They were told: U.S. businessmen can now arrange technical details with German producers either personally or by mail; it may be possible for the Bizonal Agency to pledge a limited amount of money as collateral against a line of credit from the banks; it may be possible to agree on arbitration as a method of settling disputes and thus make unnecessary the establishment of an entity which might be sued. They appeared to feel that progress had been made at the meeting.

On December 30, Mr. Aldrich of the Chase Bank held a luncheon attended by the President and other officers of that bank; Mr. Martin of the Exim Bank; Mr. Carr, representing the cotton exporters; General Draper and myself. Mr. Aldrich expressed the desire that the banks participate in financing the proposed cotton bank but wished that they be secured by guarantee from the Exim Bank. Mr. Martin took no position but apparently did not intend to give such a guarantee. There was considerable discussion of the general financing scheme during which the bankers urged that the Bizonal Agency make a pledge of some funds against which credit could be issued. The bankers spoke in terms of an initial one-to-one credit extension to be raised after a satisfactory showing. General Draper did not comment, himself, on such a pledge, but made it clear that in no case would a one-to-one arrangement be satisfactory.

On December 31, General Draper and I met with Mr. Morgan, Mr. Barth, and Mr. Black of the Chase Bank, and Mr. Martin. General Draper proposed for consideration a pledge of 25 million dollars by the Bizonal Agency to act as

security

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security against a line of credit. The bankers indicated some flexibility in their former insistence on an initial one-to-one arrangement, but made no firm expression.

Later, on December 31, General Draper, Mr. Martin and I met with representatives of the National City Bank. They reacted favorably to General Draper's proposal to pledge a fund of perhaps 25 million dollars. It was concluded that representatives of the two banks, with Mr. McCloy, would draft the outline of an arrangement by which the banks would advance credits to the Bizonal Agency against a promise to pay out of the proceeds of goods manufactured from raw materials imported in specific programs, with any deficit to be made up from a pledged fund. Disputes were to be settled by arbitration. They agreed to bring this outline to a meeting with Mr. Petersen on Friday, January 3, 1947.

All of the above was reported to representatives of Treasury and Commerce, as well as discussed within the State Department, and reported to OAC.

The representatives of the New York banks, together with representatives of the Boston banks, met with Mr. Petersen, General Noce, and General Draper, January 3, and presented a memorandum intended to form the basis for further discussion. After certain modifications, it was approved as a working draft. A copy is attached. It provides in essence for the establishment of a pledged fund by the Bizonal Agency against which the banks will advance a line of credit of an unstated amount. Although the banks kept referring to the need for a limited credit until the Bizonal Agency has shown that it will work, they denied that they would insist on one-to-one. The draft plan includes close control by the Bizonal Agency over the raw materials imported under the program. The plan provides for settlement of disputes by a method of arbitration to be agreed on. It was clearly understood that the discussions were tentative. It was agreed that arrangements would be made sometime in the next month or two for representatives of the banks to go to Germany.

Nothing further was said about private bank participation in the proposed cotton bank, and it seems apparent that they will be unwilling to participate without a guarantee by the Exim Bank, which it does not appear prepared to make.

Mr. August Maffry, of the Exim Bank, was present at the Jan. 3 meeting with the bankers. He concluded that there was little likelihood of obtaining a satisfactory agreement with the banks in the near future. He therefore suggested that it may be possible for the initial financing to be through the extension of a line of credit by the Exim Bank against a fund pledged by the Bizonal Agency. He spoke in terms of perhaps a 20 million dollar line of credit against a 5 million dollar pledge. It was my view that such a plan would be ideal, since it would provide an immediate line of capital which would make it unnecessary to have a separately-established cotton bank; It would allow the private banks to come in as rapidly as they wish; It would provide a manager for the consortium, a problem which might be embarrassing to the Government if only private banks were involved; It would initiate a line of credit reasonably in excess of the pledged collateral, and it would no doubt initiate a reasonable interest rate. Mr. Maffry of Exim Bank discussed this proposal with Mr. Goodloe of RFC.

-3-

A meeting was held on January 6 with Mr. Clayton and Mr. Petersen, General Draper, General Noce, Mr. Maffry, which Mr. Hilliard and I attended. The meeting was to obtain Mr. Clayton's views as a member of the Exim Bank Board on the cotton bank proposal, and a suggestion for general export-import financing. He approved going ahead on either basis or both if necessary. He also approved the line of approach to take with private banks.

