

FEC-RESTRICTEDENCLOSURE "B"LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY
Proposed Soviet Amendments To FEC-242/32

1. Paragraph 1 should be worded as follows:

"1. No limitations should be placed upon the production of pig iron, steel, copper, aluminum, machine tools, sulphuric and nitric acid, soda ash and caustic soda, chlorine, calcium carbide, ferroalloys, ball and roller bearings, railway equipment and rolling stock, automobiles of non-military type, electric power, cement and the inventory of metal working machinery so long as it will be intended for the satisfaction of only peaceful needs of the population, but not for the military purposes.

The following capacities are determined for the war supporting industries mentioned below:

Chemical Industry:

Industrial Explosives

Definition: plants and establishments engaged in the production of industrial explosives.

Capacity to produce 10,000 metric tons annually.

The question of increasing the capacity for production of explosives should be decided by the Far Eastern Commission if it is proved that such an increase is called for by peaceful needs of Japan.

Japan should be permitted to produce explosives of such types and in such quantities as needed exclusively for the needs of peaceful /non-military/ industry and construction work".

2. Delete paragraph 2 as a whole.
3. Delete paragraph 3 as a whole and substitute for it the following, making it paragraph 2 accordingly:

"2. Japan should be permitted the production of nickel, magnesium, synthetic fuel, synthetic rubber, the oil refining industry, coal carbonization industry, and oil and gasoline storage with the limitation of the production of these products by the quantities necessary for the satisfaction of only peaceful /non-military/ needs of the Japanese economy. For peaceful /non-military/ needs Japan should have oil and gasoline storages. However, Japan should be prohibited to have underground oil and gasoline storages and all such oil and gasoline storages in existence should be destroyed and the construction of new ones prohibited".

4. Paragraph 4 should be left in the form stated in FEC-242/32 and made paragraph 3 accordingly.

5. Paragraph 5 of the paper should be made paragraph 4 accordingly and worded as follows:

FEC-RESTRICTED

"4. Those facilities, included in primary war facilities as defined in paragraph 2 a of FEC-084/21, which have been engaged in the production of military supplies essentially similar to civilian goods should be made available for reparations claims. The question of retaining these facilities for Japan's peaceful needs shall be determined by the Far Eastern Commission on the recommendation of the Supreme Commander."

6. Paragraph 6. Delete the sentences beginning with the words "Decisions as to availability of such facilities...." and to the end of the paragraph.

This paragraph should be made paragraph 5 accordingly.

7. Paragraphs 7 and 8 should be left in the wording of FEC-242/32 and made paragraphs 6 and 7 accordingly.

8. At the end of the paper add new paragraph 8 in the following wording:

"8. Attaching extreme importance to the question of complete fulfillment of the policy decisions FEC-084/21 "Reduction of Japanese Industrial War Potential" and FEC-059/3 "Removal of Facilities from Japan for Reparations", the Supreme Commander for the Allied Powers in Japan should be requested to submit to the Far Eastern Commission appropriate information on the progress of fulfillment of these decisions."

FEC 242 fde

29 September 1

U.S. STATEMENT ON PARAGRAPH 9B of FEC-084/21

"My Government has requested me to supplement the remarks which I made at the last meeting of the Commission in expressing the opposition of my Government to the Soviet motion to amend paragraph 9b of the FEC policy decision, 'Reduction of Japanese Industrial War Potential' (FEC-084/21).

"To remove any possible misunderstanding as to the reasons for this position, I wish to state that in the view of the U.S. Government the FEC policy decision on 'Reduction of Industrial War Potential' serves two purposes: first, to eliminate from Japan and prohibit the re-establishment in Japan of industrial facilities for war purposes; and second, to determine what industrial capacity was to have been made available for reparations removal.

"As to the first purpose, the Supreme Commander for the Allied Powers has accomplished the demilitarization objective of FEC-084/21 by destroying specialized war-making industrial capacity and effectively prohibiting the operation of all primary war facilities as such.

"As to the second purpose, the position of the United States Government was clearly and fully stated in my statement of 12 May 1949 on the subject of Japanese industrial reparations. Whether or not other Commission members can accept fully that position, there should be no disagreement that normal development of Japanese industrial operations for peaceful purposes should not be hampered by being kept within a continuing strait jacket. This was the view of my Government throughout negotiation of FEC-084/21 and before approval of its provisions on August 14, 1947, the U.S. Government had pressed for and had secured the acceptance by other FEC countries of a cut-off date - 1 October 1949 - after which restrictive levels on production for peaceful purposes in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries should lapse.

"It was argued then that while the FAR EASTERN COMMISSION was obviously competent to deal with basic matters of occupation policy, it was not the proper body in which to deal with the question of long-range disarmament controls. That position seemed to have been accepted by the Commission when the cut-off date was included in this policy. My Government now hopes that this position can still be accepted by other FEC countries. For the reasons I have mentioned the U.S. Government will vote against the Soviet motion whose long-range effects and implications can seriously prejudice, both practically and psychologically, Japan's efforts to achieve economic self-support."

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file*

MR. GRAVES: I am under instructions, Mr. Chairman, to urge the United States delegation to declare the United States position on this important paper at the earliest possible moment. It's now a little over four months since you yourself, sir, were good enough to inform the Commission and I quote from FEC-242/35: "that your Government has been giving the most intensive consideration to this paper", that is, the paper on the level of economic life, "but that the United States Government wished to inform the colleagues on the Commission that it would endeavor to present its views on these matters as soon as possible. However, it might still be some time before it was possible to submit the views". So I think that a reasonable interpretation of "some time" is permissible under these circumstances, and I had myself hoped or perhaps expected that "some time" meant within a few weeks or a month or two. But we had not expected that it would go on as long as four months. Well since then--slightly before Christmas--our Soviet colleague has placed before us some important amendments on this but we cannot deal with them satisfactorily until we know the United States position. Now the settling of the economic levels in Japan is probably the most important problem that this Commission has still got before it and I think it's true to say that the United States authorities are in the best position to understand and to devise means of establishing proper levels in Japan. They have the most information and they know most about it. And, therefore, I think this Commission is entitled to expect that those views would be placed before us in sufficient time to enable us to make a policy on the subject and the longer we leave it the more difficult it is going to be. I would therefore ask you, Mr. Chairman--and I know that you personally and your advisers have done all you could to get opinions from your Government--but I would ask you to go one step further and to tell them of our anxiety, which is an anxiety which is almost verging on impatience I think now--our anxiety that the views of the U. S. Government should be placed before the Commission in a reasonably short time.

MR. GRAVES: I am under instructions, Mr. Chairman, to urge the United States delegation to declare the United States position on this important paper at the earliest possible moment. It's now a little over four months since you yourself, sir, were good enough to inform the Commission and I quote from FEC-242/35: "that your Government has been giving the most intensive consideration to this paper", that is, the paper on the level of economic life, "but that the United States Government wished to inform the colleagues on the Commission that it would endeavor to present its views on these matters as soon as possible. However, it might still be some time before it was possible to submit the views". So I think that a reasonable interpretation of "some time" is permissible under these circumstances, and I had myself hoped or perhaps expected that "some time" meant within a few weeks or a month or two. But we had not expected that it would go on as long as four months. Well since then--slightly before Christmas--our Soviet colleague has placed before us some important amendments on this but we cannot deal with them satisfactorily until we know the United States position. Now the settling of the economic levels in Japan is probably the most important problem that this Commission has still got before it and I think it's true to say that the United States authorities are in the best position to understand and to devise means of establishing proper levels in Japan. They have the most information and they know most about it. And, therefore, I think this Commission is entitled to expect that those views would be placed before us in sufficient time to enable us to make a policy on the subject and the longer we leave it the more difficult it is going to be. I would therefore ask you, Mr. Chairman--and I know that you personally and your advisers have done all you could to get opinions from your Government--but I would ask you to go one step further and to tell them of our anxiety, which is an anxiety which is almost verging on impatience I think now--our anxiety that the views of the U. S. Government should be placed before the Commission in a reasonably short time.

AMENDMENTS

OF THE SOVIET DELEGATION TO FEC-242/32 "LEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY".

Approved 12/23/45
by [unclear] Lt. [unclear]

1. Paragraph 1 should be worded as follows:

"1. No limitations should be placed upon the production of pig iron, steel, copper, aluminum, machine tools, sulphuric and nitric acid, soda ash and caustic soda, chlorine, calcium carbide, ferroalloys, ball and roller bearings, railway equipment and rolling stock, automobiles of non-military type, electric power, cement and the inventory of metal working machinery so long as it will be intended for the satisfaction of only peaceful needs of the population, but not for the military purposes.

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The question of increasing the capacity for production of explosives should be decided by the Far Eastern Commission if it is proved that such an increase is called for by peaceful needs of Japan.

Japan should be permitted to produce explosives of such types and in such quantities as needed exclusively for the needs of peaceful /non-military/ industry and construction work".

2. Delete paragraph 2 as a whole.

3. Delete paragraph 3 as a whole and substitute for it the following, making it paragraph 2 accordingly:

"2. Japan should be permitted the production of nickel, magnesium, synthetic fuel, synthetic rubber, the oil refining industry, coal carbonization industry, and oil and gasoline storage with the limitation of the production of these products by the quantities necessary for the satisfaction of only peaceful /non-military/ needs of the Japanese economy. For peaceful /non-military/ needs Japan should have oil and gasoline storages. However, Japan should be prohibited to have underground oil and gasoline storages and all such oil and gasoline storages in existence should be destroyed and the construction of new ones prohibited".

4. Paragraph 4 should be left in the form stated in FEC-242/32 and made paragraph 3 accordingly.

5. Paragraph 5 of the paper should be made paragraph 4 accordingly and worded as follows:

"4. Those facilities, included in primary war facilities as defined in paragraph 2 a of FEC-084/31, which have been engaged in the production of military supplies essentially similar to civilian goods should be made available for reparations claims. The question of retaining these facilities for Japan's peaceful needs shall be determined by the Far Eastern Commission on the recommendation of the Supreme Commander".

6. Paragraph 6. Delete the sentences beginning with the words "Decisions as to availability of such facilities ..." and to the end of the paragraph.

This paragraph should be made paragraph 5 accordingly.

7. Paragraphs 7 and 8 should be left in the wording of FEC-242/32 and made paragraphs 6 and 7 accordingly.

8. At the end of the paper add new paragraph 8 in the following wording:

"8. Attaching extreme importance to the question of complete fulfilment of the policy decisions FEC-064/21 "Reduction of Japanese Industrial War Potential" and FEC-059/3 "Removal of Facilities from Japan for Reparations", the Supreme Commander for the Allied Powers in Japan should be requested to submit to the Far Eastern Commission appropriate information on the progress of fulfilment of these decisions."

ЗАЯВЛЕНИЕ СОВЕТСКОГО ПРЕДСТАВИТЕЛЯ НА ЗАСЕДАНИИ ДВК
по документу PEC-242/32

Советская делегация, придавая исключительно важное значение вопросу определения уровня промышленного развития Японии, считает необходимым подчеркнуть, что развитие японской промышленности должно быть подчинено удовлетворению только мирных нужд японского народа. Советская делегация также считает необходимым отметить, что развитие мирной промышленности Японии до уровня 1930-1934 г.г. или до более высокого уровня будет способствовать под"ему материального благосостояния населения Японии, расширению ее экспортных возможностей и содействовать укреплению ее экономической самостоятельности.

Такое развитие мирной экономики Японии будет соответствовать не только интересам японского народа, но и интересам других стран, и прежде всего стран Азии. При этом следует иметь в виду также, что Япония должна будет удовлетворить законные претензии на репарации со стороны государств, пострадавших от японской агрессии.

В связи с этим советская делегация обращает внимание членов Дальневосточной Комиссии на то, что, согласно политическому решению Дальневосточной Комиссии док. PEC-084/21, отрасли промышленности, перечисленные в документе PEC-242/32, отнесены к военно-вспомогательным отраслям, однако, эти отрасли в то же время играют основную роль в удовлетворении мирных потребностей японской экономики и японского народа. Поэтому производственные мощности этих отраслей должны строго соответствовать удовлетворению мирных /невоенных/ нужд японской экономики и японского

народа. Эти мирные нужды включают, как известно, удовлетворение жизненных потребностей населения, производство, покрытие импорта нужного сырья для мирной /невоенной/ промышленности, продовольствие и другие товары для населения, а также потребности восстановительных работ. Между тем уровни промышленных мощностей, предлагаемые в обсуждаемом документе FЕС-242/32, ограничивают возможности восстановления мирной экономики Японии и не обеспечивают полного удовлетворения нужд японского народа, а также оплату импорта сырья, необходимого для мирной /невоенной/ японской промышленности, продовольствия и других товаров для населения.

Советская делегация также придает исключительно важное значение вопросу выполнения принятых Дальневосточной Комиссией политических решений по вопросам: "Сокращение военно-промышленного потенциала Японии", док. FЕС-084/21, и "Из"ятие предприятий и оборудования из Японии в счет репараций", док. FЕС-059/3, поскольку своевременное и полное выполнение указанных решений будет способствовать быстрейшему развитию мирной экономики Японии.

Исходя из всего вышеизложенного, Советская делегация предлагает внести в док. FЕС-242/32 следующие поправки:

FEC-242/33FEC-RESTRICTEDFEC-242/339 June 1948FAR EASTERN COMMISSIONLEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS
JAPANESE INDUSTRY
Philippine Statement on FEC-242/32Note by the Secretary General

The enclosed statement on FEC-242/32, Level of Economic Life in Japan: Policy Towards Japanese Industry, was submitted by the Philippine Representative at the 110th meeting of the Far Eastern Commission on 9 June 1948, and is circulated herewith for the information of the FAR EASTERN COMMISSION.

Nelson T. Johnson
Secretary General

FEC-242/33

FEC-RESTRICTEDE N C L O S U R ELEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS
JAPANESE INDUSTRY
Philippine Statement on FEC-242/32

Almost ten months ago this Commission adopted a policy establishing the principles and criteria to be applied in effecting a reduction in Japan's war-making potential. This policy provided that all special purpose industrial machinery and equipment functionally limited to the manufacture of combat equipment end-products should be destroyed and that all other machinery and equipment in primary war industries, and such other facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of Japan, should be made available for claim as reparations. It provided that a prohibition should be maintained against the re-establishment of primary war industries in Japan and the participation of any Japanese in the ownership or operation of such facilities outside Japan. Finally, it stipulated that the productive capacities in certain specified war-supporting industries should be limited to the levels to be determined by the Far Eastern Commission.

It is well to recall at this point the underlying motives for the adoption of the above policy. Japan had built up, during the decade preceding the invasion of the Philippines, a huge industrial structure for the purpose of engaging in a war of aggression. It is imperative to destroy or remove certain portions of this structure if she were to be rendered incapable of rearming for war in the future. The industrial facilities which are in excess of Japan's peaceful needs should provide, it was explained, a large volume of Japanese assets for transfer as reparations to countries which had suffered from the effects of Japanese cruelty and greed. The removal of these excess facilities should reduce the danger not only of Japan's rearming for war but also of her achieving a position of economic dominance over her former victims by exploiting her war-expanded industries. The latter course would seriously impair a more balanced and economic development of the Far East, the freedom and prosperity of which is indispensable to a free and prosperous world. The program envisaged in the policy is designed therefore to serve the interests of security through a system of industrial disarmament and reparations removals.

The policy proposal now before us, FEC-242/32, sets forth in definite terms what portion of Japan's industrial empire should be destroyed or removed in accordance with the reduction of industrial war potential policy. The productive capacity levels proposed in the different categories of Japanese industry have been arrived at after lengthy discussions in the working committees. They are based on a Commission policy which defined the peaceful needs of the Japanese people as "substantially the standard of living prevailing in Japan during the period 1930-34".

Like most policy proposals considered before and adopted by this Commission, FEC-242/32 is not perfect. My Delegation, for one, feels that certain levels are too high and that there are not enough categories of industry from which could be drawn industrial facilities for distribution as reparations. We had submitted at an early stage of the discussions amendments designed to meet our objections. Some of these amendments were rejected - much to our disappointment. But, as have been previously pointed out by many of our colleagues, the paper as now drafted

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is a practical compromise. Indeed all our policy decisions have been a series of compromises achieved through a spirit of cooperation and understanding among all member governments.

My inability to submit to this Commission a definition of the Philippine position on FEC-242/32 at an earlier date stemmed not from a desire on the part of my Government to continue keeping the Japanese people in the dark as to what portions of their industrial capacity should be left to them. We sincerely believe that they are entitled to an early pronouncement from the Commission on this issue. My Government after careful consideration of the various questions and viewpoints involved and in an effort to bring about final settlement of this problem has decided to forego its original intentions of submitting new amendments which would reopen technical discussions and result in more delay. We are now prepared to give full support for the adoption of FEC-242/32. We feel that the industrial levels proposed therein are generous enough to assure Japan of a decent living standard and a high degree of self-sufficiency through hard work and a determined effort to limit its activities to the legitimate and wholesome enterprises of peace. Mr. Chairman, my Government joins other member governments around this table in urging most strongly the early adoption of the document now before us.

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General Comments by FEC Delegations on Levels of Japanese Industry

Minutes 107th FEC Meeting, pages 4-6 -- U. K. Statement of general nature on the desirability of early action on the level of industry proposals contained in FEC-242/23. The statement attempts to make a strong case for the adoption by the Commission on the levels proposed in that paper.

Minutes 110 FEC meeting, pages 5-6
(Also circulated as FEC-242/33) -- Philippine formal statement concerning its position on the levels of Japanese industry proposed in FEC-242/32.

Minutes 110th FEC meeting, pages 6-7 -- French acceptance of levels proposed in FEC-242/32.

Minutes 112th FEC meeting, page 7 -- U. K. statement on Japanese 5-year plan. This is an attempt to show that the Japanese themselves have proposed an industrial pattern for Japan strikingly similar to that proposed in FEC-242/32. This statement was made with a view to enlisting additional support for FEC-242/32 on the ground that the Japanese themselves considered the levels proposed in that document to be a satisfactory peacetime pattern for Japan.

