

MINUTE TRANSCRIPT FROM THE MEETING

The following directive, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on 12 September 1946 under the provisions of Paragraph II, A, 1, of its terms of reference, has been received from the State, War, and Navy Departments for transmission to you for your guidance in accordance with Paragraph III, 1, of those terms of reference:

"The action specified below should be taken with respect to facilities identified in the following categories of Japanese industry. Such action, under the Interim Reparations Removals Program, should be taken without prejudice to further removals that may be ordered under a final reparations program.

"1. Synthetic Oil Industry

"(Definition: Those plants and establishments, both government and privately owned, engaged in the manufacture of petroleum products from coal, whether by high-pressure hydrogenation, the Fischer-Tropsch hydrocarbon synthesis, or low temperature carbonization).

"a. All facilities identified within this category should be made available for claim, subject to the following reservation:

"(1) Any plant designated as suitable for actual or potential conversion to the manufacture of sulphate of ammonia for fertilizers should be retained in operation until the supply of fixed nitrogen from other sources becomes adequate.

"2. Synthetic Rubber Industry

"(Definition: Plants and establishments engaged in the production of synthetic rubber).

"a. All facilities which have been engaged in the production of synthetic rubber should be made available for claim."

27A  
27B





UNITED STATES POLITICAL ADVISER FOR JAPAN

*Handwritten initials and stamps:*  
DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS  
DEPARTMENT OF STATE  
OCT 9 - 1946  
*FR*  
*FR*  
*FR*  
*DCR*

Unrestricted

No. 609

Tokyo, September 18, 1946

DEPARTMENT OF STATE  
DIVISION OF FOREIGN REPORTING SERVICES  
OCT 7 - 1946

SUBJECT: Change in Reparations Selections Within Japanese Industry

*DC-94 FR JA CPED IR JK*

*894.60 / 9-546 x R 119 PW*

The United States Political Adviser has the honor to refer to this Mission's despatch no. 592, September 5, 1946, entitled "Reparations Selections Within Japanese Industry", and to enclose copy of a directive dated September 6, 1946, from the Supreme Commander for the Allied Powers to the Imperial Japanese Government (No. AG 387.6 (6 Sept 46) ESS/IN SCAPIN - 1184), revising the directive of August 14, 1946 (SCAPIN 1136), concerning reparations selections within the precision bearing industry. It will be noted that the revision deletes the Tamagawa Factory of the Nihon Seiko K. K. and adds the Osaki Factory of the same firm.

894.60/9-1846

ACTION  
2 JA  
COPIES  
TO:  
2 CP  
1 ED  
2 IR  
1 FEC(ERD)  
LK  
6 OCH  
1 CIG  
1 DRF

Enclosure: *attach*

Copy of SCAPIN 1184.

Original and hectograph to Department.

DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS  
DEPARTMENT OF STATE  
OCT 10 1946

CS/A

3 Wai  
8 Com

711.3  
JWBurnett:mf

RECEIVED  
DEPARTMENT OF STATE  
1946 OCT 4 AM 9 59  
DC/R  
RECORDS BRANCH

DCR ITV Unit  
*Handwritten initials and signatures*

OCT 23 1946

FILED

*894.60/9-1846*

*Handwritten signature*



Enclosure no. 1 to Despatch no. 609 dated September 19, 1946, from the United States Political Adviser for Japan, Tokyo, on the subject "Change in Reparations Selections Within Japanese Industry".

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 387.6 (6 Sept 46) ESS/IN  
(SCAPIN - 1184)

APO 500  
6 September 1946

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT

THROUGH : Central Liaison Office, Tokyo

SUBJECT : Revision of SCAPIN 1136

1. The Imperial Japanese Government is notified of the following correction to Memorandum for the Imperial Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, file AG 387.6 (14 Aug 46) ESS/IN, SCAPIN 1136, subject: "Reparations Selections within the Precision Bearing Industry":

Delete: Nihon Seiko K.K., Tamagawa factory,  
309 Shimomaruko-Machi Kamata-ku,  
Tokyo-to.

Add : Nihon Seiko K.K., Osaki factory 363 2-chome  
Higashi Osaki, Shinagawa-ku, Tokyo-to.

2. Within seventy-two (72) hours of the receipt of this memorandum the Imperial Japanese Government will have qualified representatives report to the Commanding General, Eighth United States Army to receive detailed instructions to accomplish the purposes of this memorandum.

FOR THE SUPREME COMMANDER:

/ss/ A. J. Rehe, for  
JOHN B. COOLEY,  
Colonel, AGD,  
Adjutant General.



SEP 23 1946

SEP 23 1946

My dear Sir Girja:

In accordance with the request which Mr. M. O. A. Baig, First Secretary, Indian Agency General, presented to Mr. Martin of the Division of Japanese and Korean Economic Affairs, the State Department has consulted with the Supreme Commander concerning the feasibility of a visit to Japan at this time of a small group representing the Indian Government to study Japanese techniques in a limited number of industries.

I regret that in view of conditions in Japan we find it impossible at the present time to make the arrangements which would be necessary for such a group to accomplish its purposes.

The

The Honorable

Sir Girja Shankar Bajpai,  
K.C.S.I., K.B.E., C.I.E.,  
Agent General for India.

894.60/9-2346

CS/V

894.60/9-2346



-2-

The Japanese economic situation continues to be so chaotic and facilities so limited that until reparations decisions are made and the level of Japanese industry and commerce is fixed it does not seem likely that it will be possible to admit persons for temporary missions not directly related to the accomplishment of the purposes of occupation such as the trade missions and the reparations missions about which discussions are going on in the Far Eastern Commission.

We shall continue to keep in close touch with developments in Japan in order that we may give you a more favorable reply at the earliest possible date.

Sincerely yours,

For the Acting Secretary of State:

JOHN H. HILLDRING

OK  
SEP 19 1946  
SEP 23 1946

JK:EMMartin:jph

9-16-46

JA

ME

A true copy of  
the signed original.



STANDARD FORM NO. 64

# Office Memorandum



TO : A-H General Hilldring

FROM : A-H Mr. Frank

SUBJECT: Reply to Cable C 64806 from SCAP, CM-IN-498, 4 September, 1946 re. Assured Minimum Industrial Level

Herewith for your approval is a draft cable to SCAP on the above subject. This cable has received the concurrence of the Civil Affairs Division (Mr. Pollard).

DRAFT CABLE TO SCAP

*Handwritten:* Forwarded to Pollard 9/24

Reurad September C 64806.

*Handwritten:* Dispatched War 81694 (27 Sep)  
97460/9-2446

1. Assured capacity paper introduced in FEC August 12, 1946. US Member aware urgency and continues pressing adoption. Delay in FEC due to lack of instructions representatives other governments. UK only representative known instructed to date but expect others receive instructions soon, possibly this week.

2. UK representative instructed recommend assured capacity 800,000 metric tons pig iron as opposed US position 550,000 tons maximum, based on Pauley recommendation 500,000 in his Comprehensive Report. US therefore cannot now accept UK figure. UK also willing accept only 3,000,000 tons sulphuric acid and 8,000 machine tool annual capacity which US Member can accept. UK may reserve on shipbuilding pending receipt further instructions.

3. Indications are Chinese and Soviets may object to original

*Handwritten:* A.H. 153



-2-

US position 3,400,000 metric tons sulphuric acid assured capacity, and soda ash 260,000 and caustic soda 100,000. Pending receipt their instructions, their exact positions not known.

4. In view above situation, and urgency FEC adoption of principle of establishing some reasonable assured capacity level, US Member prepared:

(a) to adjust present US recommended assured capacity figures downward to extent necessary to secure FEC agreement, even though in some cases negotiation of such downward adjustment may exceed the 20 percent reduction leeway previously permitted, and (b) to handle paper piecemeal in FEC by urging immediate adoption of all non-controversial items.

A-H:JAFrank;hjh

CONFIDENTIAL



September 18, 1946

Executive Officer, CAD

A-H Mr. Frank

Reply to Cable C 64806 from SCAP, CM-IN-498,  
4 September, 1946.

Under date of September 10 I transmitted a suggested draft message to SCAP in response to his cable C 64806, September, in which he advised that we should undertake every effort to effect early approval of the assured minimum industrial level paper in the FEC. After having dispatched the draft of September 10 to you for consideration, we came to the conclusion that it was not sufficiently detailed to afford SCAP the understanding and assurances which he requires. There is therefore enclosed a draft message to SCAP which it is requested you consider in lieu of the message of 10 September. It is also requested that you destroy that transmittal.

I would appreciate your advising me of your reaction to the draft enclosed. My extension is 3611.

A-H:JAFrank;jhjh

AH 153



STANDARD FORM NO. 64

## Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H General Hilldring

FROM : A-H Mr. Frank *JK*

SUBJECT: Cable to SCAP Regarding Minimum Industrial Level Program.



It is recommended that the attached cable to SCAP be approved. Cable C 64806 from SCAP requested that every effort be made to effect early approval of the assured minimum industrial level program. The attached cable reply to SCAP advises him that the US Member of FEC has been informed of the urgency and is pressing for priority consideration in the Far Eastern Commission.

This cable has been concurred in by the Civil Affairs Division (Mr. Pollard).

A-H:JAFrank;hjh

a H - 153



STANDARD FORM NO. 64

## Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - JK Secretariat

DATE: September 16, 1946

FROM : JK - Mr. Martin

SUBJECT: Status of Assured Capacity Paper. (Proposed Cable to SCAP.)

Sept.  
Revised C 64806

Lack of instructions

1. X. Assured capacity paper introduced in FEC August 12, 1946. U. S. Member aware urgency and ~~has been~~ <sup>continues</sup> pressing adoption. Delay in FEC due to time required by other government representatives. ~~to receive instructions.~~ U. K. only representative known ~~to be~~ instructed to date but expect others to receive instructions soon, possibly this week.

2. X. U. K. representative instructed to recommend assured capacity 800,000 metric tons pig iron as opposed U. S. position 550,000 tons maximum, based on Pauley recommendation 500,000 in his Comprehensive Report. U. S. therefore cannot now accept U. K. figure. U. K. also willing to accept only 3,000,000 tons sulphuric acid and 3,000 machine tool annual capacity which U. S. Member can accept. U. K. may reserve on shipbuilding pending receipt further instructions.

3. X. Indications are Chinese and Soviets may object to original U. S. position of 3,400,000 metric tons sulphuric acid assured capacity, and soda ash 260,000 and caustic soda 100,000. Pending receipt their instructions, <sup>their</sup> exact positions ~~may still be~~ not known.

4. X. In view above situation, and urgent FEC adoption of principle of establishing some reasonable assured capacity level, U. S. Member prepared to take following actions:

- X. ~~to~~ adjust present U. S. recommended assured capacity figures downward to extent necessary to secure FEC agreement, even though in some cases negotiation of such downward adjustment may exceed the 20 percent reduction leeway previously permitted *and*
- X. ~~to~~ handle paper piecemeal in FEC by urging immediate adoption of all non-controversial items.

614  
JK:CLHodge:mw

*F. Fisher*  
JK/Sec.

A-H  
*JHE*



DEPARTMENT OF STATE  
WASHINGTON

*F. H.*

MEMORANDUM

Sept. 19, 1946

To: Mr. Whitman, JK  
From: Mr. Gross, A-H  
Subj: Assured Production Capacity Levels  
for Japan.

This memorandum is simply to provide a record of the telephone authorization transmitted to you by Mr. Claxton on the afternoon of September 16th to accept what in your judgment are reasonable changes in the retention levels proposed by the U.S. in this paper for the reasons and purposes stated in your memorandum of Sept. 13th.

*Mr. Claxton*



URGENT

DEPARTMENT OF STATE

ASSISTANT SECRETARY

Mr Claxton :

This looks alright.

If you agree, advise  
Whitman - if not,  
please let me know  
at once

1400 16/9  
Agree.  
Whitman advised.  
Pr

Sog



STANDARD FORM NO. 64

## Office Memorandum

TO : A-H - General Hilldring

FROM : JK - Mr. Whitman

SUBJECT: Assured Production Capacity Levels for Japan.



DATE:

September 13, 1946

SCAP has been bringing considerable pressure for FEC action on the Assured Production paper. (See cable C 64806 of September 4, 1946.)

This paper will be on the Agenda of the Economic Committee in its meeting on September 17. All delegations have been urgently requested to have instructions from their governments so that action can be taken. Some of the figures, however, may raise considerable controversy and in addition the Chinese delegation is generally reluctant to approve the idea as a whole. It, therefore, may be necessary in order to assure prompt action on the paper to make compromises which go beyond the 20% leeway permitted in SWNCC 236/19.

It is the opinion of JK that the essential thing that SCAP needs is to get the principle of assured retention established and that the specific figures, even though lower than considered desirable by the United States, are less important than is the taking of positive action immediately.

Accordingly, I request that as United States Member of Committee no. 2 I be authorized to accept what in my judgment are reasonable changes in the retention levels proposed by the United States, if by so doing I can get favorable action by Committee no. 2 and a reasonable prospect of prompt Commission action.

I will need a reply on this point before the meeting of the 17th.

JK:RHWhitman:emh



Copied in .emh

REPRODUCTION OF WAR DEPT MESSAGE TO STATE FOR INFO

Tokyo

Dated Sept. 4, 1946

Rec'd 8:14 p.m., 5th

SECRET

Control 1315

No paraphrase necessary

From: SCAP, Tokyo, Japan

To : War Department for WARCOS

Nr : C 64806 4 September 1946

PRIORITY

REURAD W-91054 and OURAD C-62422 please advise estimated date upon which approval by FEC of assured minimum industrial levels can be expected. In view present financial measures, impending Zaibatsu dissolution and interim reparations program, industrial situation in Japan most precarious. Assured minimum industrial levels as outlined URAD W-91054 would be utmost importance in stabilizing industry. Strongly recommend that every effort be made to effect early approval such program.

C-62422 is CM-IN-5607 (26 Jun) CAD

ACTION: CAD

CM-IN-498 (4 Sept 46)

JS

SECRET



STANDARD FORM NO. 64

**Office Memorandum** · UNITED STATES GOVERNMENT

DATE: Aug. 27, 1946

TO : Col. Chard, CAD  
FROM : P. P. Claxton, A-H  
SUBJECT: Reparations and Level of Industry in Japan

This is to confirm a telephone call by Mr. Claxton to Mr. Pollard's secretary on August 27th that this cable has now been given State Department concurrence. <sup>to</sup> The first sentence in paragraph two has been changed so that it now reads: "SWNCC will prepare instructions to U.S. delegate to Reparations Conference on this subject."

A-H:PPC:asb

A-H-67



STANDARD FORM NO. 64

## Office Memorandum • UNITED STATES GOVERNMENT

DATE: Aug. 27, 1946

27 Aug 1946  
state approval called  
to Pollard's sec. pr

TO : Mr. Gross *soj*

FROM : Mr. Claxton *cc*

SUBJECT: Reparations and Level of Industry in Japan.

I attach for your approval a draft cable to SCAP which has been concurred in by the War Department (Mr. Pollard).

This cable replies to a suggestion made by SCAP that FEC make industry by industry capacity decisions, on the basis of SCAP recommendations, as to what capacity is not necessary to Japanese peacetime requirements, by stating that the U.S. position (adopted by SWNCC) is to have FEC decide now only broad general principles with respect to the future level of Japanese industrial capacity, and that industry by industry decisions are to be made by a proposed Reparations Conference, with subsequent review and confirmation by FEC.

The cable also informs SCAP that SWNCC is starting to consider instructions to the U.S. Delegate to the Reparations Conference. It states that the basis of U.S. policy will be the industrial removal sections of the Pauley report. Since SCAP has first-hand information on industry by industry capacity levels required for peacetime economy, his views on this subject are requested in time for full consideration before SWNCC acts.

Finally, the cable states that State wishes to propose to the FEC that SCAP send an observer to the Reparations Conference and asks his approval.

AH-64



371 SCAP  
331 Martin  
334 JCP  
Aug. 16, 1946  
371 JCP  
Routine

Secret

Secret IVI

SCAP

ACTION

State (General Hilldring)

Dispatched  
as  
990/7  
War  
(20 Aug 46)

D/PO;Mr. Petersen; CAD State; CAD/

From WDSKA: (Cable is two parts).

Part 1. REURAD C-62237, Part 2, comment on paragraph 8B, U.S. position is to have FEC decide now only broad general principle with respect future level Jap industrial capacity. Industry by industry decisions to be made by proposed Reparations Conference, with subsequent review and confirmation by FEC.

SWNCC ~~starting to consider~~ <sup>will prepare</sup> instructions to U.S. delegate to Reparations Conference on this subject. Basis SWNCC action will be industrial removal sections Paul Comprehensive Report, as given General Marquat by Martin Bennett in May. In view of your interest in and first hand information on industry by industry capacity levels required for peacetime economy, important have your views in time for full consideration before SWNCC acts. Request time your detailed recommendations and comments this subject can be made available here. Will these accompany your comments on comprehensive Pauley report scheduled prior 15 September per urad C 64436.