General Draper appeared before an informal meeting of the Exim Bank Board, January 9, to discuss the economic situation in Germany as it would affect the credit of the Bizonal Agency and to answer questions raised by the Board. In reply to a question by a Board member as to why the Exim Bank should be brought into the matter in view of the existing arrangements with RFC, I stated that it was the desire of the State Department to place financing in normal channels and that the Exim Bank arrangement would provide a direct bridge to such normal financing, while the RFC arrangement, though in many ways quite satisfactory, would not provide the basis for such a change-over. General Draper stated that if the bank cared to go into this matter further, he believed it desirable for representatives of the Bank and the State Department to come to Berlin in the near future.

It was my understanding after this meeting that the Exim Bank Board would discuss this matter at a formal meeting to determine whether it wished to proceed further. I now understand from Mr. Maffry, as stated in the first paragraph, that further action will, no doubt, require initiation by Mr. Petersen or yourself.

All of the above has been communicated from time to time to the OAC, and their advice and suggestions solicited.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : General Hilldring

DATE: 1/20/47

FROM : Mr. Claxton

SUBJECT: Meeting with Mr. Martin of Export-Import Bank Regarding Financing for Germany.

You will recall that I have told you orally that the latest development regarding financing for Germany is a proposal made by Mr. Maffry of Export-Import Bank, with the approval of Mr. Martin, that the Export-Import Bank consider extending a line of credit of perhaps 20 million dollars to the joint Export-Import agency against a sum of perhaps 5 million dollars, to be pledged by the joint Export-Import agency, and against a promise of the joint Export-Import agency to pay advances made by the Export-Import Bank for commodity imports out of whatever part of the materials manufactured from such imported commodities would be necessary to meet the cost of the commodities for which the Export-Import Bank advanced credit. As I told you, I attended an informal meeting of the Export-Import Bank Board at which General Draper was present and at which he answered questions raised by the members of the Board regarding the situation in Germany and the feasibility of this loan from a financial point of view. Mr. Maffry attended a meeting in Mr. Clayton's office at which the various current proposals for financing German trade revival were stated and at which Mr. Clayton gave general approval to the suggestion of Export-Import Bank finance. Aside from this, there has been no formal or informal expression of interest by the State Department at a high level. To the best of my knowledge, Mr. Petersen has not talked directly to Mr. Martin about this matter.

760050

I strongly recommend that you and Mr. Petersen pay a visit to Mr. Martin, or invite him to lunch, in order to show your interest in this matter and to discuss it further with him.

I will give you a further memo of the developments on this matter during your brief vacation as soon as I can.

JS

Petersen & I should talk about this the next time we go to the office VHH

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - Mr. Claxton

DATE: December 3, 1946

FROM : JK - Mr. Paige *JK*

SUBJECT: The proposed plan for exporting cotton to Occupied Areas presented to General Hilldring by Lamar Flemming, Jr., representing the Cotton Advisory Committee.

We have reviewed Mr. Flemming's suggested plan for furnishing cotton for manufacture by German mills to see whether the plan offers a solution to the nearly identical problem of furnishing cotton to Japan after present stocks of CCC cotton have been consumed. It is our opinion that the plan in its present form does not offer a solution to our problem.

A basic provision of Mr. Flemming's plan is that the proposed financing corporation or textile bank would extend credit to individual textile mills in the occupied area "after satisfying itself as to the reasonableness of each cotton mill requirements and its arrangements for export sale of cotton goods in dollars or currency convertible thereto." We believe it would be totally out of the question to permit a private American corporation or bank to determine the credit risk offered by individual Japanese mills. We feel that no bank would or should be prepared to make these determinations without a staff of inspectors in Japan. Such inspectors would necessarily duplicate the work of the Textile Division of SCAP, and would probably be in frequent conflict not only with this section but with other SCAP sections dealing with sectors of the Japanese economy closely related to the textile industry. During the present period of industrial reconstruction and rehabilitation, the question of whether any particular cotton mill is a good credit *risk* will depend to a considerable extent upon factors quite foreign to ordinary business situations, and we doubt if a private American bank would find it feasible to extend credit to individual Japanese companies during this period.

Mr. Flemming perhaps had something of this kind in mind when he suggested that the proposed textile bank would require the financial assistance of the Export-Import Bank. He does not indicate, however, whether cotton exporters will be prepared to put up 5 per cent or 50 per cent of the funds required or whether losses and profits would be shared by the cotton exporters and the Export-Import Bank in proportion to the amount of capital subscribed or on some other basis.

