

July 9, 1947

THROUGH : **The Secretary**
 : S/S
 : A-T - Willard Thorp

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

Discussion:

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

Recommendation:

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

Secretary

- 2 -

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

Concurrences:

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

Attachments:

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

JK:OJMcDiarnid:mv

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

Blanche - Fogin?

REINHART COTTON CO., INC.

COTTON EXCHANGE BUILDING
60 BEAVER STREET
NEW YORK 4, N. Y.

Bob 1330
Pls prepare
Answers (Whitman
Signature)
AUG 6 1947
TELEPHONE BOWLING GREEN 9-6790

CABLE ADDRESS REINCOT
BUENTING'S CODE

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE July 24, 1947.

July 25, 1947
Reply drafted 7/30
DR/R file

U.S. Department of State,
Division of Japanese Economic Affairs,
Washington D.C.

Gentlemen,

It has been reported that our government has allotted a quantity of 6,000 tons (18,000 bales) of Egyptian cotton to be imported into Japan during this season.

In conjunction with our friends, Reinhart & Co., Alexandria, Egypt, we are very much interested to participate in this business and for this reason would appreciate your giving us if possible the following information:

- 1.) What quantities and qualities of Egyptian cotton are intended to be bought by Japan;
- 2.) What party will act as buyer in Japan and whether we can make offers to them through our Japan Agents, The Nissho Co., Ltd., Osaka, or will the deal be made through a Washington agency;
- 3.) On what terms and conditions, particularly regarding payment, will the intended exports be transacted.

Any information on this subject will be greatly appreciated and thanking you for an early reply, we are,

Yours very truly,

REINHART COTTON CO., INC.

Hans Winkler
Hans Winkler, President.

HW:hs
cc to Alexandria.

XV
683,9431
883,61321

894.61321/7-2447

CS/A

894.61321/7-2447

1330

AUG 6 1947

In reply refer to
JK

894.61321/7-2447

My dear Mr. Winkler:

We have your letter of July 24 regarding the procurement of Egyptian cotton for Japan. The answers to your specific questions are as follows:

1. Information as to the quantities and qualities of Egyptian cotton which the authorities in Japan propose to procure in the next few months can best be obtained directly from these authorities. They should be approached through the Supreme Commander for the Allied Powers in Tokyo. I might add that information available here suggests that these purchases will probably not be as large as 6,000 tons (18,000 bales).

2. The buyer in Japan will be the Japanese Government, subject to SCAP supervision, operating through the Board of Trade (Boeki Cho) or subordinate agency thereof. Your agents in Japan, the Nissho Co., Ltd., presumably could provide your firm an effective channel of communication with the particular agencies or individuals who would be involved in the negotiation of a sales contract.

3. As to terms and conditions of sale I can add nothing on this subject to the information presented in my letter to you of June 5, 1947. Since that date the Egyptian government has sent an official mission to Japan and cotton procurement negotiations between this mission and SCAP are underway.

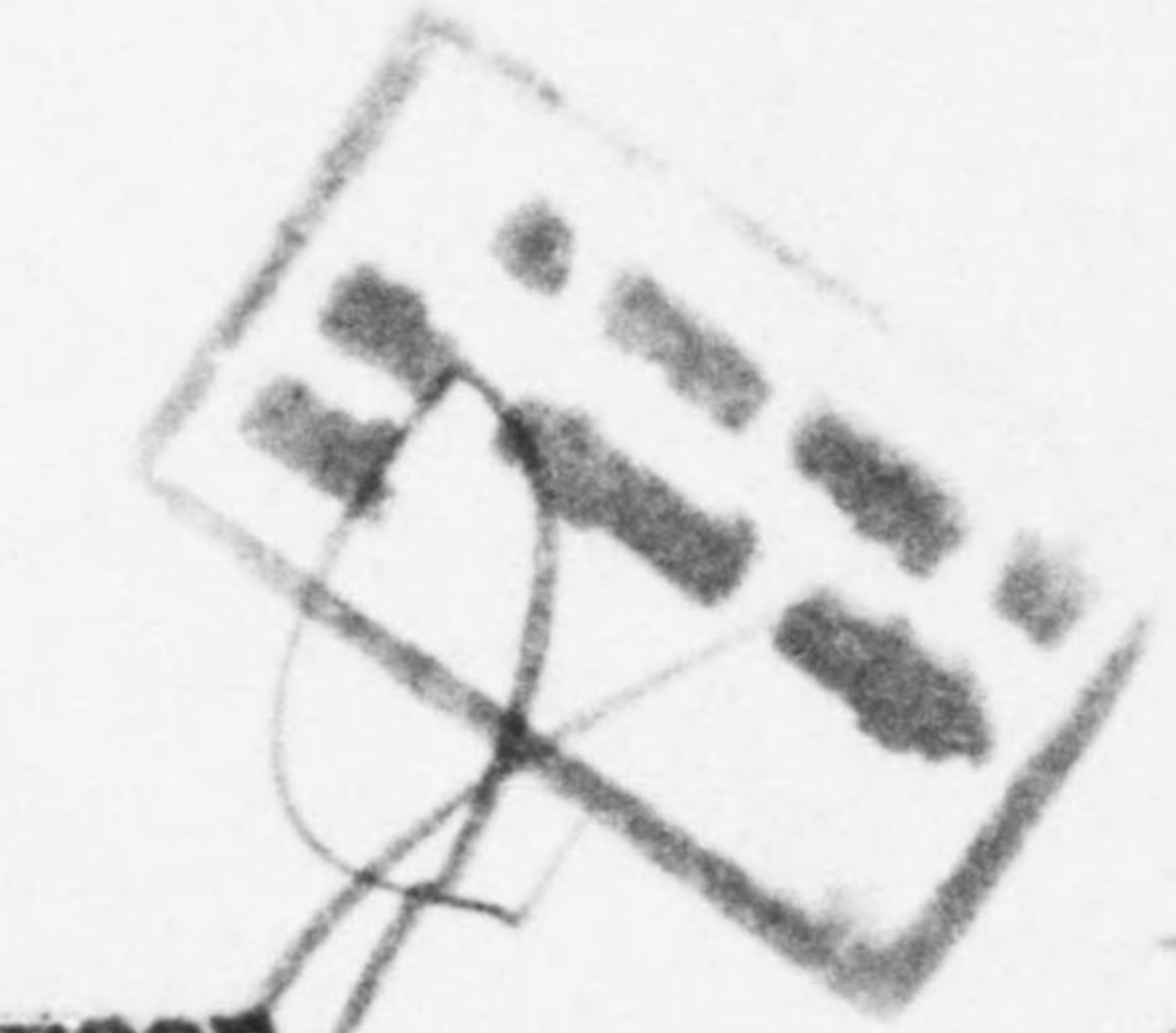
CS/A

Sincerely yours,

CR N12 ✓
AUG 6 1947

*Exp. as
th m*

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



Mr. Hans Winkler, President,
Reinhart Cotton Co., Inc.,
Cotton Exchange Building,
60 Beaver Street,
New York 4, New York.

JK:RMPaige:bc 7/30/47

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NA

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2477

894.61321/7-2447

UNITED STATES DEPARTMENT OF AGRICULTURE
COMMODITY CREDIT CORPORATION
WASHINGTON, D. C.

Whish
MacArthur
DE
O/CR

Hon. Willard L. Thorp
Assistant Secretary of State

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE
file
no action required.

JUL 31 1947

Dear Mr. Thorp:

894.61321/7-1947
894.61321/9-1447

Reference is made to Secretary Marshall's letter of July 14, 1947, and your letter of July 17, 1947, with respect to the letter of the Secretary of Agriculture dated July 1, 1947, addressed to the Secretary of State, the Secretary of War, and the Chairman of the Board of the U. S. Commercial Company. The Secretary of Agriculture's letter of July 1, 1947, contained the terms and conditions of an amendment to the letter of February 7, 1946, under which the raw cotton owned by the Commodity Credit Corporation is shipped to Japan and manufactured into cotton textiles. In your letter of July 17, 1947, you stated as follows: "While neither the existing nor the amended agreement specifically forbids the U. S. Commercial Company to sell cotton textiles for sterling or other foreign currencies, such sales cannot be made without the approval of the Commodity Credit Corporation, if conversion into dollars of currencies thus acquired is only possible at a future date. The intention of the last sentence of the Secretary of State's letter [July 14, 1947] was to indicate the Department's understanding that further consideration by the Commodity Credit Corporation, and other interested agencies, of the proposal of the British Government is not precluded."

894.61321/7-3147

On the basis of your construction of the meaning of the Secretary of State's letter of July 14, 1947, the Commodity Credit Corporation is now proceeding to purchase cotton for shipment to Japan under the terms and conditions of the letter agreement of February 7, 1946, as amended by the letter of the Secretary of Agriculture dated July 1, 1947.

There are enclosed copies of the letter of July 1, 1947 signed by the War Department and the U. S. Commercial Company. Since the Secretary of State did not enclose additional copies of the letter of July 1, 1947, for submission to the War Department and the U. S. Commercial Company, we assume that your Department has already forwarded copies signed by the Secretary of State to them.

*copies sent
4 Dec and
War
ogm*

Sincerely yours,

C. Farington

Acting President

OFFICE OF ECONOMIC SECURITY POLICY
DEPARTMENT OF STATE

AUG 6 1947

Enclosures

REV.
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DISTRIBUTION

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Mr. Clayton
Under Secretary for Economic Affairs
AUG 5 1947
DEPARTMENT OF STATE

FILED

OCT - 2 1947

1452
894.61321/7-31

OFFICE
GEO. H. McFADDEN & BRO.
66 WEST COURT
MEMPHIS, TENN.

Cable Address
Macfadden

1425
~~Mr. Page~~

August 4th, 1947

State Department
Washington, D.C.

Dear Sirs:

We are informed by the Firm of
Fulbright, Crooker, Freeman and White, of
Washington, D.C., that our letter to you of
July 24th has not been received.

Please find enclosed copy of
this letter.

Very truly yours,

[Handwritten signature]
Geo. H. McFadden & Bro

JHMCF:HAO
encl. 1.
AIRMAIL

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE
JUL 11 1947

no further necessary
we R file

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611.9431
894.111

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894.61321/8-447

DEPARTMENT OF STATE
REC-5
894-61321
DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS

OFFICE OF ECONOMIC SECURITY POLICY
DEPARTMENT OF STATE
AUG 7 1947
Rev. *5157/371*
Cat. *gnas*
Dist. *44*

FILED
SEP 18 1947

894.61321/8-447
CSEA

1425

OFFICE
GEO. H. McFADDEN & BRO.
66 WEST COURT
MEMPHIS, TENN.

*Cable Address
Macfadden*

C O P Y

July 24th, 1947

State Department
Washington, D.C.

Dear Sirs:

For a number of years prior to the war we had our own office in Osaka, Japan, for the purpose of selling cotton to that country.

As you probably know, a Commission is now in Japan working out plans with the American Military Authorities for supplying cotton to the Japanese mills. A member of the Commission is from our Firm and we are in receipt of a cable from him today, advising us to apply to the State Department for permission to send our representative out there as soon as possible to re-engage whatever former Japanese employees are still available and to reopen our office in Japan.