Part 2. As separate but related subject State wishes to propose to the FEC that you be invited to send observer to Reparations Conference. Do you approve?

(C-62237 is GM IN 4657 22 June 46

AH-64



DEPARTMENT OF STATE  
WASHINGTON~~MEMORANDUM~~

August 19, 1946

To: Colonel Chard  
From: Mr. Claxton  
Subj: Reparations and Level of Industry in Japan.

I attach a draft cable to SCAP on the above subject together with a copy of a memorandum from Mr. Martin of the Division of Japanese and Korean Affairs explaining the background of the message.

You will note that paragraph one refers to the JCS "recommendation" on SCAP's proposal but does not state what the JCS recommends. Instead, it says, "State requests," etc. Since the information which State requests SCAP be informed is the substance of the JCS determination, I believe it would be desirable to make it clear that this determination is made by JCS. Will you please call me on this? (State-3775).

23 Aug

Pollard - 71259 -

Checked deletion of " on which JCS... be informed that" with Martin.

Pollard suggested changes in last para.

Told Pollard of com- W 5188 from SCAP re comments on rep. plan requested by Bennett.

Pollard will clear & call.

A-11-64-8/22



Aug. 16, 1946

Secret

Secret I VI

Routine

SCAP

ACTION

State (General Hilldring)

D/PO: Mr. Petersen; Cad State; CAD.

From WDSGA:

*Cable in two parts.*

Part 1. REURAD C-62237, Part 2, comment on paragraph 8B ~~on which JCS recommendations just received, State requests you be informed that~~ U.S. position is to have FEC decide now only broad general principle with respect future level Jap industrial capacity. Industry by industry decisions to be made by proposed Reparations Conference, with subsequent review and confirmation by FEC.

SWNCC starting to consider instructions to U.S. delegate to Reparations Conference on this subject. Basis SWNCC action will be industrial removal sections Pauley Comprehensive Report, as given General Marquat by Martin Bennett in May. In view of your interest in and first hand information on industry by industry capacity levels required for peacetime economy, ~~and hence importance~~ *Request time your detailed recommendations and comments on this subject can be made available here.* ~~State hopes this radio can be basis for starting preparation your detailed comments on this subject.~~ *Will these accompany your comments on comprehensive Pauley report scheduled prior 15 September per Part 2.* As separate but related subject State wishes to propose to the FEC that you be invited to send observer to Reparations Conference. Do you approve?

(C-62237 is CM IN 4657 22 June 46).

*Petersen's agreed on with Pollard -*

*with  
64436  
64496*

*A-H-64-8/22*



DEPARTMENT OF STATE  
WASHINGTON

MEMORANDUM

August 19, 1946

To: Colonel Chard  
From: Mr. Claxton  
Subj: Reparations and Level of Industry in Japan.

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You will note that paragraph one refers to the JCS "recommendation" on SCAP's proposal but does not state what the JCS recommends. Instead, it says, "State requests," etc. Since the information which State requests SCAP be informed is the substance of the JCS determination, I believe it would be desirable to make it clear that this determination is made by JCS. Will you please call me on this? (State-3775).

Red.  
1537 on 22 aug 46  
gmpollard

A-A-64-8/22



General Milldring - A-H

August 8, 1946

Mr. Martin - JK

The JCS in reviewing SWNCC 302, "Reduction of Industrial War Potential in Japan" and SCAP comments thereon in Telegram Number C-62237, dated June 21, 1946, has not accepted SCAP's proposal in commenting on paragraph 8B of WX-89837 that FEC make industry by industry capacity decisions on the basis of SCAP recommendations as to what capacity is not necessary to Japanese peacetime requirements.

Since this is obviously a subject on which SCAP has views and is in a position to have special information, it is important to assure SCAP that his views are wanted and to explain the place in our procedural plan at which they will be needed. This is the main object of the attached radio which it is proposed the War Department dispatch.

In addition the radio seeks to get SCAP started now on his comments on this subject, as speedy SWNCC action will be necessary to get instructions to the U.S. Representative at the Reparations Conference cleared in time to meet our proposal with respect to the holding of the conference.

Also I propose to seek SCAP views on the suggestion that he be represented at the Conference. It is our view that such representation would be desirable both to keep SCAP promptly informed of current negotiations in the Conference with respect to level of industry and other matters in which he has a direct interest, and to provide SCAP with information which will assist him in carrying out more intelligently the decisions of the Conference.

It is recommended therefore that the War Department be requested to forward the attached message to SCAP.

Enclosure:  
Draft Radio

JK:EMMartin:jph

A-H-64-8/22



DEPARTMENT OF STATE  
WASHINGTON

MEMORANDUM

August 19, 1946

To: Colonel Chard  
From: Mr. Claxton  
Subj: Reparations and Level of Industry in Japan.

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A-H-64-8/22



Secret

Secret IVI

Routine

SCAP

ACTION

State (General Hilldring)

D/PO; Mr. Petersen; CAD State; CAD.

From WDSGA:

1. REURAD C-62237, Part 2, comment on paragraph 8B on which JCS recommendations just received, State requests you be informed that U.S. position is to have FEC decide now only broad general principle with respect future level Jap industrial capacity.

Industry by industry decisions to be made by proposed Reparations Conference, with subsequent review and confirmation by FEC.

SWNCC starting to consider instructions to U.S. delegate to Reparations Conference on this subject. Basis SWNCC action will be industrial removal sections Pauley Comprehensive Report, as given General Marquat by Martin Bennett in May. In view of your interest in and first hand information on industry by industry capacity levels required for peacetime economy and hence importance having your views in time for full consideration before SWNCC acts, State hopes this radio can be basis for starting preparation your detailed comments on this subject.

2. As separate but related subject State wishes to propose to the FEC that you be invited to send observer to Reparations Conference. Do you approve?

C-62237 is CM-IN 4657 (22 June 46).

A-H-64 8/22



STANDARD FORM NO. 64

**Office Memorandum • UNITED STATES GOVERNMENT**

TO : General Hilldring - A-H

DATE: August 8, 1946

FROM : Mr. Martin - JK

SUBJECT:

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Since this is obviously a subject on which SCAP has views and is in a position to have special information, it is important to assure SCAP that his views are wanted and to explain the place in our procedural plan at which they will be needed. This is the main object of the attached radio which it is proposed the War Department dispatch.

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Also I propose to seek SCAP views on the suggestion that he be represented at the Conference. It is our view that such representation would be desirable both to keep SCAP promptly informed of current negotiations in the Conference with respect to level of industry and other matters in which he has a direct interest, and to provide SCAP with information which will assist him in carrying out more intelligently the decisions of the Conference.

It is recommended therefore that the War Department be requested to forward the attached message to SCAP.

Enclosure:  
Draft Radio

WOB  
JA

A-H-64-8/22

EWH



RADIO TO SCAP FROM WAR

1. REURAD C-62237, Part 2, comment on paragraph 8B on which JCS recommendations just received, State requests you be informed that U.S. position is to have FEC decide now only ~~the~~ <sup>broad</sup> general principle with respect future level Jap industrial capacity. Industry by industry decisions to be made by proposed Reparations Conference, with subsequent review and confirmation by FEC.

SWNCC starting to consider instructions to U.S. delegate to Reparations Conference on this subject. Basis SWNCC action will be industrial removal sections Pauley Comprehensive Report, as given General Marquat by Martin Bennett in May. In view of your interest in and first hand information on industry by industry capacity levels required for peacetime economy and hence importance having your views in time for full consideration before SWNCC acts, State hopes this radio can be basis for starting preparation your detailed comments on this subject.

2. As separate but related subject State wishes to propose to the FEC that you be invited to send observer to Reparations Conference. Do you approve?

*C-62237 is in - in*

*A-H-64-8/22*



RADIO TO SCAP FROM WAR

1. REURAD C-62237, Part 2, comment on paragraph 8B on which JCS recommendations just received, State requests you be informed that U.S. position is to have FEC decide now only vague general principle with respect future level Jap industrial capacity. Industry by industry decisions to be made by proposed Reparations Conference, with subsequent review and confirmation by FEC.

SWNOC starting to consider instructions to U.S. delegate to Reparations Conference on this subject. Basis SWNOC action will be industrial removal sections Pauley Comprehensive Report, as given General Marquat by Martin Bennett in May. In view of your interest in and first hand information on industry by industry capacity levels required for peacetime economy and hence importance having your views in time for full consideration before SWNOC acts, State hopes this radio can be basis for starting preparation your detailed comments on this subject.

2. As separate but related subject State wishes to propose to the FEC that you be invited to send observer to Reparations Conference. Do you approve?

A-H-64



DEPARTMENT OF STATE  
WASHINGTON

MEMORANDUM

August 19, 1946

To: Colonel Chard  
From: Mr. Claxton  
Subj: Reparations and Level of Industry in Japan.

I attach a draft cable to SCAP on the above subject together with a copy of a memorandum from Mr. Martin of the Division of Japanese and Korean Affairs explaining the background of the message.

You will note that paragraph one refers to the JCS "recommendation" on SCAP's proposal but does not state what the JCS recommends. Instead, it says, "State requests," etc. Since the information which State requests SCAP be informed is the substance of the JCS determination, I believe it would be desirable to make it clear that this determination is made by JCS. Will you please call me on this? (State-3775).

A-H-64-8/22



August 16

Secret

Secret IVI

Routine

SCAP

ACTION

State (General Hilldring)

D/PO; Mr. Petersen; CAD State; CAD.

## From WDSOA:

1. REURAD C-62237, Part 2, comment on paragraph 3B on which JCS recommendations just received, State requests you be informed that U.S. position is to have FEC decide now only broad general principle with respect future level Jap industrial capacity. Industry by industry decisions to be made by proposed Reparations Conference, with subsequent review and confirmation by FEC.

SWNCC starting to consider instructions to U.S. delegate to Reparations Conference on this subject. Basis SWNCC action will be industrial removal sections Pauley Comprehensive Report, as given General Marquat by Martin Bennett in May. In view of your interest in and first hand information on industry by industry capacity levels required for peacetime economy and hence importance having your views in time for full consideration before SWNCC acts, State hopes this radio can be basis for starting preparation your detailed comments on this subject.

2. As separate but related subject State wishes to propose to the FEC that you be invited to send observer to Reparations Conference. Do you approve?

C-62237 is CM-IN 4657 (22 June 46).

A-H-64 8/16



WAR DEPARTMENT  
CLASSIFIED MESSAGE CENTER  
INCOMING CLASSIFIED MESSAGE

RESTRICTED TOT

PARAPHRASE NOT REQUIRED. HANDLE AS RESTRICTED CORRESPONDENCE  
PER PARAS 51 (f) and 60 (a) AR 380-5

From: SCAP Tokyo, Japan

To: War Department for WDSCA-ES

Nr: C 64821

4 September 1946

Reurad W 99017 action pending, will reply earliest.

End

ACTION: CAD

INFO: ASW  
P&O  
SWNCC  
CSA

CM-IN-539

(4 Sept 46)

DTG: 040937Z med

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24

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SECRET

PARAPHRASE NOT REQUIRED. HANDLE AS SECRET CORRESPONDENCE  
PER PARAS 511 and 60e, AR 380-5

CAD 311.23 Mr Pollard 71259

30 August 1946

CINCAFPAC Tokyo Japan

Number WAR 99017

From WDSCA ES. Reurads June C 62237 Aug C 64436. Pass to Mr  
Howard C. Petersen on arrival at Tokyo

Cable in two parts.

1. Reurad C 62237, part two, comment on par 8 B, US position to have FEC decide now only broad gen principle with respect future level Jap industrial capacity. Industry by industry decisions to be made by proposed reparation conference, with subsequent review and confirmation by FEC.

SWNCC will prepare instructions to US delegate to reparations conference on this subj. Basis SWNCC action will be industrial removal sects Pauley comprehensive report, as given Gen Marquist by Martin Bennett in May. In view of your interest in and first hand info on industry by industry capacity levels required for peacetime economy, important have your views in time for full consideration before SWNCC acts. Request time your detailed recommendations and comments this subj can be made available here. Will these accompany your comments on comprehensive Pauley report scheduled prior 15 Sept per urad C 64436?

2. As separate but related subj State wishes to propose to FEC that you be invited to send observer to reparations conference. Do you approve? Nothing further.

End

NOTE: C 62237 is CM IN 4657 (22 June 46)  
C 64436 is CM IN 5188 (23 Aug 46)

ORIGINATOR: CAD

DISTRIBUTION: ASW, P&amp;O, SWNCC, CSA

CM-OUT-99017

(Aug 46)

DTG 301738Z

fd

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CONFIDENTIAL TOT

PRIORITY

PARAPHRASE NOT REQUIRED. HANDLE AS CONFIDENTIAL  
CORRESPONDENCE PER PARAS 51i and 60a. AR 380-5.

From: GHQ SCAP Tokyo

To: War Department

Nr: C 64436

23 August 1946

Reurad W 97453 please advise Mr Martin Bennett that comments on reparations from Japan now being prepared and will be forwarded prior 15 September. Earlier comments withheld pending return of Mr Reday from recent trip to Washington for discussion of reparations matters.

End

ACTION: CAD

INFO: ASW  
CAD (State)  
P&O  
SWNCC

CM-IN 5188

(23 Aug 46)

DTG 230313Z

ed

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SECRET IVI

PRIORITY

PARAPHRASE NOT REQUIRED. HANDLE AS SECRET  
CORRESPONDENCE PER PARAS 511 and 60a, AR 380-5.

From: GHQ SCAP Tokyo Japan

To: War Department for WARCOS

Nr: C 62237

21 June 1946

Reurad WX 89837 subject is "Reduction of Industrial  
War Potential".

Following are comments requested. Paragraph numbers  
correspond to reference paragraphs your radio WX 89837.

Part 2.

4A. Concur.

B. Concur.

C. Concur.

5A (1). Concur with exception of "Plants and  
Establishments Building merchant vessels over 5000 tons".  
Maximum tonnage of vessels should be fixed upon determination  
of size and sphere of activity of Japanese merchant fleet.  
By limiting the speed and requiring designs which are devoid  
of other combatant vessel characteristics it may be desirable  
to permit construction of merchant vessels larger than 5000  
tons. Previous recommendation of 5000 tons stated in Part  
2 subparagraph A (3) ured OA 57993 based on assumption that  
Japanese shipping would be confined to Asiatic waters.

(2). Concur.

CM IN 4657

(22 June 46)

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SECRET IVI

PRIORITY

Page 2

From: GHQ SCAP Tokyo Japan

Nr: C 62237

21 June 1946

B (1) Recommend paragraph read: "All firms and organizations whether publicly or privately owned and operated, whose activities have related primarily to operation of primary war facilities and whose continued existence is deemed by SCAP to be undesirable from a security standpoint, should be dissolved by SCAP, who should, if considered necessary, seize their records and register all key executive and managerial research and engineering personnel.

(2) Concur.

6A. Concur.

(B). (1) Concur.

(2) Concur.

(3) Concur.

7. Concur.

8A. Concur.

B. Recommended to read "A determination shall be made by FEC, upon the recommendation of SCAP, as to the categories and volume of industrial productive capacity in war-supporting industries which are in excess of the peaceful needs of the Japanese people."

CM IN 4657

(22 June 46)

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SECRET I VI

PRIORITY

Page 3

From: GHQ SCAP Tokyo Japan

Nr: C 62237

21 June 1946

(1) Concur.

(2) Concur.

(3) Concur.

C. (1) Concur.

(2) Concur.

(3) Concur, with the reservation that recommendations on the industrial levels be subject to comment by SCAP.

D. Concur with provision that criteria (2) be eliminated. It is probable that reparations claims for specific plants and equipment would seriously endanger the establishment of efficient and economically sound industry which is essential if Japan is to regain a "self supporting" economy. Further, the administration OFRR program in which the wishes of claimant nations are given priority could result in such complex problems as to preclude efficient implementation of the over-all program.

9. Concur.

10. Recommend paragraph be amended to read: "--- SCAP should keep records of all property destroyed in execution of industrial removals proposed in this paper, for

CM IN 4657

(22 June 46)

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SECRET I VI

PRIORITY

Page 4

From: GHQ SCAP Tokyo Japan

Nr: C 62237

21 June 1946

which claims have been filed by the United Nations Nationals through their respective governments."

11. Concur.

12. A. (1) Concur as amended by para 5A (1) re vessels.

(2) Concur.

B. (1) Concur, except recommend deletion of synthetic oil and rubber controls should be premised on the selection of the fewest possible basic industries of types that lend themselves easily to control and by their nature are indispensable to a war economy.

13. Concur.

14 A. Concur.

B (1). Concur with reservations paragraph 8C (3).

End

Note: CA 57993 is CM IN 4219 (20 Feb) JC/S

ACTION: CAD

INFO: JC/S, Adm Leahy, CG AAF, D/I, D/SSP, D/PO, CAD (State), Adm Nimitz, Mr. Petersen, C of S.