Mr. Flemming's plan would permit Japanese cotton mills, having obtained credit from the proposed textile bank, to purchase cotton from importers of their own choosing. This type of business relationship between Japanese and American firms could not be permitted at the present time or for the coming year because of security considerations (e.g. it would open the door to flight of capital from Japan to places of safehaven) and because centralized or bulk procurement of raw cotton through SCAP and the Japanese Government almost certainly would be more economical.

Mr. Flemming's plan makes no contribution to the solution of the problem of how to convert textiles into dollars to pay for raw cotton, except as it provides for the bank refusing credit to particular mills which it believes cannot make a

Phil: Ross says he is not sure that security considerations close the door to business dealings with Japs for as long as all of next year. ^{product} RW.

-2-

product readily salable for dollars. This is only a negative solution. It is probable that cotton exporters as a group are not in a position to sell German-manufactured or Japanese-manufactured cotton textiles throughout the world. However, some previous thinking in connection with this problem had indicated that the cotton exporters might be prepared to carry some of the risk involved in the process of endeavoring to convert raw cotton into dollars. Presumably, if cotton exporters assumed the risk and therefore stood to profit from prompt conversion of finished textiles into dollars they would find some effective way to assist in the marketing operation.

Mr. Flemming points out that one of the merits of his plan is that under it cotton could be obtained for Germany with the benefit of the export subsidy of 4 cents a pound. However, any plan which would involve procurement of American cotton for cash would give the German or Japanese economies the benefit of the 4-cent-a-pound export differential.

To summarize, Mr. Flemming's plan proposes that private enterprise in the U. S. participate in furnishing raw cotton to Occupied Areas by taking over the function of deciding which mills are good credit risks and to what extent the credit should be extended to particular mills. The present conditions in Japan make it inadvisable to turn over these responsibilities, which now are vested in the first instance in U.S. Occupation Authorities, and in the second instance in the Japanese Government, to private enterprise in the U.S.

JK:RMPaige:bc
12/3/46

1304

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : *ASJ*

DATE: August 1, 1947

FROM : Mr. Whitman
Associate Chief - JK

SUBJECT: Additional Copies of Agreement for Purchase of U.S.
Cotton for Japan.

Reference is made to a memorandum of July 9, 1947 to the Secretary through S/S from General Hilldring (Tab A), with an attached letter from the Secretary of Agriculture to the Secretary of State dated July 1, 1947, containing amendments to the agreement under which the Commodity Credit Corporation is procuring raw cotton for Japan. The letter from the Secretary of Agriculture requested that, if the amendments were approved, the signature of the Secretary of State be affixed to the Secretary of Agriculture's letter and the document be returned. The Secretary's signature was affixed and the document returned to the Secretary of Agriculture on July 17, 1947.

The Department of State has now been requested to send to the United States Commercial Company a copy of the Secretary of Agriculture's letter of July 1, 1947, with the Secretary of State's signature affixed thereto.

It is recommended that the signature of the Secretary of State be affixed to the two copies (Tab B), and that one copy be then transmitted to the United States Commercial Company, and one copy be retained in the Secretary's office for further request for this document.

PN Whitman

Enclosures:

- Memorandum to The Secretary of State from General Hilldring dated July 9, 1947.
- Duplicate copies of letter from the Secretary of Agriculture to the Secretary of State dated July 1, 1947.

ojm
JK:OJMcDiarmid:mw

DCR ITP Unit	
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CS/A

FW 894.61321/7-947

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : The Secretary
THROUGH : S/S
FROM : A-R - General Hilldring

VHH

DATE: July 9, 1947

~~Use Disposition~~
PC/R

SUBJECT: Revised Agreement for Purchase of U.S. Cotton for Japan.

Discussion:

- A. The Secretary of Agriculture has transmitted to the Secretary of State by letter of July 1, 1947 (Tab B), certain proposed revisions of an agreement in respect to supply by the Commodity Credit Corporation of raw cotton to Japan for the production of cotton textiles, a portion of which are to be exported from Japan and sold to repay the Commodity Credit Corporation for the raw cotton involved. The Secretary is requested to accept this agreement on behalf of the Department of State. The Department of State agreed to the former arrangement which had been received from the Department of Agriculture on February 7, 1946 (Tab C).
- B. Acceptance of the Secretary of Agriculture's proposal is recommended, subject to the understandings set forth in the proposed letter to the Secretary of Agriculture which is attached hereto (Tab A). Directly relating to the proposed cotton agreement, and specifically to the procedure under the agreement by which all cotton textile exports from Japan have been sold for dollars, is a proposal of the United Kingdom that trade between Japan and the Sterling Area be conducted on a sterling basis. The substance of this proposal, together with the Department's recommendations thereon, was transmitted to the Secretary of Agriculture and the Secretary of War in a letter of June 20, 1947 from the Secretary of State (Tab D). The Department has recently received a further communication from the United Kingdom Treasury Delegation in Washington on this subject. It is considered that a copy of this communication be sent to the Secretary of Agriculture for his information, together with the Secretary's comments on the revised cotton agreement.