MOTION: FEC -242/32 - Level 9 E-life DATE 9 June 48

VOTE

CANVASS

PRO CON ABSTAIN

REMARKS

Australia

✓

No reservations

Canada

✓

China

France

✓

No reservations

India

✓

Netherlands

New Zealand

Philippines

✓

No reservations

USSR

United Kingdom

✓

United States

TALLY:

RESULT:

CARRIED

LOST

VETO

NO MAJ

242 file

MOTION: To approve SC-242/19 (as amended by 242/31) DATE 5/18/48

VOTE

CANVASS <input type="checkbox"/>	PRO	CON	ABSTAIN	REMARKS
Australia	✓			
Canada	✓			
China			✓	No objection - but not advocate
France			✓	
India	✓			
Netherlands	✓			
New Zealand	✓			
Philippines			✓	
USSR			✓	
United Kingdom	✓			
United States		✓		

TALLY: PRO 6 CON 1 ABSTAIN 4

RESULT: CARRIED
 LOST VETO
 NO MAJ

FEC-RESTRICTED

Subcommittee Circulation Only

9 June 1948

COMMITTEE NO. 2: ECONOMIC AND FINANCIAL AFFAIRS

Subcommittee No. 2: Level of Economic Life in Japan

EXAMINATION OF STRIKE AND JOHNSTON REPORTS AND
REVISION OF BALANCE OF PAYMENTS ESTIMATES

1. The enclosure, a draft memorandum containing an examination of the Overseas Consultants Report and the Johnston Report, together with a revision of balance of payments estimates, prepared by the Secretary on the request of certain members, is circulated herewith for the information of the Subcommittee.

2. Section I contains a critical examination of the assumptions underlying the Overseas Consultants (Strike) and Johnston Reports.

3. Section II contains a re-examination of the balance of payments estimates in FEC-058/10 (Summary Estimate of Foreign Trade Balance of Japan in "1950").

4. Owing to the inadequacy of price data now available the enclosed memorandum is incomplete. The balance of payments calculations will be circulated subsequently. Any criticisms or suggestions by members of the Subcommittee will be welcomed.

Donald G. Badger
Economic Secretary

Subcommittee Circulation Only

SECTION ITHE STRIKE AND JOHNSTON REPORTS

The publication of the Strike and Johnston Reports with their recommendations that with a few minor exceptions only primary war facilities should be removed from Japan calls for a careful evaluation of the assumptions on which their conclusions were based. The Johnston Report deals with the situation in much more general terms than the Strike Report and does not give the detailed statistical justification for its recommendations which the Strike Report does. Prime consideration will therefore be given in the following comments to the Strike Report, but since the Johnston Report recommends the retention in Japan of even more capacity than the former, the criticisms of its underlying assumptions apply even more strongly to the latter.

Base Year and Population Estimate

Although the Strike Report states that the Mission was guided in its studies by FEC-106/1, it departed from this policy in one very important respect. The "target year" adopted in FEC-106/1 was 1950 whereas the Strike Report selected 1953 as the "target year" on the assumption that productive efficiency will not reach its pre-war levels until then. In view of the rapidly increasing population, adoption of a more remote target has a very important effect on the estimates of the productive capacity required to maintain the 1930-34 level. This effect has been increased by the selection of a higher population estimate than any which has hitherto been published. On the basis of estimates previously published the average population in 1953 would not be higher than 84.5 million, whereas the Strike Mission estimates the population in that year at 85.8 million. This may have been caused by taking undue account of the very high birth rate in 1947. There were many non-recurring factors, however, which contributed to the high rate of births in 1947 and this rate cannot, therefore, be expected to last for another 5 years. These factors include the high level of repatriation during 1946, the high marriage rate, the improvement in the housing situation and the psychological effect of the end of the war. The Japanese themselves have adopted the conservative figure of 82,930,000 as the estimate of population in 1952 in their five-year economic plan.

Although the Strike Report seems to go too far in the above direction there is some indication that the original assumptions on which the FEC has been basing its estimates of the level of industry are no longer realistic. It has been realized all along that the 1930-34 level might not be reached by the calendar year 1950, but it has been assumed that the actual date will not be too far beyond that year and that therefore estimates based on 1950 population will not be far out. It is now realized that European recovery will take longer than was originally expected and 1952 has been taken as the "target year" in the recovery programs. Were this target chosen for Japan, the rapidly rising population would mean an increase of 2.5% in population and an increase of more than that amount in import requirements. There seems to be a good case, therefore, for using a somewhat later target date, perhaps 1952, and revising population estimates correspondingly. The Strike Report also points to the fact that earlier population estimates have proved to be too low. The calculations on which the proposals in FEC-242/32 were based assumed a population of 79 million in 1950. However, the population had already reached this figure in December 1947 and it now seems likely that the average in 1950 will be of the order of 81.5 million. If at the same time it was decided to extend the target date to 1952, the population estimate would be of the order of 83.5 million. This represents an increase of more than 5% over the population estimate now being used.

Import Requirements

Another assumption in the Strike Report which hardly seems justified is the assumption that import requirements in 1953 will be greater than actual imports in 1937. This assumption is based on calculations of import requirements for domestic use of some of the principal commodities. These calculations are examined separately below.

a. Food

It is quoted as the opinion of the Natural Resources Section of SCAP that the maximum increase in food production over 1937 by more extensive use of fertilizer and the restoration of all available acreage is about 7%. As an offset against this increase, however, it is stated that there will be a reduction of fish production of about 40%

due to the loss of fishing areas and rights. It is therefore assumed that total food production will probably be close to the 1937 level. The reduction in fish production seems to have been overestimated, as the loss of area will not result in a proportionate reduction in production. The actual reduction should not be more than 20%. The increase in food production over 1937 with maximum land utilization and optimum use of fertilizer should be of the order of 3 to 5%.

b. Textiles

It is stated that the Textile Division of ESS estimates that domestic use of textiles for clothing purposes averaged 8.93 lbs. per capita in 1930-34 and industrial use amounted to 2.32 lbs. per capita. Industrial use increased in 1937 to 2.98 lbs. per capita and it is therefore stated that the 1930-34 clothing level and the 1937 industrial level would require 11.91 lbs. per capita. It is difficult to reconcile this estimate with calculations made by the Division of Research for Far East in the Department of State. FEC-058/10 assumes overall consumption of textiles at 10.25 lbs. per capita which is stated to be the same as in 1930-34. A subsequent study by the Department of State on the Japanese textile industry (MI-077/3) indicates, however, that the figure of 10.25 lbs. per capita did not allow for exports of clothing and miscellaneous items unspecified as to content. After making this adjustment the figure is 8.49 lbs. per capita including both general consumer use and industrial use. The explanation of the figure quoted in the Strike Report seems to be that it fails to make any adjustment for exports of clothing. If this explanation is correct it seems reasonable to use the figure of 8.49 lbs. per capita given in MI-077/3 in estimating imports of textile materials needed to support the 1930-34 standard of living. There might be some justification in increasing this figure slightly to take account of the alleged increased industrial use in 1937, but in the absence of evidence to the contrary it seems reasonable to assume that industrial use will increase in the same proportion as consumer use.

In addition to overstating domestic consumption of finished textiles the Strike Report uses very conservative figures in calculating the raw material requirements to meet this consumption. It uses conversion factors of .85 for cotton and .45 for wool, whereas MI-077/3 uses .87 and .55 respectively. The latter figures are borne out by pre-war data.

SCAP's woolen program of August 1947, however, assumes factors of .50 for home consumption and .45 for exports. This is possibly due to caution on the part of SCAP in view of the uncertainty as to the

source of supply and the quality of the wool. Now that arrangements for purchasing Australian wool in large quantities are finalised it seems reasonable to assume that the pre-war ration will hold.

c. Iron Ore and Coal

The calculations in this section of the Strike Report are based on the inflated estimate that Japan's finished steel requirements in 1953 will be 4,880,000 metric tons. The acceptance of more modest estimates of iron and steel requirements would reduce the Strike estimate of import requirements very considerably. An examination of import requirements if the level proposed in FEC-242/32 is adopted as contained in a later section.

d. Rubber

In estimating import requirements of crude rubber for domestic purposes the Strike Report uses 1937 figures only without referring to data for 1930-34. On the basis of 1930-34 consumption without allowing any deduction for military use, FEC-058/12 estimates import requirements for domestic consumption at 45,500 metric tons and total import requirements at 61,500 metric tons. While it might be reasonable to allow a greater amount than this for an increased volume of exports there does not seem to be any reason for increasing the estimate of import requirement for domestic consumption.

Apart from its unjustified use of 1937 data in calculating requirements to maintain 1930-34 standard of living, there are a number of other inaccuracies in the Strike Report's calculations. The figures quoted from USSBS are short tons not metric tons and include crude rubber re-exported to Korea. After making an adjustment for these factors net imports in 1937 amounted to 59,500 metric tons, not 70,500.

e. Petroleum

These calculations suffer from the same defect as those of rubber requirements in that they are based on 1937 data without reference to 1930-34. On the basis of 1930-34 data FEC-058/4 estimates requirements in 1950 at 17,800,000 bbls. Moreover the Petroleum Advisory Group of the Area Petroleum Office of SCAP considers that had the Japanese wished they could have restricted consumption to less than 12,000,000 bbls. in

1934 without serious effects on their overall economy. This would correspond with consumption of 15,000,000 bbls. in 1950.

f. All Other Imports

The assumption that import requirements of other items will be approximately the same in 1953 as in 1937 is completely unjustified. It ignores the extent to which imports of these items were for war purposes. Two of the largest of the remaining items are non-ferrous metals and salt. The former of these included enormous quantities of nickel and aluminum for war purposes and the latter was required largely for production of war chemicals. Apart from the criticisms listed above, this assumption alone is sufficient to invalidate the Strike Report conclusion that imports for domestic needs will be more than in 1937.

Peaceful Needs in War-Supporting Industries

The FEC has already adopted a policy (FEC-084/21) enumerating the war-supporting industries for which capacity in excess of that necessary to meet the peaceful needs of the Japanese people is to be made available for removal as reparations. It has also adopted a policy (FEC-106/1) defining the peaceful needs of Japan for the purpose of the above policy as "substantially the standard of living prevailing in Japan during the period of 1930-34." It is therefore necessary to consider whether the recommendations of the Strike and Johnston Reports are consistent with these policies. The method adopted will be to take in turn the war-supporting industries enumerated in FEC-084/21 and to examine the implications of the recommendations of the two reports and to compare them with the levels proposed in FEC-242/32 and C2-297/3. A table comparing the recommendations of the Strike Report with the levels proposed in FEC-242/32 and C2-297/3 is contained in Appendix A. The levels contained in the assured capacity policy (FEC-083/5), the Interim Reparations Removal Program (FEC-059 series), the Fauley Report and the US proposals to the Far Eastern Commission (FEC-218) are added for interest together with the estimates of present capacity contained in the Strike and Fauley Reports.

a. Iron and Steel Industry

The Strike Report estimates the peaceful needs of finished steel by industries and arrives at a total requirement in 1953 of 4,880,000 metric tons. C2-242, on the other hand, estimates the peaceful needs

in 1950 of only 2,650,000 metric tons. This estimate was obtained by projecting overall 1930-34 consumption to 1950 with suitable adjustments and was not broken down by industries. However an approximate breakdown is given by applying the 1930-34 percentage breakdown (FEC-058/7 p. 35) to the estimated 1950 consumption. The following table compares this breakdown with that given in the Strike Report.

	FEC-242/32 Allocated on basis of 1930-34 av.	Strike Report	
		1937	1953
Railroads	297	320	380
Construction	811	1590	1330
Shipyards		394	78
Shipbuilding	228	361	325
Machinery	758	616	665
Oil, Gas & Water	87	131	100
Mining	69	217	217
Metal Manufactures)	736	640	
Others)	400	249	249
Subtotal	2650	4518	4080
Rehabilitation			800
TOTAL			4880

The classification given in FEC-058/7 is not quite the same as that given in the Strike Report and it is probable that some uses recorded under "Metal Manufactures" in the Strike Report have been included with "Machinery" in FEC-058/7. It is difficult to reconcile the figures used in the Strike Report with those given by USSBS. For instance, on page 102 of the USSBS Report on Coals and Metals in Japanese War Economy there is a table which contains a number of the figures given in the Strike Report. However, a more detailed breakdown of this table on p. 99 suggests that some of the figures are conflicting. For instance, there is nothing in the USSBS Report corresponding to the Strike figure for shipyards and the breakdown of the figure of 361,000 metric tons for merchant shipbuilding indicates that it already includes the use of steel for yard construction and repair. There is a small allowance of 77,000 metric tons for civil construction in Navy yards, but it seems apparent that the allowance for the shipbuilding industry is overstated and that the figure should be in the neighborhood of 438,000 metric tons.

An examination of the various uses in the light of industrial levels proposed in FEC-242/32 and C2-297/3 indicates that the Strike

estimates of requirements in 1953 are excessive. Production of railway rolling stock in 1937 amounted to about 6000 units whereas FEC-242/32 provides only for the production of 4325 units. Since rolling stock represented two-thirds of the use by railroads in 1937, requirements for railroads under the assumptions of FEC-242/32 will be less than in 1937. Construction needs are difficult to estimate, but it should be borne in mind that FEC-106/1 requires only sufficient productive capacity to maintain the 1930-34 level. This requirement would be met if there were sufficient construction to maintain the required industrial level without providing for expansion of capacity. At a rough guess it would seem that a level of construction in the neighborhood of 50% of the 1937 level should be sufficient for this purpose in view of the rapid industrial expansion which was taking place in 1937. Merchant shipbuilding in 1937 amounted to 374,000 gross tons, whereas C2-297/3 provides for only 150,000 gross tons. The fleet serviced in 1937 was also correspondingly larger than that provided for in C2-297/3, it is therefore apparent that the need for steel under the assumptions of this paper will be less than half the corrected Strike figure of approximately 438,000 metric tons. Requirements for machinery production and the use of steel in general will depend largely on the inventory of machine tools. The inventory in 1937 is estimated at 400,000 units in FEC-058/5, whereas FEC-242/32 provides only for 200,000 units. While it might be necessary to operate the latter inventory more intensively than the former, the level of steel consumption provided for in FEC-242/32 is considerably above 50% of the use in 1937 and therefore seems consistent with the proposed inventory of machine tools. It would also allow for a fairly high level of exports of light metal manufactures.

After estimating requirements in 1953 under each of the above headings the Strike Report adds an allowance of 800,000 metric tons for the rehabilitation of war-caused damage and deterioration. As examples of the extent of production loss the reduction of cotton spindles from 12 million in 1937 to 3.5 million in 1944 and the drastic decline in residential construction during the war are cited. Neither of these examples is particularly relevant. It is assumed in this study that Japan

will have 5 million spindles in 1950 and all that is required under FEC-106/1 is that Japan should be able to maintain this level. The lag in residential construction is undoubtedly a serious problem, but it is not fundamentally a steel problem as the use of steel in residential construction is very small in Japan. While there will undoubtedly remain in 1950 a need for a great deal of rehabilitation if Japan is to raise its standard of living above that of 1930-34, there does not seem to be any reason for making an additional allowance if all that is contemplated is allowing Japan sufficient capacity to maintain the 1930-34 standard.

The Strike Report seeks to justify its estimate by stating that the per capita use of finished steel products in Japan was low compared with other industrial nations, being approximately 160 lbs. as against about 600 lbs. in U.S.A. in 1937 and a present figure of about 900 lbs. per capita. This is a very misleading comparison as may be seen by comparing these figures with those of other industrialized countries. Apart from Germany, which was obviously arming for war, the 1937 US figure was almost twice that of any other country. Consumption in UK, Sweden and Belgium was about twice that in Japan, but in France and Switzerland the level was much the same as in Japan. As one example of the irrelevance of the comparison between the US and Japan, steel consumption in the automotive industry in 1937 amounted to over 120 lbs. per capita in USA, and only about 0.3 lbs. per capita in Japan. A fairer comparison would have been with a country in which industrialization has reached a level comparable with that of Japan. One such country is Italy where the consumption of steel in 1938 was slightly less than 100 lbs. per capita. This would suggest that the consumption of steel in Japan in 1937 was considerably greater than was necessary to support its level of industrialization.

b. Aluminum Industry

The aluminum industry is one in which there is a great deal of room for divergence of views as to the peaceful needs of Japan in view of the importance of technological change. On the other hand it is an industry of very great importance from the point of view of the reduction of Japan's war potential. There has been a tendency, therefore, on the

part of most delegations to take a very conservative view of the increase in the need for aluminum. In C2-242 it was stated that the majority of the Subcommittee favored the provisions of the interim reparations program which would have limited the industry to a capacity of 15,000 metric tons of fabricated aluminum. On the other hand the Canadian Member submitted an estimate of 55,000 metric tons for Japan's peaceful needs in 1950. As a compromise a level of 25,000 metric tons was adopted by Committee No. 2.

In view of these conflicting estimates the estimate of 39,000 metric tons in the Strike Report cannot be challenged too seriously. However, the recommendation that the entire capacity of 82,500 metric tons be left in Japan to permit the export of the surplus is indefensible in the light of the definition of the industry as a war-supporting industry.

c. Metal-Working Machinery

FEC-242/32 provides for the reduction of the machine tool industry to a capacity of 10,000 units annually and also provides for a reduction in the inventory of machine tools to 200,000 units. The Strike Report, however, recommends that no machine tools be removed from Japan other than those included in primary war facilities and in the removable portions of the shipbuilding and light metals industries. The present capacity of the machine tool industry as such is estimated at 36,970 units annually, but in recommending its total retention the Strike Report allows for the possibility of converting it in part to general manufacture.