CM IN 4657

(22 June 46)

DTG 210233Z ec

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20

334 Economic  
Committee  
L. Claxton, Mr  
371 SCAP

September 25, 1946

JK - Mr. Whitman

A-H - Mr. Gross

Assured Production Capacity Levels for Japan.

This is to confirm the authorization transmitted to you by Mr. Claxton September 25<sup>th</sup> to use the threat of an interim directive by the U.S. to SCAP regarding an assured production capacity level for Japan at the next meeting of the Economic Committee if in your judgment at that time you felt the Committee was being unreasonable in stalling action on the paper and if it appeared that such a threat would not prejudice the general position of the U.S.

894-60/9-2546

R



STANDARD FORM NO. 64

*Office Memorandum* • UNITED STATES GOVERNMENT

TO : A-H - Mr. Gross

DATE:

September 19, 1946

FROM : JK - Mr. Whitman

SUBJECT: Assured Production Capacity Levels for Japan.

Please refer to my memorandum of September 18, to General McCoy covering the present status of this paper in Committee no. 2 with the FEC.

At the time of the receipt of the message from SCAP urging immediate FEC action, consideration was given to issuing an interim directive. At that time I opposed such action or even the threat of such action as extremely difficult to defend since once issued it would have to be binding and the United States Government would have to maintain the position taken, if necessary by use of the veto.

In view of the slow progress of the paper in the FEC now I think we might consider an interim directive establishing levels at 75% of the figures in the United States paper. A possible exception of sulphuric acid which as relatively the most controversial item might be put at 50%. I would like to be authorized to use the threat of an interim directive on such lines at the next meeting of the Economic Committee. I would do so only if in my judgment at that time, I felt the Committee was being unreasonable in stalling action on the paper and if it appeared that such a threat would not prejudice the general position of the United States.

*RH Whitman*

JK:RHWhitman:emh



A-H - Mr. Gross

September 19, 1946

JK - Mr. Whitman

Assured Production Capacity Levels for Japan.

Please refer to my memorandum of September 18, to General McCoy covering the present status of this paper in Committee no. 2 with the FEC.

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In view of the slow progress of the paper in the FEC now I think we might consider an interim directive establishing levels at 75% of the figures in the United States paper. A possible exception of sulphuric acid which is relatively the most controversial item might be put at 50%. I would like to be authorized to use the threat of an interim directive on such lines at the next meeting of the Economic Committee. I would do so only if in my judgment at that time, I felt the Committee was being unreasonable in stalling action on the paper and if it appeared that such a threat would not prejudice the general position of the United States.

JK:RHWhitman:emh



THE STATE-WAR-NAVY COORDINATING COMMITTEE  
WASHINGTON, D. C.

322292

SWN-4778  
27 September 1946

DEPARTMENT OF STATE  
OCT 1 1946

→ [Handwritten initials and marks]

MEMORANDUM FOR THE SECRETARY OF STATE:  
(Attention: Mr. J. K. Penfield - FE)

Subject: Directives Transmitted to SCAP  
by the Joint Chiefs of Staff

X R  
740.00119 Control (Japan)  
894.654  
894.654  
740.00119 PW

Enclosed are three copies of Directive, Serial  
No. 59, transmitted to SCAP by the Joint Chiefs  
of Staff. Copy No. 1 is for transmittal to the  
Far Eastern Commission and Copies Nos. 2 and  
3 are for the files of the State Department.

For the State-War-Navy Coordinating Committee:

*A. D. Reid.*  
A. D. REID,  
Secretary

894.60/9-2746

Enclosures  
Cpy Nos. 1, 2, and  
3 of Serial #59

DCR - ITP Unit	
Ans.	<i>[Handwritten initials]</i>
Rev.	<i>[Handwritten initials]</i>
Lat.	<i>[Handwritten signature]</i>
Dist.	

OCT 1 1946

FILED

Confidential File



Serial No. 59

Copy No. 2

18 September 1946

DIRECTIVE TO THE SUPREME COMMANDER FOR THE ALLIED POWERSINTERIM REPARATIONS REMOVALS: SYNTHETIC  
OIL AND SYNTHETIC RUBBER INDUSTRIES

The following directive, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on 12 September 1946 under the provisions of paragraph II,A,1, of its terms of reference, has been received from the State, War, and Navy Departments for transmission to you for your guidance in accordance with paragraph III,1, of those terms of reference:

The action specified below should be taken with respect to facilities identified in the following categories of Japanese industry. Such action, under the interim reparations removals program, should be taken without prejudice to further removals that may be ordered under a final reparations program.

1. Synthetic oil industry.

(Definition: Those plants and establishments, both government and privately owned, engaged in the manufacture of petroleum products from coal, whether by high-pressure hydrogenation, the Fischer-Tropsch hydrocarbon synthesis, or low temperature carbonization).



a. All facilities identified within this category should be made available for claim, subject to the following reservation:

(1) Any plant designated as suitable for actual or potential conversion to the manufacture of sulphate of ammonia for fertilizers should be retained in operation until the supply of fixed nitrogen from other sources becomes adequate.

2. Synthetic rubber industry.

(Definition: Plants and establishments engaged in the production of synthetic rubber).

a. All facilities which have been engaged in the production of synthetic rubber should be made available for claim.



FE  
CA

OCT 3 - 1946

**MEMORANDUM FOR THE SECRETARY GENERAL,  
FAR EASTERN COMMISSION**

In accordance with instructions of September 27, 1946, from the State-War-Navy Coordinating Committee, there is enclosed a certified copy of a directive, Serial No. 59, to the Supreme Commander for the Allied Powers regarding Interim Reparations Removals: Synthetic Oil and Synthetic Rubber Industries, to be filed with the Far Eastern Commission under the provisions of paragraph III, 4, of its Terms of Reference.

894.60/9-2746

CS/A

**J. H. Hildring  
Assistant Secretary**

**Enclosure:**

**Copy No. 1 (certified) of  
Directive to Supreme Commander  
for the Allied Powers,  
Serial No. 59.**

OUT  
SEM  
1946 P.M.

JA:ALDunning/pm  
10/2/46

DCR - IFE Unit  
FE

A true copy of  
this sign  
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894.60/9-2746



SECRET

THE STATE-WAR-NAVY COORDINATING COMMITTEE  
WASHINGTON, D. C.

Memorandum for US Members FEC  
10/21/46  
DEPARTMENT OF STATE

FE

DCIR

file

10-25-46

SWN-4834  
18 October 1946

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: U. S. Policy on Interim Removals  
as Reparations of Japanese Steel  
Rolling Capacity

References: a. SWNCC 236/22  
b. SWNCC 236/26

894.60  
XR 740.00119 P.W.

At its 50th Meeting on 16 October 1946, the  
State-War-Navy Coordinating Committee approved  
SWNCC 236/22 as amended by SWNCC 236/26.

Copy No. 56 of the approved paper is enclosed  
for information.

In approving SWNCC 236/22 the Committee agreed  
that no parts of this document would be made avail-  
able for public release.

It is requested that the attached Copy No. 71  
of the approved paper be forwarded to the U. S.  
representative on the Far Eastern Commission for  
his information calling to his attention the agree-  
ment in paragraph 3 above.

Copies of the approved paper have been for-  
warded to the Joint Chiefs of Staff and to the War  
and Navy Departments for their information.

For the State-War-Navy Coordinating Committee:

DOB - ITP Unit

gh  
jgh

for H. W. Massey  
J. H. HILLDRING,  
Chairman

Enclosures:   
Cy. Nos. 56 and 71,  
SWNCC 236/22

894.60/10-1846

OCT 25 1946

CONFIDENTIAL FILE  
894.60/10-1846

SECRET



SECRETCOPY NO. 7117 October 1946STATE-WAR-NAVY COORDINATING COMMITTEEDECISION AMENDING SWNCC 236/22U.S. POLICY ON INTERIM REMOVALS AS REPARATIONS  
OF JAPANESE STEEL ROLLING CAPACITY

References: a. SWNCC 302  
b. SWNCC 236/10  
c. SWNCC 236/19  
d. SWNCC 236/22  
e. SWNCC 236/26

Note by the Secretaries

1. At its 50th Meeting on 16 October 1946, the State-War-Navy Coordinating Committee approved SWNCC 236/22, as amended by SWNCC 236/26.

2. Holders of SWNCC 236/22 are requested to substitute the attached revised page 247 for the one contained therein and destroy the latter by burning.

A. D. REID

V. L. LOWRANCE

RAYMOND E. COX

Secretariat

SECRET



S E C R E TCOPY NO. 71SWNCC 236/2214 August 1946Pages 246 - 256, incl.STATE-WAR-NAVY COORDINATING COMMITTEEU.S. POLICY ON INTERIM REMOVALS AS REPARATIONS  
OF JAPANESE STEEL ROLLING CAPACITYReferences: a. SWNCC 302  
b. SWNCC 236/10  
c. SWNCC 236/19Note by the Secretaries

1. The attached memorandum by the State Member, SWNCC, and the enclosure thereto, are circulated for consideration by the Committee.

2. A copy of this paper has been forwarded to the Joint Chiefs of Staff for comment from a military point of view. These comments will be circulated to the Committee upon receipt thereof from the Secretary, Joint Chiefs of Staff.

A. D. REID

V. L. LOWRANCE

H. W. MOSELEY

Secretariat

SWNCC 236/22S E C R E T



S E C R E T

13 August 1946

Memorandum by the State Member, SWNCCREQUEST FOR DETERMINATION OF "U.S. POLICY ON INTERIM  
REMOVALS AS REPARATIONS OF JAPANESE STEEL ROLLING CAPACITY"

Attached is a proposed U.S. policy position on interim removals as reparations of Japanese steel rolling capacity.

While the present plan is to obviate the necessity for further consideration of interim reparations by either the SWNCC or the FEC, in order that the U.S. may devote the entire energy of its limited staff to consideration of final reparations removals with which the proposed Reparations Conference will be expected to deal, it is felt that an exception in the case of steel rolling capacity is in order.

The Chinese, who would be the principal beneficiaries of rolling capacity removals, have been pushing for an early decision in the FEC on interim removals of such capacity. There is an obvious hiatus in the U.S. policy on iron and steel in that it did not specifically include rolling capacity. Moreover, interim removals of iron and steel capacity, unless accompanied by removals of rolling capacity, would be of no benefit to countries like China where lack of sufficient rolling capacity is already the bottleneck in their iron and steel industry. In FEC 059/17, 26 June 1946, the U.S. agreed to consider rolling capacity in a separate paper.

The recommendations in the attached proposal are not in conflict with the Comprehensive Report of Ambassador Pauley, or with the views of SCAP.

In view of these considerations and the desirability of an early decision in order to preserve harmonious relations in the FEC, and particularly with China, it is suggested that after obtaining the opinion of the JCS from a military point of view, the recommendation be considered by the SWNCC, without reference to the SFE.

SWNCC 236/22

- 246 -

S E C R E T



S E C R E TE N C L O S U R EINTERIM REMOVALS: STEEL ROLLING CAPACITYTHE PROBLEM

1. To determine U.S. policy on interim reparations removals of Japanese steel rolling capacity.

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

CONCLUSIONS

4. The following action should be taken as a part of the program on removals as interim reparations:

Steel Rolling Industry

(Definition: Plants and establishments engaged in producing basic steel shapes, such as rails, rods, bars, tubes, plates, strips, sheets, and structural shapes, by rolling, drawing, and extruding steel ingots.)

That portion of Japan's steel rolling capacity in excess of that required to produce a balanced annual output of 3,000,000 metric tons of rolled steel products should be made immediately available as reparations.

RECOMMENDATIONS

5. It is recommended that:

- a. The State-War-Navy Coordinating Committee, after securing the comments of the Joint Chiefs of Staff from a military point of view, approve the conclusions in paragraph 4.

- b. This report be transmitted for information to the Joint Chiefs of Staff, State, War and Navy Departments, and the United States representative on the Far Eastern Commission for his information.

- c. No parts of this document be made available for public release.

S E C R E T



S E C R E TAPPENDIX "A"FACTS BEARING ON THE PROBLEM1. Reduction of Japanese War Potential, SWNCC 302, Paragraph 8, War-Supporting Industries:"a. Over-all Policy:

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined below, should be made available for removal as reparations.

"b. Criteria Underlying Over-All Policy:

A determination should be made by the Far Eastern Commission as to the categories and volume of industrial productive capacity in war-supporting industries which are in excess of the peaceful needs of the Japanese people. For the above purpose, these peaceful needs should be defined substantially as the standard of living prevailing in Japan during the years 1930-34 (i.e., average Japanese per capita consumption during those years). Satisfaction of the peaceful needs of the Japanese people should therefore be understood to require sufficient capacity in war-supporting industries for:

- (1) support of domestic consumer goods industries functioning collectively at a level essential to maintenance of the 1930-34 living standard;
- (2) payment, through exports, for imports needed to sustain the 1930-34 living standard;
- (3) construction, repair, and maintenance of transport, housing, public utility, industrial, and other facilities to the degree that they are essential to maintenance of the 1930-34 living standard.

"c. Application of Criteria:

- (1) The following specific industries are considered as being 'war-supporting', for purposes of the industrial removals proposed in this paper:

S E C R E T



S E C R E T

(a) The iron and steel industry producing pig, ingot, and basic shapes.

. . . . .

(2). . . . .

(3) As the basis for United States recommendations to the Far Eastern Commission respecting removals of industrial capacity in war-supporting industries, studies should be carried out to determine the levels of capacity required in these industries to implement the criteria outlined above."

2. Assured Production Capacity Levels for Japan, SWNCC 236/19, 6 June 1946, Appendix "C", Paragraph 6, Iron and Steel Industry:

"The assured production capacity level for Japan's iron and steel industry should be placed at an aggregate of 2.0 million metric tons of steel ingot, and an aggregate of 500,000 metric tons of pig iron annually".

3. SCAP comments on SWNCC 236/19, Cable from SCAP to War, dated April 24, 1946, CM-IN 5030, Part 3, Item 7:

"Iron and Steel. Recommend assured capacity of 2,500,000 metric tons per year of steel ingots and 650,000 metric tons of pig iron. Above recommendations on pig iron capacity sufficient to process indigenous ore. Importation of balance of pig iron as such provides means of external control over this basic industry." . . . . "Part 4 . . . . All production capacity figures recommended above based upon premise that 20 percent reduction will be allowed United States member in presentation to FEC. With such reduction applied, the above figures represent considered 'irreducible minimum'."

4. Interim Reparations Removal Program for Japan, SWNCC 236/10, 25 April 1946, paragraph 10, Iron and Steel Industry:

"(Definition: 'Plants and establishments primarily engaged in the production of pig iron or steel ingot.')

"a. That portion of Japan's capacity for the production of steel ingot that is in excess of 3.25 million metric tons annually should be made available for claim.



S E C R E T

"b. That portion of Japan's capacity for the production of pig iron that is in excess of 1.75 million metric tons annually should be made available for claim."

5. Comprehensive Report of U.S. Mission on Reparations from Japan (Report by Ambassador Pauley prepared for submission to the President), Vol. I, Section 3, Pages 13-14, Iron and Steel:

"Recommended Policy:

. . . . .

Steel rolling capacity in excess of that required to roll 1,500,000 tons of products should be removed as reparations or scrapped. In determining the aggregate of facilities to remain in Japan, consideration should be given to the capacity which will have to be idle while changing from one product to another. However, this allowance should not exceed a quarter of the theoretical output. The following subdivision of the recommended effective capacity is suggested: Rails, 200,000 metric tons; Bars, 500,000; Plates, 150,000; Pipe and Tube, 50,000; Shapes, 250,000; Sheets, 100,000; Wire, 100,000; Other, 150,000".

6. Interim Reparations Removals: Iron and Steel Industry. On 13 June 1946, proposals including steel rolling in the definition of the iron and steel industries, and for interim reparations removals of steel rolling capacity, were submitted by the Chinese Member of Committee No. 1, Far Eastern Commission:

"(f) Iron and Steel Industry.

(Definition: 'Plants and establishments primarily engaged in the production of pig iron or steel ingot, or the rolling into semi-finished or finished steel products before the stage of fabrication, such as rails, rods, bars, tubes, plates, sheets, strips, and structural shapes.)

(1) That portion of Japan's capacity for the production and rolling of steel ingot that is in excess of 35 million metric tons ingot annually should be made available for claim."



S E C R E T7. Interim Reparations Removals: Steel Rolling Mill Capacity.

On 28 June 1946, views of the United Kingdom vis-a-vis the Chinese proposal, were submitted by the United Kingdom Member of Committee No. 1, Far Eastern Commission:

"1. It has been proposed in the Reparations Committee that part of Japan's steel rolling mill capacity should be made available for claim under the Interim Reparations Removals Program. The United Kingdom's view on this proposal, while favorable in principle is that preliminary study is required before exact proposals can be framed, and it is suggested that a sub-committee should be appointed for the purpose.