894.61321/2-746

894.61321/7-947

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SEP 10 1947

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Recommendation:

It is recommended that the Secretary accept the revised agreement by affixing his signature thereto, and sign the attached letter to the

Secretary

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Secretary of Agriculture, enclosing a copy of the communication from the United Kingdom Treasury Delegation. It is further recommended that copies of the Secretary's letter to the Secretary of Agriculture, together with attachment, be sent to the Secretary of War and the Chairman of the Board of Directors of the United States Commercial Company, for their information.

Concurrences:

Concurrences have been obtained from ESP, IR, CP, NA and FN.

Attachments:

- Tab A: Proposed letter to the Secretary of Agriculture.
Tab B: Letter from the Secretary of Agriculture to the Secretary of State, dated July 1, 1947.
Tab C: Letter from the Department of Agriculture, dated February 7, 1946.
Tab D: Letter to Secretary Anderson dated June 20, 1947 from the Secretary.
Tab E: Letter from the United Kingdom Treasury Delegation to Mr. Martin of the Department, dated June 30, 1947.

o/m
JK:OJMcD ~~armid~~:mw

E
ESP (R (Cleared Evans) CP (Cleared Bane)
NA (Cleared Fearey) FN (Cleared Strong) A-H

FE JKP

*A-T
CW*

1361
ESP

DEPARTMENT OF STATE
THE SECRETARY

11 July 1947

The Under Secretary (For concurrence)

The Secretary (For signature)

Subject: Revised Agreement for Purchase of U. S.
Cotton for Japan.

Discussion:

- A. The Secretary of Agriculture has transmitted to the Secretary of State by letter of July 1, 1947 (Tab B), certain proposed revisions of an agreement in respect to supply by the Commodity Credit Corporation of raw cotton to Japan for the production of cotton textiles, a portion of which are to be exported from Japan and sold to repay the Commodity Credit Corporation for the raw cotton involved. The Secretary is requested to accept this agreement on behalf of the Department of State. The Department of State agreed to the former arrangement which had been received from the Department of Agriculture on February 7, 1946 (Tab C).
- B. Directly relating to the proposed cotton agreement, and specifically to the procedure under the agreement by which all cotton textile exports from Japan have been sold for dollars, is a proposal of the United Kingdom that trade between Japan and the Sterling Area be conducted on a sterling basis. The substance of this proposal, together with the Department's recommendations thereon, was transmitted to the Secretary of Agriculture and the Secretary of War in a letter of June 20, 1947 from the Secretary of State (Tab D). The Department has recently received a further communication from the United Kingdom Treasury Delegation in Washington on this subject. It is considered that a copy of this communication be sent to the Secretary of Agriculture for his information, together with the Secretary's comments on the revised cotton agreement.

894.61321/7-1147

Recommendation:

- 1. That Secretary sign agreement.
- 2. That Secretary sign letter to Secretary of Agriculture setting forth the Department's understandings that the terms of the agreement do not preclude early acceptance of the U.K. proposal

100-107-1041

Anal. *CP*

Rev. *CP*

Dist. *Mr. Clegg, Mr. Glavin, Mr. Ladd, Mr. Nichols, Mr. Rosen, Mr. Tracy, Mr. Egan, Mr. Gurnea, Mr. Harbo, Mr. Hendon, Mr. Pennington, Mr. Quinn, Mr. Nease, Mr. Gandy*