Information on the inventory of machine tools is not very satisfactory. The Strike Report quotes estimates of 500,000 to 600,000 units, but states that it has been unable to verify them. Primary war facilities are stated to contain 270,000 units. It would therefore appear that the recommendations of the Strike Report would involve the retention in Japan of 200,000 to 300,000 units, with the probability that the actual figure would be closer to the latter than the former. It is interesting to note that this inventory is very much lower than that in 1937 (approximately 400,000) although it is proposed that sufficient steel rolling capacity be retained to produce more finished steel than in 1937. There is some possibility, therefore, that if the Strike Report's

recommendations were adopted there might not be sufficient machine tools to work all the steel which could be produced. In this respect the Johnston Report, which proposes to permit the retention of equipment in private munitions plants, is possibly more consistent. The section above on iron and steel, however, has indicated much more modest requirements of finished steel than these two reports assume. The levels proposed in FEC-242/32 of 10,000 units annually of machine tool capacity and an inventory of 200,000 are consistent with the requirements of finished steel as estimated above.

d. Chemical Industry

(1) Sulphuric Acid Industry

The Strike Report estimates domestic requirements of sulphuric acid in 1953 at 4,100,000 metric tons, but recommends the retention of all existing capacity which is estimated at 4,756,000 metric tons to permit the production of rayon and fertilizer for export. FEC-242/32 proposes the retention of sulphuric acid capacity of 3,500,000 metric tons. The following table compares the estimate on which this proposal is based with the estimate contained in the Strike Report.

	Thousands of Metric Tons	
	<u>FEC-242/32</u>	<u>Strike Report (approx.)</u>
Fertilizer Production		
Domestic Use	2775	3075
Export	<u> </u>	437
Rayon		
Domestic Use)	385 a	205
Export)		219
Other	<u>340</u>	<u>820</u>
TOTALS	3500	4756

(a. Allocating this figure on the basis of domestic needs and exports as estimated in a later section gives 222,000 metric tons for domestic uses and 163,000 for export.)

The main differences in these estimates are the allowances for domestic use and export of fertilizers and for miscellaneous uses. The estimate of domestic use of fertilizer adopted in the

calculations on which the level proposed in FEC-242/32 was based allows for the production of 2 million metric tons of inorganic commercial nitrogenous fertilizers, compared with maximum consumption of 1,802,000 metric tons in 1937^{and} for 1,500,000 metric tons of inorganic commercial phosphatic fertilizers compared with a maximum of 1,833,000 metric tons in 1937. If land reclamation is carried to the limit and inorganic commercial fertilizers are substituted to some extent for organic commercial fertilizers, it is possible that optimum fertilizer production may require as much sulphuric acid as the Strike Report assumes. In view of the importance of sulphuric acid as a war-supporting industry there are strong reasons, however, for not allowing the retention of this amount of capacity as it could easily be diverted from fertilizer production to war use without involving any serious deterioration in fertility. There are even stronger reasons for not allowing the retention of sulphuric acid capacity for the production of fertilizers for export. In the event of war this capacity would be immediately available for war use and at the same time much-needed supplies of fertilizers would be cut off from other countries in the Far East. If this surplus capacity were made available for reparations it would presumably be put to use in producing fertilizers, and therefore, in the long run the other Far Eastern countries would gain in security without loss of fertilizers except to the extent that capacity was reduced in the process of transferring the reparations equipment. The allowance for miscellaneous uses of sulphuric acid in the Strike Report seems very high in relation to the figure on which the level contained in FEC-242/32 was based. The latter figure was obtained by projecting the 1930-34 figures to 1950 making due allowance for military use and population change. In view, therefore, of the importance of sulphuric acid as a war-supporting industry, the level proposed in FEC-242/32 seems more consistent with FEC policy on the reduction of war potential than the recommendations of the Strike Report.

(2) Soda Ash, Caustic Soda and Chlorine Industry

The Strike Report states that the 1953 requirements of chlorine

are estimated at 150,000 metric tons, but does not give a breakdown of this total. This level is very much in excess of that proposed in FEC-242/32 (75,000 metric tons), which is based on a projection of 1930-34 consumption plus an allowance of 10,000 metric tons for the production of rayon pulp and 20,000 metric tons for new uses due to technological changes and for possible exports. It would obviously be very difficult to reconcile the level proposed in the Strike Report with the 1930-34 standard of living.

The Strike Report's estimate of caustic soda requirements is 391,000 metric tons compared with a level of 282,500 metric tons proposed in FEC-242/32. The estimates of requirements for rayon production and exports are almost identical and almost the whole difference is accounted for by other domestic uses. These uses amounted to only 65,000 metric tons in 1930-34 and the Strike Report's allowance of 180,000 metric tons seems to be very much out of line with the 1930-34 standard of living.

The Strike Report's estimate of domestic uses of soda ash other than for conversion to caustic soda also seems out of line with the 1930-34 base. FEC-242/32 allows for 200,000 metric tons of soda ash for these purposes compared with a level of 137,000 metric tons in 1930-34. In addition to allowing for population increase a margin of 37,000 metric tons is allowed for export. The Strike Report's estimate is more than double this figure.

The levels proposed in FEC-242/32, therefore, appear to be more in line with the 1930-34 standard of living than those provided for in the Strike Report.

(3) Nitric Acid

The Strike Report recommends the same level for nitric acid as is proposed in FEC-242/32, namely, 30,000 metric tons. The Johnston Report, however, proposes the retention of an additional 25,000 metric tons. The Strike Report quotes an estimate of the Economic and Scientific Section of SCAP that Japanese civilian requirements of nitric acid for the year 1950 will be 28,900 metric tons. This estimate roughly confirms the calculations on which the level

proposed in FEC-242/32 was based. The recommendation of the Johnston Report appears to be inconsistent with the FEC policies on the Reduction of War Potential and the Determination of the Peaceful Needs of Japan.

e. Merchant Shipping and Shipbuilding Industries

The Strike Report states that the present Japanese merchant fleet has a gross tonnage of 1,300,000 which consists for the most part of sub-standard ships built during the war and of pre-war vessels with an average age of about 25 years. It is difficult to reconcile the figure of 1,300,000 g.r.t. with figures released by SCAP. The list of vessels under SCAJAP control as of 1 November 1947 (see MI-172/1) contains 1,721,532 steel vessels of 100 g.r.t. and over. This total includes 128,000 which are listed as salvable or possibly salvable, and another 250,000 g.r.t. of fishing vessels and miscellaneous harbor craft. Even if these categories are eliminated, the total is greater than 1,300,000 g.r.t. The assumption that 130,000 g.r.t. of the existing vessels will be put out of service each year is excessive as it would mean that none of these vessels would be left in 10 years time. The figure for the merchant fleet in 1930-34 is also difficult to reconcile with available figures for that period, but this is partly due to the fact that there are considerable discrepancies between the various sources. The Strike Report goes on to assume that Japan will need at a minimum the same fleet in 1953 as in 1930-34. This approach does not take account of the fact that the pattern of the world's shipping will be very different from pre-war when Japan had a virtual monopoly over shipping with its Empire. Moreover Japan acted as entrepot for a great deal of the trade between its Empire and the outside world, but this will no longer be the case. Japan was also engaged before the war in transporting large quantities of goods between foreign countries. A more accurate approach would be to examine the requirements for coastal trade and for carrying essential imports. This approach was followed in C2-297/1 and an estimate of 2,250,000 gross tons was reached as the requirements for Japan's foreign and coastal trade in "1950". This estimate was based on an estimate of import requirements in "1950" of 17,000,000 tons which was given in FEC-058/11.

A re-examination of this latter estimate in a later section suggests that the figure should be larger by about 20%. This would increase the required fleet to about 2,500,000 g.r.t. If this adjustment were made to the calculations in C2-297/1 it would mean that instead of reaching the required fleet by mid-1954, it would not be reached until the end of 1957. This difficulty could be met in part if Japan were permitted to charter ships for temporary service until the fleet has reached the required level.

In estimating the effect of the change in the shipping pattern on the balance of payments the Strike Report misinterprets the credit and debit items in the statement for 1936. It was assumed that shipping receipts were for foreign goods carried in Japanese ships and shipping payments for Japanese goods carried in foreign ships. This is not the case, however, as Japan adopted the practice of valuing her imports c.i.f. and her exports f.o.b., with the result that all freight earnings whether on imports or on exports appeared on the credit side and debit items were for expenditures of Japanese ships abroad, tonnage dues, etc. It is obvious, therefore, that this item will never be a net debit. With the reduction in the fleet there will be a reduction in freight earnings, but a reduction at the same time in disbursements. Moreover the credit item for expenditures of foreign ships in Japan will increase. On the assumptions made in the Strike Report the adverse swing would be no more than 130 million 1939 yen or about 37 million 1939 dollars.

f. Oil Refining and Storage

The Strike Report estimates the available capacity of operating and repairable refineries at approximately 26,870 bbls. per day, but expresses the view that they are so obsolete and uneconomical that they should be scrapped. The view is expressed that it would be more economical for Japan to sell its crude oil for refining in the modern plants of the Netherlands East Indies than to continue its present wasteful practices. The level of 15,000 bbls. a day proposed in FEC-242/32 is sufficient to permit Japan to refine its domestic production of crude oil and to refine sufficient imported crude to meet its fuel oil requirements. A proportion of the requirements of other refined products would need to be

imported. This level was adopted as a compromise between the view of the US delegation, which proposed a level of 40,000 bbls. a day, and the view of several other delegations that Japan should be permitted to retain only sufficient capacity to process its domestic production of crude oil, (about 7,700 bbls. a day). The conclusion to which the Strike Report leads is that if anything the level proposed in FEC-242/32 should be reduced.

In discussing oil storage capacity the Strike Report confines its attention to above-ground storage on the ground that under-ground storage presents a strategic rather than an economic problem. It points out that under-ground storage, which is reported to amount to 11,400,000 bbls., is not necessary to the civilian economy, but that its destruction would be difficult and that there would be little available as reparations. It should be pointed out, however, that FEC-084/21, The Reduction of Japanese Industrial War Potential, which FEC-242/32 is designed to implement deals with the strategic as well as the economic problem. From the strategic point of view it is desirable that the surplus facilities should be declared available for reparations and the immovable facilities destroyed irrespective of the difficulty and the small amount available as reparations. With regard to above-ground storage the Strike Report states that out of reported capacity in existence of 32,150,000 bbls., only 7,293,000 bbls. in units of 50,000 bbls. or more were located. Since this figure was less than the level proposed in FEC-218, no attempt was made to make an independent estimate of storage requirements. However, FEC-242/32 proposes a level of only 5 million bbls. and there is no evidence in the Strike Report which indicates that this level should be varied.

g. Electric Power Industry

The Strike Report contains a great deal of information on this industry, but unfortunately, it is very difficult to reconcile with other information available on the subject. There are very significant differences between the data in the Strike Report and that in "A Study of the Japanese Electric Power System with Recommendations relative to reparations in conformity with the policies of the Far Eastern Commission" (MI-190), the report of a Utility Consulting Group to the US Secretary

of War, dated 23 June 1947. These differences appear both in estimates of the capacity of existing plants and in estimates of the requirements of electric power to meet Japan's peaceful needs. On the question of the present capacity, the Strike Report estimates dependable capacity of ^{utility thermal electric} electric/stations at 1,727,000 K.W.H., whereas the report of the Utility Consulting Group estimates the capability of the same plants at 2,653,000 K.W.H. The difference in the estimates of annual post-war requirements is just as marked, the Strike Report placing the requirements in 1953 at 39,100,000 K.W.H. and the Utility Consulting Group placing requirements in 1950 at 25,833,000 K.W.H. The latter estimate would permit per capita use of 326.5 K.W.H. compared with 217.6 K.W.H. in the 1930-34 period, whereas the Strike Report estimate would permit the use of 455.7 K.W.H. per capita. The following table compares the estimates for individual industries:

Per Capita Annual Use of Electric Energy (K.W.H.)

	1930-34 Average	1950 Utility Consulting Group	1953 Strike Report
Mining and Smelting	20.1	45.0	58.7
Metals	15.3	48.5	59.1
Machinery, Tools and Ships	7.8	18.3	19.8
Chemicals	54.9	87.5	115.7
Ceramics	8.8	8.5	20.9
Textiles	26.7	26.4	31.2
Food Processing	5.0	5.5	8.9
Lumber and Woodworking	1.5	4.0	3.5
Miscellaneous Industrial	<u>3.5</u>	<u>3.2</u>	<u>8.2</u>
Subtotal	143.6	246.9	326.0
Railways	16.9	22.0	35.0
Public Utilities	11.6 a	12.5	7.8
Residential & Commercial	<u>45.5</u>	<u>45.1</u>	<u>86.9</u>
TOTAL	217.6	326.5	455.7

(a. This figure apparently includes arsenals and Navy bases, a fact which seems to have been overlooked by the Utility Consulting Group. If these uses are excluded, the figure becomes 7.0 K.W.H.)

From the above table it would appear that the electric energy usage

recommended by the Utility Consulting Group for the majority of industries is inclined to be more rather than less than necessary to maintain the 1930-34 standard of living. The levels proposed in the Strike Report are even more excessive. This applies particularly to the levels proposed for the mining, metals and machinery groups. It also applies in the case of the Strike Report to the ceramics, railways, residential and miscellaneous industrial and commercial groups. The chemical industry presents a special problem in view of the need to maximize fertilizer production. However, although the levels of the fertilizer industry contemplated in FEC-242/32 are somewhat greater than production in 1937, the reduction in the use of synthetic ammonia for other purposes and the contemplated reduction in capacity for electrolytic production of caustic soda will probably mean that requirements in 1950 on the basis of the levels proposed in FEC-242/32 will be less than in 1937, when per capita annual use for the chemical industry was about 100 K.W.H. This suggests that the estimate of the Utility Consulting Group is much more consistent with the 1930-34 standard and the levels proposed in FEC-242/32 than the Strike Report and on closer examination it might even be found somewhat on the high side.

The Utility Consulting Group came to the conclusion that 900,000 K.W.H. of the estimated total of 2,654,000 K.W.H. in the public utility system could be made available for reparations, leaving 1,754,000 K.W.H. to meet the peaceful needs in 1950. In addition to this capacity there would remain industrial plants with capacity of somewhat less than 800,000 K.W.H. This would suggest that the level of 2,100,000 K.W.H. in FEC-242/32 is too low, and that a level of 2,500,000 might be more consistent with the levels proposed for other industries.

SECTION IIRE-EXAMINATION OF BALANCE OF PAYMENTS ESTIMATE

A comparison of the estimates of import requirements in the Strike Report with those in FEC-058/10 (Summary Estimate of Foreign Trade Balance of Japan in "1950") indicates that the latter estimates are probably on the low side. The following is an attempt to revise the estimates in FEC-058/10 in the light of information contained in the Strike Report and other material published since these estimates were made. Account has also been taken of the industrial levels proposed in FEC-242/32 where these differ from the assumptions in FEC-058/10. A comparison of the revised quantity estimates with those given in FEC-058/10 and the Strike Report and with actual imports in 1930-34, 1936 and 1937 is given in Appendix B.

A. General Assumptions

In line with the conclusion above that the population estimates on which the Far Eastern Commission has been working are too low, the following of food and textile requirements have been based on a calculation of population of 81.5 million. No adjustment has been made in the estimates for other commodities as the effect of population changes on the standard of living is less direct and it is more difficult to say what change would be necessary to maintain the 1930-34 standard. The industrial levels proposed in SC-242/19 have therefore been maintained without modification. The possibility was also mentioned above of adopting a later target year than 1950, but this would involve amendment of the policy on the Determination of the Peaceful Needs of Japan (FEC-106/1) and consequently no allowance has been made for this possibility. Reference will be made, however, to the effect of such an allowance on the estimates of food and textile requirements.

Now that actual prices for 1947 are available it seems more reasonable to calculate values in terms of 1947 prices than in terms of 1930 prices as was done in FEC-058/10. There are admittedly grave disadvantages in using 1947 values such as the extremely small quantities of some items in 1947, the abnormally high prices for many commodities, the distortion of the pattern of supply and demand, and the uncertain situation regarding quality. It is almost impossible, however, to make reasonable assumptions about the

probable future movements of prices of each commodity and the procedure adopted by the Committee of European Economic Cooperation of using 1947 values and making an overall adjustment for changes in the terms of trade seems the most reasonable procedure. In view of the similarity between the trade pattern of Japan and Western Europe it seems reasonable to adopt the same assumption with regard to the terms of trade as was adopted by the Committee of European Economic Cooperation. This assumption is that the terms of trade will move in favor of Western Europe and therefore of Japan by 10% by 1950.

B. Specific Assumptions

1. Food, Beverages and Tobacco

The calculations in FEC-058/10 are based on estimated overall consumption of food of 2,270 calories per capita per day. This estimate is supported by figures given by the Japanese Ministry of Agriculture and Forestry in a "Report on Food Situation" (14 November 1945) showing daily per capita consumption during the period 1931-35 of 2,265 calories. This figure is also almost identical with an F.A.O. estimate of 2,268 calories for consumption during the period 1935-39. On the other hand a United Kingdom estimate presented to the F.E.A.C. on 9 November 1945 (FEC-026) places estimated food consumption in 1936 at 2,139 calories per capita per day, and a preliminary study of the Natural Resources Section of SCAP dated 6 May 1948 places average food consumption during the period 1935-40 at about 2,160 calories per capita per day. In these calculations it is assumed that the estimate of 2,270 calories used in FEC-058/10 is correct, but it should be borne in mind that this figure is open to doubt. The only respect in which this estimate differs from FEC-058/10 is in regard to population and prices as indicated above.

It is stated in FEC-058/10 that no allowance has been made for reduction by 1950 of the pre-war fishing area and imports and exports of fish are assumed at the 1930-34 level. However, there was a considerable increase in exports and a decrease in imports of fish from 1930-34 to 1937. A more precise statement of the assumption would therefore be that the reduction in the fishing area is assumed to do no more than to reduce exports and increase imports to the 1930-34 levels as compared with those of 1937.