"2. The reasons for the United Kingdom view are set out below:

PRIMARY ROLLING MILLS

Information is required on the size of Japan's blooming and slabbing mills and where they are installed. Up to 1939 it was generally understood that Japan was unable to produce these mills domestically and had purchased all such equipment from abroad. There is some evidence to show that the production of rolled steel products tended downward rather than upward after 1939 and that therefore the Japanese may not have been able to fabricate these mills during the war years. The existence of a secondary rolling mill capacity of about 8.5 million tons would suggest that there were sufficient primary mills to deal with this output, but it is possible that in many places the size of ingots cast was very much reduced so as to enable secondary roughing mills to take care of the rolling, thereby by-passing the blooming mills. It is, therefore, important that an investigation be made of Japanese steel rolling practice before it can be determined what primary mill capacity should be retained for the future permitted operation of the industry. Until this is done no satisfactory estimate can be made of the available surplus of this particular type of rolling plant.



S E C R E TSECONDARY ROLLING MILLS

Japan's secondary rolling mill capacity is believed to amount to about 8,646,000 tons per annum traceable to 51 different plants. Of this amount 1,206,000 tons are owned by 34 concerns which have an annual rolling capacity of under 100,000 tons. They derive their supplies of steel almost entirely from their own electric steel furnaces. Some of the remaining 17 plants, with a capacity of over 100,000 tons, are not fully integrated and have to purchase ingots or blooms from other plants which produce more steel than they can process.

1944 Rolling Capacity by Products (1,000 tons)

<u>Bars</u>	<u>Shapes</u>	<u>Sheets</u>	<u>Plates</u>	<u>Pipes</u>	<u>Rails &amp; Wire Acces- series</u>	<u>Wire &amp; Rods</u>	<u>Others</u>	<u>Total</u>
<u>2,603</u>	<u>703</u>	<u>1,031</u>	<u>2,127</u>	<u>637</u>	<u>379</u>	<u>736</u>	<u>430</u>	<u>8,646</u>

The retention of a finished steel rolling mill capacity of 2,775,000 tons is tentatively suggested, which would leave a capacity of about 5,870,000 tons for complete dismantling and removal from 46 plants, and for partial removal from the three plants at Yawata, Hirohata, and Kawasaki. Only the two plants at Wanishi and Kamaishi would retain their equipment intact."



S E C R E TAPPENDIX "B"DISCUSSIONINTRODUCTION

1. The proposals contained in this paper are designed to establish the measures to be applied in effecting a reduction of Japanese steel rolling capacity for reasons of security and as interim reparations removals.

2. The industry dealt with in this paper is an essential part of the iron and steel industry which in turn is a part of the aggregate of industrial facilities built up by Japan for the purpose of waging large scale war.

Ratio of Rolled Steel Products to Ingot Steel:

3. During the period 1930-1934, Japanese steel rolling experience indicated a ratio of approximately 84% of rolled products to total steel ingot production. Use of steel ingot for castings and forgings was relatively minor, accounting for slightly less than 100,000 metric tons of steel ingot consumption during the same period. This ratio tended to decline with the increased use of higher grade steel products. On technological grounds, therefore, it seems reasonable to estimate the future peace time ratio at about 80% which would still mean fairly low-grade rolled steel.

Consistency of Proposal with Existing Proposals (Appendix "A")

4. It is obvious that policy with respect to removals of Japanese rolling equipment should be related to the policy on removal of steel ingot capacity, since it is assumed that Japan will not export ingot. This relationship should be fairly precise in the case of final removals, in the sense that Japanese rolling capacity to be finally retained should be adequate to process the amount of steel ingots (less forgings and castings) that can be produced by finally retained steel capacity. For interim removal purposes, however, a rough relationship is sufficient so long as rolling capacity is not less than the amount necessary to process the amount of ingot that can be produced.

S E C R E T



S E C R E T

a. The interim steel ingot capacity of 3,250,000 metric tons annually, as recommended in SWNCC 236/10 would, at the 80% ratio, require the interim retention of rolling capacity capable of producing 2,600,000 metric tons annually of basic steel shapes (or 3.25 million metric tons X 80%). The interim retention of rolling capacity capable of producing 2,775,000 metric tons annually of basic shapes is not sufficiently higher to be inconsistent.

b. The implied assured rolling capacity necessary to handle the recommended assured ingot capacity of 2,000,000 metric tons annually (SWNCC 236/19), would, at the 80% rate, produce 1,600,000 metric tons of rolled basic shapes annually. The higher figure of 2,775,000 recommended in this paper for interim purposes does not, therefore, conflict with the policy implied in SWNCC 236/19.

c. On the same ground, the proposal is consistent with SCAP's recommendation on assured capacity of 2,500,000 metric tons of steel ingot capacity (subject to a possible 20% reduction); or an implied assured capacity to produce 2,000,000 metric tons of rolled steel (also subject to a possible 20% reduction).

d. The Chinese proposal in the Far Eastern Commission recommends the retention in Japan, for interim purposes, of 3,500,000 metric tons of steel ingot capacity and of steel rolling capacity sufficient to process that amount of ingot. At the 80% ratio, this would mean the interim retention of rolling capacity sufficient to produce 2,800,000 metric tons of rolled steel, or 25,000 metric tons more than the amount proposed in this paper. It is believed the Chinese Government will readily agree to the slightly lower figure, which would add a small increase to interim reparations availabilities.

e. The U.K. view in the Far Eastern Commission is favorable to the principle of relating rolling capacity to ingot capacity, and in this connection tentatively suggests the interim retention of secondary rolling capacity sufficient to



S E C R E T

produce 2,775,000 metric tons of basic steel shapes annually. With respect to primary rolling capacity, which is interpreted to mean rough rolling of steel ingot into blooms, billets, and slabs, the U.K. paper raises the question as to whether Japan had sufficient primary capacity to support her secondary rolling mills, or in practice, was forced to make smaller ingots which could be used in secondary rolling mills without having to be first processed by primary rolling. The U.K. suggests that Japanese practice in this respect be investigated before determining the amount of primary capacity that should be retained.

There is no inconsistency, however, between the recommendation in this paper and the U.K. suggestions. The proposal in this paper agrees exactly with the U.K. tentative suggestion of "retention of a finished steel rolling mill capacity of 2,775,000 tons," which the U.K. member of Committee No. 1 has interpreted to mean production of rolled steel to that amount; and by approaching the problem by way of rolling capacity sufficient to produce 2,775,000 metric tons annually of basic shapes, avoids the difficulty posed by the U.K. paper of determining in the FEC how much primary capacity would be involved. For interim removal purposes, it does not appear necessary that the FEC distinguish between primary and secondary rolling in order to approve the interim removal as reparations of all Japanese rolling capacity over and above that required (either as primary or as secondary capacity) to produce 2,775,000 metric tons of basic shapes annually.

Other Considerations

5. Tentative conclusions arrived at from analyses of the Japanese iron and steel industry which the Office of Research and Intelligence of the State Department is at present making, indicate a probable future peacetime need in Japan for about 2,700,000 metric tons annually of rolled steel. Since this figure includes an amount of rolled steel equivalent to 1930-34 annual per capita



S E C R E T

consumption of steel for shipbuilding, corrected for population increase, and since it is doubtful if Japan will be permitted steel shipbuilding on this scale, the final estimate of total Japanese peacetime needs for rolled steel may well be less than 2,700,000 metric tons. The recommendation in this paper for interim retention of capacity to produce 2,775,000 metric tons therefore leaves some margin for further and final removals of steel rolling capacity.



21 October 1946

**SECRET**

**MEMORANDUM FOR THE UNITED STATES MEMBER,  
FAR EASTERN COMMISSION**

894.60

In accordance with instructions of October 18, 1946, from the State-War-Navy Coordinating Committee, there is enclosed for the information of the United States member of the Far Eastern Commission, a copy of SWNCC 236/22 regarding United States Policy on Interim Removals as Reparations of Japanese Steel Rolling Capacity which was approved by the State-War-Navy Coordinating Committee on October 16, as amended by SWNCC 236/26.

It is requested, consonant with the agreement of the State-War-Navy Coordinating Committee in approving SWNCC 236/22, that no parts of this document be made available for public release.

CONFIDENTIAL FILE

894.60/10-2146

J. H. Hildring  
Assistant Secretary

*Handwritten initials*

Enclosure: ✓

Copy No. 56, SWNCC 236/22.

OCT 23 1946  
A true copy of the original.

JA: ALDunning:xa  
10/21/46

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FE

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SECRET

THE STATE-WAR-NAVY COORDINATING COMMITTEE  
WASHINGTON, D. C.

SWN-4834  
18 October 1946

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: U. S. Policy on Interim Removals  
as Reparations of Japanese Steel  
Rolling Capacity

References: a. SWNCC 236/22  
b. SWNCC 236/26

At its 50th Meeting on 16 October 1946, the State-War-Navy Coordinating Committee approved SWNCC 236/22 as amended by SWNCC 236/26.

Copy No. 56 of the approved paper is enclosed for information.

In approving SWNCC 236/22 the Committee agreed that no parts of this document would be made available for public release.

It is requested that the attached Copy No. 71 of the approved paper be forwarded to the U. S. representative on the Far Eastern Commission for his information calling to his attention the agreement in paragraph 3 above.

Copies of the approved paper have been forwarded to the Joint Chiefs of Staff and to the War and Navy Departments for their information.

For the State-War-Navy Coordinating Committee:

J. H. HILLDRING,  
Chairman

Enclosures:  
Cy. Nos. 56 and 71,  
SWNCC 236/22

COPY TO ACCOMPANY ORIGINAL

SECRET





EMBASSY OF THE UNITED STATES OF AMERICA

London, England. October 30, 1946.

AIR MAIL

UNRESTRICTED

No. 2318

Subject: British Policy on Japanese Industries.

To: The Honorable The Secretary of State, Washington.

Sir:

I have the honor to enclose herewith copy of the official record of a statement which Sir Stafford Cripps, President of the Board of Trade, made as a Member of the British Cabinet on October 28, 1946 before the House of Commons with regard to British policy concerning the future of Japanese textile and other industries.

The statement by Cripps was a prepared answer to a framed question and reflected the policy contained in instructions given to the British representative on the Far Eastern Commission. The burden of the statement was that Japan must be left, after the peace settlement, in such a position that she can become and remain internationally solvent; that otherwise she will require permanent foreign support in the form of direct or indirect subsidies, to which the British Government for one is not prepared to contribute; that after the severe curtailment which will be imposed for security reasons on her heavy industries, Japan will have to concentrate her efforts on her lighter industries, including textiles; that the United Kingdom cannot afford to stifle Japanese competition in export markets by means which would merely impose upon the British people a corresponding or greater burden; that the British hope that Japanese economic recovery will be accompanied by the achievement of better labor standards and the elimination of artificial subsidizing of exports; but that it is not the intention at the present time, so far as any decision which has been taken, to impose any particular wage standards in Japan.

Following/

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Routing slip with fields: Anal. Rev. Dat. Dist. and handwritten initials.



894.60/10-3046

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Despatch No. 2318.  
October 30, 1946.

-2-

American Embassy,  
London.

Following are quotations from parts of the statement:

"The economic conditions to be applied to Japan are now being worked out by the Far Eastern Commission sitting in Washington. . . . . Decisions in detail have not yet been arrived at. . . . . it is certain that the Japanese steel, heavy engineering, chemicals, shipping, aircraft, and metal industries will, on security grounds, undergo at least severe reduction. . . . . Second, there will be reductions in other industries consequential on the above, . . . . . Finally, all Japanese physical economic assets will be taken away. . . . . Low-priced Japanese competition . . . . . derived much of its effectiveness from low labor standards and from government manipulation of exchange, subsidies and other methods which can be regarded as inconsistent with proper commercial standards."

2-3/

There are also enclosed herewith press clippings which were referred to in the Embassy's telegram 9122, October 29, 1946.

*Copy*

*694.0031/10-2946*  
*ITP*

Respectfully yours,

For the Chargé d'Affaires ad interim:

*Cabot Coville*

Cabot Coville

First Secretary of Embassy

*✓*  
*AK*

Enclosures:

*2 ea with orig*

1. Parliamentary Debates, House of Commons, 28 Oct., 1946, Japanese Industries (Future).  
(Five copies).
2. Article, "Japan's Textile Exports," Manchester Guardian, Oct. 29, 1946.  
(Five copies).
3. Editorial, "Japanese Competition," Manchester Guardian, Oct. 29, 1946.  
(Five copies).

Copy to Office of U.S. Political Adviser, Tokyo, Japan (with enclosures).

CCoville/jac

*Rec*

UNRESTRICTED



Enclosure No. 1 to despatch No. 2318 of Oct. 30, 1946  
from the Embassy at London, England.

SOURCE: PARLIAMENTARY DEBATES, NUMBER  
House of Commons.  
28 October 1946.  
London. Cols. 268-274.

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**Sir S. Cripps:** During the nine months January—September, 1946, licences for the import of 474,689 gross wooden reels and bobbins, valued at £99,328 c.i.f., were granted for the home trade.

**Sir I. Fraser:** Will the right hon. and learned Gentleman take into account that in the constituency of Lonsdale and in many other rural constituencies, there are valuable rural industries which make these bobbins from British coppice wood, and that he is threatening their existence by these imports?

**Sir S. Cripps:** As soon as we can get sufficient supplies from home sources we shall not require to import them.

**Sir I. Fraser:** But would the right hon. and learned Gentleman prevent these coppice woods from being burnt as firewood and thereby help the industries?

**Sir S. Cripps:** That is another question.

#### Lettering Brushes

38. **Mr. Peter Freeman** asked the President of the Board of Trade whether he is aware that lettering brushes for industrial advertising purposes are almost unobtainable; that the small stocks used during the war are now exhausted; that large numbers are being exported; and whether he will make a larger proportion of those being produced in this country available locally.

**Sir S. Cripps:** I am aware that lettering brushes have been difficult to obtain, but production of all kinds of artists' brushes is steadily increasing, and is already 50 per cent. higher than in 1945. The proportion of brushes being exported is less than one-fifth of the total output, and I am not prepared to reduce it.

#### Furskins

39. **Mr. Peter Freeman** asked the President of the Board of Trade if the conditions have been fulfilled under which the fur trade in the United Kingdom was allowed unlimited imports of undressed furskins provided fur garments equal in value to the cost of these imports were to be exported; what is the difference in value between imports and exports under the arrangement so far; and whether the arrangement is to be continued.

**Sir S. Cripps:** The object of exempting furs from import licensing was to re-establish the London international fur

market. The trade estimated that within two or three years the annual level of the value of exports of skins and manufactured fur goods would exceed that of imports and undertook to do everything possible to achieve this. The value of undressed and dressed fur skins (excluding rabbit skins) and manufactures of fur imported during the first nine months of 1946 was £8,500,000 and the exports (including re-exports) in the same period were £4,400,000. The deficit which has diminished in recent months is partly attributable to the building up of stocks and partly to an undue proportion going into the home market for the manufacture of fur garments. The latter should be rectified by a new Order limiting a manufacturer's production of the more expensive kinds of Utility fur garments to three times the value of his exports of manufactured fur goods.

**Mr. Freeman:** Is it not a fact that artificial furs can be produced in this country, and would sterling not be better employed in developing that trade than in developing the very cruel and unnecessary trade of importing furs?

**Sir S. Cripps:** Perhaps the hon. Member would put that question on the Order Paper.

**Mr. Nicholson:** Have the Government any views upon the degree to which cruelty in producing these furs should enter into our calculations?

**Sir S. Cripps:** We have no means of examining the method by which the furs are got in various other countries.

#### Japanese Industries (Future)

40. **Mr. Sydney Silverman** asked the President of the Board of Trade whether he is now in a position to make a statement as to the future of Japanese textile and other industries.

24. **Mr. Hale** asked the President of the Board of Trade whether he is now in a position to make a statement with reference to the future control of the Japanese textile industry.

**Sir S. Cripps:** I would ask my hon. Friends to await the statement I propose to make at the end of Questions.

Later:

**Sir S. Cripps:** I am glad to have the opportunity of making a statement on



[Sir S. Cripps.]  
this subject. The economic conditions to be applied to Japan are now being worked out by the Far Eastern Commission sitting in Washington. This, as the House will know, is the Allied organisation responsible for policy towards Japan and consists of the 11 countries who possess interests in the Far East. His Majesty's Government are represented on the Commission and have a full voice in all discussions which take place in it. Since the Commission is still at work on these matters I can naturally make no final statement at this stage. Decisions in detail have not yet been arrived at. I can, however, make certain general observations which will indicate to the House the considerations which have weighed with the Government in their approach to this problem and in framing instructions to their representative on the Far Eastern Commission. Consideration of the economic conditions to be imposed on Japan must, of course, be governed by the commitments which the Allies have undertaken in Article 11 of the Potsdam Declaration, which reads as follows:

"Japan shall be permitted to maintain such industries as will sustain her economy and allow the exaction of just reparations in kind, but not those industries which will enable her to re-arm for war.