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JUL 20 1947

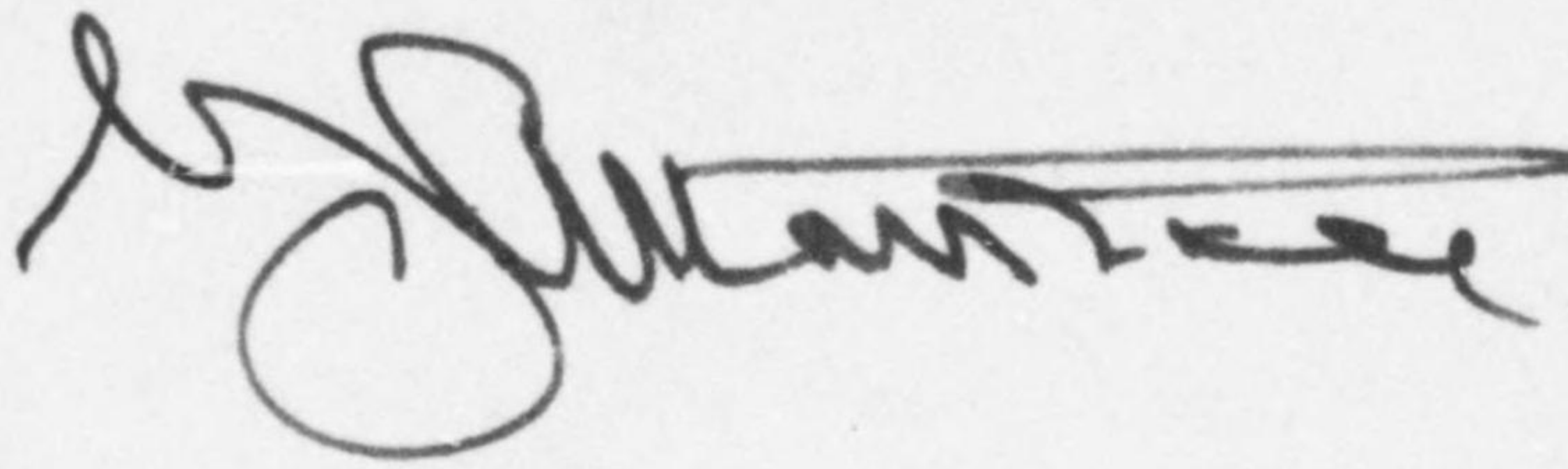
that Japanese trade with Sterling Area be conducted on sterling basis, requesting that consultation be had to any purchase by CCC of raw cotton for Japan in excess of 150,000 bales, and that the Department understands that the agreement does not preclude sale of textiles for non-dollar currencies if such currencies are subject to convertibility arrangement such as that proposed by UK.

3. That copy of the letter to Secretary of Agriculture and the communication from the U.K. Treasury Delegation be sent to the Secretary of War and the Chairman of the Board of Directors of the U. S. Commercial Company.

Drafted by JK; cleared by A-H, Hilldring, ESP, IR, CP, FN, NA, FE, A-T

Attachments:

As given.

A handwritten signature in dark ink, appearing to be 'J. K.', written over a horizontal line.

S/S:FKirlin:vee

JK

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~~ESP~~

all 641.9431/1-3047
JK

In reply refer to
JK

JUL 14 1947

Dear Mr. Secretary:

In indicating acceptance for the Department of State of the revised agreement under which cotton purchased by the Commodity Credit Corporation is to be shipped to Japan for the manufacture of cotton textiles, I would like to point out that the Department considers that the arrangement for the sale of these cotton textiles by the United States Commercial Company under the revised agreement, does not preclude the early acceptance by this Government of the proposals of the United Kingdom, under which all Japanese trade with the Sterling Area, including cotton textiles, would be conducted on a sterling basis. The United Kingdom proposals, together with the recommendations of the Department of State relating thereto, were communicated to you in my letter of June 20, 1947. In this connection, and to further clarify the British position on this matter, I enclose a copy of a communication recently received by the Department of State from the representative of the British Treasury Delegation in Washington, in respect to current problems being encountered in the conduct of this trade.

I note that section 3 of the revised agreement provides that a quantity of cotton, not to exceed 350,000 bales, is to be purchased for Japan by CCC. The Department understands, however, that the CCC intends to purchase no more than 150,000 bales for Japan under this agreement, unless it should prove impossible to secure the additional amounts required by the Japanese cotton textile industry from other sources. The Department of State requests that, prior to any purchase by the CCC of raw cotton for Japan in excess of 150,000 bales, further consultations as to arrangements for sale of cotton textiles be held between the interested agencies of the government.

The

The Honorable
Clinton Anderson,
Secretary of Agriculture.

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The Department of State, in accepting the revised agreement, also desires specifically to refer to sections 12 and 14 b of the agreement, which require that sales of cotton textiles shall not be made on credit without the approval of GOC and the War Department, and stipulate that repayment to the GOC will be in United States dollars. The Department, in accepting the revised agreement, does so with the understanding that those provisions do not in themselves preclude the sale of textiles for non-dollar currencies if such currencies are subject to a convertibility arrangement such as the British have proposed.

Faithfully yours,

G. C. MARSHALL

A true copy of the signed original

Enclosure:

Letter from the United Kingdom Treasury Delegation dated June 30, 1947.