We believe that the years of experience that we have had with the Japanese market should facilitate whatever system is decided upon to supply the Japanese mills and we request you to take under consideration granting to us authority to re-establish our office in Japan.

The present plan, as far as we know, is to start shipping cotton to Japan immediately as the mills are running short of raw material and therefore we believe that this matter is of some urgency.

Trusting for a favorable reply, we are

Very truly yours,

JHMCF:HAO
A I R M A I L

~~SECRET~~

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: August 18, 1947

SUBJECT: Egyptian Cotton for Japan

PARTICIPANTS: Mr. John Montgomery, IR
Mr. John F. Shaw, CP

COPIES TO: F. Boardman, CP

*copy filed
"Egyptian Cotton
for Japan"*

*THIS DOCUMENT RELATES TO RESTRAINTS
ON THE EXPORT OF COTTON FROM
EGYPT TO JAPAN*

894.61321/8-1847 CS/G

Mr. Montgomery assured me that there was presently clearing in the Department a telegram to Cairo advising the Commercial Attaché that whereas the United States is presently supplying 70% of the cotton required by Japan and will do so up until October 31st that after this date the United States Government is not committed to supply any fixed quantity. This is based upon the denial of a commitment understood to be entered into by the Secretary of War and certain congressmen representing cotton producing states. The denial came from Assistant Secretary of War, Mr. Patterson.

*Commercial Policy
Division*

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CP: JFS:shaw:dmr
8/18/47

894.61321/8-1847

FORM DS-322
7-16-46

OUTGOING TELEGRAM

CLASSIFICATION

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INDICATE
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Charge Department: X

Department of State

RESTRICTED

Charge to

Washington

RESTRICTED

AUG 21 1947
6 P.M.

AMEMBASSY,

NEW DELHI.

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For your information and for transmittal to GOI if you think
advisable.

State and War Depts. have agreed that procurement raw cotton for
Japan to date of Oct. 31, 1947 should be: 350,000 bales US grown;
140,000 bales (equivalent US bales) Indian; and 7,500 bales (equivalent
US bales) Egyptian. This agreement permissive since no directive sent
SCAP that procurement had to be divided these lines. No commitment was
made regarding procurement after Oct. 31. As soon as policy established
for procurement after that date will advise you.

894.61321/8-2147

*Louitt
Acting
(C.M.)*

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ACCEPTANCE DESK

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DISTRIBUTION
DESIRED
(OFFICES ONLY)

Code Room: Please repeat to Diplomatic
Section, Tokyo. - 337

To be cleared by:

IR:JCMontgomery:dil 8-13-47 Mr. Wood Mr. Moreland Mr. Koch Mr. Paige

CR CLEARANCE

OR
AUG 21 947 P.M.

MEI
Mr. Adair War (by phone)
Col. Hartman

CSNA
894.61321/8-2147
2756

SEP 2 1947

In reply refer to
OE

894.61321/9-247

89461321

Dear Mr. Secretary:

I understand that the War Department is asking the Commodity Credit Corporation to purchase for export to Japan 100,000 bales of American cotton in addition to the 150,000 bales which the CCC was asked to purchase during July and August of this year. Secretary Marshall in his letter to you of July 14, 1947 asked that the Department of State be consulted before the CCC agreed to make such additional purchases. Representatives of this Department have discussed this matter with the War Department officials concerned and the proposal that CCC purchase an additional 100,000 bales during September and October for immediate shipment to Japan has the approval of the Department of State.

Sincerely yours,

For the Acting Secretary of State

CS/JEC

SEP 2 1947

CR [Handwritten initials]

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

The Honorable
Clinton Anderson,
Secretary of Agriculture.

[Handwritten initials]

OE:RMP:age:bcb
8/29/47

IR [Handwritten initials]

[Handwritten initials]

[Handwritten initials]

894.61321/9-247

1577

SEP 25 1947

In reply refer to
OE

894.61321/9-2547

My dear Mr. Secretary:

894.61321/9-247

894.61321/7-1447

I refer to the Department's letters of July 14, 1947, and September 2, 1947, on the subject of procurement of raw cotton and cotton waste for Japan by the Commodity Credit Corporation.

I am now advised that there has been an unanticipated delay in completing the arrangements under which private shippers would be prepared to deliver cotton to Japan for sale there to agencies which have been authorized to import cotton. In view of this fact, the Department of State believes it necessary to enlarge the procurement program contemplated by the letters referred to above. The Department of State would approve the purchase by Commodity Credit Corporation during the period July 1 to October 31, 1947 for prompt shipment to Japan of a total of 350,000 bales of raw cotton and cotton waste with the understanding that within this total the War Department would indicate to the Commodity Credit Corporation the quantities of each type and grade of raw cotton and cotton waste acceptable to the Supreme Commander for the Allied Powers.

Sincerely yours,

For the Secretary of State:

Handwritten routing slip with initials and dates.

Handwritten signature of C. Tyler Wood.

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

The Honorable
Clinton Anderson,
Secretary of Agriculture.

OE:RMPaige:bc

9/18/47

IR dclw

A true copy of the signed original.

SEP 23 1947
See for previous

Handwritten notations: 4-E, 2911

CS N

894.61321/9-2547

1852
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scr

DEC 22 1947

MEMORANDUM FOR MR. STEERMAN

Subject: Japanese Cotton Contract.

I would like to ask you to review and rule on a difference of opinion that has arisen between the Department of Agriculture, specifically the Commodity Credit Corporation, and the Department of State. This disagreement relates to a revision of the contract or letter agreement setting forth the terms under which the Department of the Army on behalf of the Supreme Commander for the Allied Powers agrees to accept and to insure that full payment is made to CCC for raw cotton shipped to Japan. Very briefly, the question at issue between Agriculture and State is: Should the revised letter agreement include a new provision which would prevent the Japanese from weaving or knitting cotton yarn on which the CCC has a paramount security claim with yarn made of rayon or other synthetic fibers.

894.61321/12-2247

The above question presents an issue of substance to this Department because the avowed purpose of such a restrictive provision is to hamper the revival of the Japanese rayon industry. This industry is potentially a vitally important, and in the opinion of many, an essential contributor to a self-supporting Japanese economy. It is not a war or war-supporting industry. It would be contrary to the basic objectives of American occupation policy, and of our foreign economic policy generally, to restrict or hamper rehabilitation of the Japanese rayon industry in an effort to advance or protect the interests of American cotton producers or American rayon manufacturers.

See 894.655-551

It is my understanding that limiting so-called "blending" operations in the Japanese textile industry to "natural" fibers would in actual fact influence or affect Japanese textile operations very little if any during the period in which the proposed CCC-Army-SCAP agreement would be in effect. This, however, does not make the objectionable provision acceptable to the Department of State, which has been asked to sign the letter as a concurring party, since the question of principle remains. We fear that inclusion of the anti-rayon provision in the agreement might be a precedent for other equally undesirable deviations from the basic Allied policy enunciated at Potsdam that Japan shall be permitted to maintain such nonwar-like industries as will sustain her economy.

CS/A

894.61321

Mr. Roswell H. Whitman, Associate Chief, Division of Occupied Areas Economic Affairs in this Department will be able to answer any further questions you may have regarding this matter.

Willard L. Thorp
Assistant Secretary

OE:MPaige:bc
12/22/47

IR
(Cleared in draft
by Evans)

CP
(Cleared in
draft by Weiss)

CC: Lt. Col Hartman, Army
E. D. White, Agril.

Cleared
A-S
NA
John Allison
Lewis
phone. P.M.

DEC 22 1947 P.M.
R.H.W.
Annal
Rev.
Col.

THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

DEC 26 1947

Dear Mr. Thorp:

This is in reference to your memorandum of December 22, 1947, regarding the revision of the contract or letter of agreement setting forth the terms under which the Department of the Army on behalf of the Supreme Commander for the Allied Powers agrees to accept and to insure that full payment is made to CCC for raw cotton shipped to Japan, and particularly regarding the inclusion in such agreement of a provision which would prevent the Japanese from mixing cotton in which the CCC has a paramount security claim with synthetic fibers.

I understand that SCAP does not plan, during the period in which this agreement is in effect, to blend cotton on which the CCC has a paramount security claim with synthetic fibers. The issue which you raise, therefore, evidently will not arise in actual practice.

Nevertheless I agree with you that this contract is not the appropriate place to make a substantive determination on an issue affecting the long-range plans for the reactivation of Japanese industry. Responsibility for the formulation of Japanese occupation policy lies with the Far Eastern Commission, and the Supreme Commander for the Allied Powers, and if the issue of the degree of reactivation of the Japanese synthetic fiber industry is to be raised, it should be raised specifically and directly with the Department of State for consideration by the Supreme Commander of the Allied Powers and the Far Eastern Commission, in accordance with established procedures.

I am sending a copy of this letter to the Secretary of Agriculture.

Sincerely,

John R. Steelman
JOHN R. STEELMAN

Mr. Willard L. Thorp
Assistant Secretary for Economic Affairs
Department of State
Washington 25, D. C.

DOR - ITP Unit	
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Col.	
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*all rec'd in OE 12/29
no action required
DC/A file.*

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Mr. Clayton
Under Secretary for Economic Affairs
DEC 23 1947
DEPARTMENT OF STATE

894.61321/12-2647

CS/A 894.61321/12-2647



DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.



1948 JAN 6 January 6, 1948

*Signed Copies forwarded
as requested 1/11/47 - S.W. L. AS*

The Honorable
The Secretary of State
Washington, D. C.

Dear Mr. Secretary:

There is transmitted herewith for your signature revised Japanese Cotton Contract which removes U. S. Commercial Company as a party to the agreement and provides for the continuation of the program.

In order to expedite the signing of this agreement an original and three copies have been delivered to each party concerned as provided in the agreement of February 7, 1946. Accordingly, one signed copy should be returned to us and one copy forwarded to each of the other two parties.

Sincerely yours,

E. D. White
Assistant to the Secretary

894.61321/1-648

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CS/V

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894.61321/1-648

DEPARTMENT OF STATE
 ASSISTANT SECRETARY

S - Mr. Secretary

Subject: Contract between the Secretary of the Army and the
 Commodity Credit Corporation for the Supply of Raw
 Cotton for Japan.

An agreement was entered into on February 7, 1946 between the Secretary of War, the U.S. Commercial Corporation, and the Secretary of Agriculture for the Commodity Credit Corporation, which provides for a program under which raw cotton owned by the CCC was shipped to Japan for manufacture into cotton textiles, and payment for such cotton and other costs in connection with the program was to be made from the proceeds of the sale of such textiles. The Department of State concurred in the original contract and in an amendment thereto dated July 1, 1947.

The USCC is now in the process of liquidation and wishes to be relieved of its responsibilities in this contract. The attached letter represents a further modification of the basic contract referred to above so that the responsibilities heretofore held by USCC will now be apportioned between SCAP and the CCC. There are no other basic modifications to the original contract. It is considered that the life of this contract will extend only until such time as the present indebtedness to the CCC is liquidated. The contract does not anticipate that further purchases of raw cotton will be financed by the CCC.