To this end access to, as distinguished from control of, raw materials shall be permitted. Eventual Japanese participation in world trade relations shall be permitted."

Japanese economic power will ultimately emerge weakened as the result of two operations, neither of which is directly related to any commercial considerations. In the first place, restrictions will be imposed on Japanese industry with the purpose of rendering Japan permanently incapable of waging another aggressive war. These restrictions will include a rigorous pruning, and where necessary the total elimination, of those industries which can contribute directly and substantially to a war-making potential. The necessary measures for this purpose have yet to be agreed in detail, but it is certain that the Japanese steel, heavy engineering, chemicals, shipping, aircraft and metals industries will, on security grounds, undergo at least severe reduction. Adequate precautions will certainly be introduced to see that these industries are not re-built to their former levels. Second, there will be reductions in other industries consequential on the above, so

as to leave Japan with a balanced economy. Finally, all Japanese physical economic assets will be taken away. The surplus equipment thrown up by these operations will be available as reparations to those countries which have suffered at the hands of Japanese aggression.

When these measures have been taken the Japanese economy, already dislocated by the war, in which plant and equipment suffered severe damage from the air, will be in a gravely, if deservedly, crippled state. Japan, like ourselves, is an industrial country, ill-endowed with raw materials and fundamentally dependent upon its export trade. It has lost its overseas assets and Empire, and its total population of 80 million will henceforward be concentrated in the home islands. The economic recovery of the country will therefore be beset by acute difficulties. His Majesty's Government are fully aware of the damaging effects which low-priced Japanese competition had on our export trade in many fields before the war. This competition derived much of its effectiveness from low labour standards and from Government manipulation of exchange, subsidies and other methods which can be regarded as inconsistent with proper commercial standards. It will be His Majesty's Government's policy to endeavour to eliminate such unfair competition, not only in Japan but wherever it arises, by international agreement and in any way that offers. His Majesty's Government will also make all efforts to ensure that any international agreement or general understanding which can be arrived at on these matters is accepted and carried out by Japan. It is in any case to be hoped that Japan herself is in course of being set on to new economic paths and that the forcible breaking up of the oligarchic corporate system of industry which previously held power there will clear the way for the development of the country on more democratic lines, with the rising standards of wages and living that that implies.

The Government do not, however, consider it practicable to reduce or eliminate Japanese competition in export markets by yet another surgical operation on those of her export industries which have no direct war potential. Japan must be left, after the peace settlement, in such a position that she can become and remain internationally solvent; otherwise, she will require permanent foreign support in the



ire No. 1 to despatch No. 2318 of Oct. 30, 1946  
 Embassy at London, England.

SOURCE: PARLIAMENTARY DEBATES, NUMBER  
 House of Commons.  
 28 October 1946.  
 London. Cols. 268-274.

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form of direct or indirect subsidies. It is highly improbable that any nation will be prepared to contribute continuously to Japan's support in this way and His Majesty's Government for their part, having regard to our own foreign exchange difficulties and the urgent need for us to become solvent ourselves, could not contemplate undertaking to share in such a burden. To balance her payments, Japan must export, and, after the severe curtailment which will be imposed, for security reasons, on her heavy industries, she will have to concentrate her efforts on her lighter industries, including textiles. This conclusion is inescapable if Japan is to become self-supporting. While, as I have said, we hope that Japan's economic recovery will be accompanied by the achievement of better labour standards and the elimination of the artificial subsidization of exports, we cannot afford to stifle Japanese competition in export markets by means which would merely impose on us a corresponding, if not greater, burden. For the solution of our export problems we must look rather to the efficiency of our own production and to a greater total volume and increased flow of international trade in which all can effectively share.

**Mr. Silverman:** While I thank my right hon. and learned Friend for his informing and lucid statement, might I ask him, with regard to the reconstruction of the Japanese textile industry, whether it is proposed to await international agreement before imposing on Japan, in those circumstances, standards of labour which do not amount to the unfair competition which his statement condemns?

**Sir S. Cripps:** We hope that, as part of the reconstruction of Japan, such standards of labour will be introduced.

**Mr. Silverman:** Are we doing anything to impose conditions of that kind, or are we to await such time as there is international agreement over a wide field for that purpose?

**Sir S. Cripps:** It is not the intention, at the present time, at any rate, so far as any decision has been taken, to impose any particular wage standards in Japan. The intention is to try to develop a Japanese Government such as will itself impose certain standards.

**Mr. Oliver Stanley:** Are we then, to understand that the export of Japanese

textiles will be allowed to be resumed before anything has been done to raise their standard of wages?

**Sir S. Cripps:** We hope that Japanese textiles will be available very shortly, because there is such a great dearth of them throughout the Far East, which can be supplied from nowhere else.

**Mr. Driberg:** With regard to reparations, can my right hon. and learned Friend say whether we can take it that a separate and specific claim will devolve on behalf of Burma, pending the change-over in the constitutional status of that country?

**Sir S. Cripps:** Perhaps my hon. Friend will put that question on the Order Paper.

**Mr. Walter Fletcher:** Will the right hon. and learned Gentleman say whether, in the purchase of raw materials, such as cotton for use in making textiles in Japan, the same system of purchase as we now have here will be employed, or whether they will have access to free markets, which manufacturers here no longer have? Further, will he say whether, in the light industries which are already beginning to export and are harming our export business, some step will be taken before the slow process of raising wages has had its true effect?

**Sir S. Cripps:** No steps can be taken until the Japanese economy can be balanced in some way or other. As regards the first part of the question, if the Japanese are as sensible as we are, no doubt they will adopt the same method.

**Mr. Warbey:** Are the Government proposing, as in the case of Germany, that certain Japanese industries shall be placed under public ownership?

**Sir S. Cripps:** That is a matter which has not yet been decided by the people who are responsible.

**Mr. Walkden:** Can my right hon. and learned Friend arrange with the Leader of the House that on some early day the House shall discuss the whole problem of how he proposes to reconcile the decision, on the one hand, of extracting reparations from Japan, and, on the other hand, of protecting the livelihood of our textile workers against exploitation by the Gentlemen above the Gangway, who really ran Japan in prewar years?



Enclosure No. 1 to despatch No. 2318 of Oct. 28  
from the Embassy at London, England.

SOURCE: PARLIAMENTARY  
House of Commons  
28 October 194  
London. Cols.

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**Viscount Hinchinbrooke:** In view of the fact that we have only a limited responsibility for what happens in Japan, could the right hon. and learned Gentleman say whether what he has read is a forecast of the way events are to develop economically in Japan in agreement with the United States, or is it a plain statement of the policy of His Majesty's Government towards Japan?

**Sir S. Cripps:** It is a statement of the policy and instructions which we have given to our representatives on the Commission.

**Major Bramall:** Is my right hon. and learned Friend satisfied that the views of the British Government receive sufficient weight in these discussions on the future of Japan, or indeed on the present policy of the Government of Japan?

**Sir S. Cripps:** I am satisfied that our representatives do their best to see that their voice carries?

**Mr. Erroll:** Does the President realise that the proposed resuscitation of Japanese textiles will cause profound dismay in Lancashire? Will he give an assurance to the House that Japanese exports will be only in low grade textiles and not high grade textiles?

**Sir S. Cripps:** I cannot give any such assurance.

**Mr. Rees-Williams:** Will my right hon. and learned Friend inform the House as to what extent Japanese industry has now been tied up with the American economy?

**Sir S. Cripps:** That is another question. Perhaps my hon. Friend will put it down.

**Mr. Scollan:** In spite of the fact that we have given these instructions to our representatives, is it not the case that the cotton trade of the United States of America is very likely to supply raw cotton and then set up cotton mills of its own for export purposes?

**Mr. Silverman:** May I press my right hon. and learned Friend on a further aspect of the protection of Lancashire from unfair competition in the matter of wage standards? Will he bear in mind that Lancashire, too, has an export industry to reconstruct, which is most important in the economy of this country? Is it not a little dangerous

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to leave the question of unfair competition by low wage standards in Japan either to the slow development of political life in Japan or the problematical international agreement to which he refers?

**Sir S. Cripps:** The present situation is being dealt with on a security basis. The questions of the re-establishment of the industry of Japan, and the other matters, are still under consideration. At the present stage we cannot use preventions on Japan for the purpose of protecting British trade.

#### Perambulators

42. **Miss Colman** asked the President of the Board of Trade what proportion of the total production of perambulators was exported during the first nine months of this year; and whether he will consider retaining the whole of the output for the home market while the present shortage lasts.

**Sir S. Cripps:** Complete production returns are only available for the first eight months of this year. Total production of perambulators and folders for this period amounted to 349,320, of which 36,507 were exported, or only 10.4 per cent. of the whole. I should be most reluctant to follow my hon. Friend's suggestion to cut out exports altogether, even for a temporary period, as a small flow of exports is essential to maintain overseas connections.

**Mr. E. P. Smith:** Is the right hon. Gentleman aware that we are very short of perambulators in Kent?

**Lieut.-Colonel Sir Thomas Moore:** Can the right hon. and learned Gentleman say how the number of perambulators compares with the number of babies now needing them?

**Sir S. Cripps:** I am afraid that I cannot say.

#### Raw Cotton (Price)

43. **Mr. Erroll** asked the President of the Board of Trade why it was necessary to raise the price at which U.S. raw cotton is sold to spinners in this country by over 6d. a pound; and how soon can a reduction be expected.

**Sir S. Cripps:** The prices at which raw cotton is sold by the Cotton Control have been increased because purchasing costs abroad have risen sharply since May,



Enclosure No. 1 despatch No. 2318 Oct. 30, 1946.  
from the Ministry of London, England.

SOURCE: PARLIAMENTARY DEBATES, NUMBER  
House of Commons.  
28 October 1946.  
London. Cols. 268-274.

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Oral Answers

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[Sir S. Cripps.]

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"Japan shall be permitted to maintain such industries as will sustain her economy and allow the exaction of just reparations in kind, but not those industries which will enable her to re-arm for war.

To this end access to, as distinguished from control of, raw materials shall be permitted. Eventual Japanese participation in world trade relations shall be permitted."

Japanese economic power will ultimately emerge weakened as the result of two operations, neither of which is directly related to any commercial considerations. In the first place, restrictions will be imposed on Japanese industry with the purpose of rendering Japan permanently incapable of waging another aggressive war. These restrictions will include a rigorous pruning, and where necessary the total elimination, of those industries which can contribute directly and substantially to a war-making potential. The necessary measures for this purpose have yet to be agreed in detail, but it is certain that the Japanese steel, heavy engineering, chemicals, shipping, aircraft and metals industries will, on security grounds, undergo at least severe reduction. Adequate precautions will certainly be introduced to see that these industries are not re-built to their former levels. Second, there will be reductions in other industries consequential on the above, so

as to leave Japan with a balanced economy. Finally, all Japanese physical economic assets will be taken away. The surplus equipment thrown up by these operations will be available as reparations to those countries which have suffered at the hands of Japanese aggression.

When these measures have been taken the Japanese economy, already dislocated by the war, in which plant and equipment suffered severe damage from the air, will be in a gravely, if deservedly, crippled state. Japan, like ourselves, is an industrial country, ill-endowed with raw materials and fundamentally dependent upon its export trade. It has lost its overseas assets and Empire, and its total population of 80 million will henceforward be concentrated in the home islands. The economic recovery of the country will therefore be beset by acute difficulties. His Majesty's Government are fully aware of the damaging effects which low-priced Japanese competition had on our export trade in many fields before the war. This competition derived much of its effectiveness from low labour standards and from Government manipulation of exchange, subsidies and other methods which can be regarded as inconsistent with proper commercial standards. It will be His Majesty's Government's policy to endeavour to eliminate such unfair competition, not only in Japan but wherever it arises, by international agreement and in any way that offers. His Majesty's Government will also make all efforts to ensure that any international agreement or general understanding which can be arrived at on these matters is accepted and carried out by Japan. It is in any case to be hoped that Japan herself is in course of being set on to new economic paths and that the forcible breaking up of the oligarchic corporate system of industry which previously held power there will clear the way for the development of the country on more democratic lines, with the rising standards of wages and living that that implies.

The Government do not, however, consider it practicable to reduce or eliminate Japanese competition in export markets by yet another surgical operation on those of her export industries which have no direct war potential. Japan must be left, after the peace settlement, in such a position that she can become and remain internationally solvent; otherwise, she will require permanent foreign support in the



Enclosure No. 1 / despatch No. 2318. Oct. 30, 1946.  
from the Embassy in London, England.

SOURCE: PARLIAMENTARY DEBATES, NUMBER  
House of Commons.  
28 October 1946.  
London. Cols. 268-274.

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Oral Answers

28 OCTOBER 1946

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form of direct or indirect subsidies. It is highly improbable that any nation will be prepared to contribute continuously to Japan's support in this way and His Majesty's Government for their part, having regard to our own foreign exchange difficulties and the urgent need for us to become solvent ourselves, could not contemplate undertaking to share in such a burden. To balance her payments, Japan must export, and, after the severe curtailment which will be imposed, for security reasons, on her heavy industries, she will have to concentrate her efforts on her lighter industries, including textiles. This conclusion is inescapable if Japan is to become self-supporting. While, as I have said, we hope that Japan's economic recovery will be accompanied by the achievement of better labour standards and the elimination of the artificial subsidization of exports, we cannot afford to stifle Japanese competition in export markets by means which would merely impose on us a corresponding, if not greater, burden. For the solution of our export problems we must look rather to the efficiency of our own production and to a greater total volume and increased flow of international trade in which all can effectively share.

**Mr. Silverman:** While I thank my right hon. and learned Friend for his informing and lucid statement, might I ask him, with regard to the reconstruction of the Japanese textile industry, whether it is proposed to await international agreement before imposing on Japan, in those circumstances, standards of labour which do not amount to the unfair competition which his statement condemns?

**Sir S. Cripps:** We hope that, as part of the reconstruction of Japan, such standards of labour will be introduced.

**Mr. Silverman:** Are we doing anything to impose conditions of that kind, or are we to await such time as there is international agreement over a wide field for that purpose?

**Sir S. Cripps:** It is not the intention, at the present time, at any rate, so far as any decision has been taken, to impose any particular wage standards in Japan. The intention is to try to develop a Japanese Government such as will itself impose certain standards.

**Mr. Oliver Stanley:** Are we then, to understand that the export of Japanese

textiles will be allowed to be resumed before anything has been done to raise their standard of wages?

**Sir S. Cripps:** We hope that Japanese textiles will be available very shortly, because there is such a great dearth of them throughout the Far East, which can be supplied from nowhere else.

**Mr. Driberg:** With regard to reparations, can my right hon. and learned Friend say whether we can take it that a separate and specific claim will devolve on behalf of Burma, pending the change-over in the constitutional status of that country?

**Sir S. Cripps:** Perhaps my hon. Friend will put that question on the Order Paper.

**Mr. Walter Fletcher:** Will the right hon. and learned Gentleman say whether, in the purchase of raw materials, such as cotton for use in making textiles in Japan, the same system of purchase as we now have here will be employed, or whether they will have access to free markets, which manufacturers here no longer have? Further, will he say whether, in the light industries which are already beginning to export and are harming our export business, some step will be taken before the slow process of raising wages has had its true effect?

**Sir S. Cripps:** No steps can be taken until the Japanese economy can be balanced in some way or other. As regards the first part of the question, if the Japanese are as sensible as we are, no doubt they will adopt the same method.

**Mr. Warbey:** Are the Government proposing, as in the case of Germany, that certain Japanese industries shall be placed under public ownership?

**Sir S. Cripps:** That is a matter which has not yet been decided by the people who are responsible.

**Mr. Walkden:** Can my right hon. and learned Friend arrange with the Leader of the House that on some early day the House shall discuss the whole problem of how he proposes to reconcile the decision, on the one hand, of extracting reparations from Japan, and, on the other hand, of protecting the livelihood of our textile workers against exploitation by the Gentlemen above the Gangway, who really ran Japan in prewar years?



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Oral Answers

HOUSE OF COMMONS

Oral Answers

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**Viscount Hinchinbrooke:** In view of the fact that we have only a limited responsibility for what happens in Japan, could the right hon. and learned Gentleman say whether what he has read is a forecast of the way events are to develop economically in Japan in agreement with the United States, or is it a plain statement of the policy of His Majesty's Government towards Japan?

**Sir S. Cripps:** It is a statement of the policy and instructions which we have given to our representatives on the Commission.

**Major Bramall:** Is my right hon. and learned Friend satisfied that the views of the British Government receive sufficient weight in these discussions on the future of Japan, or indeed on the present policy of the Government of Japan?

**Sir S. Cripps:** I am satisfied that our representatives do their best to see that their voice carries?

**Mr. Erroll:** Does the President realise that the proposed resuscitation of Japanese textiles will cause profound dismay in Lancashire? Will he give an assurance to the House that Japanese exports will be only in low grade textiles and not high grade textiles?