If the population in the target year is taken as 81.5 million, import requirements would be approximately 2,000,000 metric tons of rice, 3,200,000 metric tons of wheat and other grains, 1,150,000 metric tons of soybeans and 455,000 metric tons of sugar. If the target year population is taken as 83.5 million, these figures would be increased to 2,400,000, 3,350,000, 1,200,000 and 465,000 metric tons respectively.

2. Fertilizers and Fodder

There seems to be little reason to question the assumptions in this section except that it would be more reasonable to assume that there will be no exports of ammonium sulphate.

3. Coal and Petroleum

a. Coal

The Strike Report states that 2,850,000 metric tons of imported coking coal will be required to produce 5,500,000 metric tons of pig iron. This suggests that the 2,000,000 metric tons of pig iron provided for in SC-242/19 will require 1,000,000 metric tons of imported coking coal. In addition to coal for metallurgical purposes, the Strike Report allows for 3,500,000 metric tons for gas and chemical purposes. In the absence of evidence that domestic coal is unsatisfactory for these purposes no allowance has been made for such imports. FEC-058/10 assumes exports of 1,500,000 metric tons and this estimate has been accepted although there is some possibility that exports could exceed this level.

b. Petroleum

Estimated import requirements on the assumptions adopted in SC-242/19 are given in the table on page 28 of Enclosure "D" of C2-242, namely, gasoline 3,998,000 bbls., kerosene and diesel oil 8,960,000 bbls., lubricating oil and asphalt 1,017,000 bbls., and crude oil 2,200,000 bbls.

4. Metals and Minerals

a. Iron and Steel (including ores)

If it is assumed that the level for the iron and steel industry proposed in FEC-242/32 will be adopted, the estimate of import requirements of iron ore and pig iron in FEC-058/10 needs to be increased. Moreover FEC-058/10 assumes that imports will have

content whereas the Strike Report assumes that imports will have only a 60% iron content. FEC-058/7 points out that the average ferrous content of imported ore was about 65% in the years 1928-34 and about 60% in 1935 and 1936 when tremendous increases in imports occurred. Since the level of pig iron production contemplated in SC-242/19 is comparable with that of the latter years it seems reasonable to accept the lower figure. The Strike Report also allows 8% for furnace losses and feed ore. This figure seems somewhat high on the basis of pre-war production figures and a figure of 5% has been assumed here. This would mean that 4,200,000 tons of 50% ore equivalent would be required to produce 2,000,000 tons of pig iron, which after deducting domestic ore production of 1,000,000 metric tons, leaves 3,200,000 tons of 50% ore or 2,667,000 tons of 60% ore to be imported. Pig iron imports would then need to amount to 600,000 tons as estimated in C2-027/1. In the case of scrap it is assumed that domestic collections of approximately 1,000,000 tons and self-generated scrap of about 600,000 tons will be sufficient to maintain the level of production contemplated and no imports would be required.

b. Non-Ferrous Metals (including light metals)

(1) Aluminum

FEC-242/32 provides for the production of 10,000 metric tons of primary aluminum which on the basis of figures given in C2-242/6 will require the import of 41,000 metric tons of bauxite. The proposed policy also provides for 25,000 metric tons of finished shapes for the production of which secondary aluminum obtained from remelting scrap will be available in addition to the primary aluminum. This will probably be insufficient, however, and it has been assumed that Japan will need to import 12,000 metric tons of aluminum ingots annually.

(2) Other Non-Ferrous Metals

The following FEC-058/10 estimates of import requirements have been accepted:

Refined Copper	40,000 M.T.
Nickel Ingots	2,000 M.T.
Tin Ingots	5,000 M.T.
Refined Lead	72,000 M.T.
Zinc Ore	21,000 M.T. of metal content (42,000 M.T. of 50% ore)

c. Non-Metallic Minerals Other Than Coal

As this is a small item no attempt has been made to re-examine the assumptions and it has been included in the miscellaneous group.

d. Cement

FEC-242/32 assumes the export of 900,000 metric tons of cement and this figure has been accepted in these calculations.

e. Pottery and Glass

This item is difficult to measure quantitatively and, therefore, although important, has been included in the miscellaneous group.

5. Textiles

The availability of exports depends on the level assumed for domestic consumption. FEC-058/10 assumes overall consumption of textiles at 10.25 lbs. per capita, the same as in 1930-34, but as pointed out above a subsequent study on the Japanese textile industry, 1928-36 (MI-077/3), indicates that this figure did not allow for exports of clothing and miscellaneous items unspecified as to content. After making this adjustment the figure is 8.49 lbs. per capita comprising 6.82 lbs. of cotton, .42 lbs. of rayon, .90 lbs. of wool and .35 lbs. of silk. The estimates given in the program for the Japanese woolen industry released by SCAP in August 1947 are apparently based on uncorrected figures of consumption, as it is stated that the assumed future consumption of 1.3 lbs. per capita compares with 1.4 lbs. per capita in 1930-34. The most reasonable assumption therefore seems to be that consumption of wool in "1950" will be slightly less than in 1930-34, say .85 lbs. per capita. It is probable that the same applies in the case of SCAP's rayon program of June 1947, but no comparable figures for 1930-34 are given. SCAP's estimate was for a future consumption of 2.7 lbs. per capita and it therefore appears that FEC-058/10 went too

far in its estimate of the increase in the consumption of rayon at the expense of cotton. The SCAP estimate has been reduced somewhat arbitrarily to 2.5 lbs. per capita to take account of the apparent disregard of clothing exports unspecified as to content. If it is assumed that overall per capita textile consumption is the same as in 1930-34 and silk consumption remains the same, cotton consumption would then be reduced to 4.8 lbs. per capita. The following table compares the figures used in FEC-058/10 with the revised figures used in this calculation.

	<u>FEC-058/10 Figures</u>		<u>Revised Figures</u>	
	<u>Actual</u> <u>30-34</u>	<u>Modified</u> <u>"1950"</u>	<u>Actual</u> <u>30-34</u>	<u>Modified</u> <u>"1950"</u>
Cotton	8.00	5.00	6.82	4.80
Rayon	.49	3.80	.42	2.50
Wool	1.26	.95	.90	.85
Silk	<u>.50</u>	<u>.50</u>	<u>.35</u>	<u>.35</u>
	10.25	10.25	8.49	8.50

As stated above in discussing the Strike Report the pre-war conversion factors of .87 and .55 have been used in calculating import requirements of raw cotton and raw wool respectively.

a. Cotton

FEC-058/10 assumes a cotton textile industry of 7,000,000 spindles producing 703,000 metric tons of yarn of which 523,000 metric tons will be exported. This level seems somewhat high in view of the fact that the 3-yr. textile industry rehabilitation plan approved by SCAP (SCAPIN 1512 of 7 February 1947) contemplates rebuilding the cotton textile industry to 4,000,000 spindles presumably by 1949. It therefore seems unreasonable to take a higher figure than, say 5,000,000 spindles, for the target year "1950". Assuming an output of 18.45 lbs. per spindle per month, the level adopted by the Textile Mission to Japan (MI-077), output would be approximately 500,000 metric tons of yarn and raw cotton import requirements would be 575,000 metric tons. Assuming population in the target year at 81.5 million, exports would amount to 323,000 metric tons. If the target year population were taken as 83.5 million, exports would be 318,000 metric tons. It

has been assumed that exports of yarn and fabrics will be in the ratio 1 : 4.

b. Rayon

Rayon production is assumed in FEC-058/10 at 150,000 metric tons which is the level contemplated in the rayon program released by SCAP in June 1947. The SCAP program points out that potential output in the rayon industry is limited by reparations removals and that this figure is a conservative estimate of the level which contemplated chemical production can support. In discussing the levels of the sulphuric acid and the soda ash, caustic soda and chlorine industries the Far Eastern Commission has been using the estimate of H. W. Rose (The Rayon Industry of Japan) that Japan has a potential productive capacity of 160,000 metric tons of rayon. This estimate is consistent with the statement in the SCAP program that capacity could be expanded somewhat above 150,000 metric tons by rehabilitation and modernization of facilities and it has, therefore, been used in these calculations. Deducting domestic consumption at the rate assumed above, exports will be 68,000 metric tons if the target year population is taken as 81.5 million and 65,000 metric tons if a population of 83.5 million is assumed. On the authority of H. W. Rose it has been assumed that Japan will be able to produce all the rayon pulp needed for the above production. This assumption is open to the objection, however, that Japanese pulp is of poor quality and that imported supplies are required to ensure satisfactory export quality.

c. Wool

Woolen yarn production is assumed in FEC-058/10 at 40,000 metric tons but the program for the Japanese woolen industry released by SCAP in August 1947 contemplates production of 59,000 metric tons. This suggests that the levels of production and raw wool imports assumed in FEC-058/10 should be increased by about 50%. Deducting domestic consumption at the rate assumed above, exports will be 29,000 metric tons if the target year population is taken as 81.5 million and 28,000 metric tons, if a population of 83.5 million is assumed.

d. Silk

In the case of silk potential exports depend more on market possibilities than on productive capacity. FEC-058/10 assumes the possibility of exports of 120,000 bales of raw silk and a further 120,000 bales in the form of silk tissues. In view of the disappointing level of sales in 1947 the estimate for raw silk seems too optimistic. The maximum exports of raw silk that can be expected are probably of the order of 50,000 bales. There is some possibility, however, that sales of silk tissues may exceed 120,000 bales. In July 1947 SCAP authorized the release of 10,000 bales of raw silk a month for manufacture into silk fabric for export. For the purpose of this calculation exports of silk fabric will be assumed at the equivalent of 150,000 bales.

6. Lumber and Paper Pulp

a. Lumber

In the absence of data regarding the possibility of meeting Japan's minimum needs from domestic production the estimate adopted in FEC-058/10 has been accepted here except that the price has been adjusted to the 1947 level.

b. Paper Pulp

There has been no adjustment in this item except in the price.

7. Other Materials

a. Rubber

As pointed out above FEC-058/12 estimates import requirement of rubber at 61,500 metric tons on the basis of 1930-34 consumption. This figure has been adopted in these calculations.

b. Industrial Fibers

As this is a small item it has been included in the miscellaneous group.

c. Hides and Leather

This group has also been included with miscellaneous.

d. Chemicals, Dyes, Drugs and Allied Materials

On the basis of the levels proposed for the caustic soda and soda ash industry, imports of industrial salt are estimated at

915,000 metric tons. Other items in this group have been included with miscellaneous.

8. Manufactured Goods

a. Machinery (including electrical equipment)

Exports in this group have been assumed at the 1936 level adjusted for an increase in prices.

b. Metal Manufactures

Exports in this group have also been assumed at the 1936 level adjusted for an increase in prices.

c. Clothing

This item has been included with textiles.

d. Other Manufactures

Assumed at 1936 level with adjustment for increase in prices.

9. Invisible Items

a. Tourists, Businessmen, Missionaries, Emigrants, Remittances, Etc.

The estimate contained in FEC-058/10 has been accepted.

b. Gold and Silver

Publication of figures of gold and silver production was suspended in 1937. Prior to that date production had been expanding rapidly for some years. If it is assumed that production in 1950 will be equal to that in 1936, namely, 714,900 ozs. of gold and 9,765,000 ozs. of silver, it will be worth approximately \$30 million.

c. Foreign Shipping

As pointed out above in criticizing the Strike Report, Japan values imports c.i.f. and exports f.o.b. and this item must therefore always be positive so long as this practice is followed. On the assumption that Japan will be able to charter sufficient ships in 1950 to build the fleet up to the level of 2 1/4 million g.r.t. contemplated in C2-297/1, net shipping receipts should be at least \$50 million.

APPENDIX "A"

Level of Industries listed in paragraphs 5 b and 9 bI - Industries whose capacity is to be limited during the occupation

		<u>Assured Capacity</u> (FEC-083/5)	<u>Interim Removals</u> <u>Program</u> (FEC-059 Series)	<u>Proposed Final</u> <u>Level</u> (SC-242/19, C2-297/3)	<u>U.S.</u> (FEC)
	<u>Unit</u>				
1.	<u>Iron and Steel</u>				
a.	Pig Iron	metric tons	800,000	2,000,000	2,000,000
b.	Steel Ingots	"	2,000,000	3,500,000	3,500,000
c.	Basic Shapes	"	n.p.	2,775,000	2,650,000
d.	Ferricalloys	"	n.p.	n.p.	39,000
2.	<u>Light Metals</u>				
a.	Alumina	"	nil	nil	22,000
b.	Primary Alumina	"	nil	nil	10,000
c.	Aluminum Rolled, drawn or extruded shapes	"	nil	15,000	25,000
d.	Magnesium	"	nil	nil	nil
3.	<u>Metalworking Machinery</u>	number	7,500	27,000	10,000
4.	<u>Shipbuilding</u>				
a.	New building	gross tons	n.p.	150,000	150,000
b.	Repair	"	n.p.	3,000,000	3,000,000
5.	<u>Oil</u>				
a.	Refining	barrels	n.p.	n.p.	4,500,000
b.	Storage	"	n.p.	n.p.	5,000,000
6.	<u>Synthetic Oil</u>	kiloliters	---	nil	nil
7.	<u>Synthetic Rubber</u>	metric tons	---	nil	nil

n.p. No provision

n.s. Not started

a Can be increased by rehabilitation

b Authors recommended that all present refineries should be
and have no value for reparationsc In units of 50,000 bbls. or more. Total reported to have
authors considered existing storage probably little greater

APPENDIX "A"

as listed in paragraphs 5 b and 9 b of FEC-084/21

is to be limited during the occupation (paragraph 9 b)

Oil Removals Program	Proposed Final Level (SC-242/19, C2-297/3)	U.S. Proposal (FEC-218) (FEC-218/2)	Pauley Report		Strike Report	
			Present Capacity	Level Proposed	Present Capacity	Level Proposed
000,000	2,000,000	2,000,000	6,128,000	500,000	3,600,000	3,600,000
500,000	3,500,000	3,500,000	11,694,000	2,250,000	6,400,000	6,400,000
775,000	2,650,000	2,650,000	7,722,000	1,500,000	5,465,000	5,465,000
n.p.	39,000	n.p.	n.s.	nil	n.s.	n.p.
nil	22,000	52,000	360,000	nil	157,000	n.s.
nil	10,000	25,000	152,000	nil	82,500	82,500
15,000	25,000	nil	n.s.	nil	100,000	50,000
nil	nil	nil	6,950	nil	680	200
27,000	10,000	10,000	60,000	10,000	36,970	36,970
150,000	150,000	150,000	1,250,000	100,000	801,100	400,000
,000,000	3,000,000	3,000,000	n.s.	n.s.	4,813,200	4,000,000
n.p.	4,500,000	12,000,000	n.s.	12,000,000	9,807,550	b
n.p.	5,000,000	10,000,000	n.s.	10,000,000	11,381,650 aboveground 7,293,000c	n.p.
nil	nil	nil	n.s.	nil	83,560	83,560
nil	nil	nil	n.s.	nil	900	nil

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Rehabilitation

that all present refineries should be scrapped as they are uneconomical
repairs

is. or more. Total reported to have been in excess of 32,150,000 bbls. but
existing storage probably little greater than 7,293,000 bbls.

II--Industries which are to be initially reduced but not

		<u>Assured Capacity</u> (FEC-083/5)	<u>Interim Removals</u> <u>Program</u> (FEC-059 Series)	<u>Proposed Final</u> <u>Level</u> (SC-242/19, C2-297/3)	<u>U.</u>
	<u>Unit</u>				
1. <u>Non-Ferrous Metals</u>	metric tons				
a. Nickel Smelting	"	n.p.	n.p.	nil	
b. Copper	"	n.p.	n.p.	80,000	
2. <u>Ball & Roller Bearing</u>	yen at 1943/44 prices	n.p.	32,500,000	32,500,000	32
3. <u>Chemicals</u>					
a. Industrial Explosives	metric tons	n.p.	n.p.	10,000	
b. Sulphuric Acid(62%)	"	3,000,000	3,500,000	3,500,000	3
c. Soda Ash	"	297,000	630,000	500,000	
d. Caustic Soda	"				
1. Electrolytic	"	30,800	82,500	82,500	
2. Soda Ash	"	49,200	n.s.	200,000	
e. Chlorine	"	28,000	75,000	75,000	
f. Nitric Acid (100%)	"	n.p.	n.p.	30,000	
g. Calcium Carbide	"	n.p.	n.p.	430,000	
4. <u>Railway Equipment</u>					
a. Locomotives	number	n.p.	n.p.	255	
b. Passenger Cars	"	n.p.	n.p.	870	
c. Freight Cars	"	n.p.	n.p.	3,200	
5. <u>Electric Power</u>					
a. Thermal	kilowatts	1,000,000	2,100,000	2,100,000	2,1
6. <u>Cement</u>	metric tons	---	---	4,500,000	
7. <u>Merchant Marine</u>	gross tons	---	---	(1,750,000- 1,800,000)	2,0
8. <u>Inventory of Machine Tools</u>	number	---	---	200,000	2

Notes: Industries for which no specific levels are included in any of the above programs except in cases of the inventory of machine tools and oil storage the figures refer to produce the stated amounts annually.

a. To be used also for fabricating aluminum

b. After allowing for the dismantling of one plant to provide spare parts for the

c. Effective capacity may be somewhat higher.

d. Including vessels under construction but excluding fishing, passenger and misc

e. Tonnage limitation. Limitation on size and speed would, however, reduce total

f. Excluding fishing, passenger and miscellaneous vessels.

initially reduced but not subsequently restricted

Removals (Series)	Proposed Final		Pauley Report		Strike Report	
	Level (SC-242/19, C2-297/3)	U.S. Proposal (FEC-218) (FEC-218/2)	Present Capacity	Level Proposed	Present Capacity	Level Proposed
	nil	nil	data incomplete	nil	nil	nil
	80,000	n.p.	{ smelting 85,000 fabricating 190,000	70,000 115,000 ^a	n.s.	n.p.
	32,500,000	32,500,000	300,000,000	nil	91,818,000	91,818,000
	10,000	n.p.	n.s.	{ minimum essential capacity	n.s.	n.p.
	3,500,000	3,500,000	4,900,000	3,400,000	4,755,750	4,755,750
	500,000	500,000	835,000	300,000	493,000 ^b	493,000
	82,500	82,500	239,000	44,000	128,800	128,800
	200,000	200,000	n.s.	106,000	219,000	219,000
	75,000	75,000	215,000	40,000	113,000	113,000
	30,000	30,000	252,500	12,500	137,240	30,000
	430,000	n.p.	348,000 ^c	348,000 ^c	n.s.	n.p.
	255	n.p.	1,070	220	n.s.	n.p.
	870	n.p.	2,000	800	n.s.	n.p.
	3,200	n.p.	12,000	4,800	n.s.	n.p.
	2,100,000	2,100,000	4,000,000	2,000,000	2,503,000	2,482,000
	4,500,000	---	6,225,000	{ no specific figure	n.s.	n.p.
	(1,750,000- 1,800,000 200,000	2,000,000	d 1,755,000	1,500,000 ^e	1,300,000 ^f	1,300,000 ^f
		250,000	800,000	175,000	{ 500,000- 600,000-	{ 230,000- 330,000-

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and in any of the above programs have been omitted. and oil storage the figures refer to the capacity required n.p. No provision n.s. Not stated

to provide spare parts for the rehabilitation of the remaining plants.

ing fishing, passenger and miscellaneous vessels. ed would, however, reduce total tonnage temporarily to 886,000 gross tons. vessels.