In order to expedite the signing of this contract by all parties, the Secretary of Agriculture has sent an original letter to each of the parties of the contract with a request that each party sign three copies so that copies signed by each party to the contract will be available. The contract is being signed by the Chairman of the Board of the USCC and by the Secretary of the Army, acting for SCAP.

This contract has been concurred in by OE, FE, CP, IR and A-T. I recommend your concurrence and your signature on three copies as indicated. By agreement with the Army and USCC, the signature is dated January 6.

Enclosures: *7K*
ejr
mbh

CES.
 Charles E. Saltzman

1. From Department of Agriculture dated January 6, 1948.
2. Original and 3 copies of letter referred to above.

FW 894.61321/1-648

FW 894.61321/1-648
 CS/V

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

January 6, 1948

The Honorable
The Secretary of State
Washington, D. C.

Dear Mr. Secretary:

There is transmitted herewith for your signature revised Japanese Cotton Contract which removes U. S. Commercial Company as a party to the agreement and provides for the continuation of the program.

In order to expedite the signing of this agreement an original and three copies have been delivered to each party concerned as provided in the agreement of February 7, 1946. Accordingly, one signed copy should be returned to us and one copy forwarded to each of the other two parties.

Sincerely yours,

E. D. White
Assistant to the Secretary

DEPARTMENT OF STATE

ASSISTANT SECRETARY

S - Mr. Secretary

Subject: Contract between the Secretary of the Army and the Commodity Credit Corporation for the Supply of Raw Cotton for Japan.

An agreement was entered into on February 7, 1946 between the Secretary of War, the U.S. Commercial Corporation, and the Secretary of Agriculture for the Commodity Credit Corporation, which provides for a program under which raw cotton owned by the CCC was shipped to Japan for manufacture into cotton textiles, and payment for such cotton and other costs in connection with the program was to be made from the proceeds of the sale of such textiles. The Department of State concurred in the original contract and in an amendment thereto dated July 1, 1947.

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This contract has been concurred in by OE, FE, CP, IR and A-T. I recommend your concurrence and your signature on three copies as indicated. By agreement with the Army and USCC, the signature is dated January 6.

DCR - ITP Unit
 7K
 [Handwritten initials]

CES.
 Charles E. Saltzman

Enclosures:

1. From Department of Agriculture dated January 6, 1948.
2. Original and 3 copies of letter referred to above.

FW 894.61321/1-648

FW 894.61321/1-648
 CS/V

Jan 11, 1948

To - Mr. White, CAS, Mr. Robinson, USCC

A-S - Mr. Lewis

Enclosed is a copy of the cotton contract for Japan, which has been signed by Secretary Marshall.

Attachment:

As above

AS 4232

FW 89461321/1-648

Mr. Tolson	
Mr. E.A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

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UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

January 6, 1948

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

Gentlemen:

An agreement was entered into by and between the Secretary of State, Secretary of War, Chairman of the Board of Directors, U. S. Commercial Company (hereinafter referred to as USCC), and the Secretary of Agriculture, on February 7, 1946, and amended July 1, 1947, which provided for a program under which raw cotton supplied by Commodity Credit Corporation (hereinafter referred to as CCC) was to be shipped to Japan for manufacture into cotton textiles, and payment for such cotton and all other costs in connection with the program was to be made from the proceeds of the sale of such textiles. USCC no longer wishes to be a party to the agreement. In order to remove USCC as a party and to provide for the continuation of the program, the following provisions upon acceptance shall constitute an agreement, which from the effective date thereof shall stand in place of the agreement of February 7, 1946, as amended.

894.61321
811.61321
811.6551

894.61321/1-648

I. Responsibility of SCAP

1. As used herein, the word "cotton" shall mean raw cotton and raw cotton waste, and the word "textiles" shall mean cotton yarn and products made therefrom.

2. This agreement is limited to cotton which prior to the effective date of this agreement has been purchased by CCC for export under the agreement of February 7, 1946, as amended, and to textiles made from such cotton in Japan.

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

894.61321/1-648
CS/V

Doc. # 117 Unit
Ancl. 71c
Rev. epr
Cat. mbr
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4. CCC shall establish an "Account Receivable" for the unpaid balance of the total price of all cotton delivered to United States ports for export to Japan under the agreement of February 7, 1946, as amended. Interest shall accrue on such "Account Receivable" at the rate of 3% per annum on the amount of principal of such "Account Receivable" outstanding at the end of each calendar month as determined by CCC. Such "Account Receivable" together with unpaid interest, as provided above, shall be the amount due and payable to CCC hereunder. Within 30 days after the last day of each calendar month, CCC shall advise SCAP, through the Department of the Army, on the principal amount outstanding in the "Account Receivable" and the interest due thereon at the end of each month. Payments to CCC after the effective date of this agreement shall be applied to interest and principal balance of the "Account Receivable."

5. Title to the cotton shall pass to the Japanese agency upon the actual delivery of such cotton to the Japanese agency at Japanese port. The Japanese agency, subject to the direct supervision and control of SCAP, shall retain title to the cotton and textiles made therefrom until the disposition of the textiles as set forth herein: Provided, however, that until such disposition SCAP shall take such steps as are necessary to assure CCC a paramount security claim upon (1) sixty percent (60%) of the textiles made from CCC cotton in process of manufacture into textiles on the date of the execution of the amendment of July 1, 1947, (2) sixty percent (60%) of the CCC cotton in Japan on the date of the execution of the amendment of July 1, 1947, (3) sixty percent (60%) of the cotton delivered under the amendment of July 1, 1947, and (4) sixty percent (60%) of the textiles manufactured from such cotton:

- a. SCAP shall be responsible for the cotton in Japan and for its manufacture into textiles and for the delivery of textiles hereunder. SCAP shall take such steps as are necessary fully to protect the interests of CCC from the time of the arrival of the cotton in Japan until textiles are delivered to the buyer.
- b. Until such time as USCC and CCC shall have been paid in full for all amounts due them hereunder, SCAP shall cause the Japanese agency to deliver for sale hereunder such quantities of textiles conforming to such specifications and instructions as are prescribed by SCAP; provided, however, that SCAP shall cause to be discontinued the production of any specification when so notified by CCC. Such textiles shall equal or exceed the average quality of the textiles produced in Japan from CCC cotton, and shall be in quantities not less than the percentages upon which CCC has a paramount security claim under this section. If it should later be determined that the above-mentioned percentages of

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textiles will not fully repay CCC for the amount outstanding in its account receivable established under paragraph 4, these percentages of the total textiles manufactured from CCC cotton shall be increased by mutual agreement to percentages sufficient fully to liquidate such account receivable. It being a primary consideration of the parties hereto that USCC and CCC shall be paid in full for all amounts due them hereunder, the Department of the Army and SCAP, through the Department of the Army, and CCC shall consult with each other from time to time for the purpose of adjusting the quantity of textiles to be delivered hereunder in order to insure that USCC and CCC shall be fully paid.

- c. Any cotton delivered hereunder and on which CCC has a paramount security claim may be blended with cotton not delivered hereunder, provided that SCAP shall cause all textiles produced from such blending operations to be made available for export sale under the terms of this agreement, and that the entire dollar proceeds derived from the export sales of such blended textiles shall be deposited in the special trust fund described in paragraph 9 of this agreement. The provisions of this paragraph 5-c shall not be construed to restrict the weaving or knitting of cotton yarn on which CCC has a paramount security claim with yarn made of other fibers, blended or otherwise, provided that all textiles produced therefrom shall be made available for export sale under the terms hereof.
- d. The balance of the textiles shall be disposed of for such purposes as SCAP shall deem appropriate.
- e. SCAP shall cause to be established and maintained accounting and inventory controls for all of the CCC cotton delivered under the agreement of February 7, 1946, as amended, for all textiles made therefrom and for dispositions of such textiles. Such records and accounts shall be available to any of the parties hereto for examination. SCAP shall make monthly reports to CCC in a form mutually agreed to between them on all operations under the agreement, including, but not limited to, the following: (1) the quantity of CCC raw cotton on hand in Japan, (2) the quantity of CCC cotton in process by stages of manufacture, (3) the quantities of textiles produced from CCC cotton (including that involved in blending operations), and (4) the quantities of textiles produced from CCC cotton available for sale.
- f. For the purposes of accounting for the proceeds of the sale of textiles under paragraph 9, SCAP shall not be

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required to distinguish between the proceeds of the textiles manufactured from the cotton delivered by CCC after the execution of this agreement and the proceeds of textiles manufactured from cotton delivered by CCC prior to the execution of this agreement.

- g. In order to safeguard CCC's paramount security claims, separate sales programs involving any cotton not covered by such security claims shall not be undertaken until CCC and SCAP agree on the procedures for accounting, handling inventories, warehouse and shipping documents, identification of cotton and textile goods and related matters, unless such separate sales programs involve cotton textiles, the raw cotton procurement for and the manufacture and sale of which has been kept physically separated in Japan.

6. SCAP shall cause such textiles to be sold in any country in such manner as SCAP deems best to carry out the terms and purposes of this agreement. The parties hereto recognize that one of the basic purposes of the agreement of February 7, 1946, as amended, was to make textiles available to countries in which textiles were in extremely short supply. In order to achieve this purpose, SCAP shall continue to pursue the sales program inaugurated under USCC operations of maximizing and emphasizing the sale of cotton textiles hereunder in countries other than the continental United States and its territories. In making sales of textiles hereunder in the continental United States and its territories, CCC, and SCAP acting through the Department of the Army, will cooperate to the end that such sales will be conducted in a manner designed to avoid undue damage to other cotton programs of the Department of Agriculture.

SCAP shall cause such textiles to be sold at such price levels, subject to the qualification above, as may be deemed by SCAP to be consistent with prevailing world markets. Without prior approval of CCC, SCAP shall not approve any sales of textiles hereunder at prices less than 90% of the quoted USCC prices prevailing on the effective date of this agreement, or less than 90% of the prices in any approved revised price schedule authorized hereunder. SCAP at any time may submit a revised price schedule to CCC and such schedules after approval by CCC shall constitute an approved revised price schedule and supersede all previous price schedules. SCAP shall establish prices for new constructions, patterns, finishes, or other differences in textiles required to be made available for sale under this agreement on an in-line basis with the prices of other textiles for which an established price exists at the time such in-line prices are calculated. Due allowance shall be made for all significant differences in textiles for which an in-line price is established by SCAP. SCAP shall inform CCC promptly of any price adjustments made pursuant to this paragraph.

Sales shall not be made on credit or for other than United States dollars without prior approval of CCC; provided, however, that without

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such prior approval SCAP may approve sales for credit, or for other than United States dollars, subject to all the following conditions:

- a. SCAP shall not approve any such sales unless satisfied that SCAP will be able to obtain United States dollars from the buyer or that SCAP will have United States dollars available from other sources.
- b. SCAP, before the delivery of any textiles, shall deposit in the special trust account, under the provisions of paragraph 9, United States dollars in an amount equal to the sales value of the textiles to be delivered as based upon the conversion rate used by SCAP in determining the sales price.
- c. SCAP shall cause to be attached to the file copy of each sales contract a statement that the sales contract is being financed under this provision and shall notify CCC.