JK:OJMcDiarmid:mw
7/9/47

ESP IR (CLEARED EVANS 7/9) CP (CLEARED BANE 7/9)
NA (CLEARED Fearey 7/9) FN (CLEARED Strong 7/9) A-H

FE GAP

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S/S

JUL 14 1947

JUL 16 1947

In reply refer to
IR

My dear Mr. Peterson:

As you know, a statement signed by Senators Eastland, Maybank, Sparkman, Knowland, and Ken, was placed in the Congressional Record of June 27 asserting that Secretary Patterson had concurred in a policy under which seventy percent of the cotton consumed in Japan in the future would be American cotton.

This statement was transmitted throughout the world as a news item. A Reuters story to Cairo, datelined Washington, June 28, suggested that "American cotton growers today appeared to have won through political pressure a preferential position for American cotton in the Japanese market at the expense chiefly of imports from India and Egypt". The American Embassy in Cairo urges early clarification of the story and the Government of India has expressed concern over the news.

It would be most helpful in dealing with the inquiries from our embassies and from representatives of the nations concerned if we could have information concerning the War Department's position on this matter.

Sincerely yours,

CTW

C. Tyler Wood
Deputy to the Assistant Secretary
for Economic Affairs

KB
The Honorable
Mr. Howard C. Peterson,
Assistant Secretary of War,
Washington, D. C.

JUL 15 1947 P.M.
JUL 16 1947

IR:JGEvans:emt
7/14/47
rewritten CTWood:khn
7/15/47

Cleared by telephone with - Moreland
AH ESP IR
Martin Evans

894.61321/7-1647

CS/A

894.61321/7-1647

In reply refer to
IR

My dear Mr. Peterson:

As you know, a statement signed by Senators Eastland, Maybank, Sparkman, Knowland, and Ken, was placed in the Congressional Record of June 27 asserting that Secretary Patterson had concurred in a policy under which seventy percent of the cotton consumed in Japan in the future would be American cotton.

This statement was transmitted throughout the world as a news item. A Reuters story to Cairo, datelined Washington, June 28, suggested that "American cotton growers today appeared to have won through political pressure a preferential position for American cotton in the Japanese market at the expense chiefly of imports from India and Egypt". The American Embassy in Cairo urges early clarification of the story and if possible a press release denying charges of a preferential position for American cotton in Japan.

The Government of India has expressed concern over news stories indicating that American cotton would be given preference over Indian cotton in the Japanese market during the period of occupation.

The Department of State must under these circumstances clarify United States policy with respect to the procurement of American cotton for Japan to the governments of Egypt and India. Your comments as to the accuracy of the Senators' understanding of Secretary Patterson's position on this matter would therefore be appreciated.

Sincerely yours,

C. Tyler Wood
Deputy to the Assistant Secretary
for Economic Affairs

Mr. Howard C. Peterson,
Assistant Secretary of War,
Washington 25, D. C.

IR:JGE:ent 7-14-47
EJC

JUL 17 1947

In reply refer to
JK

894.61321/7-1447

Dear Mr. Secretary:

Reference is made to the letter of July 14, 1947 addressed to you from the Secretary of State, concerning the amendments to the agreement under which additional cotton purchased by the Commodity Credit Corporation is to be shipped to Japan. Mr. Huttloff of the Department of Agriculture, informed Mr. Edwin M. Martin of this Department by telephone on July 16, that the Department of Agriculture considers the last sentence of Secretary Marshall's letter to be in effect a modification of the amended agreement.

I wish to assure you that the Department of State is aware of the urgent need for the early shipment of cotton to Japan, and did not intend to modify the terms of the amended agreement. As was pointed out in Secretary Marshall's letter, the cotton textiles made available for sale through the United States Commercial Company by SCAP, cannot be sold on credit without the consent of the Commodity Credit Corporation. While neither the existing nor the amended agreement specifically forbids the United States Commercial Company to sell cotton textiles for sterling or other foreign currencies, such sales cannot be made without the approval of the Commodity Credit Corporation, if conversion into dollars of currencies thus acquired is only possible at a future date. The intention of the last sentence of the Secretary of State's letter was to indicate the Department's understanding that further consideration by the Commodity Credit Corporation, and other interested agencies, of the proposal of the British Government is not precluded.

I hope

The Honorable
Clinton Anderson,
Secretary of Agriculture.

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I hope that this explanation of the Department's position will dispel any fears that a modification of the amended agreement as signed was intended, and that the Commodity Credit Corporation will proceed immediately to procure the additional cotton for early shipment to Japan.