APPENDIX B

Net Import Requirements (000 metric tons)

	Actual		1950 est. FEC-058/10	1953 est. Strike	1950 est. Badger	
	30-34	1936				1937
<u>Food</u>						
Rice	1660	1984	1821	1600	10,000—12,000	2000
Wheat, Barley & Minor Grains	276	383	290	3005		3200
Soybeans & Other Beans	785	882	841	1100		1150
Sugar	730	919	929	440		455
<u>Fertilizers</u>						
Organic Fertilizers	1057	828	715	450		450
Phosphate Rock	656	1070	1199	1000 a		1000
Potassium Salts	69	151	251	160		160
Ammonium Sulphate, Etc.	313	504	321	—		—
<u>Fuel</u>						
Coal	1447	3191	3319	750	5350	1000
Petroleum	2878	4426	4700	1975	3600	2115
<u>Metals & Minerals</u>						
Iron Ore	1938	4023	4313	1540	3600	2667
Pig Iron	646	1095	1131	300	1900	600
Scrap Iron	742	1482	2420	—		—
Zinc	41	87	74	42		47
Lead	62	96	59	72		72
Copper	b	44	63	40		40
Tin	3	5	4	5		5
Ferro-Alloys & Ores	2	102	104	2 d		2 d
Aluminum, Bauxite, Etc.	9	43	137	10 e		53 f
<u>Textile Raw Materials</u>						
Raw Cotton	713	899	803	808		575
Wool	85	98	117	73		109
Rayon Pulp	45	172	295	180		—
Paper Pulp	95	160	204	c		c
<u>Other Materials</u>						
Lumber	c	c	c	2000		2000
Rubber	50	60	59	60	95	40
Salt	695	1400	1782	885		915
All Other	<u>5000g</u>	<u>6000g</u>	<u>6000g</u>	<u>300 g</u>		<u>1000 g</u>
TOTAL	19997	30104	31951	16797 a		19655

a These figures differ by 100,000 tons from those give in Table 13 of FEC-058/12.

b Net exports.

c Included with "All Other".

d Refined nickel only.

e Refined aluminum only.

f Comprising 41,000 metric tons of bauxite and 12,000 metric tons of refined aluminum.

g Approximate.

C2-242/34FEC-RESTRICTEDC2-242/3422 July 1948FAR EASTERN COMMISSIONLEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS
JAPANESE INDUSTRY
Report of Subcommittee No. 2Note by the Secretary General

The enclosure, a report concerning the period of operation of the industrial facilities, prepared by the Chairman of Subcommittee No. 2 of Committee No. 2 and the Secretariat, is circulated herewith for the consideration of COMMITTEE NO. 2: ECONOMIC AND FINANCIAL AFFAIRS.

NELSON T. JOHNSON
Secretary General

C2-242/34

FEC-RESTRICTEDE N C L O S U R ELEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS
JAPANESE INDUSTRY

Report by Subcommittee No. 2 to Committee No. 2
on the Inclusion in (a) C2-297/3 and (b)
FEC-242/32 Concerning the Period of
Operation of the Industrial
Facilities therein referred to.

1. The report which follows was written by the Chairman and the Secretary, on the authorization of the Subcommittee. This procedure was adopted in order to make it possible to report to the Committee without further delay. It should be noted therefore that the Subcommittee did not formally approve the report.

2. The Subcommittee first considered the amendment proposed by the Netherlands representative to paragraph 2(b) of C2-297/3, reading as follows:-

"When determining the capacity to be retained in Japan it should be taken into account that the normal procedure in shipbuilding in Japan will be working a two-shift working day."

The question was raised as to the length of the shifts referred to, since this would obviously have an important effect on the amount of capacity to be designated under a formula of this kind. After discussion it was generally agreed that the intent of the amendment would be better expressed as follows:

"The capacity to be retained in Japan should be computed on the basis of two eight-hour shifts each day."

3. The point was then raised that if the length of shift were specified, it would be necessary also to specify the number of days worked a week. To meet this point the following formula was devised:

"The capacity to be retained in Japan should be computed on the basis of two shifts working 40 hours a week."

4. This revised formula was criticized mainly on two grounds. In the first place, doubt was expressed as to whether it was realistic to apply a mechanical formula of this kind to an industry in which there are many variables and whose operations varies from season to season and from area to area. In the second place, it was pointed out that it was extremely difficult to say that operating shipyards for 80 hours a week (i.e. 2 shifts working 40 hours a week) was a more reasonable basis than operating them for 70 hours or 90 hours. In other words, this formula might be either too restrictive or not restrictive enough. It should be stressed in this connection that the subcommittee was merely considering the question of a formula for estimating an amount of industrial capacity and was in no way dealing with the entirely separate question of labor practices in Japan. Some members, however, expressed misgivings that a formula of this kind might be misconstrued as dealing with the question of working hours in Japan and was undesirable for that reason.

FEC-RESTRICTED

5. An alternative proposal submitted by the Chinese representative was next considered. This read as follows:

"The capacity to be retained in Japan should be computed on the basis of two-thirds of the past peak production in each shipyard, due adjustment being made for technological developments and labor conditions in the shipbuilding industry."

The chief objection raised to this formula was that it would result in a figure of existing shipbuilding capacity in Japan which would be unrealistically high.

6. A further suggestion put forward was that the formula contained in paras. 3 and 5 should be combined in the following way:

"The capacity to be retained in Japan should be computed on the basis of two shifts working 40 hours a week, due adjustment being made for technological developments and labor conditions in the shipbuilding industry."

This however was considered to be open to the same objections as the "40 hour shift" formula in its original form as given in paragraph 3.

7. At the final meeting of the subcommittee, which was not attended by the Netherlands and Chinese representatives, the general view was that all the suggestions referred to above were open to enough objection to prevent their general acceptance by the subcommittee, and that it was preferable to devise a formula of a general character which would stress the chief factors which should be taken into account in determining the industrial capacity to be retained in Japan. The general formula eventually devised was considered by the Subcommittee as being suitable for application both to C2-297/3 and to FEC-242/32, if the Committee should eventually decide that it is desirable to have any such clause either as a separate policy statement or included in FEC-242/32.

8. The Subcommittee therefore puts forward for the consideration of Committee No. 2 the following:

"In determining the industrial capacity to be retained in Japan in accordance with the provisions of FEC-242/32 and C2-297/3, due account should be taken of past records of production under normal operating conditions and of technological developments and labor practices."

FEC-242/35FEC-RESTRICTEDFEC-242/3510 September 1948FAR EASTERN COMMISSION

LEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
Statement by the U. S. Representative
(References: FEC-242/32, 242 series)

Note by the Secretary General

The enclosure, a statement submitted by the United States Representative at the 118th meeting of the Far Eastern Commission, 9 September 1948, is circulated herewith for the information of the Commission.

NELSON T. JOHNSON
Secretary General

FEC-242/35

FEC-RESTRICTEDE N C L O S U R ELEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
Statement by the U. S. Representative

"My Government has directed me to inform the Commission that it is deeply appreciative of the interest of the members of the Commission in an early statement of its views in regard to the paper on Level of Economic Life in Japan. My Government has been giving the most intensive consideration to this paper. It feels that the subject of the paper is a matter of basic importance to the successful accomplishment of the objectives of the occupation in Japan and that it requires the most thorough consideration in the light of developments since the introduction of the original U. S. paper. My Government is not yet prepared to present its position on this paper nor to submit its views on the related paper on Policy Toward Japanese Shipbuilding and Shipping or on the question of further removals under the Advance Transfer program, raised by several members of this Commission.

"In view of the interest, shared by all of the governments represented on the FEC in a settlement of these vital problems, the United States Government wishes to inform its colleagues on the Commission that it will endeavor to present its views on these matters as soon as possible. However, it may still be some time before it will be possible to submit its views."

FEC-084/23FEC-RESTRICTEDFEC-084/2323 September 1949FAR EASTERN COMMISSION

REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL
Soviet Motion to Extend Provisions of Par. 9 b of FEC-084/21
(References: FEC-084/21, FEC-242/38)

Note by the Secretary General

1. At the 165th meeting of the Far Eastern Commission, 22 September 1949, the Soviet Representative made the following motion:

"The Far Eastern Commission decides as a matter of policy that the provisions of paragraph 9 b of the FEC policy decision 'Reduction of Japanese Industrial War Potential' (FEC-084/21) regarding productive capacity maxima in war supporting industries are hereby extended until the adoption by the Far Eastern Commission of a decision on the level of economic life in Japan."

2. The Soviet motion is circulated for the consideration of the FAR EASTERN COMMISSION.

NELSON T. JOHNSON
Secretary General

FEC-084/23

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO :

FROM :

SUBJECT:

DATE:

J - FEC -
292
Series107th FEC Mtg

20 May 1948

pages 4-6

history of 242/32

Co -
4143

This, I think, should be
adequate as the paper
has never been considered
since then

See also, of course, U.S. + other statements
in 340 series

FEC-242
file

COMPARISON OF ACTUAL PRODUCTION IN JAPAN WITH
~~LEVELS~~ SET BY FEC POLICY ON
 ASSURED PRODUCTION CAPACITY LEVELS, 20 February 1947

<u>Industry</u>	<u>FEC Assured Production Levels</u>	<u>Actual Annual Production 1948</u>	<u>Rate of Actual Annual^{based} Produc- tion on last 6 Months of 1948</u>
Machine Tools	7,500 Units Annually	8,118	10,656
Arsenals, Army & Navy	None	None	None
Aircraft Industry	None	None	None
Steel Ingots	2,000,000 Metric tons annually	1,714,000	2,076,000
Pig iron	800,000 Metric tons annually	808,000	1,020,000
Light Metals	None	28,014	45,384
Thermal Electric	1,000,000	No figures available	---
Soda ash	207,000 Metric tons annually	75,150	85,800
Chlorine	28,000 Metric tons annually	6,265	7,520
Caustic soda	80,000 Metric tons annually	108,123	136,000
Sulphuric acid	3,000,000 Metric tons annually	1,949,738	2,048,000

Statistics taken from Bulletin No. 30
 February 1949, JAPANESE ECONOMIC
 STATISTICS, GHQ SCAP.

ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN

1. Interim assured production capacity levels are hereby established for each of the eight categories of Japanese industry listed below.

The Supreme Commander for the Allied Powers, upon consultation with the Allied Council for Japan in accordance with the Terms of Reference and the Allied Council for Japan, may designate for retention specific plants and establishments, associated with each category, whose aggregate production capacity does not exceed the level established for that category. Such designation should be interpreted to mean that:

a. The Supreme Commander for the Allied Powers, upon consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan, decides that operation of these plants and establishments, individually and collectively, is practical in terms of current needs for their products, and in terms of such conditioning factors as availability of raw materials, power, and labor;

b. Owners and management are assured that the particular facility will not be subject to removal under the Interim Program or subsequent disarmament or reparations programs.

2. Machine Tool Industry

The assured production capacity level for Japan's machine tool industry should be placed at a balanced type-size aggregate of 7,500 units annually.

3. Arsenals, Army and Navy

No assured production capacity level should be assigned to Army and Navy arsenals.

4. Aircraft Industry (including aircraft engines)

No assured production capacity level should be assigned to the aircraft industry.

5. Iron and Steel Industry

The assured production capacity level for Japan's iron and steel industry should be placed at an aggregate of 2.0 million metric tons of steel ingot, and an aggregate of 800,000 metric tons of pig iron annually.

6. Light Metals Industry

No assured production capacity for Japan's light metals industry should be given.

-2-

7. Thermal Electric Power Industry

The assured production capacity level for Japan's thermal electric power industry should be placed at an aggregate installed public utility capacity of 1.0 million kilowatts.

8. Soda Ash, Chlorine, and Caustic Soda Industry

The assured production capacity level for Japan's soda ash, chlorine, and caustic soda industry should be placed at 207,000 metric tons of soda ash, of which 72,000 are required to produce caustic soda, 28,000 metric tons of chlorine, and 80,000 metric tons of caustic soda annually.

9. Sulphuric Acid Industry

The assured production capacity level for the Japanese sulphuric acid industry should be placed at 3,000,000 metric tons annually.

(FEC Policy adopted 20 February 1947 - and never formally released to the press but figures referred to throughout in the Overseas Consultants' report on reparations ("the strike report").

7 January 1949

COMPARISON OF INDUSTRY LEVELS PERMITTED IN INTERIM REMOVALS
PROGRAM, PROPOSED POLICY FEC-242/32, and SOVIET AMENDMENTS

<u>Industry</u>	<u>242/32</u> <u>Annual Production</u>	<u>Soviet</u>	<u>Interim</u> <u>Annual Production</u>
Pig iron	2,000,000 MT	No limit	2,000,000 MT
Steel ingots	3,500,000 MT	" "	3,500,000 MT
Basic shapes	2,650,000 MT	" "	2,775,000 MT (steel rolling)
Ferro alloys	39,000 MT	" "	no policy
Nickel melting industry	nil	Peaceful needs Jap economy	no policy
Copper industry	80,000 MT	No limit	no policy
Alumina	22,000 MT	" "	nil
Primary aluminum	10,000 MT	" "	nil
Rolled & drawn aluminum	25,000 MT	" "	15,000 MT
Magnesium	nil	Peaceful needs Jap economy	nil
Machine tools	10,000 Units	no limit	27,000 units
Ball & roller bearing	22,500,000 ¥	no limit	32,500,000 ¥
Industrial explosives	10,000 MT	10,000 MT/year	no policy
Sulphuric acid	3,500,000 MT	no limit	3,500,000 MT
Soda ash	500,000 MT	no limit	6,300,000 MT
Casutic soda	285,500 MT (including from soda ash)	no limit	82,500 MT (electrolytic only)
Chlorine	75,000 MT	no limit	75,000 MT
Nitric acid	30,000 MT	" "	no policy
Calcium carbide	430,000 MT	" "	no policy
Thermal electric power	2,100,000 KWts	" "	2,100,000 KWts
Locomotives	255	" "	no policy
Freight cars	3,200	" "	" "
Passenger cars	870	" "	" "
Cement	4,500,000 MT	" "	" "
Synthetic oil	nil	Peaceful needs Jap economy	nil
Petroleum refining	4,500,000bbls	" "	no policy
Oil storage	5,000,000bbls	" " (no underground storage)	" "
Synthetic rubber	nil	Peaceful needs Jap economy	nil
Machine tool inventory	200,000 units	no limit	no policy
Shipbuilding	(not covered)	(not covered)	150,000 gross tons
Ship servicing	" "	" "	3,000,000 " "

FEC-242/36FEC-RESTRICTEDFEC-242/3629 November 1948FAR EASTERN COMMISSIONLEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRYFrench Statement

(References: 320 series; 242 series)

Note by the Secretary General

The enclosure, a statement regarding the general subject of the level of economic life in Japan (242 and 320 series) was presented by the French Representative at the 129th meeting of the Commission, 24 November 1948, and is circulated herewith for the consideration of the FAR EASTERN COMMISSION.

NELSON T. JOHNSON
Secretary General

FEC-242/36

FEC-RESTRICTEDE N C L O S U R ELEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
French Statement

"The Soviet Delegation has, in several instances, given to the Commission, together with pertinent comments and answers to questions put forward by various Delegations, the reasons for which the Government of USSR considers that:

'1) No limitations should be imposed upon the restoration and development of peaceful Japanese industry which seeks to satisfy the needs of the Japanese population, nor upon the development of export in accordance with the needs of Japan's peaceful economy.

'2) The revival and creation of Japanese war industry should be prohibited and there should be established, for a period of several years, a control over the fulfillment of this decision, to be exercised by the Powers most interested in preventing a new Japanese aggression.'

"It is the feeling of the French Delegation that the Soviet proposal is in line with measures which are capable of restoring a Japanese peaceful economy. From this angle, the Soviet proposal is in conformity with the Far Eastern Commission's stand on this subject. In fact, this proposal does not cast any light on the matter which had not already been afforded by the Commission by the adoption of the basic post-surrender policy for Japan, and the policy on reduction of Japanese industrial war potential.

"It will be recalled that the French Delegation has taken a very deep interest in the discussion of the levels of certain industries as they appear in document FEC-242/32. The French view on this last document is that it is a logical consequence of the principles governing the Commission's action in that field. It follows that a mere repetition of these principles appears to be quite unnecessary, for the reason that it does not bring any new help to the problem of the economic rehabilitation of Japan.

"As to the implication by the Soviet Delegation that a control over war industries in Japan should be established and exercised by the Powers most interested in preventing a new Japanese aggression, the French view is that a control of this nature can be envisaged by the Far Eastern Commission only within the terms of reference of that body. Consequently such a control cannot be defined by the FEC for any period of time which would follow the signature of a Peace Treaty with Japan. It is however the duty of the Commission, as it has already been found necessary, to provide for such a control during the occupation.