On all sales other than those made under the provisions above whereby SCAP agrees to make United States dollars available, the buyer shall be required at appropriate dates in advance of delivery of textiles under sales contracts to establish an irrevocable letter of credit payable in United States dollars or to deposit United States dollars in any United States bank or its foreign branch, in amounts at least equal to the sales value of the textiles to be delivered.

It is agreed that if the buyer for any reason refuses to take delivery of textiles sold under this agreement after such textiles have been produced, SCAP shall arrange to negotiate the resale of such textiles at approved prices, and any portion of such textiles not sold within 120 days after the contract delivery date shall be considered by SCAP as part of the quantity authorized by paragraph 5 of this agreement for domestic use.

7. At the time of delivery of any textiles to the buyer, SCAP shall cause the appropriate Japanese agency to transfer title to such textiles to the buyer free and clear of all claims and interests.

8. Any insurance policies effected by SCAP on cotton after arrival in Japan, or textiles produced therefrom before delivery to buyer, shall be subject to the approval of CCC. If any insured loss occurs, SCAP shall cause the Japanese agency as agent of CCC or as title holder or otherwise to make claim for the insurance proceeds. For the purpose of this agreement, the proceeds derived under such policies shall be disposed of in the same manner as proceeds from the sale of textiles received by SCAP hereunder.

9. On or before delivery of any textiles required to be made available for export sale under this agreement, SCAP shall cause the proceeds of such export sale to be deposited in United States dollars in a separate trust account in any United States bank or its foreign branch designated as "SCAP Cotton Textile Account--In Trust for CCC." the trust

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account shall reflect receipts and disposition of all proceeds of textile sales hereunder at the direction of SCAP, beginning with the effective date of the agreement, and also of all proceeds and their disposition on textile sales contracts transferred by USCC to the Japanese agency under paragraph 13 hereof. Not less frequently than once each month, SCAP shall inform CCC of the banks in which such trust accounts are established, the sales proceeds on deposit in such banks, and shall dispose of such sales proceeds as follows:

- a. SCAP shall pay CCC in United States dollars all amounts due USCC or CCC. All payments shall be made payable to the Treasurer of the United States and transmitted to the Treasurer, Commodity Credit Corporation, Washington, D. C., or to such other office as CCC may from time to time direct.
- b. CCC shall first remit to USCC any amount due it under paragraph 15. The remainder of the payment shall be allocated by the CCC between the principal balance of accounts receivable and the balance of accrued interest receivable, as determined by the CCC, on a pro rata basis, in the proportion that the total amount of principal and interest receivable as of the latest month-end prior to receipt of the payment bore to the balance of the principal amount of accounts receivable and the balance of accrued interest receivable; respectively, as of the same month-end date. (For example, if the principal balance of accounts receivable as of June 30 were \$95,000,000, the balance of accrued interest receivable were \$5,000,000, and a payment of \$20,000,000 were received on July 15, then 95% of the \$20,000,000 would be applied to reduce the principal balance and 5% would be applied to reduce the balance of accrued interest receivable.) The amount computed under this formula as being applicable to principal shall be credited during the month in which payment is received by CCC, provided that payment is received by CCC on or before the 25th day of the month in which receipt occurs. Any payment received by CCC on or after the 26th day of such month shall be credited in the next succeeding month. CCC shall advise SCAP, through the Department of the Army, of its determination of the allocation percentage for the ensuing month in connection with the reporting of month-end balances to SCAP.
- c. After USCC and CCC have been paid in full, any balance shall be retained by SCAP, and this agreement shall automatically terminate and the parties hereto shall no longer be bound by the terms and conditions hereof.

10. SCAP, through the Department of the Army, may make payments in addition to those provided for in paragraph 9 hereof, on the amounts due

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CCC and USCC, from any funds derived from the sale of exports from Japan as SCAP elects, with the understanding that upon notification by the Department of the Army that the equivalent amount of funds or any part thereof is needed to finance the Japanese program, CCC shall inform the agency that is handling the sale of Japanese cotton products that proceeds in the amount of the Department of the Army's notification are released from hypothecation and CCC shall direct that these funds be made available to SCAP through the Department of the Army. It is further agreed that the first funds available for payment to CCC shall be released to SCAP through the Department of the Army.

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

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

II. Liquidation of USCC Interests

13. In proper time and form satisfactory to SCAP, USCC shall deliver assignments to the Japanese agency designated by SCAP of all of its rights and obligations as seller under any contracts of sale on Japanese cotton textiles which have not been completely performed by USCC on the effective date of this agreement. As to any such un-completed contracts on which the buyer named therein does not agree to assignment of the seller's obligations to such Japanese agency, USCC shall complete the seller's performance of the contract.

14. The operations of USCC under the agreement of February 7, 1946, as amended, shall be carried on by USCC as heretofore until the transfer of functions in accordance herewith.

15. As of the effective date of this agreement, USCC shall determine the amounts due it under paragraph 14 of the agreement of February 7, 1946, as amended, and shall notify SCAP and CCC of this amount. In computing any amount due it, USCC shall charge 2% for administrative expenses only on the sales proceeds of deliveries of textiles made by it through such date and on the sales proceeds of contracts on which it must thereafter complete performance. Subsequent to the effective date of this agreement, USCC shall notify SCAP and CCC of any adjustments in the amount computed as due it as of the effective date of this agreement, and of any amounts due it for charges after that date which are allowable, under the agreement of February 7, 1946, as amended, and either shall remit any overpayment to CCC or be paid additional amounts due it by CCC as provided under paragraph 9.

16. As of the effective date of this agreement, after deduction of allowable charges, USCC will transfer to SCAP for disposition under para-

graph 9 the appropriate portion of cash deposits collected on sales contracts on which delivery is not completed, unless USCC must complete the performance as provided in paragraph 13. Unless USCC must complete the performance, USCC shall arrange to have all outstanding letters of credit changed in favor of the Japanese agency nominated by SCAP with a stipulation therein that this payment shall be made to such account or fund as SCAP may designate. As soon as possible after the effective date of this agreement, USCC further shall transfer to CCC under paragraph 14 of the agreement of February 7, 1946, as amended, any funds on completed contracts, or on contracts where USCC must complete the performance, which are in excess of amounts due it for charges allowable under the agreement of February 7, 1946, as amended.

17. USCC shall retain the records and files covering its operations under the agreement of February 7, 1946, as amended, and shall make such disposition of them as is mutually agreed upon by USCC, CCC, SCAP and the Department of the Army. Promptly after the effective date of the agreement, USCC shall render a report to CCC in a form mutually agreed to by USCC and CCC covering operations under all sales contracts consummated by USCC. A copy of such report shall be furnished directly to SCAP, and after review thereof, SCAP shall be requested to concur in those phases of the report covering contracts assigned in whole or part to the Japanese agency designated by SCAP under the terms and provisions of this agreement.

III. Effective Date of Agreement

18. This agreement shall be effective on December 31, 1947. If the foregoing is acceptable to you, will you please so signify on the original and four of the enclosed duplicate copies of this letter and forward all copies to the next person named above. A copy signed by all parties will be returned to you after all signatures have been obtained.

Sincerely yours,

Secretary of Agriculture and
Chairman of Board, Commodity Credit Corporation

Accepted:

_____ Date _____
Chairman of the Board, USCC

_____ Date _____
Secretary of the Army

Concurred:

_____ Date _____
Secretary of State

Memorandum of Understanding on Handling of Cotton Unshipped from United States as of December 22, 1947, Under Agreement of February 7, 1946, as Amended, Between War Department, USCC, State Department, and USDA

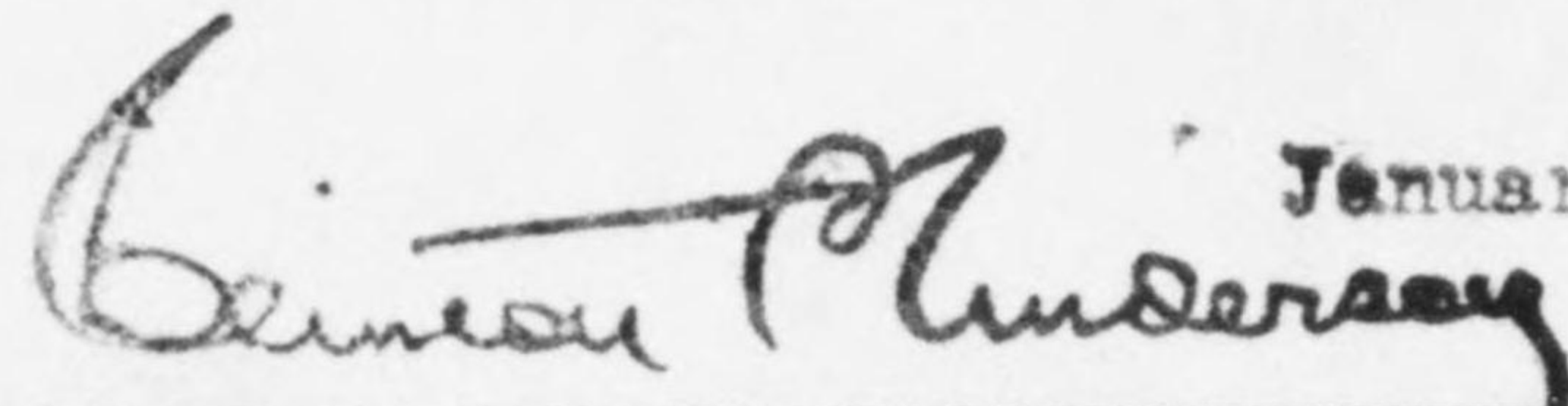
When USCC transfers its functions under the agreement of February 7, 1946, as amended, to SCAP on December 22, 1947, there may remain to be shipped from the United States to Japan some of the cotton purchased by CCC under said agreement. Accordingly, it is hereby agreed that the disposition of any such unshipped cotton will be handled as follows:

a. All such cotton shall be shipped from the United States to Japan prior to midnight January 15, 1948, or such later date as may be agreed upon by the parties hereto. All such cotton not so shipped by that time shall be disposed of by sale by CCC and CCC shall charge as an additional amount due it as an Account Receivable under the agreement effective December 22, 1947, all costs incurred by CCC incident to the purchase and preparation of the particular cotton for shipment which cannot be recovered from said sale.

b. USCC shall act as agent for SCAP in performing such of the functions of SCAP in shipping and insuring the shipment of such cotton, referred to in paragraph c, below as must be performed in the United States. SCAP shall perform all of such functions required to be performed outside the United States. For its services as agent of SCAP, USCC shall be reimbursed for the out-of-pocket expenses plus $\frac{1}{2}\%$ for administrative expenses, which USCC incurs in performing such functions, such reimbursement to be in accordance with the definition of "out-of-pocket expenses" as contained in paragraph 14 of the agreement of February 7, 1946, as amended. USCC shall withhold from the funds to be transferred by it under paragraph 16 of the agreement which becomes effective on December 22, 1947, such funds as USCC estimates it will require to perform the residual shipping and insurance functions required as agent for SCAP under this paragraph. Promptly after completion of such shipment, USCC will remit to CCC any excess of funds withheld or request payment from CCC for any deficit under paragraph 15 of the agreement effective December 22, 1947.

c. SCAP shall perform the functions assigned to USCC under sections 7, 8, and 13 of the agreement of February 7, 1946, as amended, in the movement of such cotton to Japan. SCAP shall receive compensation for performing these functions only as provided in paragraph b hereof.

d. Cotton shipped in accordance with this memorandum shall, for the purposes of the revised agreement effective December 22, 1947, be deemed to have been delivered under the amendment of July 1, 1947, to the agreement of February 7, 1946.