**Sir S. Cripps:** I cannot give any such assurance.

**Mr. Rees-Williams:** Will my right hon. and learned Friend inform the House as to what extent Japanese industry has now been tied up with the American economy?

**Sir S. Cripps:** That is another question. Perhaps my hon. Friend will put it down.

**Mr. Scollan:** In spite of the fact that we have given these instructions to our representatives, is it not the case that the cotton trade of the United States of America is very likely to supply raw cotton and then set up cotton mills of its own for export purposes?

**Mr. Silverman:** May I press my right hon. and learned Friend on a further aspect of the protection of Lancashire from unfair competition in the matter of wage standards? Will he bear in mind that Lancashire, too, has an export industry to reconstruct, which is most important in the economy of this country? Is it not a little dangerous

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to leave the question of unfair competition by low wage standards in Japan either to the slow development of political life in Japan or the problematical international agreement to which he refers?

**Sir S. Cripps:** The present situation is being dealt with on a security basis. The questions of the re-establishment of the industry of Japan, and the other matters, are still under consideration. At the present stage we cannot use preventions on Japan for the purpose of protecting British trade.

#### Perambulators

42. **Miss Colman** asked the President of the Board of Trade what proportion of the total production of perambulators was exported during the first nine months of this year; and whether he will consider retaining the whole of the output for the home market while the present shortage lasts.

**Sir S. Cripps:** Complete production returns are only available for the first eight months of this year. Total production of perambulators and folders for this period amounted to 349,320, of which 36,507 were exported, or only 10.4 per cent. of the whole. I should be most reluctant to follow my hon. Friend's suggestion to cut out exports altogether, even for a temporary period, as a small flow of exports is essential to maintain overseas connections.

**Mr. E. P. Smith:** Is the right hon. Gentleman aware that we are very short of perambulators in Kent?

**Lieut.-Colonel Sir Thomas Moore:** Can the right hon. and learned Gentleman say how the number of perambulators compares with the number of babies now needing them?

**Sir S. Cripps:** I am afraid that I cannot say.

#### Raw Cotton (Price)

43. **Mr. Erroll** asked the President of the Board of Trade why it was necessary to raise the price at which U.S. raw cotton is sold to spinners in this country by over 6d. a pound; and how soon can a reduction be expected.

**Sir S. Cripps:** The prices at which raw cotton is sold by the Cotton Control have been increased because purchasing costs abroad have risen sharply since May,



Enclosure No. 2 to despatch No. 2318 Oct. 30, 1946  
from the Embassy at London, England.

PAPER: MANCHESTER GUARDIAN

NUMBER

CITY: LONDON

DATE:

OCT 29 1946

## JAPAN'S TEXTILE EXPORTS

### No Direct Action by Britain to Ensure Fair Conditions

#### SIR STAFFORD CRIPPS'S HOPES

From our Political Correspondent

WESTMINSTER, MONDAY.

The news that the Government does not consider it practicable to reduce or eliminate Japanese competition in the textile export market, which Sir Stafford Cripps gave to the House of Commons this afternoon, was disconcerting both to Labour and Conservative members from Northern constituencies. Sir Stafford gave no promise of direct and immediate action which would ensure that Japanese textile exports would be revived only under fair labour conditions, but offered only the hope of action by international agreement.

Colonel Erroll, the Conservative member for Altrincham, said that the news would cause "profound dismay in Lancashire," and Mr. Sydney Silverman, the Labour member for Nelson and Colne, whose question it was that produced the statement, reminded Sir Stafford that Lancashire, too, has an export industry to reconstruct and that it might be "a little dangerous" to leave the problem of unfair competition to be settled by the slow development of political life in Japan, or by a problematical international agreement.

#### THE FAR EASTERN COMMISSION

Sir Stafford's statement, as he explained in answer to a supplementary question, represented the instructions given by the Government to the British representatives on the Far Eastern Commission now working out in Washington the economic conditions to be applied to Japan. He explained that the first purpose of the Commission was to settle the "security" policy, which would involve such changes in Japan's heavy industries as to reduce her war potential. The necessary measures for this purpose had yet to be agreed in detail, but it was certain that the Japanese steel, heavy engineering, chemicals, shipping, aircraft and metals industries, would on security grounds undergo at least a severe reduction.

"When these measures have been taken," continued Sir Stafford, "the Japanese economy, already dislocated by the war . . . will be in a gravely, if deservedly, crippled state . . . the economic recovery of the country will therefore be beset by acute difficulties."

The Government was fully aware of the damaging effects which low-priced Japanese competition had on our export trade in many fields before the war. This derived much of its effectiveness from low labour standards and from Government methods which could be regarded as inconsistent with proper commercial standards. "It will be the Government's policy," said Sir Stafford, "to endeavour to eliminate such unfair competition, not only in Japan, but wherever it arises, by international agreement and in any way that offers.

#### BRITISH EFFICIENCY

"The Government will also make all efforts to ensure that any international agreement or general understanding which can be arrived at on these matters is accepted and carried out by Japan." In any case, he added, it was to be hoped that Japan herself was preparing to develop herself on more democratic lines than in the past, "with the rising standards of wages and living conditions that that implies."

"The Government do not, however,

consider it practicable to reduce or eliminate Japanese competition in export markets by yet another surgical operation on those of her export industries which have no direct war potential. Japan must be left, after the peace settlement, in such a position that she can become and remain internationally solvent, otherwise she will require permanent foreign support in the form of direct or indirect subsidies." The British Government could not share in such a burden.

Instead of stifling Japanese exports, Sir Stafford advised the British "to look rather to the efficiency of our own production and to a greater total volume and increased flow of international trade in which all can effectively share."

Sir Stafford was questioned about the intentions of American cotton growers towards the Japanese textile trade, but said nothing on the subject.

In answer to earlier questions by Mr. Prescott, the Conservative member for Darwen, Sir Stafford said that legislation would be needed to establish the new central organisation for the cotton trade and suggested that a reference to it would be found in the King's Speech. He also said that each working party report would be considered separately.

#### REQUEST FOR DEBATE

Mr. Silverman is so far dissatisfied with Sir Stafford's statement that he proposes to ask Mr. Herbert Morrison, when the business for next week is announced on Thursday, if half a day will be provided for a debate on the future of Japanese textiles. Mr. Silverman concludes from what Sir Stafford said to-day that there is little hope of effective action to improve Japanese labour standards within the next three or four years—the critical period during which the Government should be helping Lancashire to re-establish herself.

Conservative members have been considering this evening whether it is possible to frame a motion expressing the apprehension caused by Sir Stafford's statement. It is realised that the task is difficult. It would not be comfortable on humanitarian grounds to advocate a policy which might perpetuate starvation and misery among the Japanese. Moreover, it would be hard to justify a policy which would deny a supply of cotton textiles to millions of people in the Far East which Lancashire herself is unable to make good at present.

Nevertheless members are concerned at the prospect that Japan may establish herself in a quality market in which, before the war, Lancashire exporters were dominant. Similarly, there is much uneasiness about the possibility that America may wish to cultivate her own exports of raw cotton and of textile machinery by revived trade with Japan.

#### PRICE OF RAW COTTON

The case for a half-day debate is likely to be supported by Conservative M.P.s. Meanwhile, on Thursday evening Colonel Erroll is to move a prayer for the annulment of a group of Board of Trade orders effecting an increase of 6d. per pound in the price of raw cotton. He is supported by Mr. Walter Fletcher, Mr. Prescott, Major E. E. Gates, and Mr. Selwyn Lloyd. It is hoped that this prayer will provide an opportunity for a lively debate on cotton.



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PAPER: MANCHESTER GUARDIAN

NUMBER

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Enclosure No. 3 to despatch No. 2318 of Oct. 30, 1946  
from the Embassy at London, England.

PAPER: MANCHESTER GUARDIAN

NUMBER

CITY: LONDON

DATE: OCT 29 1946

### Japanese Competition

The Government is taking a sensible attitude about the future of Japanese industry, though it will disappoint some British manufacturers. Japan is a highly populated industrial country dependent on imports for most of her raw materials. To pay for them she must export manufactured goods. If that were prevented she would have to have some form of subsidy from abroad—which Britain at least is certainly not prepared to give. Japanese industry will be gravely crippled in any case by the restrictions which must be placed on industries of military importance. Sir Stafford Cripps, in his statement yesterday, insisted that it was not practicable to get rid of Japanese competition in our export markets by a further "surgical operation" on non-military industries. Japan must be free to restore her export trade in such things as textiles. That would probably be the policy even if the British Government did not like it. The decision rests with the Far Eastern Commission meeting in Washington, and the American Government would oppose any plan to stifle Japanese trade. A year ago there was talk of turning Japan into an agricultural country, but since then the American authorities there have been trying to get the lighter industries going. No source of supply can be kept idle when the Far East's need for goods, and especially for clothes, is as great as it is at present. British policy should aim at ensuring that future Japanese trade is not helped, as it was before the war, by low wages and unfair trading methods. It should be possible to impose conditions which will prevent such methods as subsidies and the manipulation of exchange rates. But, as Sir Stafford said, we cannot lay down any particular standard of wages for Japan. The remedy there must be slower. The pressure of the trade unions which are now being formed should gradually raise the wages of Japanese workers.

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FAR EASTERN COMMISSION  
2516 MASSACHUSETTS AVENUE, N. W.  
WASHINGTON 8, D. C.

ASSISTANT SECRETARY  
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GENERAL HILDRING  
DEPARTMENT OF STATE

November 8, 1946

MEMORANDUM FOR: Major General John H. Hildring  
Assistant Secretary of State  
For Occupied Areas  
278 State Department Building

Subject: : Statistical Data relating to Interim  
Reparations Removal Proposals

1. In the course of discussion on Interim  
Reparations Removal Proposals relating to the railway  
equipment, cement, oil refining and storage, copper  
smelting refining and fabrication, motor vehicle, motor  
vehicle tire, nitric acid and ammonium nitrate industries,  
Committee No. 1, REPARATIONS, carried without dissent a  
motion that the United States be asked to submit relevant  
statistical data. The United States member of the Com-  
mittee abstained from voting.

2. I should be glad if you could supply  
this information for consideration by the Commission.

*Nelson T. Johnson*  
NELSON T. JOHNSON  
Secretary General

C.C. Mr. Barnett

*XR 740-00119PW*

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DIVISION OF JAPANESE AND KOREAN  
ECONOMIC AFFAIRS  
DEPARTMENT OF STATE  
FEB 12 1947

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DIVISION OF JAPANESE AND KOREAN  
ECONOMIC AFFAIRS  
DEPARTMENT OF STATE  
FEB 12 1947  
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*Hodge*

November 14, 1946

MEMORANDUM FOR: General Hilldring

Subject : Statistical Data relating to Interim  
Reparations Removal Proposals

1. I refer to my memorandum of 8 November 1946 regarding statistical data requested by Committee No. 1, REPARATIONS, in connection with its discussions on Interim Reparations Removal Proposals. At its 48th meeting, 13 November 1946, the Committee agreed to pass on a request by the Chinese member for statistical data relating to the seven industries listed in the accompanying document CI-015.

2. I should be glad if you could supply this information for consideration by the Commission.

NELSON T. JOHNSON  
Secretary General

c.c. Mr. Barnett



## DEPARTMENT OF STATE

ASSISTANT SECRETARY

November 20, 1946

*Hodge*  
JK - Mr. ~~Fisher~~

For appropriate action.

John K. Emerson *[Signature]**Please clear reply  
through Fisher.*

## DEPARTMENT OF STATE

ASSISTANT SECRETARY

November 15, 1946

Mr. Emmerson:

Please have this referred to the Division to which Mr. Johnson's memorandum of November 8 was referred, for appropriate action.

*[Signature]*  
W. M. Cameron*an 263*



FAR EASTERN COMMISSION  
2516 MASSACHUSETTS AVENUE, N. W.  
WASHINGTON 8. D. C.

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*XR 740 00119 PA*

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DIVISION OF JAPANESE AND KOREAN  
ECONOMIC AFFAIRS  
DEPARTMENT OF STATE  
*Reply prepared by L. Hodge*  
JAN 10 1947  
*File.*

FEB 27 1947  
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C1-015

12 November 1946

FAR EASTERN COMMISSION

COMMITTEE NO. 1: REPARATIONS

CHINESE REQUEST FOR STATISTICAL DATA RELATING TO INTERIM  
REPARATIONS REMOVAL PROPOSALS

Note by the Secretary General

The enclosure, a list of industries submitted by the Chinese member with the request that the United States be asked to supply statistical data that would assist the Committee in considering Interim Reparations Removal Proposals relating to these industries, is circulated for the consideration of COMMITTEE NO. 1: REPARATIONS.

NELSON F. JOHNSON  
Secretary General

C1-015

*ah-263*



E N C L O S U R ELIST OF INDUSTRIES ON WHICH STATISTICAL  
DATA REQUESTED BY CHINESE MEMBER1. Nitrogen Fixation Plant

Plants and establishments primarily engaged in the fixation of nitrogen, including equipment for making liquid ammonia, nitric acid, ammonium nitrate and ammonium sulphate.

2. Pulp and Paper Plants

Plants and establishments primarily engaged in the manufacture of sulphite pulp, mechanical pulp, newsprint and other paper other than newsprint.

3. Rayon Plants

Plants and establishments primarily engaged in the manufacture of rayon.

4. Dyestuff Plants

Plants and establishments primarily engaged in the manufacture of dyestuff intermediates as well as dyes of various types.

5. Rubber Production and Processing Plants

Plants and establishments primarily engaged in the processing of crude rubber, the production of synthetic rubber and in making tires and mechanical rubber goods.

6. Ships and Vessels for Water Transportation

Passenger and cargo steam vessels for coast and open ocean service.

7. Technical Research Laboratories

Laboratories primarily engaged in aeronautical, meteorological, metallurgical, chemical, physical, electrical, ceramic, optical, pharmaceutical, biological, biochemical, hydraulic, heat-engine, and ballistic researches.



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~~Mr. R. [unclear] JK~~

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MEMORANDUM FOR NELSON T. JOHNSON, SECRETARY GENERAL, FEC

Subject: Memoranda Requesting Statistical Data Relating to Interim Reparations Removal Proposals November 8, 1946 and November 14, 1946.

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I refer to your memoranda of November 8, 1946, and November 14, 1946, requesting specific statistical information for use by Committee No. 1 of the Far Eastern Commission in connection with its discussion of Interim Reparations Removal Proposals.

894.60/11-1446

State Department research studies covering the following Japanese industries already have been forwarded to the Far Eastern Commission: pottery, glass, cement, petroleum, miscellaneous machinery and machine tools. Additional studies of other industries will be made available as rapidly as completed. It is believed that these studies will furnish some data on each of the industries specified in your memoranda with the exception of technical research laboratories of which no specialized study is now planned.

J. H. Hilldring,  
Assistant Secretary of State

~~State - Foreign Relations Administration - Committee.~~

Mr.	at
Mr.	Sp
Mr.	NS
Mr.	
Dist.	

the original  
inal. HRS

November 19, 1946

JK:BSmith:bg  
8877

NOV 28 1946 F.

894.60/11-1446  
CS/R

~~SECRET~~



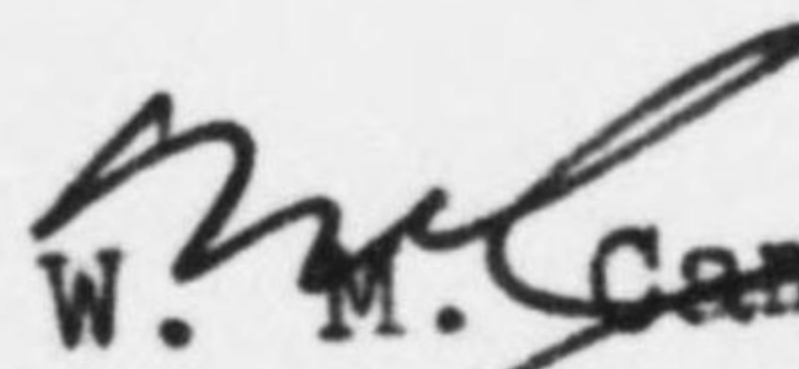
## DEPARTMENT OF STATE

ASSISTANT SECRETARY

December 3, 1946

Mr. Lewis:

This should be easy. Please get the dope and put it into a letter for the General to sign, by today, if possible, as it is Congressional. The General knows Congressman Andrews and will want to expedite an answer.