"For the reasons mentioned above, the French Delegation will have to vote against the Soviet proposal referred to in the present paper."

FEC-242/37

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FEC-RESTRICTEDFEC-242/3723 December 1948FAR EASTERN COMMISSION

LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY
Soviet Statement and Proposed Amendments
(References: FEC-242/32, 242 series)

Note by the Secretary General

1. The enclosures, a statement on FEC-242/32, Level of Economic Life in Japan: Policy Towards Japanese Industry, and amendments thereto, submitted by the Soviet Representative at the 134th Commission Meeting, 23 December 1948, are circulated herewith for the consideration of the FAR EASTERN COMMISSION.

2. Enclosure "A" contains the statement by the Soviet Representative and Enclosure "B" contains the proposed amendments.

NELSON T. JOHNSON
Secretary General

FEC-242/37

FEC-RESTRICTEDENCLOSURE "A"LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY
Soviet Statement

Attaching extreme importance to the question of determining levels of Japan's industrial development, the Soviet delegation considers it necessary to stress that the development of Japanese industry should be subordinated to the satisfaction of only peaceful needs of the Japanese people. The Soviet delegation also considers it necessary to point out that the development of Japan's peaceful industry to the level of 1930-1934 or to a higher level will contribute to the improvement of the physical well-being of Japan's population, will broaden her export possibilities, and will contribute to the strengthening of her economic independence.

Such development of Japan's peaceful economy will meet not only the interests of the Japanese people but also the interests of other countries, and, first of all, of Asiatic countries. One should also bear in mind that Japan will have to satisfy legitimate claims for reparations on the part of the states which suffered from Japanese aggression.

In connection with this the Soviet delegation draws the attention of the members of the Far Eastern Commission to the fact that according to the policy decision of the Far Eastern Commission FEC-084/21, the industrial facilities innumeraed in FEC-242/32 are classified as war-supporting industries, however, these industries at the same time play a major part in the satisfaction of peaceful needs of the Japanese economy and the Japanese people. Therefore the industrial capacities of these industries should strictly correspond to the satisfaction of peaceful /non-military/ needs of the Japanese economy and the Japanese people. These peaceful needs include, as is known, the satisfaction of vital needs of the population, production, payment for imports of raw materials needed for peaceful /non-military/ industry, foodstuffs and other goods for the population, as well as the needs for rehabilitation work. Meanwhile, the levels of industrial capacities suggested in the paper under discussion, FEC-242/32, limit the possibilities for the rehabilitation of Japan's peaceful economy and do not secure full satisfaction of the needs of the Japanese people, nor the payment for imports of raw materials, needed for peaceful /non-military/ Japanese industry, foodstuffs and other goods for the population.

The Soviet delegation also attaches utmost importance to the question of the fulfilment of the policy decisions adopted by the Far Eastern Commission on "Reduction of Japanese Industrial War Potential", FEC-084/21, and "Removal of Facilities from Japan for Reparations", FEC-059/3, since the timely and complete fulfilment of the above-mentioned decisions will contribute to the speediest development of Japan's peaceful economy.

Proceeding from the above-said the Soviet delegation proposes the following amendments* to FEC-242/32.

* See Enclosure "B".

FEC-RESTRICTEDENCLOSURE "B"LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY
Proposed Soviet Amendments To FEC-242/32

1. Paragraph 1 should be worded as follows:

"1. No limitations should be placed upon the production of pig iron, steel, copper, aluminum, machine tools, sulphuric and nitric acid, soda ash and caustic soda, chlorine, calcium carbide, ferroalloys, ball and roller bearings, railway equipment and rolling stock, automobiles of non-military type, electric power, cement and the inventory of metal working machinery so long as it will be intended for the satisfaction of only peaceful needs of the population, but not for the military purposes.

The following capacities are determined for the war supporting industries mentioned below:

Chemical Industry:Industrial Explosives

Definition: plants and establishments engaged in the production of industrial explosives.

Capacity to produce 10,000 metric tons annually.

The question of increasing the capacity for production of explosives should be decided by the Far Eastern Commission if it is proved that such an increase is called for by peaceful needs of Japan.

Japan should be permitted to produce explosives of such types and in such quantities as needed exclusively for the needs of peaceful /non-military/ industry and construction work".

2. Delete paragraph 2 as a whole.
3. Delete paragraph 3 as a whole and substitute for it the following, making it paragraph 2 accordingly:

"2. Japan should be permitted the production of nickel, magnesium, synthetic fuel, synthetic rubber, the oil refining industry, coal carbonization industry, and oil and gasoline storage with the limitation of the production of these products by the quantities necessary for the satisfaction of only peaceful /non-military/ needs of the Japanese economy. For peaceful /non-military/ needs Japan should have oil and gasoline storages. However, Japan should be prohibited to have underground oil and gasoline storages and all such oil and gasoline storages in existence should be destroyed and the construction of new ones prohibited".

4. Paragraph 4 should be left in the form stated in FEC-242/32 and made paragraph 3 accordingly.

5. Paragraph 5 of the paper should be made paragraph 4 accordingly and worded as follows:

FEC-RESTRICTED

"4. Those facilities, included in primary war facilities as defined in paragraph 2 a of FEC-084/21, which have been engaged in the production of military supplies essentially similar to civilian goods should be made available for reparations claims. The question of retaining these facilities for Japan's peaceful needs shall be determined by the Far Eastern Commission on the recommendation of the Supreme Commander."

6. Paragraph 6. Delete the sentences beginning with the words "Decisions as to availability of such facilities...." and to the end of the paragraph.

This paragraph should be made paragraph 5 accordingly.

7. Paragraphs 7 and 8 should be left in the wording of FEC-242/32 and made paragraphs 6 and 7 accordingly.

8. At the end of the paper add new paragraph 8 in the following wording:

"8. Attaching extreme importance to the question of complete fulfillment of the policy decisions FEC-084/21 "Reduction of Japanese Industrial War Potential" and FEC-059/3 "Removal of Facilities from Japan for Reparations", the Supreme Commander for the Allied Powers in Japan should be requested to submit to the Far Eastern Commission appropriate information on the progress of fulfillment of these decisions."

MI-228/1FEC-RESTRICTEDMI-228/123 March 1949FAR EASTERN COMMISSIONMEMORANDUM FOR INFORMATION NO. 228/1SUMMARY OF INFORMATION ON JAPANESE INDUSTRIAL PRODUCTIONNote by the Secretary General

1. The enclosure, a summary of recent information and statistics on Japanese industrial production, has been prepared by the Secretariat and is circulated herewith for the information of Committee No. 1: Reparations and Committee No. 2: Economic and Financial Affairs.

2. The enclosure includes information in the following categories:

Industrial Production Figures (p. 1 & 2)
Iron and Steel (p. 3)
Fuel and Power (p. 4)
Non-Ferrous Metals (p. 4)
Non-Metallic Materials (p. 5)
Chemicals (p. 5)
Machinery and Equipment (p. 7)
Shipbuilding (p. 7)
Textiles (p. 9)
Raw Material Imports (p. 11)

3. Statements and figures in the enclosure are drawn from newspaper reports and Japanese sources, as well as from information supplied by SCAP. All SCAP material is identified. Other sources are identified where practical.

NELSON T. JOHNSON
Secretary General

MI-228/1

FEC-RESTRICTEDE N C L O S U R ESUMMARY OF INFORMATION ON JAPANESE
INDUSTRIAL PRODUCTIONINDUSTRIAL PRODUCTION FIGURES

The following production data, received by cable from the Supreme Commander for the Allied Powers, bring up to date certain of the tables appearing in the monthly bulletin "Japanese Economic Statistics" in the MI-099 series.

1. <u>Index</u>		<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	Monthly Average 1948	<u>Jan 1949</u>
Index of Industrial Production (1930-34 = 100)							
Industrial Production		60.6	61.4	61.9	64.4	54.8	60.5
Mining		120.9	107.2	105.8	112.5	100.8	105.7
Manufacturing		54.1	54.3	55.2	57.0	47.7	53.6
Textile		25.8	25.2	26.2	25.7	23.0	20.7
Metal		76.4	83.2	86.5	92.0	67.6	91.2
Machinery		83.3	89.0	93.3	94.2	72.4	95.4
Cement		59.4	47.8	61.4	67.3	49.8	61.1
Chemical		85.6	80.5	76.8	80.1	71.8	85.3
Food, Beverage, Tobacco		80.7	66.6	55.2	62.9	54.8	55.6
2. <u>Production Figures</u>						Monthly Average 1948	<u>Jan 1949</u>
	<u>1930-34</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>		
Pig Iron (000 metric tons)	104	85	90	91	93	67	105
Crude Steel (000 metric tons)	227	165	176	192	209	142	197
Iron Ore (metric tons)	22,232	53,251	57,320	55,839	52,576	46,201	42,688
Coal (000 metric tons)	2,598	2,875	2,989	2,943	3,191	2,810	2,947
Crude Petroleum (kiloliters)	23,087	16,795	17,049	15,378	13,405	14,867	12,961
Copper, refined (metric tons)	6,046	4,770	4,895	4,908	5,493	4,528	5,836
Zinc, refined (metric tons)	2,192	1,962	2,031	1,842	1,756	1,765	1,807
Lead, refined (metric tons)	491	979	978	1,003	917	884	940
Aluminum (metric tons)	n. a.	1,216	1,371	1,371	1,359	818	1,269
Ammonium Sulphate (metric tons)	3,474	83,481	85,203	86,413	82,144	78,847	84,749
Calcium Cyanamide (metric tons)	16,617	17,504	25,432	21,279	17,628	17,080	16,635
Calcium Superphosphate (metric tons)	85,066	79,324	79,724	79,598	86,405	79,567	91,451
Caustic Soda (metric tons)	7,053	11,938	12,274	10,695	11,093	8,952	11,312
Cement (metric tons)	308	183	147	189	207	155	188
Raw Silk (bales)	59,840	13,989	13,247	13,393	14,136	11,248	n. a.
Cotton Yarn (000 lbs.)	96,497	21,898	22,985	23,896	22,310	22,899	21,560
Woolen & Worsted Yarn (000 lbs.)	7,812	2,048	2,274	2,483	2,374	2,026	2,338
Rayon Yarn (000 lbs.)	6,764	3,794	3,109	3,507	3,500	2,979	4,249
Rayon Staple (000 lbs.)	104	3,463	3,131	2,890	2,784	2,939	3,330

FEC-RESTRICTED2. Production Figures, cont'd.

	<u>1930-34</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Monthly Average 1948</u>	<u>Jan 1949</u>
Cotton Fabric (000 sq. yds.)	270,404	86,589	84,988	88,857	82,363	76,990	76,208
Woolen & Worsted Fabric (000 sq. yds.)	21,974	2,085	1,952	2,195	2,033	2,100	2,071
Filament Rayon (000 sq. yds.)	31,018	4,045	4,331	5,176	5,382	3,369	6,320
Spun Rayon (000 sq. yds.)	90	5,673	4,826	5,054	4,998	4,106	4,504
Railway Rolling Stock							
Locomotives (units)	9	1	nil	nil	nil	3	5
Cars (units)	201	773	802	677	447	417	301
Truck Chassis (units)	62	1,465	1,581	1,726	1,805	n. a.	1,882
Electric Energy Generation							
Hydro (million KWH)	1,216	2,638	2,586	2,507	2,589	2,440	2,558
Thermal (million KWH)	185	112	242	251	269	202	329

FEC-RESTRICTEDIRON AND STEEL3. Production

The Oriental Economist for 12 February 1949 reports that the 1949-50 production programs for pig iron and rolled steel aim at an increase of 80% and 50% respectively over the estimated 1948-49 output. Such gains are expected because top priority will be given to iron and steel, as well as to coal, in the 1949-50 industrial production program which plans to attain 70% of 1930-34 production. Coal allotment for iron and steel is scheduled at 5,800,000 MT as against 3,900,000 MT in 1948-49. 2,000,000 MT of imported coal is earmarked for iron and steel. The total supply of iron is expected to be 2,000,000 MT, of which blast furnaces will furnish 1,700,000 MT and imports 300,000 MT. Output of steel ingot is expected to be 2,500,000 MT. These targets will require more blast and open hearth furnaces and a further expansion of rolling mills. Eight blast furnaces are now in operation and nine more furnaces will be put into operation during the 1949-50 fiscal year.

The following monthly production averages by years, are from SCAP's ESS weekly operations report of 12 February 1949:

(In 000 Metric Tons)

	<u>1946</u>	<u>1947</u>	<u>1948</u>
Pig Iron:			
Blast Furnace	11,701	20,534	55,219
Electric Furnace	4,806	8,365	8,761
Others	26	676	3,355
TOTAL	16,533	29,575	67,335
Steel Ingots:			
Open Hearth Furnace	13,687	40,213	96,672
Electric Furnace	33,350	38,232	46,138
TOTAL	47,037	78,445	142,810
Rolled Steel Products	30,106	45,635	92,738

4. 24 Rollers Imported from U. S.

A Jiji dispatch of 5 February 1949 reports that 18 out of a total of 24 steel rollers contracted for import from the U. S. will arrive early in April. These rollers will be installed in the Yawata Plant of the Japan Iron and Steel Manufacturing Company.

5. Iron Industry Difficulties Outlined

Writing in the January issue of Sangyo Shimpo, the chief of the material section of the Iron and Steel Bureau of the Japanese Government reports that Japan's iron industry faces increased difficulties when a single exchange rate is established. Japan's sources of iron ore in Malaya, Hainan and Manchuria have been closed to her, and the cost of obtaining raw material imports have arisen accordingly. Indications are that dependents on imports for the industry's requirements will increase in the future. The industry is at present heavily subsidized by the Government, but this cannot continue indefinitely. The writer states there is no alternative but to completely rationalize management, cut production costs to a minimum and substantially improve technique. A Jiji dispatch of 10 March 1949 reports that the Economic Stabilization Board plans an investigation of the steel industry in an effort to improve its efficiency and reduce subsidies.

FEC-RESTRICTEDFUEL AND POWER6. Coal

Total coal production from April 1948 to January 1949 was reported at 28,188,800 MT by a Jiji dispatch of 5 February 1949. This represents 95.8% of the production goal. If the present rate is maintained the total output for the year ending 31 March 1949 will be slightly less than 35 million MT.

7. Goal for Electric Power Generation for Fiscal Year 1949-50

A Kyodo dispatch of 22 January 1949 calls hydro-electric power generation the key to the success of the Economic Stabilization Board's program for supply of key materials in 1949-50. The goal for generation of electricity is set at 32,400,000,000 k.w. hours. This includes hydro-electric power generation of 28,200,000,000 k.w. hours, based on the assumption of average water supply, and thermo-generation of power reaching 4,200,000,000 k.w. hours. Thermo-electric generators will be allocated 4,650,000 MT of coal, 50% more than in 1948. The supply of electric power for industrial use will reach 23,200,000,000 k.w. hours. This is roughly 5% more than 1948.

8. Construction of Hydro-electric Power Stations

The Government has launched a 5-year plan for the development of power resources up to 1,100,000 k.w. This includes the construction of 32 hydro-electric power stations throughout the country in the first year. In addition to the large stations, approximately 1,000 small water power stations of about 50,000 k.w. each will be constructed in farming areas over the next 5 years. 100 plants are planned for the first year, 300 for the second, 300 for the third, 200 for the fourth, and 100 for the fifth year. These small stations are intended to promote reclamation and development of farming areas.

NON-FERROUS METALS9. Zinc Stockpiles Exhausted

Text of article in Kogyo Shimbun for 17 January 1949:

The recent poor zinc output, which is no longer able to meet the demands from zinc and copper plate and die cast manufacturers, is drawing keen attention. The crisis is due to the aggravated power situation and to dwindling stockpiles.

With the annual demand for zinc estimated at 28,000 tons, the Commerce-Industry Ministry fixed an allotment plan for zinc by counting upon the domestic reserve supply. Recently, however, all the stocks have been exhausted. The allotment plan is deadlocked because even if the 1948 output program is achieved, only 14,000 tons of zinc will be produced.

In order to utilize every available supply, the Commerce-Industry Ministry authorities are promising that manufacturers who report undiscovered zinc stocks will be permitted to use that supply for manufacturing. However, a production boost is the only solution to this problem.

In order that zinc ore can be consumed most efficiently in the 1949 fiscal year, efforts will be made to supply adequate power and to increase output from the original plan of 15,000 tons to 24,000 tons.

FEC-RESTRICTEDNON-METALLIC MATERIALS10. Cement

The Oriental Economist for 5 February 1949 reports that the government's 5-year road construction program has increased domestic demand for cement considerably. Output goals for the government's 5-year cement plan are as follows:

1948-49	2,100,000 MT
1949-50	2,900,000
1950-51	3,540,000
1951-52	4,135,000
1952-53	4,750,000
1953-54	5,380,000

Current production capacity is estimated at 5,100,000 MT per year. The article assumes that companies will operate at 80% of capacity through 1951-52. Although limestone is abundantly available, the other prime material, coal, is in short supply. One MT of coal is needed for manufacturing 2 to 3 MT of cement. Under the coal distribution program of the Ministry of Commerce and Industry, 3% of the total coal output was allotted for cement. However, it has not been distributed on schedule and much of it has been inferior coal. The 5-year plan for cement production is on the assumption that the coal allotment for cement will be increased and also that total coal output will increase.

11. New Paper Making Material Discovered

A new raw material which will augment Japan's diminishing supply of paper making pulp wood and at the same time increase farm incomes, was announced in a SCAP press release of 29 January 1949. It has been found that Japanese sweet potato vines, when boiled in a caustic soda solution, produce a bast fibre suitable for the manufacture of writing and wrapping paper as well as a shiny straw from which cardboard and light-weight wall board can be made. It is estimated that, out of 6,650,000 MT of dried sweet potato vines produced in Japan annually, 720,000 MT can be obtained economically. From this can be processed 100,000 MT of pulp and 250,000 MT of straw. The straw is also suitable for basket weaving and the manufacture of straw hats and sandals.