January 6, 1948

Chairman of Board of Directors, CCC
and

Secretary of Agriculture

U. S. Commercial Company

Department of the Army

January 6, 1948

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

Gentlemen:

An agreement was entered into by and between the Secretary of State, Secretary of War, Chairman of the Board of Directors, U. S. Commercial Company (hereinafter referred to as USCC), and the Secretary of Agriculture, on February 7, 1946, and amended July 1, 1947, which provided for a program under which raw cotton supplied by Commodity Credit Corporation (hereinafter referred to as CCC) was to be shipped to Japan for manufacture into cotton textiles, and payment for such cotton and all other costs in connection with the program was to be made from the proceeds of the sale of such textiles. USCC no longer wishes to be a party to the agreement. In order to remove USCC as a party and to provide for the continuation of the program, the following provisions upon acceptance shall constitute an agreement, which from the effective date thereof shall stand in place of the agreement of February 7, 1946, as amended.

I. Responsibility of SCAP

1. As used herein, the word "cotton" shall mean raw cotton and raw cotton waste, and the word "textiles" shall mean cotton yarn and products made therefrom.

2. This agreement is limited to cotton which prior to the effective date of this agreement has been purchased by CCC for export under the agreement of February 7, 1946, as amended, and to textiles made from such cotton in Japan.

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

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4. CCC shall establish an "Account Receivable" for the unpaid balance of the total price of all cotton delivered to United States ports for export to Japan under the agreement of February 7, 1946, as amended. Interest shall accrue on such "Account Receivable" at the rate of 3% per annum on the amount of principal of such "Account Receivable" outstanding at the end of each calendar month as determined by CCC. Such "Account Receivable" together with unpaid interest, as provided above, shall be the amount due and payable to CCC hereunder. Within 30 days after the last day of each calendar month, CCC shall advise SCAP, through the Department of the Army, on the principal amount outstanding in the "Account Receivable" and the interest due thereon at the end of each month. Payments to CCC after the effective date of this agreement shall be applied to interest and principal balance of the "Account Receivable."

5. Title to the cotton shall pass to the Japanese agency upon the actual delivery of such cotton to the Japanese agency at Japanese port. The Japanese agency, subject to the direct supervision and control of SCAP, shall retain title to the cotton and textiles made therefrom until the disposition of the textiles as set forth herein: Provided, however, that until such disposition SCAP shall take such steps as are necessary to assure CCC a paramount security claim upon (1) sixty percent (60%) of the textiles made from CCC cotton in process of manufacture into textiles on the date of the execution of the amendment of July 1, 1947, (2) sixty percent (60%) of the CCC cotton in Japan on the date of the execution of the amendment of July 1, 1947, (3) sixty percent (60%) of the cotton delivered under the amendment of July 1, 1947, and (4) sixty percent (60%) of the textiles manufactured from such cotton:

- a. SCAP shall be responsible for the cotton in Japan and for its manufacture into textiles and for the delivery of textiles hereunder. SCAP shall take such steps as are necessary fully to protect the interests of CCC from the time of the arrival of the cotton in Japan until textiles are delivered to the buyer.
- b. Until such time as USCC and CCC shall have been paid in full for all amounts due them hereunder, SCAP shall cause the Japanese agency to deliver for sale hereunder such quantities of textiles conforming to such specifications and instructions as are prescribed by SCAP; provided, however, that SCAP shall cause to be discontinued the production of any specification when so notified by CCC. Such textiles shall equal or exceed the average quality of the textiles produced in Japan from CCC cotton, and shall be in quantities not less than the percentages upon which CCC has a paramount security claim under this section. If it should later be determined that the above-mentioned percentages of

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textiles will not fully repay CCC for the amount outstanding in its account receivable established under paragraph 4, these percentages of the total textiles manufactured from CCC cotton shall be increased by mutual agreement to percentages sufficient fully to liquidate such account receivable. It being a primary consideration of the parties hereto that USCC and CCC shall be paid in full for all amounts due them hereunder, the Department of the Army and SCAP, through the Department of the Army, and CCC shall consult with each other from time to time for the purpose of adjusting the quantity of textiles to be delivered hereunder in order to insure that USCC and CCC shall be fully paid.

- c. Any cotton delivered hereunder and on which CCC has a paramount security claim may be blended with cotton not delivered hereunder, provided that SCAP shall cause all textiles produced from such blending operations to be made available for export sale under the terms of this agreement, and that the entire dollar proceeds derived from the export sales of such blended textiles shall be deposited in the special trust fund described in paragraph 9 of this agreement. The provisions of this paragraph 5-c shall not be construed to restrict the weaving or knitting of cotton yarn on which CCC has a paramount security claim with yarn made of other fibers, blended or otherwise, provided that all textiles produced therefrom shall be made available for export sale under the terms hereof.
- d. The balance of the textiles shall be disposed of for such purposes as SCAP shall deem appropriate.
- e. SCAP shall cause to be established and maintained accounting and inventory controls for all of the CCC cotton delivered under the agreement of February 7, 1946, as amended, for all textiles made therefrom and for dispositions of such textiles. Such records and accounts shall be available to any of the parties hereto for examination. SCAP shall make monthly reports to CCC in a form mutually agreed to between them on all operations under the agreement, including, but not limited to, the following: (1) the quantity of CCC raw cotton on hand in Japan, (2) the quantity of CCC cotton in process by stages of manufacture, (3) the quantities of textiles produced from CCC cotton (including that involved in blending operations), and (4) the quantities of textiles produced from CCC cotton available for sale.
- f. For the purposes of accounting for the proceeds of the sale of textiles under paragraph 9, SCAP shall not be

required to distinguish between the proceeds of the textiles manufactured from the cotton delivered by CCC after the execution of this agreement and the proceeds of textiles manufactured from cotton delivered by CCC prior to the execution of this agreement.

- g. In order to safeguard CCC's paramount security claims, separate sales programs involving any cotton not covered by such security claims shall not be undertaken until CCC and SCAP agree on the procedures for accounting, handling inventories, warehouse and shipping documents, identification of cotton and textile goods and related matters, unless such separate sales programs involve cotton textiles, the raw cotton procurement for and the manufacture and sale of which has been kept physically separated in Japan.

6. SCAP shall cause such textiles to be sold in any country in such manner as SCAP deems best to carry out the terms and purposes of this agreement. The parties hereto recognize that one of the basic purposes of the agreement of February 7, 1946, as amended, was to make textiles available to countries in which textiles were in extremely short supply. In order to achieve this purpose, SCAP shall continue to pursue the sales program inaugurated under USCG operations of maximizing and emphasizing the sale of cotton textiles hereunder in countries other than the continental United States and its territories. In making sales of textiles hereunder in the continental United States and its territories, CCC, and SCAP acting through the Department of the Army, will cooperate to the end that such sales will be conducted in a manner designed to avoid undue damage to other cotton programs of the Department of Agriculture.

SCAP shall cause such textiles to be sold at such price levels, subject to the qualification above, as may be deemed by SCAP to be consistent with prevailing world markets. Without prior approval of CCC, SCAP shall not approve any sales of textiles hereunder at prices less than 90% of the quoted USCG prices prevailing on the effective date of this agreement, or less than 90% of the prices in any approved revised price schedule authorized hereunder. SCAP at any time may submit a revised price schedule to CCC and such schedules after approval by CCC shall constitute an approved revised price schedule and supersede all previous price schedules. SCAP shall establish prices for new constructions, patterns, finishes, or other differences in textiles required to be made available for sale under this agreement on an in-line basis with the prices of other textiles for which an established price exists at the time such in-line prices are calculated. Due allowance shall be made for all significant differences in textiles for which an in-line price is established by SCAP. SCAP shall inform CCC promptly of any price adjustments made pursuant to this paragraph.

Sales shall not be made on credit or for other than United States dollars without prior approval of CCC; provided, however, that without

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such prior approval SCAP may approve sales for credit, or for other than United States dollars, subject to all the following conditions:

- a. SCAP shall not approve any such sales unless satisfied that SCAP will be able to obtain United States dollars from the buyer or that SCAP will have United States dollars available from other sources.
- b. SCAP, before the delivery of any textiles, shall deposit in the special trust account, under the provisions of paragraph 9, United States dollars in an amount equal to the sales value of the textiles to be delivered as based upon the conversion rate used by SCAP in determining the sales price.
- c. SCAP shall cause to be attached to the file copy of each sales contract a statement that the sales contract is being financed under this provision and shall notify CCC.

On all sales other than those made under the provisions above whereby SCAP agrees to make United States dollars available, the buyer shall be required at appropriate dates in advance of delivery of textiles under sales contracts to establish an irrevocable letter of credit payable in United States dollars or to deposit United States dollars in any United States bank or its foreign branch, in amounts at least equal to the sales value of the textiles to be delivered.

It is agreed that if the buyer for any reason refuses to take delivery of textiles sold under this agreement after such textiles have been produced, SCAP shall arrange to negotiate the resale of such textiles at approved prices, and any portion of such textiles not sold within 120 days after the contract delivery date shall be considered by SCAP as part of the quantity authorized by paragraph 5 of this agreement for domestic use.

7. At the time of delivery of any textiles to the buyer, SCAP shall cause the appropriate Japanese agency to transfer title to such textiles to the buyer free and clear of all claims and interests.

8. Any insurance policies effected by SCAP on cotton after arrival in Japan, or textiles produced therefrom before delivery to buyer, shall be subject to the approval of CCC. If any insured loss occurs, SCAP shall cause the Japanese agency as agent of CCC or as title holder or otherwise to make claim for the insurance proceeds. For the purpose of this agreement, the proceeds derived under such policies shall be disposed of in the same manner as proceeds from the sale of textiles received by SCAP hereunder.