  
W. M. Cameron

Parker USCC  
Tel 816 X 847

on 316



W. G. ANDREWS  
42d Dist. New York

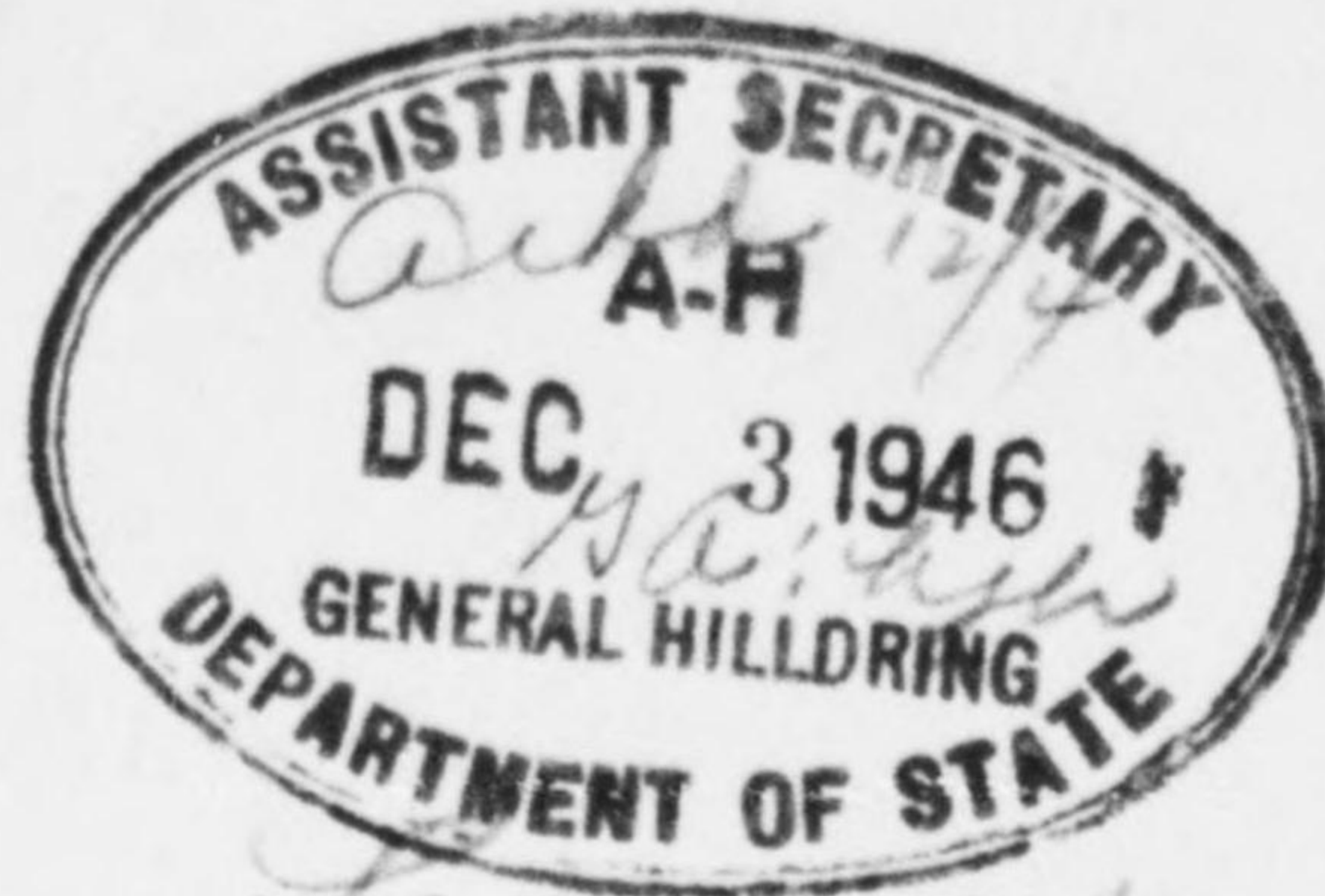
COMMITTEE:  
MILITARY AFFAIRS

Congress of the United States

House of Representatives

Washington, D. C.

December 2, 1946



*Letter to Mr. Andrews*

Honorable John H. Hilldring,  
Assistant Secretary of State (for Occupied Areas)  
State Department,  
Washington, D.C.

894.60/12-246

My dear General Hilldring:

I have had an inquiry from a friend of mine in Buffalo, New York calling to my attention an article which has appeared in the Wall Street Journal of November 25th which states that the Military Government authorities are revising the china industry in Germany and Japan and that a subsidiary of the R. F.C. is importing ceramics so manufactured without duty and is putting them on the American market in direct competition with goods manufactured in this country.

In view of your present assignment with the State Department I assume you are familiar with some of the details which are being worked out both in Germany and in Japan in getting their industries back into production.

At any rate would you be good enough to let me know just what the situation is in this connection.

Sincerely yours,

*W. G. Andrews*

CS/A

OCE TTP Unit	
Ans:	<i>ap</i>
Rev:	<i>eg</i>
Out:	<i>eg</i>
Dist: WGA: L	

DEC 9 1946

FILED

894.60/12-246

*ah 3/6/46*



This letter has been cleared  
with CP (Mr. Walk) and the  
substance of the letter has  
been cleared with Mr. Parks  
of USCC.

*gwl*  
GWLewis

*CR*



DEC 5 1946

Dear Mr. Andrews:

This will acknowledge your letter of December 2, 1946 requesting information concerning our policy with respect to the revival of certain industries in Germany and Japan and the importing into the United States of ceramics from those countries.

Our policy in this regard is to assist the revival of non-warlike industries in the occupied countries so that those countries may be given a chance to export goods in order to import enough to make their economies self-sustaining. Only in this way will it be possible to eliminate the burden presently being borne by the United States taxpayer of supplying those imports necessary to prevent disease and unrest in the United States Zone of Germany and in Japan.

At the present time most imports of ceramics and other goods from Germany and Japan into this country are being handled by the United States Commercial Company, a subsidiary of the Reconstruction Finance Corporation. These imports are subject to the same duties as if they were being handled by private importers. They are either sold at auction to the highest bidder or offered on a sealed bid basis by the United States Commercial Company to buyers in this country. The company has the power to refuse any bid in order to carry out its policy of selling such goods at a fair market price.

In view of the urgent necessity of lightening the financial load presently being borne by our people with respect to Germany and Japan, I know that you will agree with me as to the wisdom of reviving exports of peaceful commodities from these areas in order to pay for the necessary imports.

Sincerely yours,

J. H. Hildring  
Assistant Secretary

DCR - ITP Unit

✓  
GR  
5 1946

Dist. \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The Honorable  
Walter G. Andrews,  
House of Representatives.

AH:GWLewis:hjh 12/4/46  
AH:GWLewis:bam 12/5/46

A true  
the signed copy  
sent.

AH-316

894.60/12-246

CS/A

894.60/12-246



3/a

ACTION COPY

DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE INCOMING TELEGRAM

*Follow*

*no action in action no action required*  
*JB. 6/11/44*  
*split - file*

	ACT	INF
ESP		✓
ES	✓	2
GA		
JK		3

DEPARTMENT OF STATE  
DEC 17 1946

Control 3998

Rec'd December 13, 1946  
1:52 p.m.

Action: ESP  
Info :  
U-E  
A-H  
EUR  
FE  
OCD  
DC/  
ITP  
TRC  
FC  
DC/R

FROM: London via War  
TO: Secretary of State  
NO: 10078, December 13, 6 p.m.

A well-informed British correspondent informs us he understands a paper embodying preliminary British views on level of Jap industry, et cetera, is due to be circulated among cabinet ministers next week. He states following among chief proposals:

One. Level steel ingot production, three and one-half million tons.

Two. Acceptance US figures on size Jap merchant fleet.

Three. Foster growth Jap trade unions and through higher wage levels increase Jap production costs and thus curb level Jap exports such as textiles.

Informant also states question on British policy re level Jap industry is down for reply in Commons about 18th.

GALLMAN

DEPARTMENT OF STATE  
JAN 9 1947  
DC/

RB: FAE

JAN 3 1947

SECRET FILE  
FILED

894.60 / 12-1346

SECRET

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.



STANDARD FORM NO. 64

# Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - JK Secretariat

DATE: December 19, 1946

FROM : JK - Mr. Whitman *R. H. W.*

SUBJECT: Revival of Japanese soda ash industry to meet U.S. requirements.

Information coming into the Department in recent weeks has indicated that a shortage of soda ash in this country is severely restricting production in many basic industries in the U.S. Soda ash is essential in the production of chemicals, pulp, paper, aluminum, iron and steel textiles, soap, water-softeners, petroleum products and all kinds of glass. Libbey-Owens-Ford Glass Company is urging action which can be taken to increase the supply and it is believed the Kaiser interests are also interested in finding new sources of soda ash.

At present there is in Japan a very large amount of soda ash capacity which is not being used (Production is less than 3,000 tons per month and capacity over 800,000 tons annually). Part of this capacity is probably inoperable because of damage. One plant has already been set aside for reparations but other plants are not in production due to shortages of raw materials and the general low level of Japanese industrial activity.

In the case of Germany, a number of arrangements are under way for the provision of raw materials by private concerns with payment to be made from the output of German industry. It is believed that similar schemes would be feasible in Japan. Before discussing the matter further with American corporations it is necessary to get SCAP's general reaction to the idea. Accordingly the attached cable is suggested:

### DRAFT CABLE

Inquiry from two important American firms indicate critical shortage of soda ash in the US in 1947. Reactivation of Japanese soda ash capacity believed to be one possibility of making up the US deficit. *It is recognized that US companies would be required to furnish necessary coal and salt f.o.b. Japanese port due to Japanese shortages in these raw materials. Payment would be made by turning over to companies part of soda ash produced or if Japan does not require the balance of soda ash output it could be exported to provide dollar credits.*

Is reactivation of Japanese soda ash industry feasible for such purposes? Present level of production reported as very low. How much capacity could be made available: (a) if capacity not now assigned to reparations is used; and (b) all capacity in Japan used?

JK:RHWhitman:emh:bcb

*894: 60/12-1946*

*R.H.W.*

*checked with Mr. Robinson*  
*Emmerson*  
*JA*  
*by phone*  
*IR*  
*clearly by*  
*Libbey-Owens-Ford*  
*2847*



STANDARD FORM NO. 64

*McInt - 45365 - Jan 18***Office Memorandum** · UNITED STATES GOVERNMENTDATE: **1/16/47**TO : **General Hilldring**FROM : **Mr. Claxton**SUBJECT: **Revival of Japanese Soda Ash Industry.***Reply is  
MC-IN-61394  
3 Jan  
(233238)*

The Libbey-Owens-Ford Glass Company has recently written to the Secretaries of State, War and Commerce, indicating that there is a shortage of soda ash in this country. This chemical is essential in the production of pulp, paper, all kinds of glass and other materials. The letter from the Libbey-Owens-Ford Company urges action to increase the available supply, and it is believed the Kaiser interests are also interested.

The enclosed cable requests information from SCAP as to how much capacity for the production of soda ash would be available in Japan, provided the necessary coal and salt could be imported. It should be pointed out that the provision of the necessary coal may, in this event, prove difficult because of the world shortage, but it is thought advisable, nevertheless, to canvass the situation with regard to production capacity in Japan. It should also be noted that similar arrangements have been made in the case of Germany, whereby raw materials are provided by private concerns, with payment to be made from the output of German industry.

War Department concurrence has been obtained through Major Kramers (WD Ext. 4361), and I recommend your approval.



STANDARD FORM NO. 64

*Office Memorandum* · UNITED STATES GOVERNMENT

DATE: 1/10/47

TO : Colonel Chard (Att: Major Kraeger)

FROM : Mr. Lewis

SUBJECT: Revival of Japanese Soda Ash Industry.

The Libbey-Owens-Ford Glass Company has recently written to the Secretaries of State, War and Commerce, indicating that there is a shortage of that ash in this country. This chemical is essential in the production of pulp paper, all kinds of glass and other materials. The letter from the Libbey-Owens-Ford Company urges action to increase the available supply, and it is believed the Kaiser interests are also interested.

The enclosed cable requests information from SCAP as to how much capacity for the production of soda ash would be available in Japan, provided the necessary coal and salt could be imported. It should be pointed out that the provision of the necessary coal may, in this event, prove difficult because of the world shortage, but it is thought advisable, nevertheless, to canvass the situation with regard to production capacity in Japan. It should also be noted that similar arrangements have been made in the case of Germany, whereby raw materials are provided by private concerns, with payment to be made from the output of German industry.

I should appreciate your securing War Dept. concurrence for the attached cable and notifying me on State, 3776.



STANDARD FORM NO. 64

## Office Memorandum • UNITED STATES GOVERNMENT

DATE: 12/26/46

TO : Phil  
FROM : gwh  
SUBJECT: Biggers Letter re Soda  
Asst (A-14253)

Kramers called to say Patterson had got a similar letter & had answered to the effect that he was looking into the matter & would reply later at greater length. Kramers has learned that JK is cooking up a cable to SCAP asking for info. to go thru War Dept.

Oscar Cox also called War Dept. on this.  
gwh



DEPARTMENT OF STATE *GA*

ASSISTANT SECRETARY

December 18, 1946  
*Please call Mr. Hill*

Mr. Chapin:

Please refer attached to appropriate Division for appropriate action. If a reply is necessary, please have one drafted for General Hilldring's signature. Perhaps a letter to Cox transmitting a copy of Mr. Clayton's letter to the Company.

W. M. *W. M. Cameron* Cameron

*Sydney 12-27. am 253*

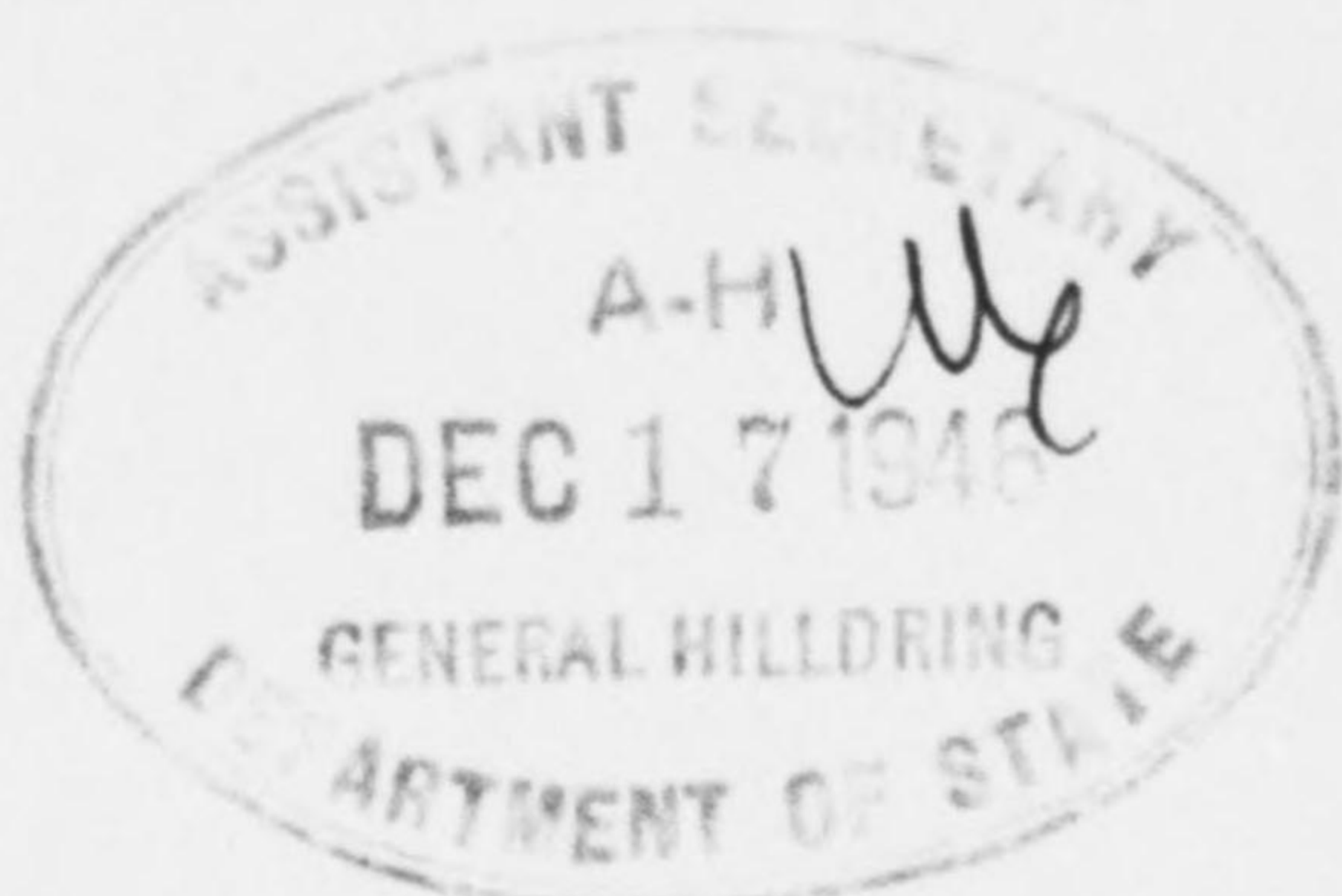


COX, LANGFORD, STODDARD &amp; CUTLER

OSCAR COX  
MALCOLM S. LANGFORD  
EZEKIEL G. STODDARD  
LLOYD N. CUTLER  
CHARLES C. GLOVER, III  
PHILIP B. BROWN

1210 18TH STREET, N.W.  
WASHINGTON 6, D.C.  
TELEPHONE EXECUTIVE 6900  
CABLE ADDRESS "OSCARCOX"

PHILIP KIDD  
OF COUNSEL



December 16, 1946

Dear General Hilldring:

Attached are two copies of a letter to Under Secretary Clayton from Mr. John D. Biggers, President of the Libbey-Owens-Ford Glass Company.