CHEMICALS12. Production of Insecticides Increased

Excerpts from SCAP press release of 15 February 1949: Japanese production of insecticides is believed to be rapidly approaching self-sufficiency in many fields. Both calcium and lead arsenates have been stepped up in production to such an extent that no importation is planned for this year. Japan's production is expected to reach 3600 metric tons in 1949.

DDT production too, will triple 1948 production totals, which, plus anticipated imports, will more than meet this year's agricultural requirements.

Benzene hexachloride, a relatively new chemical to Japan, is also being introduced to aid in control of rice insects. It is easy to manufacture, and indigenous production is expected to rise from 50 metric tons in 1948 to 600 metric tons in 1949.

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Planned production of nicotine sulfate in 1949 is five metric tons, up from the 1948 rate of 2.7, a marked climb from almost inactive production at the end of hostilities. A total of 120 metric tons will still have to be imported from the United States to meet this year's requirements.

PENICILLIN PRODUCTION EXCEEDS GOAL

Excerpts from SCAP press release of 12 February 1949:

Year-end pharmaceutical supply reports show that indigenous penicillin production for 1948 reached a total of 297,028,910,000 oxford units, far exceeding target production goals established for the year.

Pharmaceutical Affairs officials in the Ministry of Welfare believe that all of Japan's penicillin needs can be met if the industry is able to sustain December's production of more than 50,000,000,000 oxford units. SCAP's import program has delivered corn steep liquor and lactose, preferential growth mediums for penicillin mold. Amyl and butyl acetate, acetone and activated charcoal, previously imported are no longer requested for import since these chemicals can now be supplied through indigenous sources.

13. Industrial Explosives Authorized

A SCAP directive of 5 January 1949 (SCAPIN 1955) authorized the manufacture of the following quantities of explosives for industrial purposes in 1949:

<u>Type of Explosive</u>	<u>Quantity Authorized</u>
Gelatin Dynamite and Hagi Dynamite	8,700 MT
Ammonia Dynamite and Ammonium Nitrate Explosives	9,100 MT
Carlit	2,500 MT
Reprocessed Military High Explosives	95 MT
Black Powder	510 MT
Smokeless Powder	10 MT
TOTAL	20,915 MT

A SCAP press release of 14 February 1949 states that 12,800 MT of explosives will be used in coal production, 3,800 MT for copper, lead and zinc production, 1,000 MT for non-metallic ore production and 4,000 MT for government public works programs.

14. Chemical Investigation Group

A SCAP press release of 17 January 1949 announced the arrival of a 3-man mission from the U. S. sponsored by the Army Department for a survey of the Japanese chemical industry. This group recently completed a 9-weeks survey of the German chemical industry and plans to stay in Japan more than 2 months on similar investigations.

15. Dyestuffs

1948 production of dye was 5,335 MT, nearly double 1947 production, (ESS report, 29 January 1949).

~~FEC-RESTRICTED~~MACHINERY AND EQUIPMENT16. Farm Machinery

According to Kogyo Shimbun for 29 January 1949, the Ministry of Commerce and Industry has decided to establish an Agricultural Machinery Production Promotion Council to aid production of agricultural machinery. Raw materials will be allocated to designated factories chosen on the basis of production results.

17. Coal Mine Machinery

A Jiji dispatch for 2 March 1949 reports that leading Japanese coal mining machinery manufacturers were gathering to present on 4 March requests to the Government and to SCAP for relief of their difficulties. Suspension of Government loans to coal mines has caused a financial crisis among manufacturers of coal mining machinery.

18. New Automatic Silk Reeler

An automatic reeling machine six times more efficient than any previously used in the raw silk industry will soon be turned out in mass production by the Mitsui Precision Machinery Company, according to a Kyodo dispatch of 27 February 1949. The new machine, which has been operating on trial since December 1946, is electrically run and reels 250 meters of thread a minute.

19. Bicycles

830,298 complete bicycles were produced in 1948, 2½ times 1947 production. (ESS report, 26 February 1949)

20. Watches and Clocks

574,759 watches and 1,831,542 clocks were produced during 1948, a gain of 75% and 47% respectively over 1947. (ESS report, 19 February 1949)

SHIPBUILDING21. Steel Quota for Shipbuilding

A Jiji dispatch of 11 February 1949 reports that the original goal of 230,000 tons for shipbuilding set by the Maritime Bureau will have to be cut to 85,000 tons because the quota of steel to be allocated to shipbuilding has been set by the Government at 145,000 MT. The same dispatch states that bidding for the Government's fifth shipbuilding program is expected to be held by the end of March.

22. Contracts Under Government's Fourth Shipbuilding Program

Excerpt from article in Oriental Economist for 8 January 1949:

The rising demand at home and abroad has greatly enlivened the shipbuilding industry. In the fourth shipbuilding program for domestic use since the war's end, contracts have recently been concluded for three B model, four C model, seven D model, and five F model ships. Contracting shipyards are as follows:

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	<u>B</u>	<u>C</u>	<u>D</u>	<u>F</u>
Mitsubishi Heavy Industries				
Kobe Shipyard	1		1	}
Yokohama Shipyard		1	1	
Hiroshima Shipyard		1	1	
Nagasaki Shipyard			1	
Shimonoseki Shipyard				
Hitachi Shipbuilding				
Innoshima Shipyard	1		1	}
Sakurajima Shipyard		1		
Mitsui Shipbuilding				
Tamano Shipyard		1	1	
Harima Shipbuilding	1			
Sanko Shipbuilding				1
Kawaminami Shipbuilding				1
Onomichi Shipbuilding				1
Osaka Shipbuilding			1	
Tokyo Shipbuilding	-	-	-	<u>1</u>
TOTAL	3	4	7	5

Out of the 19 ships contracted in the recent bidding, Mitsubishi got 8, Hitachi 3 and Mitsui 2. It is also noteworthy that all the contracts went to shipyards in the Kansai district, especially along the coast of the Inland Sea, with the only exception of Mitsubishi's Yokohama Shipyard, and that none of the Kanto Shipbuilders, such as Nippon Steel Tube, Ishikawajima Shipbuilding and Uraga Dock, has turned out a successful bidder, though Ishikawajima and Uraga got many contracts in the previous bidding. In the Kansai area, neither Kawasaki Heavy Industries nor Fujinagati Shipbuilding obtained any contract.

It is feared that because the prices of standard ships have been fixed at too low a level, shipbuilders will find it hardly possible to make both ends meet. It is highly beneficial for them, however, that one-third of the building expenses will be paid simultaneously with the conclusion of contracts. At any rate, apprehension prevails that extremely low ship prices will cause a marked degradation of shipbuilding technique. And it is hoped that the Ministry of Transportation will take adequate steps in this connection.

23. Contracts for Five Steel Ships

Shipbuilding contracts for \$8,000,000, to be paid in U. S. dollars, were announced in a SCAP press release of 23 February 1949. An 8,000 ton tanker will be built by the Kawasaki Heavy Industry Shipyard at Kobe for Norway. Two Danish companies have contracted with the Mitsui Shipyard at Tomano for one 17,000 ton tanker and 3 cargo ships of 5,170 tons each.

FEC-RESTRICTEDTEXTILES

Except where otherwise indicated, the information in this section is taken from the Textile Production Review of ESS, 18 February 1949

24. Cotton

A Kyodo-AP dispatch of 25 February 1949 quotes U. S. Department of Agriculture estimates that Japan's 1949 cotton requirements will be 800,000 bales, compared with 700,000 bales in 1948. A representative of the Department recently returned from Japan believes that the level of 4,000,000 spindles authorized by SCAP will not be reached until 1941, in spite of efforts by the Japanese Government to achieve it in 1949. He also does not believe the Japanese textile industry as a whole will approach pre-war levels in the foreseeable future.

By 1952, Japan is scheduled to have 5,850,000 spindles in operation, producing 990,000,000 lbs of cotton cloth. A Kyodo dispatch of 19 February 1949 reported 3,398,940 spindles in operation at the end of January. The cotton yarn production goal for 1949 is 346,500,000 lbs. Production in 1946 was 129,183,000 lbs; in 1947, 269,204,000 lbs; in 1948, 274,795,000 lbs.

In spite of limiting factors of seasonal electric power shortages and fluctuating export sales, production of cotton fabrics has increased over the three-year period as follows:

1946	241,700 sq. yds.
1947	663,109 " "
1948	923,877 " "

25. Silk

Raw silk reeling has averaged over 9,000 bales monthly for the past 3 years. Starting with a low of 2,975 bales in January 1946 and ending with a post-war high of 14,136 bales in December 1948. The limiting factor in the silk industry has been the cocoon supply. Silk production for the past three years was as follows:

	<u>Raw Silk</u>	<u>Silk Fabrics</u>
1946	89,420 bales	41,806 square yards
1947	111,545 "	51,131 " "
1948	134,977 "	119,947 " "

The 1949 goal for raw silk production is 156,000 bales.

26. Rayon and Staple Fibre

The greatest increase in textile production in 1948 over 1947 was in rayon filament yarn and staple fibre which jumped 99.4%. Scarcity of caustic soda, sulphuric acid and carbon disulphide have been the limiting factors in rayon production since the beginning of the occupation. Caustic soda, in turn, is dependent upon allocations of imported salt and of coal. Production over three years is as follows:

	<u>Staple Fibre</u>	<u>Rayon Filament Yarn</u>
1946	20,744 lbs.	9,050 lbs.
1947	19,250	16,352
1948	35,267	35,722

FEC-RESTRICTED

Peak producers in rayon yarn in 1948 were as follows:

Taikoku Rayon Company	8,031,338 lbs.
Asahi Chemical Industrial Co.	8,024,440 "
Toyo Rayon Company	7,621,508 "

Other producers in order of output were: Kurashiki Rayon Company, Toyo Spinning Company, Nippon Rayon Company, Nippon Celluloid Company, Nippon Nitrogenous Fertilizer Company.

A Jiji dispatch of 4 February 1949 reports the 1949 production goal for rayon at 79,822,000 lbs, and for staple fibre 47,500,000 lbs.

1948 output of rayon fabric increased over 1947 production, but production goals were not attained due to emphasis on improving the quality and patterns of the fabrics. Production of rayon fabric over these three years was as follows:

	<u>Filament Rayon</u>	<u>Spun Rayon Fabrics</u>
1946	42,156 sq. yds.	30,912 sq. yds.
1947	46,222 " "	32,040 " "
1948	40,424 " "	49,277 " "

27. Wool

The production of woolen yarn has remained fairly constant for the past three years, with an average monthly production of about 1,250,000 lbs. Worsted yarn production declined as the stocks of wool accumulated during the war were gradually exhausted.

Wool Yarn Production (000 lbs)

	<u>1946</u>	<u>1947</u>	<u>1948</u>
Woolen	21,210	20,083	19,947
Worsted	6,514	6,128	4,372

The 1949 production goal (Jiji, 4 February 1949) for woolen yarn is 21,664,000 lbs, and for worsted yarn, 10,741,000 lbs.

In 1946, 1947 and early 1948, wool weaving was restricted by limited supplies of yarn and restricted export markets. However, with private buyers arranging for production to order, production began to increase at the end of 1948, particularly in worsteds.

Wool Fabrics (000 sq. yds.)

	<u>1946</u>	<u>1947</u>	<u>1948</u>
Woolens	17,445	14,594	18,404
Worsteds	5,493	6,404	6,801

FEC-RESTRICTEDRAW MATERIAL IMPORTS28. Coal

Approximately 9,000 MT of coking coal from the U. S. was expected to arrive on 4 March. This is the first shipment of 400,000 MT of coking coal contracted for steel production in 1949. (ESS report, 29 January 1949). 36,000 MT of U. S. anthracite coal was scheduled to arrive by 15 March for use in the carbide and calcium cyanamide industry. Further shipments are due in May. (ESS report, 19 February 1949).

29. Bauxite

8,000 MT of bauxite arrived from Bintan, N.E.I., during February and was delivered to the Showa Dencho K.K. alumina plant at Yokohama. 300 tons will be transferred to the ceramics industry, and the rest used in aluminum production. This shipment completes the current contract with the N.E.I. (ESS report, 12 February 1949)

30. Salt

Anticipated imports of salt have failed to arrive, and it is feared that a serious shortage may develop during April and May. In early February, stocks were adequate for only two months, and chances were against any appreciable imports for 3 months. (ESS report, 19 February 1949)

COMPARISON OF JAPANESE INDUSTRY LEVELS PERMITTED IN INTERIM
REMOVALS PROGRAM, PROPOSED POLICY FEC-242/32, and SOVIET
AMENDMENTS TO FEC-242/32 (FEC-242/37)

Industry	FEC-242/32 (Annual Production)	Soviet Amendments (FEC-242/37)	Interim Removals (Annual Production)
Pig Iron	2,000,000 MT	No limit	2,000,000 MT
Steel Ingots	3,500,000 MT	" "	3,500,000 MT
Basic shapes	2,650,000 MT	" "	2,775,000 MT (steel rolling)
Ferro alloys	39,000 MT	" "	no policy
Nickel melting industry	nil	Peaceful needs Jap economy	no policy
Copper industry	80,000 MT	No limit	no policy
Alumina	22,000 MT	" "	nil
Primary aluminum	10,000 MT	" "	nil
Rolled & drawn aluminum	25,000 MT	" "	15,000 MT
Magnesium	nil	Peaceful needs Jap economy	nil
Machine tools	10,000 Units	No limit	27,000 Units
Ball & roller bearing	32,500,000 Y	No limit	32,500,000 Y
Industrial explosives	10,000 MT	10,000 MT/year	no policy
Sulphuric acid	3,500,000 MT	No limit	3,500,000 MT
Soda ash	500,000 MT	No limit	6,300,000
Caustic soda	285,500 MT (including from soda ash)	No limit	82,500 MT (electrolytic only)
Chlorine	75,000 MT	No limit	75,000 MT
Nitric acid	30,000 MT	" "	no policy
Calcium carbide	430,000 MT	" "	no policy
Thermal electric power	2,100,000 KWts	" "	2,100,000 KWts
Locomotives	255	" "	no policy
Freight cars	3,200	" "	no policy
Passenger cars	870	" "	" "
Cement	4,500,000 MT	" "	no policy
Synthetic oil	nil	Peaceful needs Jap economy	nil
Petroleum refining	4,500,000 bbls	" "	no policy
Oil storage	5,000,000 bbls	" "	no policy
		(no underground storage)	
Synthetic rubber	nil	Peaceful needs Jap economy	nil
Machine tool inventory	200,000 units	No limit	no policy
Shipbuilding	(not covered)	(not covered)	150,000 gr. tons
Ship servicing	" "	" "	3,000,000 gr. tons

COMPARISON OF JAPANESE INDUSTRY LEVELS PERMITTED IN INTERIM
REMOVALS PROGRAM, PROPOSED POLICY FEC-242/32, and SOVIET
AMENDMENTS TO FEC-242/32 (FEC-242/37)

Industry	FEC-242/32 (Annual Production)	Soviet Amendments (FEC-242/37)	Interim Removals (Annual Production)
Pig Iron	2,000,000 MT	No limit	2,000,000 MT
Steel Ingots	3,500,000 MT	" "	3,500,000 MT
Basic shapes	2,650,000 MT	" "	2,775,000 MT (steel rolling)
Ferro alloys	39,000 MT	" "	no policy
Nickel melting industry	nil	Peaceful needs Jap economy	no policy
Copper industry	80,000 MT	No limit	no policy
Alumina	22,000 MT	" "	nil
Primary aluminum	10,000 MT	" "	nil
Rolled & drawn aluminum	25,000 MT	" "	15,000 MT
Magnesium	nil	Peaceful needs Jap economy	nil
Machine tools	10,000 Units	No limit	27,000 Units
Ball & roller bearing	32,500,000 Y	No limit	32,500,000 Y
Industrial explosives	10,000 MT	10,000 MT/year	no policy
Sulphuric acid	3,500,000 MT	No limit	3,500,000 MT
Soda ash	500,000 MT	No limit	6,300,000
Caustic soda	285,500 MT (including from soda ash)	No limit	82,500 MT (electrolytic only)
Chlorine	75,000 MT	No limit	75,000 MT
Nitric acid	30,000 MT	" "	no policy
Calcium carbide	430,000 MT	" "	no policy
Thermal electric power	2,100,000 KWts	" "	2,100,000 KWts
Locomotives	255	" "	no policy
Freight cars	3,200	" "	no policy
Passenger cars	870	" "	" "
Cement	4,500,000 MT	" "	no policy
Synthetic oil	nil	Peaceful needs Jap economy	nil
Petroleum refining	4,500,000 bbls	" "	no policy
Oil storage	5,000,000 bbls	" " (no underground storage)	no policy
Synthetic rubber	nil	Peaceful needs Jap economy	nil
Machine tool inventory	200,000 units	No limit	no policy
Shipbuilding	(not covered)	(not covered)	150,000 gr. tons
Ship servicing	" "	" "	3,000,000 gr. tons

COMPARISON OF JAPANESE INDUSTRY LEVELS PERMITTED IN INTERIM
REMOVALS PROGRAM, PROPOSED POLICY FEC-242/32, and SOVIET
AMENDMENTS TO FEC-242/32 (FEC-242/37)