9. On or before delivery of any textiles required to be made available for export sale under this agreement, SCAP shall cause the proceeds of such export sale to be deposited in United States dollars in a separate trust account in any United States bank or its foreign branch designated as "SCAP Cotton Textile Account--In Trust for CCC." The trust

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account shall reflect receipts and disposition of all proceeds of textile sales hereunder at the direction of SCAP, beginning with the effective date of the agreement, and also of all proceeds and their disposition on textile sales contracts transferred by USCC to the Japanese agency under paragraph 13 hereof. Not less frequently than once each month, SCAP shall inform CCC of the banks in which such trust accounts are established, the sales proceeds on deposit in such banks, and shall dispose of such sales proceeds as follows:

- a. SCAP shall pay CCC in United States dollars all amounts due USCC or CCC. All payments shall be made payable to the Treasurer of the United States and transmitted to the Treasurer, Commodity Credit Corporation, Washington, D. C., or to such other office as CCC may from time to time direct.
- b. CCC shall first remit to USCC any amount due it under paragraph 15. The remainder of the payment shall be allocated by the CCC between the principal balance of accounts receivable and the balance of accrued interest receivable, as determined by the CCC, on a pro rata basis, in the proportion that the total amount of principal and interest receivable as of the latest month-end prior to receipt of the payment bore to the balance of the principal amount of accounts receivable and the balance of accrued interest receivable, respectively, as of the same month-end date. (For example, if the principal balance of accounts receivable as of June 30 were \$95,000,000, the balance of accrued interest receivable were \$5,000,000, and a payment of \$20,000,000 were received on July 15, then 95% of the \$20,000,000 would be applied to reduce the principal balance and 5% would be applied to reduce the balance of accrued interest receivable.) The amount computed under this formula as being applicable to principal shall be credited during the month in which payment is received by CCC, provided that payment is received by CCC on or before the 25th day of the month in which receipt occurs. Any payment received by CCC on or after the 26th day of such month shall be credited in the next succeeding month. CCC shall advise SCAP, through the Department of the Army, of its determination of the allocation percentage for the ensuing month in connection with the reporting of month-end balances to SCAP.
- c. After USCC and CCC have been paid in full, any balance shall be retained by SCAP, and this agreement shall automatically terminate and the parties hereto shall no longer be bound by the terms and conditions hereof.

10. SCAP, through the Department of the Army, may make payments in addition to those provided for in paragraph 9 hereof, on the amounts due

7.

CCC and USCC, from any funds derived from the sale of exports from Japan as SCAP elects, with the understanding that upon notification by the Department of the Army that the equivalent amount of funds or any part thereof is needed to finance the Japanese program, CCC shall inform the agency that is handling the sale of Japanese cotton products that proceeds in the amount of the Department of the Army's notification are released from hypothecation and CCC shall direct that these funds be made available to SCAP through the Department of the Army. It is further agreed that the first funds available for payment to CCC shall be released to SCAP through the Department of the Army.

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

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

II. Liquidation of USCC Interests

13. In proper time and form satisfactory to SCAP, USCC shall deliver assignments to the Japanese agency designated by SCAP of all of its rights and obligations as seller under any contracts of sale on Japanese cotton textiles which have not been completely performed by USCC on the effective date of this agreement. As to any such un-completed contracts on which the buyer named therein does not agree to assignment of the seller's obligations to such Japanese agency, USCC shall complete the seller's performance of the contract.

14. The operations of USCC under the agreement of February 7, 1946, as amended, shall be carried on by USCC as heretofore until the transfer of functions in accordance herewith.

15. As of the effective date of this agreement, USCC shall determine the amounts due it under paragraph 14 of the agreement of February 7, 1946, as amended, and shall notify SCAP and CCC of this amount. In computing any amount due it, USCC shall charge 2% for administrative expenses only on the sales proceeds of deliveries of textiles made by it through such date and on the sales proceeds of contracts on which it must thereafter complete performance. Subsequent to the effective date of this agreement, USCC shall notify SCAP and CCC of any adjustments in the amount computed as due it as of the effective date of this agreement, and of any amounts due it for charges after that date which are allowable under the agreement of February 7, 1946, as amended, and either shall remit any overpayment to CCC or be paid additional amounts due it by CCC as provided under paragraph 9.

16. As of the effective date of this agreement, after deduction of allowable charges, USCC will transfer to SCAP for disposition under para-

graph 9 the appropriate portion of cash deposits collected on sales contracts on which delivery is not completed, unless USCC must complete the performance as provided in paragraph 13. Unless USCC must complete the performance, USCC shall arrange to have all outstanding letters of credit changed in favor of the Japanese agency nominated by SCAP with a stipulation therein that this payment shall be made to such account or fund as SCAP may designate. As soon as possible after the effective date of this agreement, USCC further shall transfer to CCC under paragraph 14 of the agreement of February 7, 1946, as amended, any funds on completed contracts, or on contracts where USCC must complete the performance, which are in excess of amounts due it for charges allowable under the agreement of February 7, 1946, as amended.

17. USCC shall retain the records and files covering its operations under the agreement of February 7, 1946, as amended, and shall make such disposition of them as is mutually agreed upon by USCC, CCC, SCAP and the Department of the Army. Promptly after the effective date of the agreement, USCC shall render a report to CCC in a form mutually agreed to by USCC and CCC covering operations under all sales contracts consummated by USCC. A copy of such report shall be furnished directly to SCAP, and after review thereof, SCAP shall be requested to concur in those phases of the report covering contracts assigned in whole or part to the Japanese agency designated by SCAP under the terms and provisions of this agreement.

III. Effective Date of Agreement

18. This agreement shall be effective on December 31, 1947. If the foregoing is acceptable to you, will you please so signify on the original and four of the enclosed duplicate copies of this letter and forward all copies to the next person named above. A copy signed by all parties will be returned to you after all signatures have been obtained.

Secretary's Records Section
(Signed)

Sincerely yours,

Clinton P. Anderson
Clinton P. Anderson
Secretary of Agriculture and

Chairman of Board, Commodity Credit Corporation

Accepted:

Chairman of the Board, USCC

William H. Draper

Acting Secretary of the Army

Acting

Concurred:

Secretary of State

Date _____

Date 6 January 1948

Date _____

Memorandum of Understanding on Handling of Cotton Unshipped from United States as of December 31, 1947, Under Agreement of February 7, 1946, as Amended, Between War Department, USCC, State Department, and USDA

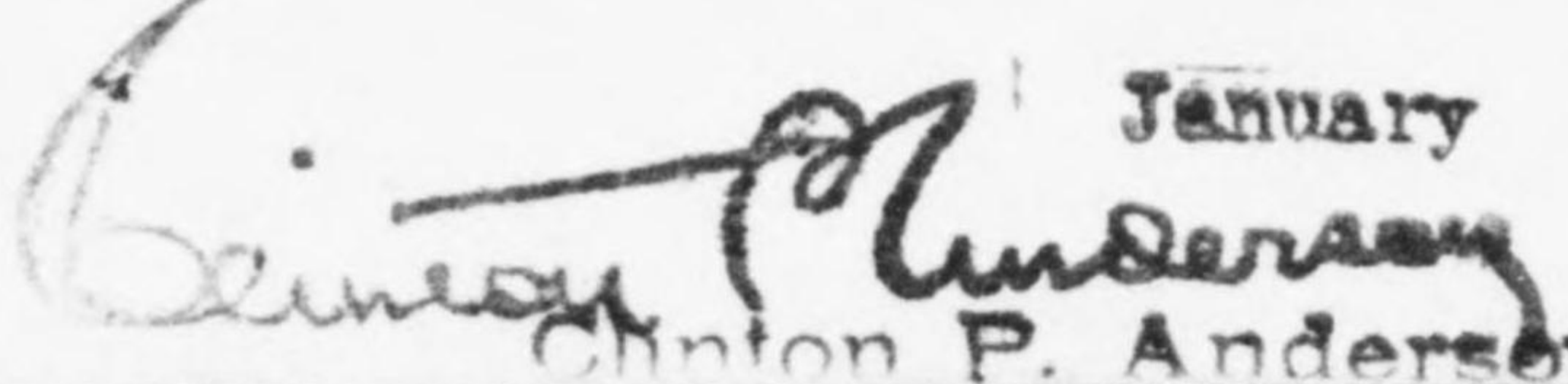
When USCC transfers its functions under the agreement of February 7, 1946, as amended, to SCAP on December 31, 1947, there may remain to be shipped from the United States to Japan some of the cotton purchased by CCC under said agreement. Accordingly, it is hereby agreed that the disposition of any such unshipped cotton will be handled as follows:


a. All such cotton shall be shipped from the United States to Japan prior to midnight January 15, 1948, or such later date as may be agreed upon by the parties hereto. All such cotton not so shipped by that time shall be disposed of by sale by CCC and CCC shall charge as an additional amount due it as an Account Receivable under the agreement effective December 31, 1947, all costs incurred by CCC incident to the purchase and preparation of the particular cotton for shipment which cannot be recovered from said sale.

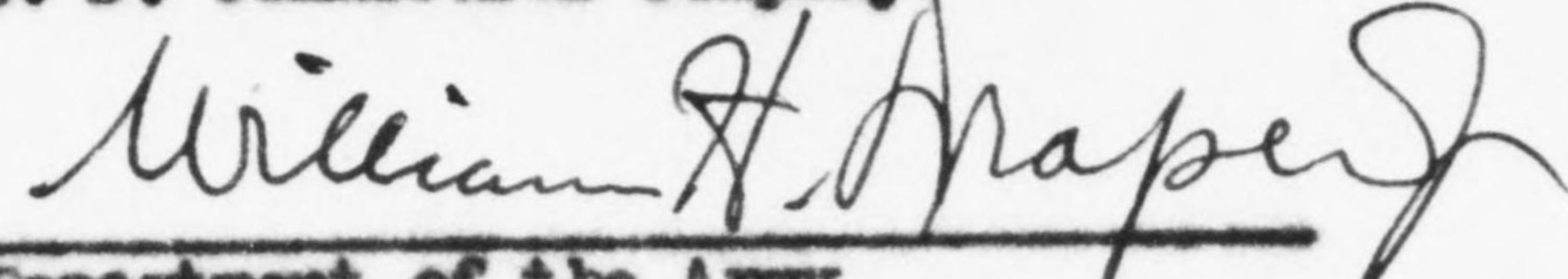
b. USCC shall act as agent for SCAP in performing such of the functions of SCAP in shipping and insuring the shipment of such cotton, referred to in paragraph c, below as must be performed in the United States. SCAP shall perform all of such functions required to be performed outside the United States. For its services as agent of SCAP, USCC shall be reimbursed for the out-of-pocket expenses plus $\frac{1}{2}\%$ for administrative expenses, which USCC incurs in performing such functions, such reimbursement to be in accordance with the definition of "out-of-pocket expenses" as contained in paragraph 14 of the agreement of February 7, 1946, as amended. USCC shall withhold from the funds to be transferred by it under paragraph 16 of the agreement which becomes effective on December 31, 1947, such funds as USCC estimates it will require to perform the residual shipping and insurance functions required as agent for SCAP under this paragraph. Promptly after completion of such shipment, USCC will remit to CCC any excess of funds withheld or request payment from CCC for any deficit under paragraph 15 of the agreement effective December 31, 1947.

c. SCAP shall perform the functions assigned to USCC under sections 7, 8, and 15 of the agreement of February 7, 1946, as amended, in the movement of such cotton to Japan. SCAP shall receive compensation for performing these functions only as provided in paragraph b hereof.

d. Cotton shipped in accordance with this memorandum shall, for the purposes of the revised agreement effective December 31, 1947, be deemed to have been delivered under the amendment of July 1, 1947, to the ^{Secretary of Agriculture} ~~agreement~~ _(Signed) of February 7, 1946.