Sincerely yours,

Willard L. Thorp
Assistant Secretary

2ax ✓
JUL 17 1947 PM

oym
JK:OJMcDiarmid:mw
IR:JGEvans:mw

7/17/47

Handwritten signature
- This copy of the signed agreement -

ESP

NA

A-H

A-T

*Checked by phone
Mr. F. J. [unclear]
07/17/47
Please by phone
Ms. MacLanahan*

WLT



ASSISTANT SECRETARY OF STATE
MR. ARMOUR
AUG 1 1 1947
DEPARTMENT OF AGRICULTURE
WASHINGTON

DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS
DEPARTMENT OF STATE
AUG 1 - 1947

July 18, 1947.

ASSISTANT SECRETARY
A-H
AUG 8 1947
GENERAL HILDRING
DEPARTMENT OF STATE

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DK

The Honorable
The Secretary of State

Dear Mr. Secretary:

Reference is made to your letter of June 20, 1947, in which you proposed that Commodity Credit Corporation agree to a modification of the existing agreement for the delivery of raw cotton to Japan which would permit the sale of the textiles manufactured therefrom for sterling, and would provide for payments to the Corporation from the dollar proceeds of the conversion of sterling or other foreign currencies available to the Supreme Commander. The proposal assumes that it would be possible for the Supreme Allied Commander to so manage Japanese foreign trade and the foreign currencies received in payment for textiles as to obtain sufficient dollars to pay Commodity Credit Corporation. To say the least, the proposal would result in delayed payment to Commodity Credit Corporation for the cotton furnished.

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We have considered the proposal carefully, and we recognize that the suggested modification would be of some assistance to countries in the sterling area. Nevertheless, we believe that we must continue the agreement under its present terms.

At the time proposals for the original agreement were being discussed and the agreement was being drafted, thorough consideration was given to the question of payment, and it was decided that Commodity Credit Corporation could enter into the agreement, provided it had absolute assurance that payment would be in dollars.

As you know, it is mandatory that Commodity Credit Corporation carry out price support operations at prescribed levels with respect to more than 20 agricultural commodities, and it is, therefore, necessary that the Corporation's financial resources always be adequate to meet this mandate of Congress. Consequently, the Corporation would not feel justified to enter into an arrangement whereby a substantial amount of its funds would be tied up unduly.

Accordingly, we are unable to agree to the proposed modifications of the existing agreement.

Sincerely yours,

DIVISION OF FINANCIAL AFFAIRS

AUG 4 1947

DEPARTMENT OF STATE

Acting Secretary

J. E. Dodd

INTERNATIONAL RESOURCES DIVISION
AUG 14 1947
DEPARTMENT OF STATE

894.61321/7-1847

A/VL

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Identical Letter Sent to:
Dear Secretary Patterson:

JUNE 20, 1947

In reply refer to
JKDear ^{Secretary} Anderson:

The United Kingdom Treasury has proposed to the Department of State that trade between Japan and the United Kingdom, Australia and New Zealand, and other countries and territories within the sterling area, be conducted on a sterling basis, with any sterling balances earned by Japan and considered excess to her needs for a six months period being convertible into dollars at the prevailing official exchange rate.

I believe that this proposal is in accordance with the foreign economic policy of the United States, and that its acceptance will contribute to the expansion of Japanese foreign trade with a consequent reduction of the burden borne by the United States in supporting the Japanese economy. I recommend, therefore, that the government agencies concerned with this matter promptly consider taking such steps as may be necessary to make possible its early acceptance.

In respect to exports from Japan of goods produced from indigenous Japanese raw materials and from materials purchased with the proceeds of Japanese exports, there appears to be no substantial difficulty in accepting payment in sterling under the proposed arrangement. However, a major portion of Japanese exports at the present time consist of cotton textiles produced from raw cotton obtained from the Commodity Credit Corporation, and against which the corporation has a secured claim. This has made it necessary for the Supreme Commander to require dollar payment for cotton textile exports from Japan. Up to the present time the sterling area has been an important market for Japanese cotton textiles, and a major

source

The Honorable
Clinton Anderson,
Secretary of Agriculture.

- 2 -

source of dollars for payment to the Commodity Credit Corporation. The British have indicated, however, that continuation of the present arrangement would involve a serious drain on their limited dollar resources.