The need for augmenting the U. S. supply of soda ash is so vital that anything you can reasonably do to meet this need will, I am sure, be good for the country.

Sincerely yours,

*Oscar Cox*

Hon. John J. Hilldring  
Assistant Secretary  
Department of State  
Washington 25, D. C.

Enclosure

*Am*



**LIBBEY-OWENS-FORD GLASS COMPANY**

Toledo 3, Ohio

December 13, 1946

The Honorable W. L. Clayton  
Under Secretary of State  
Department of State  
Washington, D. C.

Dear Secretary Clayton:

The critical shortage of soda ash (sodium carbonate) in the United States has seriously restricted production in many basic industries since the war, and will continue to do so throughout 1947 unless maximum resourcefulness is employed by our government with the cooperation of the industries most vitally affected. Soda ash, as you know, is a basic material without which many important American industries cannot even operate. It is absolutely essential in the production of many chemicals, pulp and paper, aluminum, iron and steel, textiles, soap, water softeners, petroleum products and all kinds of glass, including automobile safety glass, containers, fibre glass and building glass so necessary to the housing program.

There are several possible ways in which you and your Department with the cooperation of the Commerce and War Departments can assist in increasing the supply of soda ash for the United States. It is for this reason that I am addressing you and sending similar letters to Secretary Patterson and Secretary Harriman.

If agreeable to you, it would seem desirable for you to designate some one in your Department to cooperate with the other interested departments and agencies so as to pull together the individuals required to carry out the following program:

- 1) To the fullest extent possible and practicable, exports of soda ash from Germany to the United States should be authorized to meet the critical needs of this country.

There is, for example, the Mathes and Weber soda ash plant at Duisburg which has been decided to be available for reparations. It would take anywhere from a year to eighteen months to move such a plant, reinstall it, and get it back into production. Therefore, it seems a wise policy to operate it in Germany as we are informed has been done since May of this year. However, according to our understanding, none of the soda ash produced has been exported to the United States. It is presumably distributed by the military authorities in conformity with recommendations of the Emergency



## LIBBEY-OWENS-FORD GLASS COMPANY

Toledo 3, Ohio

- 2 -

Economic Committee for Europe with headquarters in London. We urge that the proper authorities be persuaded to permit exportation of some of this German soda ash to the United States so long as the critical needs exists here.

- 2) Insofar as it is practicable, exports of soda ash from Japan should be made to the United States at the earliest possible moment.

While it may ultimately be determined, in accordance with our demilitarization policy, to move or dismantle some Japanese soda ash plants, this certainly should not be done until the immediate needs for soda ash in the United States are met.

There will doubtless be many practical and technical difficulties involved, ranging all the way from obtaining necessary raw materials, such as salt, to problems involved in restoring or reconditioning and operating the soda ash plants in Japan. However, the problem of getting soda ash to the United States for essential production is so extremely important that surely means can be found to overcome such difficulties, as was done in wartime.

- 3) The most immediate possibility seems to be in Italy. We are informed that the soda ash plant at Monfalcone can increase its production if coal can be obtained in adequate quantities. We have been assured that if additional coal is made available over the present allocations to Italy, the increased production of soda ash will be made available for use in the United States.

The Libbey.Owens.Ford Glass Company is willing to execute any reasonable arrangement by which it procures and ships the coal, with the approval of the United States Government, in exchange for the excess soda ash produced.

The seriousness of this situation is such a threat to America's whole reconversion program that I am prepared to cooperate with you in any way within my power to aid in carrying out these or other suggestions necessary or appropriate to increase the available supply of soda ash for use in the United States during this critical period when maximum balanced production is so vital to our economy.

Sincerely,

JDB:ms

COPY *an 2*



## DEPARTMENT OF STATE

## ASSISTANT SECRETARY

December 18, 1946

Mr. Claxton:

Attached is a <sup>copy of a</sup> letter from Oscar Cox to the General which transmitted a copy of a letter from the Libbey-Owens-Ford Glass Company to Mr. Clayton. (Also attached.) The original letter from Mr. Cox has been forwarded to the GA Secretariat for appropriate action. I suggest you follow it up.

  
W. M. Cameron

an 253



COPY

COX, LANGFORD, STODDARD &amp; CUTLER

December 16, 1946

Dear General Hilldring:

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Sincerely yours,

/s/ OSCAR COX

Hon. John J. Hilldring  
Assistant Secretary  
Department of State  
Washington 25, D. C.

Enclosure

An 253



## LIBBEY-OWENS-FORD GLASS COMPANY

Toledo 3, Ohio

December 13, 1946

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Department of State  
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OK 253



## LIBBEY-OWENS-FORD GLASS COMPANY

Toledo 3, Ohio

- 2 -

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Sincerely,

JDB:ms

*As 25*  
**COPY**



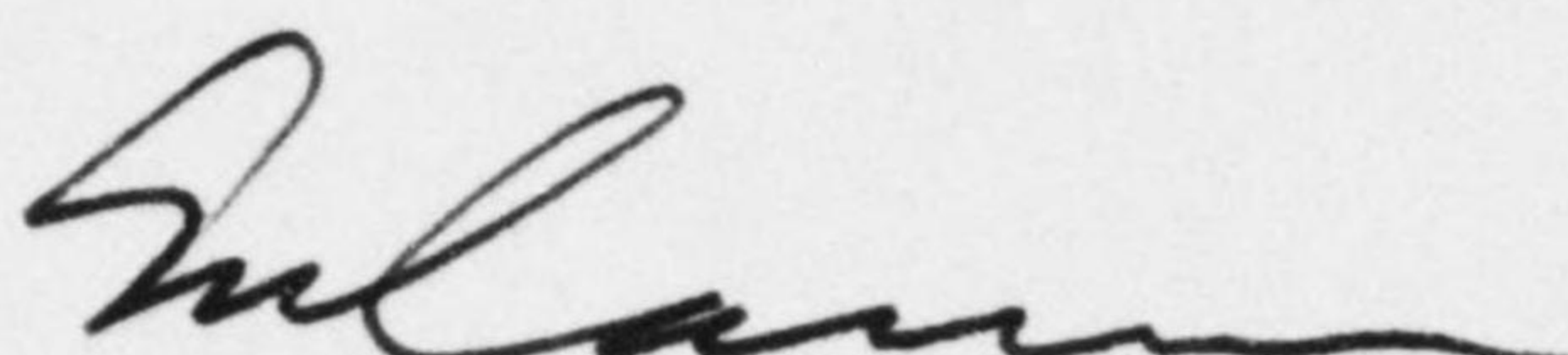
51  
DEPARTMENT OF STATE

## ASSISTANT SECRETARY

December 30, 1946

JK Secretariat  
Mr. Emmerson ✓

Will you please draft a reply for Mr. Gross's signature? You might state that General Hilldring is absent from the City until the middle of January and if McConaughy desires to speak with someone, suggest to whom he can talk.

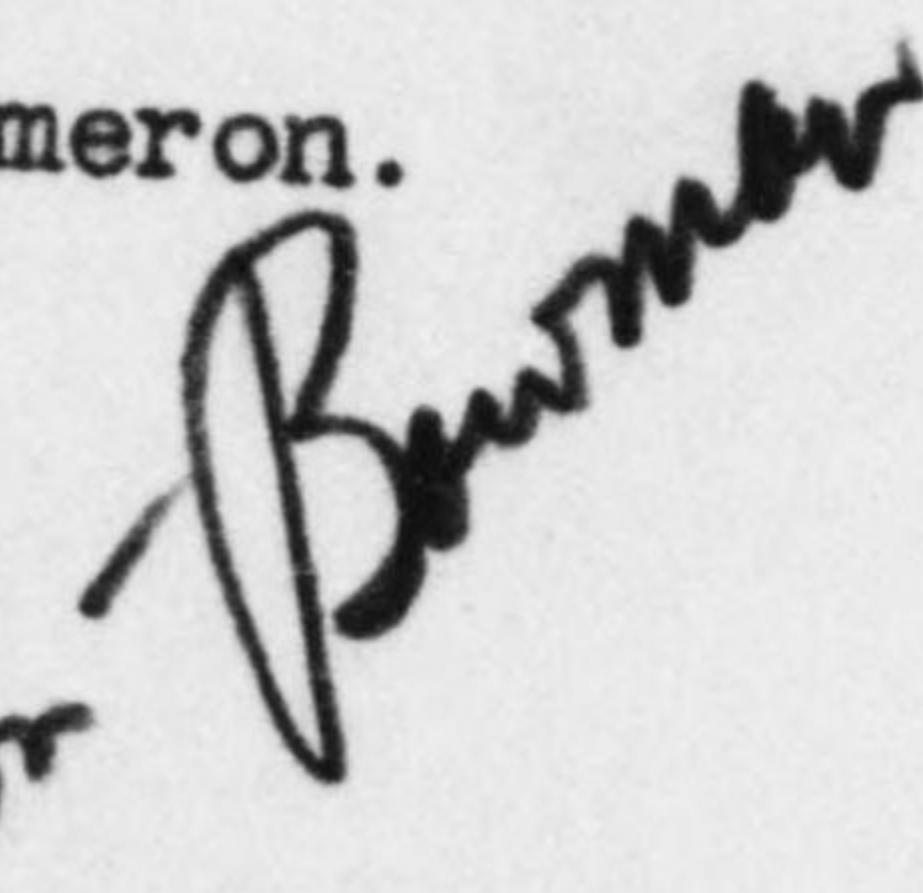
  
W. M. Cameron

au 376

1/2/47  
To : JK : Mr. Fisher

From : SJK : Mr. Emmerson

Referred to JK  
for reply along lines  
suggested by Mr. Cameron.

Action 



51

DC/R

*Cadwalader, Wickersham & Taft*  
(Strong & Cadwalader)

- W. Lloyd Hitchel*
- Cornelius W. Wickersham*
- Walbridge S. Taft*
- Thomas B. Gilchrist*
- G. Forrest Butterworth*
- F. Sims McGrath*
- Merrill M. Manning*
- R. Keith Kane*
- Charles W. McConaughy*
- John J. Redfield*
- Jacquelin A. Swords*
- Cornelius W. Wickersham, Jr.*
- Thomas B. Gilchrist, Jr.*
- Catherine Noyes Lee*
- Robert E. Lee*



Telephone, Rector 2-5100  
Cable address, Labellum

December 27, 1946.

Major General John H. Hilldring,  
Assistant Secretary of State,  
State Department,  
Washington, D. C.

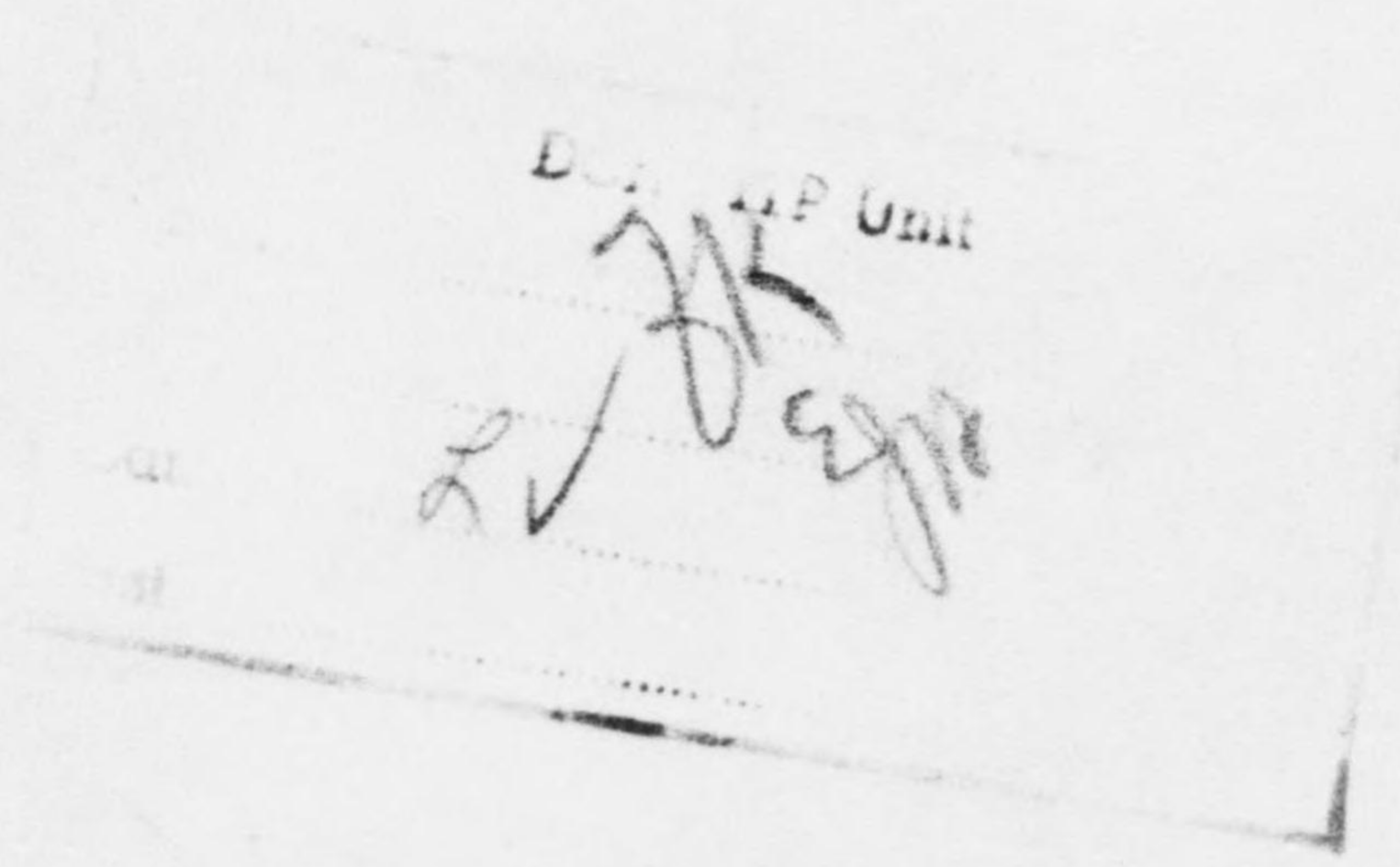
Sir:

One of our clients, an American corporation, is considering acquiring a Japanese subsidiary of an affiliated British company. The Japanese subsidiary is a manufacturing company and prior to the War it did a considerable amount of business. It did not, however, export articles to the United States but, as far as we know, confined its business to Japan and China. There are a number of matters relating to the American occupation of Japan and the controls now in effect there concerning which we are not sufficiently informed, and I would appreciate an opportunity of discussing the subject with you. If you can do so, I would be very glad to meet you at your convenience.

Very truly yours,

*C.W. McConaughy*

CWM/rp



JAN 13 1947

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894.60/12-2746

*an*

CS/A

894.60/12-2746

*an 376*



In reply refer to  
JK

Jan. 6, 1947

My dear Mr. McConaughy:

This is in answer to your letter of December 27, 1946, addressed to General J. H. Hildring, Assistant Secretary of State. General Hildring is absent from the city and it is not anticipated he will return until the middle of January.

In the event you desire to speak with someone at the State Department prior to the return of General Hildring I shall be most happy to have you see and discuss your problems with Mr. Roswell H. Whitman, Associate Chief of the Division of Japanese and Korean Economic Affairs. I feel sure that Mr. Whitman and his staff would be pleased to discuss various matters relating to the controls now in effect there.

Sincerely yours,

Ernest A. Cross  
Special Assistant

Mr. C. W. McConaughy,  
Cadwalader, Wickersham & Taft,  
14 Wall Street,  
New York 5, New York.

JK:DOB:bbb  
1/6/47

Col Cross



51

JAN 6 1947

In reply refer to  
JK

My dear Mr. McCaughy:

This is in answer to your letter of December 27, 1946, addressed to Major General John H. Hildring, Assistant Secretary of State. General Hildring is absent from the city and it is not anticipated that he will return until probably the middle of January.

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Sincerely yours,

DCR - IIP Unit

*2/1/47*

Mr. C. W. McCaughy,

Cadwalader, Wickersham & Taft,

14 Wall Street,

New York, 5, New York.

*RAM*

JK:DOBowman:beb  
1/6/47

*JA  
JWE by phone*

Ernest A. Cross  
Assistant Secretary

*Special assistant*

JAN 8 1947 P.M.  
CR NIA  
a-7

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*an*

CS/A

894.60/12-2746