January 6, 1948

 Clinton P. Anderson
 Chairman of Board of Directors, CCC
 and
 Secretary of Agriculture


 U. S. Commercial Company


 Department of the Army

S - Mr. Secretary

Subject: Contract between the Secretary of the Army and the Commodity Credit Corporation for the Supply of Raw Cotton for Japan.

An agreement was entered into on February 7, 1946 between the Secretary of War, the U.S. Commercial Corporation, and the Secretary of Agriculture for the Commodity Credit Corporation, which provides for a program under which raw cotton owned by the CCC was shipped to Japan for manufacture into cotton textiles, and payment for such cotton and other costs in connection with the program was to be made from the proceeds of the sale of such textiles. The Department of State concurred in the original contract and in an amendment thereto dated July 1, 1947.

The USCC is now in the process of liquidation and wishes to be relieved of its responsibilities in this contract. The attached letter represents a further modification of the basic contract referred to above so that the responsibilities heretofore held by USCC will now be apportioned between SCAP and the CCC. There are no other basic modifications to the original contract. It is considered that the life of this contract will extend only until such time as the present indebtedness to the CCC is liquidated. The contract does not anticipate that further purchases of raw cotton will be financed by the CCC.

In order to expedite the signing of this contract by all parties, the Secretary of Agriculture has sent an original letter to each of the parties of the contract with a request that each party sign three copies so that copies signed by each party to the contract will be available. The contract is being signed by the Chairman of the Board of the USCC and by the Secretary of the Army, acting for SCAP.

This contract has been concurred in by OE, FE, CP, IR and A-T. I recommend your concurrence and your signature on three copies as indicated. By agreement with the Army and USCC, the signature is dated January 6.

FW 894.61321/1-648

DCR HTP Unit

Anal. *zk*
Rev. *epm*

Charles E. Saltzman

Enclosures:

1. From Department of Agriculture dated January 6, 1948.
2. Original and 3 copies of letter referred to above.

gwh
AS:G Lewis:dmd 1/7/48

AS 4232

DEPARTMENT OF STATE

ASSISTANT SECRETARY

TO: Mr. Lewis

For necessary action.

See next note.

Conger

SUSPENSE: Jan. 7

4232

Mr. Saltzman

Mr. Wisner

Mr. Claxton

Mr. Hulick

Mr. Conger

Mr. Lewis

For app. action

For information incl

For file prep of memo

For Sam Saltzman to Secty recommend

FROM: ing sig if this is

DATE [Signature]

CAH 6 Jan.

FORM DS-323
7-18-46

OUTGOING AIRGRAM

CLASSIFICATION

Department of State

RESTRICTED

NO. _____

Washington,

March 25, 1948
8:10 a.m.

2465

CIRCULAR

SUBJECT: ASSIGNMENT OF DR. IDE P. TROTTER BY THE
U. S. DEPARTMENT OF AGRICULTURE

TO: CERTAIN AMERICAN DIPLOMATIC OFFICERS

Dr. Ide P. Trotter, Agricultural Economist (Cotton Specialist), Office of Foreign Agricultural Relations, U. S. Department of Agriculture, will proceed to Japan, China, India, and Pakistan to make a survey in connection with an over-all cotton-marketing project under the Research and Marketing Program of the Department of Agriculture. He will contact the American Embassy or Consulate immediately upon arrival in each country and be guided by diplomatic representatives of this Government in all official contacts. Dr. Trotter will leave Washington on or about March 22, 1948, and return about July 31, 1948.

Marshall
MARSHALL

PLEASE SEND CIRCULAR AIRGRAM TO THE FOLLOWING AMERICAN DIPLOMATIC OFFICERS:

Nanking
Tokyo
New Delhi
Karachi

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Cont.	_____
Ref.	_____
Asst.	_____

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MAR 24 1948

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3-19-48

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SOA (Mr. Fox)

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FORM DS-323
7-18-46

OUTGOING AIRGRAM

CLASSIFICATION

Department of State

RESTRICTED

NO. _____

Washington,

March 25, 1948
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Marshall
MARSHALL

PLEASE SEND CIRCULAR AIRGRAM TO THE FOLLOWING AMERICAN DIPLOMATIC OFFICERS:

Nanking
Tokyo
New Delhi
Karachi

DCR HTP Unit
Recd. <i>egh</i>
Rev. <i>egh</i>
Col. <i>EB</i>
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MAR 24 1948

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3-19-48

EFF.
SOA (Mr. Fox)

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FORM DS-322
7-18-46

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UNCLASSIFIED

Charge Department Agric. **Department of State**

Charge to 1282253 **Washington**

PLAIN
PLAIN

Control 4305
May 20, 1948

AMCONSUL

SHANGHAI
943 twentieth

FOR TROTTER, c/o O.L. DAWSON, FROM BECKER, AGRICULTURE
Essential we receive report cotton situation Japan for
meetings Industry Committees. Unless report in mail, airgram
more important facts and conclusions to arrive Washington by
June 3. Also cable brief summary.

MARSHALL

Marshall
AB

894.61321/5-2048

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FRED J. ROSSITER

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MAY 20 1948

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948 MAY 20 AM 9 47

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DEPARTMENT OF STATE
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894.61321/5-2048

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Form DS-302
(7-2-46)

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DEPARTMENT OF STATE
~~RESTRICTED~~ INCOMING TELEGRAM

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Action: DCL
Info:
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FE
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DCR

Control 7754

Rec'd May 24, 1948
4:47 a.m.

FROM: Shanghai
TO: Secretary of State
NO: 1148, May 24, 2 p.m.
FOR BECKER AGRICULTURE FROM TROTTER.
REDEPTEL 943, twentieth.

Reasonable recovery Japanese economy requires full operation of the approximately three million cotton spindles now installed. Recommend full cooperation and support every sound and reasonable plan assuring steady supply raw cotton suitable for making low and medium count cloth to that limit. Speed essential as supplies in Japan adequate for less than two months. Proposals further expansion spindles and policies for long future must be considered after careful consideration whole Far Eastern problem and probable world cotton situation. After completing my studies in China and India recommendations can be made on total problem as I see it.

Further details by airgram.

Sent Department 1148, repeated Nanking 911.

JMS:JMK

CABOT

DEPARTMENT OF STATE
MAY 24 1948
LIAISON OFFICE
File

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MAY 25 1948

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894.61321/5-2448

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(7-2-46)

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DEPARTMENT OF STATE
INCOMING TELEGRAM

ACTION COPY

9

PLAIN

Action: DCL
Info:
NEA
ITP
DCR

Control 2569

Rec'd July 8, 1948
12:29 p.m.

①

FROM : Karachi
TO : Secretary of State
NO : 368, July 8.

file
DEPARTMENT OF STATE
DC/L
LIAISON OFFICE
1948

FOR BECKER AGRICULTURE.

XR
868.61321

^{IDE P}
If Trotter is to study cotton in Greece, wire travel authorization.

LEWIS

LMS:KC

894.61321/7-848

PLAIN

JUL 12 1948

FILED

HH

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STANDARD FORM NO. 64

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NA file M/R.

Office Memorandum • UNITED STATES GOVERNMENT

TO : NA - Mr. Allison
FROM : NA - Mr. Hemmendinger *Wt*
SUBJECT: SCAP Financing of Cotton Purchases.

DATE: November 8, 1949

*Approved by JMA
Wt*

Vertical stamp: This Document Must Be Returned to
105
CONFIDENTIAL

The attached draft cable to SCAP prepared in the Department of the Army sets forth an argument for the use of Public Law 820 to finance cotton purchases in lieu of OJEIRF, as had been proposed by SCAP. It also suggests that new agreements for the use of OJEIRF should be negotiated with the banks in order to obtain better terms than were available when the first agreements were made.

After discussion with Mr. McDiarmid, I have raised two points on this matter with the Department of the Army; whether Congress did not desire that borrowing under PL 820 be used as a method of financing in priority to the use of GARIOA funds, and whether new OJEIRF agreements were feasible in the light of our commitments to the FEC with respect to the gold revolving fund. Mr. Foster at Army assures me that some purchases of cotton from GARIOA funds were contemplated by the Congress, and that no change in that part of the OJEIRF agreements which affects our obligations under the FEC decision are contemplated.

The cable is not being dispatched in this form but has been abbreviated by Mr. West and a letter is following setting forth the more detailed considerations.

I think that this question of financing is primarily the responsibility of the Department of the Army, and have expressed views on that part of it which appeared to affect our responsibilities. If you concur, I will indicate to the Department of the Army that we have no objection to a message along these lines.

Told Olson, Army, no objection by State to general points involved. 11/9/49.

Call Foster

Wt

894.61321/11-849

CS/CVE

FEB 24 1956

Confidential File

894.61321/11-849

DC/R
Anal. *4*
Rev. *Wt*
Cat. *Wt*

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CONFIDENTIAL

2 Nov 1949

DRAFT CABLE TO (A) VOORHEES TO DODGE, OR
(B) SCAP, COPY TO DODGE

Mr. Foster — Mr. Dixon
76317

CONFIDENTIAL ROUTINE

FROM SACUS. Reurmsg Oct C 53266. MITI Raw Cotton Procurement is subject.

DISTRIBUTION: FAOA, ID, LOGD, CUS, STATE & TREASURY, OUSFE

1. In view of apparent economy of financing through other channels suggest reconsider plan to procure cotton through OJEIRF under Option B 60 day notes with resale to purchase and contract officer for GARIOA.

2. After careful review Public Law 820 procedures, view here is that such financing is simple, efficient, and expeditious and not more cumbersome than previous methods employed. This is borne out by the fact that Public Law 820 involves merely (a) opening credit in favor of seller subject to Washington's approval; (b) reimbursement to bank by check drawn directly on Secretary of the Army, Special Account in the Treasury, at time documents are negotiated. Moreover, attention is invited to Para 10, Status Report on Foreign Exchange Funds Administered by SCAP, prepared by ESS Controller 30 August 1949, which states -

"Public Law 820 - No substantial problems exist with regard to the procedure and administration of the Natural Fibers Revolving Fund which has operated most satisfactorily from our viewpoint and is, I believe, being satisfactorily administered from the point of view of the Department of the Army Fiscal Control Officer."

Therefore difficult for DA understand necessity for 4 months financing under Public Law 820 as compared to OJEIRF financing of 60 days in the event either plan were to receive GARIOA support.

3. Assuming GARIOA support is obtained, necessitating only short term financing of about 60 days, we estimate approximately \$22,419.00 can be saved in financing through Public Law 820 rather than OJEIRF, our calculations being

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based on purchases of 50,000 bales costing approximately \$8,250,000 as follows:

OJEIRF

Opening Credit 1/8 percent or Financing 60 days (16.7 percent of one year) @ 3-1/4 percent p.a.	.125 <u>.54275</u>
Total Percentage Cost	.66775
.66775 of \$8,250,000 equals	\$55,089

PUBLIC LAW 820

Opening Credit 1/12 percent Financing 60 days (16.7 percent of one year) @ 1-7/8 percent p.a.	.083 <u>.313</u>
Total Percentage Cost	.396
.396 of \$8,250,000 equals	\$32,670

In addition, indebtedness incurred under Public Law 820 can be reduced at any time, permitting a further savings in interest charges calculated by the U. S. Treasury on basis of daily balances outstanding.