In order to make possible the acceptance of the British proposal, and also to meet the dollar liability arising out of raw cotton supplied by the Commodity Credit Corporation, I ^{URGE} ~~submit~~ that the Supreme Commander be authorized to sell cotton textiles to the sterling area for sterling, and that payments to the Commodity Credit Corporation be made from the dollar proceeds of the conversion of sterling and other foreign currencies which he may have available for this purpose, and to the extent necessary, from dollar sales of other Japanese exports. It will, of course, be necessary for the Supreme Commander to manage Japanese foreign trade with the sterling and other non-dollar areas, so as to obtain sufficient dollars from such conversion operations to repay Commodity Credit Corporation within a reasonable period.

Faithfully yours,

~~G. C. MARSHALL~~



JK:OJMcDiarmid:rw
6/12/47

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"UNITED STATES DEPARTMENT OF AGRICULTURE
Washington 25, D. C.

February 7, 1946

894.61321/2-746

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FE JK

The Secretary of State
The Secretary of War
The Chairman of the Board of Directors,
U. S. Commercial Company
Washington, D. C.

Gentlemen:

A number of conversations have been held between representatives of the Department of State, the War Department, U. S. Commercial Company (hereinafter referred to as USCC), and Commodity Credit Corporation (hereinafter referred to as CCC), for the purpose of formulating a program under which raw cotton owned by CCC would be shipped to Japan and manufactured into cotton textiles, and payment for such cotton and all other costs in connection with the program would be made from the proceeds of the sale of such textiles.

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9.a.

b. Until such time as USCC and CCC shall have been paid in full for all amounts due them hereunder, SCAP will cause the Japanese agency to deliver to USCC for sale such quantities of textiles conforming to such specifications and instructions as are prescribed by USCC and SCAP with the approval of CCC. The textiles so required to be delivered to USCC will be not less than 60 percent of all the textiles manufactured during each 3-months' period. It being a primary consideration of the parties hereto that CCC and USCC shall be paid in full for all amounts due them hereunder, the War Department, (and through the War Department, SCAP) CCC, and USCC shall consult with each other from time to time for the purpose of adjusting the quantity of textiles to be delivered hereunder in order to insure that CCC and USCC will be fully paid.

12. USCC

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12. USCC will sell such textiles in such manner as it deems to be to the best interest of all concerned in such countries and at such price levels as it shall determine with the approval of the other parties hereto. Sales shall not be made on credit without the approval of CCC and the War Department.

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14. USCC will maintain a separate account which will reflect the receipts and disposition of all proceeds from the sale of textiles here under. The proceeds, on hand at the end of each calendar month, shall be disposed of as follows:

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b. USCC will then pay CCC in United States dollars all amounts due CCC hereunder.

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Sincerely yours,

/s/ Clinton P. Anderson

Secretary

Accepted:

Charles B. Henderson 2-13-46
Chairman of the Board -- USCC

Robert P. Patterson 2-28-46
Secretary of War

James F. Byrnes 2-25-46
Secretary of State

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UNITED KINGDOM TREASURY DELEGATION

BOX 680
Benjamin Franklin Station
WASHINGTON, D. C.

Reference 5-18-9/1

Telephone EXecutive 2020

30th June, 1947

Dear Mr. Martin:

You will recall that we have long discussed a payments agreement between the sterling area and Japan and that we are now awaiting the result of your latest exchanges with SCAP.

The lack of any agreement on this problem must inevitably have serious consequences the repercussions of which will be undesirable both so far as the sterling area and Japan are concerned. As an example of what is likely to occur, may I draw your attention to the fact that the Governor of Singapore has recently protested that he has had to pay over \$3 million in advance of delivery for Japanese textiles but that at the same time he is owed in excess of \$3 million for goods sold Japan (mainly rubber). It is clear to us that the Colony's balances cannot bear such financing and the Governor is therefore preparing orders to stop all exports to Japan from Singapore with effect from 1st July until settlement or agreement is made. As regards all other shipments from the sterling area countries to Japan we have decided that we must also demand cash against documents unless a payments agreement can be finalized within the next three weeks. As regards textiles from Japan we must inevitably, if the present position continues, re-examine the position with a view to ending the purchase of such textiles by sterling area countries even though the loss of such supplies will indisputably lead to considerable hardship in the areas for which we are responsible.

I am sure you will appreciate that none of the above is intended as being in any sense a threat and that I am informing you of developments in a friendly spirit.

Mr. E Martin,
Room 178,
Department of State,
17th and Penn Ave., n. w.

/The

- 2 -

The actual and potential developments set forth above are simply the inevitable consequence of our own financial position and the lack of any satisfactory payments arrangements as regards Japan and the sterling area.

An early indication of your likely reply to our long-standing proposals would therefore be appreciated.

Yours sincerely,

/s/ Allan Christelow

Allan Christelow