4. In the interest of economy and in anticipation of possible audit of commercial funds, including examination of sources and methods of financing Japanese foreign trade, we believe that subject and future cotton purchases should be financed in the following order of priority:

- ~~b. a.~~ Purchases in Washington directly with GARIOA funds which would eliminate need for borrowing and interest charges.
- ~~a. b.~~ Use of SCAP Commercial funds ^{with Banco coordination,} which would also be free of interest charges.
- ~~b. c.~~ Use of Public Law 820 funds at lower rate of interest, longer maturity, and greater borrowing capacity than OJEIRF.
- ~~c. d.~~ Initiation of short term borrowings from either coastal or inland

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prime commercial U. S. banks who we understand will finance on basis of 1/8 percent for opening credit and 2 percent usance.

5. Considerable study has been given to problems of financing Japanese imports by interested Washington agencies and D/A. It is the consensus that while past financing through OJEIF Agreement has been most helpful, present and future credit needs can be more favorably obtained by PL 820 for cotton procurement and by borrowings from numerous banks in U. S. that are prepared to discuss specific credit requirements to any extent SCAP may desire for commodities other than cotton. We have discussed this matter extensively with Mr. Dodge, and we believe that OJEIF Agreement should be permitted to expire 31 December 1949, as provided, in view of more favorable rates and terms now available.

6. To facilitate financing of general imports in future, we suggest that new arrangement be formulated with larger participation of lending U. S. banks, including all banks recently visited by your representatives in August, and with Japanese gold serving as general collateral base but free of restrictions now attaching to OJEIF Agreement. Suggest that framework of new arrangement be expedited under direction of Mr. Dodge, and in order to assist in development, we shall be glad to negotiate in your behalf with banks here subject to your advice.

7. Request your comments.

C 53266 is CM IN 13485 (27 Oct 49)

COORDINATION: Lt. Col. Wise

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MESSAGE

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DEPARTMENT OF THE ARMY
STAFF COMMUNICATIONS OFFICE

1084

RAF

DIVISION OF
NORTHEAST ASIAN AFFAIRS

CONFIDENTIAL
PRIORITY

OCT 28 1949

PARAPHRASE NOT REQUIRED

From: SCAP Tokyo ~~Japan~~ DEPARTMENT OF STATE

To : Dept of Army for SAOUS OUSPE Wash DC

Nr : C 53266

27 Oct 49

Miti raw cotton procurement is subj.

1. Reurmsg WAR 95682 (Oct) and ourmsg ZX 26173 plan is to procure with OJEIRF under option B 60 day notes with resale to purchase and contract officer for GARIOA funds to be made avail per urmsg.

2. Prefer less cumbersome method than Public Law 820 for short term financing pending GARIOA coordination.

3. Commercial banks have agreed to reduce rates to 1/8 for opening and 1/4 down across board in interest rates.

4. Relative costs are as follows:

A. OJEIRF-1/8 or .125 per 100 for opening letter of credit and carry to Japan; 60 day note financing in Japan during period required for weighing, processing adjustments and obtaining GARIOA coordination from purchase and contract officer. 60 days interest will total approximately .46 and total cost .585 per 100.

B. Public Law 820 financing would cost 1/12 for opening; interest at 1 and 7/8 percent plus DA administrative expense. Due to difficulties of split operation approximately four months financing in Japan would be required before finalization of GARIOA coordination and repayment of treasury notes. Thus total cost would approximate .085 plus .666 or .75 per \$100.

5. No commercial bank has offered lower rate than 1/8 for opening and two percent usance for carry to Japan with no carry in Japan which is obtained under OJEIRF.

CM IN 13485

(27 Oct 49)

D. JOURNAL NO.

179 OCT 27 49 -

36

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MESSAGE

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DEPARTMENT OF THE ARMY
STAFF COMMUNICATIONS OFFICE

Nr: C 53266

Page 2

6. If intended method found expensive and GARIOA coordination procedures become certain, it may become advisable to use SCAP commercial account sight financing or sight draft financing under option A which has same rate of 1/8 percent for carry to Japan and are cheapest methods. Cannot completely commit to this cash purchase method until certain of practical GARIOA reimbursement which is dependent on Fiscal Year 50 budget adjustments.

Note : ZX 26173 is CM IN 65415 (15 Oct 49) OUSFE

ACTION: OUSFE

INFO : FAOA, ID, LOGD, OUS

CM IN 13485

(27 Oct 49)

DTG: 270947Z cdf/c

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PARAPHRASE NOT REQUIRED

4/6/49

Civil Affairs Division
Maj Belinky 6596

To: *Tokyo*
SCAP

Nr: WAR 85109

4 Mar 49

From CSCAD cite BMP. Reurads Nov C 65601, Dec C 66612, Jan C 67351, Feb C 67728, reourad WARX Oct 91744 and Dec WARX 81631. Cotton procurement under second half fiscal year 49 allocation for economic rehabilitation is subj.

Proc action initiated by DA for American raw cotton in quantities and according to specifications stated in urad C 67351. Port availability has been stated as not later than 15 May 49. Will keep you advised as to purchs and shipping slds as soon as known.

894.61321/3-449

DOB - ITP Unit	
Anal.	<i>[Signature]</i>
Rev.	<i>[Signature]</i>
Cat.	<i>[Signature]</i>
Dist.	

NOTE: C 65601 is CM IN 4223 (22 Nov 48)
C 66612 is CM IN 12090 (27 Dec 48)
C 67351 is CM IN 18710 (26 Jan 49)
C 67728 is CM IN 2426 (10 Feb 49)

CS/A

ORIGINATOR: CAD

DISTRIBUTION: CAD (STATE), LOGD, OUS, QMC, CSA, BUD, ARMY COMPT

CM OUT 85109

(Mar 49) DTG: 050022Z
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894.61321/3-449

FORM DS-322
7-18-46

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Charge Department

Department of State

Charge to

Washington

~~PLAIN~~
5 P.M.

CONTROL

6309

~~SECRET~~
SUPREME COMMANDER FOR THE ALLIED POWERS TOKYO

INFO: ARMY CHIEF OF STAFF

223

MAY 24 1949

FOR: ACTING POLITICAL ADVISER

SCAP TEXTILE DIVISION

FROM ECA FOR ~~XX~~

X.R. 893.50 Recovery

Negotiable documents covering ECA cotton diverted Japan being mailed by SCAP ESS Textile Division attention Naka and Jane. National City Bank to ~~Tokyo Branch of the National City Bank~~. These documents cover 300 bales cotton shipped Volkhart ~~Naka~~ Ruth Lykes, and 122 bales shipped Cook Helen Lykes. Will appreciate ~~your~~ ^{your} making appropriate disposition these documents to secure release cotton for Kobe storage.

Webb acting (FF) Webb
John G. Nass

DC/T
ACCEPTANCE DESK

894.61321/5-2449

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DOB - IFF Unit	
Anal.	<i>ad</i>
Rev.	<i>[Signature]</i>
FE:CA:REJohnson	
ECA:FTurner:alm	
5/20/49	
<i>F.L.T.</i>	
PLAIN	

Clearance:
Coate(ECA) *[Signature]*
Johnson(State)
Bm-3176-

894.61321/5-2449
CS/H

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21c
CR
MAY 24 1949 P.M.

FORM DS-322
7-1-48

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Collect

Charge Department

Charge to

Department of State

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4 P.M.

CONTROL

7202

JUN 25 1949

FOR DC/T USE ONLY

SUPREME COMMANDER FOR THE ALLIED POWERS
TOKYO
INFO: Army Chief of Staff
FOR: Acting Political Adviser
FROM: ECA, For SCAP Textile Division.

291

raw cotton

Arrangements completed disposition all ECA/stocks Japan except 3900 bales
Middling 7/8. If interested cable best offer immediately otherwise will
place elsewhere.

*893.50
Recovery*

*ACHESON
(W.M.)*

John B. Nass

894.61321/6-2549

DOB - ITP Unit	
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Rev	<i>ab</i>
Est	<i>ab</i>
Dist	

1949 JUN 25 PM 4 03

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*Cleared with
Mr. Manfull (UFAA)*

894.61321/6-2549
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CWO-M

Food & Agri. Div.
GeoBCOATE:mid
6/24/49

GRA

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TO BE CLEARED BY

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copies before delivery to Telegraph Branch.

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Control 10966

Rec'd October 28, 1949
4:07 a.m.

FROM: Manila
TO: Secretary of State
NO: 2488, October 28
FOR COMMERCE

MANILA CHRONICLE October 28 publishes AP story
October 27 to effect American exporters found it
expedient to buy Japanese cotton goods and trans-
ship to Philippines. Please give Embassy any
unclassified information available.

HESTER

SMD:MEW

611.946
XR
696.119
896.61321
fi
DEPARTMENT OF STATE
OCT 28 1949
DCR
LIAISON OFFICE

894.61321/10-2849

OCT 31 1949

PHILAND

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Department of State

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437

AIRGRAM

AMEMBASSY

MANILA

A-504, November 4, 1949

FROM COMMERCE:

894.61321/10-2849
XR-611.926
XR-696.119
XR-846.61321

X
611,946

REURTEL 2488. APPRECIABLE AMOUNTS OF JAPANESE COTTON GRAY GOODS ARE IMPORTED INTO THE U.S. WHEN PROCESSED AND THEN EXPORTED, OUR STATISTICS ~~DO~~ WOULD REPORT SUCH GOODS AS DOMESTIC MANUFACTURE AND THEY WOULD LOSE THEIR IDENTITY. WE UNDERSTAND SOME SUCH MERCHANDISE HAS BEEN EXPORTED TO AFRICA. IN TRANSIT SHIPMENTS FROM JAPAN TO OTHER COUNTRIES THROUGH THE U.S. HAVE BEEN KNOWN TO OCCUR BUT ARE NOT OF MUCH IMPORTANCE AND SHIPMENTS RETAIN ORIGINAL JAPANESE MARKINGS. WHILE IT IS CONCEIVABLE THAT EXPORTS TO THE PHILIPPINES OF JAPANESE TEXTILES FROM THE U.S. ARE POSSIBLE, WE DO NOT BELIEVE QUANTITIES SIGNIFICANT IN VIEW OF TIME AND EXPENSE INVOLVED.

Acheson
ACHESON
[Signature]

894.61321/10-2849

R. LUTZ, ACTING CHIEF
TEXTILE AND LEATHER BRANCH
HEBISHOP:FA
NOVEMBER 3, 1949

CLEARED WITH CENSUS BUREAU BY TELEPHONE:

MR. GEORGE
MR. VILLALBA
DC/L
LIAISON

1949 NOV 3 PM 4 35

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