Industry	FEC-242/32 (Annual Production)	Soviet Amendments (FEC-242/37)	Interim Removals (Annual Production)
Pig Iron	2,000,000 MT	No limit	2,000,000 MT
Steel Ingots	3,500,000 MT	" "	3,500,000 MT
Basic shapes	2,650,000 MT	" "	2,775,000 MT (steel rolling)
Ferro alloys	39,000 MT	" "	no policy
Nickel melting industry	nil	Peaceful needs Jap economy	no policy
Copper industry	80,000 MT	No limit	no policy
Alumina	22,000 MT	" "	nil
Primary aluminum	10,000 MT	" "	nil
Rolled & drawn aluminum	25,000 MT	" "	15,000 MT
Magnesium	nil	Peaceful needs Jap economy	nil
Machine tools	10,000 Units	No limit	27,000 Units
Ball & roller bearing	32,500,000 Y	No limit	32,500,000 Y
Industrial explosives	10,000 MT	10,000 MT/year	no policy
Sulphuric acid	3,500,000 MT	No limit	3,500,000 MT
Soda ash	500,000 MT	No limit	6,300,000
Caustic soda	285,500 MT (including from soda ash)	No limit	82,500 MT (electrolytic only)
Chlorine	75,000 MT	No limit	75,000 MT
Nitric acid	30,000 MT	" "	no policy
Calcium carbide	430,000 MT	" "	no policy
Thermal electric power	2,100,000 KWts	" "	2,100,000 KWts
Locomotives	255	" "	no policy
Freight cars	3,200	" "	no policy
Passenger cars	870	" "	" "
Cement	4,500,000 MT	" "	no policy
Synthetic oil	nil	Peaceful needs Jap economy	nil
Petroleum refining	4,500,000 bbls	" "	no policy
Oil storage	5,000,000 bbls	" "	no policy
		(no underground storage)	
Synthetic rubber	nil	Peaceful needs Jap economy	nil
Machine tool inventory	200,000 units	No limit	no policy
Shipbuilding	(not covered)	(not covered)	150,000 gr. tons
Ship servicing	" "	" "	3,000,000 gr. tons

7 January 1949

COMPARISON OF INDUSTRY LEVELS PERMITTED IN INTERIM REMOVALS
PROGRAM, PROPOSED POLICY ESC-242/32, and SOVIET AGREEMENTS

<u>Industry</u>	<u>242/32</u> Annual Production	<u>Soviet</u>	<u>Interim</u> Annual Production
Pig iron	2,000,000 MT	No limit	2,000,000 MT
Steel ingots	3,500,000 MT	" "	3,500,000 MT
Basic shapes	2,650,000 MT	" "	2,775,000 MT (steel rolling)
Ferro alloys	39,000 MT	" "	no policy
Nickel melting industry	nil	Peaceful needs Jap economy	no policy
Copper industry	80,000 MT	No limit	no policy
Alumina	22,000 MT	" "	nil
Primary aluminum	10,000 MT	" "	nil
Rollled & drawn aluminum	25,000 MT	" "	15,000 MT
Magnesium	nil	Peaceful needs Jap economy	nil
Machine tools	10,000 units	no limit	27,000 units
Ball & roller bearing	32,500,000 %	no limit	32,500,000 %
Industrial explosives	10,000 MT	10,000 MT/%	no policy
Sulphuric acid	3,500,000 MT	no limit	3,500,000 MT
Soda ash	500,000 MT	no limit	6,300,000
Casultic soda	285,500 MT (including from soda ash)	no limit	82,500 MT (electrolytic only)
Chlorine	75,000 MT	no limit	75,000 MT
Nitric acid	30,000 MT	" "	no policy
Calcium carbide	430,000 MT	" "	no policy
Thermal electric power	2,100,000 KWts	" "	2,100,000 KWts
Locomotives	255	" "	no policy
Freight cars	3,200	" "	" "
Passenger cars	870	" "	" "
Cement	4,500,000 MT	" "	" "
Synthetic oil	nil	Peaceful needs Jap economy	nil
Petroleum refining	4,500,000bbls	" "	no policy
Oil storage	5,000,000bbls	" " (no underground storage)	" "
Synthetic rubber	nil	Peaceful needs Jap economy	nil
Machine tool inventory	200,000 units	no limit	no policy
Shipbuilding	(not covered)	(not covered)	150,000 gross tons
Ship servicing	" "	" "	3,000,000 " "

7 January 1949

COMPARISON OF INDUSTRY LEVELS PERMITTED IN INTERIM REMOVALS PROGRAM, PROPOSED POLICY EEC-2/2/32, and SOVIET AMENDMENTS

<u>Industry</u>	<u>2/2/32</u> Annual Production	<u>Soviet</u>	<u>Interim</u> Annual Production
- Pig iron	2,000,000 MT	No limit	2,000,000 MT
- Steel ingots	3,500,000 MT	" "	3,500,000 MT
- Basic shapes	2,650,000 MT	" "	2,775,000 MT (steel rolling)
Ferro alloys	39,000 MT	" "	no policy
Nickel melting industry	nil	Peaceful needs Jap economy	no policy
Copper industry	80,000 MT	No limit	no policy
Alumina	22,000 MT	" "	nil
- Primary aluminum	10,000 MT	" "	nil
Rolled & drawn aluminum	25,000 MT	" "	15,000 MT
Magnesium	nil	Peaceful needs Jap economy	nil
Machine tools	10,000 Units	no limit	27,000 units
Ball & roller bearing	32,500,000 #	no limit	32,500,000 #
Industrial explosives	10,000 MT	10,000 MT/#	no policy
Sulphuric acid	3,500,000 MT	no limit	3,500,000 MT
Soda ash	500,000 MT	no limit	6,300,000
Casutic soda	285,500 MT (including from soda ash)	no limit	82,500 MT (electrolytic only)
Chlorine	75,000 MT	no limit	75,000 MT
Nitric acid	30,000 MT	" "	no policy
Calcium carbide	430,000 MT	" "	no policy
Thermal electric power	2,100,000 KWts	" "	2,100,000 KWts
Locomotives	255	" "	no policy
Freight cars	3,200	" "	" "
Passenger cars	870	" "	" "
- Cement	4,500,000 MT	" "	" "
Synthetic oil	nil	Peaceful needs Jap economy	nil
- Petroleum refining	4,500,000 bbls	" "	no policy
Oil storage	5,000,000 bbls	" " (no underground storage)	" "
Synthetic rubber	nil	Peaceful needs Jap economy	nil
Machine tool inventory	200,000 units	no limit	no policy
Shipbuilding	(not covered)	(not covered)	150,000 gross tons
Ship servicing	" "	" "	3,000,000 " "

150,000 GT
3,000,000 LT
(C2-297/10)

*Read - 166th
FEC Policy - 27 Sep 47
by Gen Mac Coy*

RESTRICTED

MEMORANDUM FOR THE UNITED STATES MEMBER

Subject: Soviet Motion to Amend Paragraph 9 b of FEC 084/21
(Reduction of Japanese War Potential).

It is suggested that you may wish to make the following statement to supplement the statement made by you in the last meeting of the Commission on this subject.

Begin → "My Government has requested me to supplement the remarks which I made at the last meeting of the Commission in expressing the opposition of my Government to the Soviet motion to amend paragraph 9.b. of the FEC policy decision, 'Reduction of Japanese Industrial War Potential' (FEC-084/21).

"To remove any possible misunderstanding as to the reasons for this position, I wish to state that in the view of the U.S. Government the FEC policy decision on 'Reduction of Industrial War Potential' serves two purposes; first, to eliminate from Japan and prohibit the re-establishment in Japan of industrial facilities for war purposes; and, second, to determine what industrial capacity was to have been made available for reparations removal.

"As to the first purpose, the Supreme Commander for the Allied Powers has accomplished the demilitarization objective of FEC-084/21 by destroying specialized war-making industrial capacity and effectively prohibiting the operation of all primary war facilities as such.

"As to the second purpose, the position of the United States Government was clearly and fully stated in my statement of 12 May 1949 on the subject of Japanese industrial reparations. Whether or not other Commission members can accept fully that position, there should be no disagreement that normal development of Japanese industrial operations for peaceful purposes should not be hampered by being kept within a continuing strait jacket. This was the view of my Government throughout negotiation of FEC-084/21 and before approving its provisions on August 14, 1947, the U.S. Government had pressed for and had secured the acceptance by other FEC countries of a cut-off date - 1 October 1949 - after which restrictive levels

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on production for peaceful purposes in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries should lapse.

"It was argued then that while the Far Eastern Commission was obviously competent to deal with basic matters of occupation policy, it was not the proper body in which to deal with the question of long-range disarmament controls. That position seemed to have been accepted by the Commission when the cut-off date was included in this policy. My Government now hopes that this position can still be accepted by other FEC countries. For the reasons I have mentioned the U.S. Government will vote against the Soviet motion whose long-range effects and implications can seriously prejudice, both practically and psychologically, Japan's efforts to achieve economic self-support."

W. Walton Butterworth
Acting Assistant Secretary

RESTRICTED

FEC-242/38FEC-RESTRICTEDFEC-242/3816 September 1949FAR EASTERN COMMISSION

LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY
Soviet Statement and Proposal of 15 September 1949
(References: FEC-242/32, FEC-084/21)

Note by the Secretary General

The enclosure, a statement and proposal on the subject of level of economic life in Japan, was submitted by the Soviet representative at the 164th meeting of the Far Eastern Commission, 15 September 1949, and is circulated for the consideration of the FAR EASTERN COMMISSION.

NELSON T. JOHNSON
Secretary General

FEC-242/38

FEC-RESTRICTEDENCLOSURELEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY
Soviet Statement and Proposal of 15 September 1949

In compliance with paragraph 9 b of the Far Eastern Commission policy decision FEC-084/21 of August 14, 1947, Reduction of Japanese Industrial War Potential, the Far Eastern Commission should, prior to October 1, 1949, adopt a policy decision regarding the capacity levels in war-supporting industries referred to in the above mentioned policy decision. Such a policy decision must be put into effect on October 1, 1949, on which date the provisions of FEC-084/21 regarding the productive capacity maxima in war-supporting industries will lapse. As is known, the Soviet delegation submitted its proposals on the question of the determination of the levels of economic life in Japan as far back as December 23, 1948 (FEC-242/37). However, these proposals have not, until now, been discussed by the Far Eastern Commission.

In view of the above and also taking into account the fact that little time remains until October 1, 1949, the Soviet delegation believes that the Far Eastern Commission, should, without any further delay, discuss FEC-242/32, Level of Economic Life in Japan, and adopt a decision.

Considering that much time has already elapsed since the adoption of the policy decision FEC-084/21, Reduction of Japanese Industrial War Potential, and attaching extreme importance to the complete fulfillment of the above-mentioned policy decision, the Soviet delegation deems it necessary that the Supreme Commander for the Allied Powers in Japan submit to the Far Eastern Commission information regarding the progress of the fulfillment of this decision.

If, however, the Far Eastern Commission will not be able to adopt a decision on the question of the level of economic life in Japan before October 1, 1949, the Soviet delegation proposes that the application of paragraph 9 b of FEC-084/21 be extended until the adoption by the Far Eastern Commission of a decision on that question.

MEMORANDUM

16 September 1949

To: Colonel V. S. Umali, Philippine Delegation

Subject: 1949-50 Production Goals

On 15 June 1949 you requested figures on the 1949-50 production goals in those industries covered by the FEC Interim Removals Policies. I have now received these figures from SCAP and they are as follows:

<u>Item</u>	<u>Unit</u>	<u>Production</u>
Pig Iron	Metric Tons	1,900,000
Rolled Steel	Metric Tons	1,800,000
Steel Ingot	Metric Tons	2,900,000
Alumina	Metric Tons	57,500
Primary Aluminum	Metric Tons	25,000
Rolled and Drawn Aluminum	Metric Tons	27,180
Steel Ship	Gross Tons	461,500
Ships Servicing	Gross Tons	22,000,000 (Docking and Running)
Machine Tools	Metric Tons	9,300
Ball and Roller Bearings	Metric Tons	4,500
Sulphuric Acid	Metric Tons	2,303,000 (as 50° Be)
Soda Ash	Metric Tons	113,000
Caustic Soda, Total	Metric Tons	140,000
Chlorine, Liquid	Metric Tons	7,500
Thermal Electric Power	Million KWH	5,785
Synthetic Oil (Exclusive of coke oven by-products)		0
Synthetic Rubber		0

A. E. Rice
Economics Secretary

FEC-242/39FEC-RESTRICTEDFEC-242/3922 September 1949FAR EASTERN COMMISSION

LEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
U. S. Statement of 22 September 1949
(Reference: FEC-242/38)

Note by the Secretary General

The enclosure, a statement by the United States representative at the 165th meeting on 22 September 1949 in answer to the Soviet statement and proposal on the question of level of economic life in Japan presented at the 164th meeting of the Far Eastern Commission on 15 September 1949, is circulated for the information of the Far Eastern Commission.

NELSON T. JOHNSON
Secretary General

FEC-242/39

FEC-RESTRICTEDE N C L O S U R ELEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
U S. Statement of 22 September 1949

At the last meeting of the Commission my Soviet Colleague read a statement urging that, in view of the approach of the October 1, 1949, terminal date for the applicability of paragraph 9b of FEC-084/21, Reduction of Japanese Industrial War Potential, the FEC should take policy action prescribing new maximum permissible levels of capacity in the industries named in that paragraph or, failing such action before October 1, should extend the period during which paragraph 9b should continue to apply.

I am authorized to state that in the view of my Government the FEC should not take any policy action which would have the effect of imposing limitations upon Japanese peaceful industrial capacity, nor should it extend the date in question. In my statement of May 12 on the general subject of Japanese industrial reparations I gave notice that my Government continued to respect the legally binding effect of FEC policy with respect to reduction of Japanese industrial war potential, including the provision contained in paragraph 9b. The effect of paragraph 9b, however, will lapse on October 1. There is no need, in our view, to renew or extend it. On May 12 I further announced that, in accordance with FEC policy direction, all specialized war making industrial facilities in Japan had been destroyed by SCAP. So-called "primary war facilities" have been impounded and, wherever feasible, converted to peaceful production. "War supporting industries" are, up to the practical limits of raw materials, credit and other availabilities and effective domestic and foreign demand, entirely devoted to peaceful productive activity.

For the above reasons my Government perceives no advantage to the policy actions proposed by my Soviet Colleague and, on the contrary, considers them inimical to the objective of Japanese peaceful economic revival.

FEC-242/40FEC-RESTRICTEDFEC-242/4030 September 1949FAR EASTERN COMMISSION

LEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
Soviet Statement of 29 September 1949
(References: 242 series; 084 series)

Note by the Secretary General

The enclosure, a statement on the subject of level of economic life in Japan, presented by the Soviet representative at the 166th meeting of the Far Eastern Commission, 29 September 1949, as a reply to the United States statement of 22 September 1949 (FEC-242/39), and is circulated for the information of the Far Eastern Commission.

NELSON T. JOHNSON
Secretary General

FEC-242/40

FEC-RESTRICTEDE N C L O S U R ELEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
Soviet Statement of 29 September 1949

At the last meeting of the Far Eastern Commission the United States representative opposed the proposal of the Soviet delegation that the Far Eastern Commission should, without any further delay, consider and adopt a policy decision on the level of economic life in Japan. He opposed likewise the proposal of the Soviet delegation that the provisions of paragraph 9 b of FEC-084/21, which expire on October 1, 1949, be extended until the above-mentioned policy decision is adopted. The United States representative stated that these proposals of the Soviet delegation were, allegedly, "inimical to the objective of Japanese peaceful economic revival".

The Soviet delegation deems it necessary to state that in opposing the adoption of a policy decision on the level of economic life in Japan the United States Government is violating the provision of paragraph 9 b of the policy decision FEC-084/21 "Reduction of Japanese Industrial War Potential" which provides that the Far Eastern Commission should adopt a policy decision on this subject prior to October 1, 1949.

The Soviet delegation considers the United States government's assertion that the adoption of the Soviet proposals would be inimical to the objective of Japanese peaceful economic revival to be without any foundations whatsoever.

As is known, it was the proposals of the Soviet delegation on the level of economic life in Japan (FEC-242/37) which stressed the necessity of giving Japan the possibility of unlimited development of the peaceful branches of her industry.

The United States Government's opposition to the adoption of the policy decision on the level of economic life in Japan merely proves the unwillingness of the United States Government to carry out the policy decision FEC-084/21 "Reduction of Japanese Industrial War Potential".

The Soviet delegation continues to insist that the Far Eastern Commission, without any further delay, begin the consideration of the draft policy decision on the level of economic life in Japan as well as the consideration of the Soviet proposals set forth in FEC-242/37. Besides this, the Soviet delegation deems it necessary that the provisions of paragraph 9 b of FEC-084/21 be extended until the adoption by the Far Eastern Commission of a decision on the level of economic life in Japan.

Item 4
FEC Agenda

Statement by
Australian delegate
D.P. meeting 9/29/49
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Members will recall that when the policy on Reduction of Industrial war Potential was adopted it was expected that a decision on the permissible maxima for the seven war supporting industries listed in paragraph 9 (b) of FEC 084/21 would follow from a prior decision as to the capacity levels for these industries, the completion of industrial removals from these industries to be used as reparations, and the disposition of the remaining excess facilities as provided for under paragraph 6 of FEC 084/21. This decision has not been made despite the fact that the Commission has had before it for 18 months a proposed policy, FEC 242/32, which would have established such levels and made available surplus capacity as reparations. The Australian Government considers that the question of maxima for the seven specified industries should not go by default simply because the Commission has so far been unable to reach a decision on capacity levels. Until a decision is reached by the Commission on this question my Government considers that the application of paragraph 9 (b) should be extended.

I would also refer to a statement made by the Australian representative at the Steering Committee meeting on 29th July, 1947 when the question of a terminal date for the application of paragraph 9 (b) was being considered. At that time the Australian representative in supporting the United States amendment for a terminal date said "that his delegation understood from the tenor of the whole discussion on this subject that the United States desire for the termination date was motivated by a wish to ensure that, at the time of the peace conference the long term industrial levels for Japan could be discussed without prior commitments. For the same reasons, the Australian Government would support the United States amendment". At the time this policy was passed we all looked forward to an early peace conference. If, Mr. Chairman, we allow paragraph 9 (b) to lapse we ~~would~~ be making a prior commitment about a question which should properly be decided by the peace conference.

FEC-242/41FEC-RESTRICTEDFEC-242/4130 September 1949FAR EASTERN COMMISSION

LEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
U.S. Statement of 29 September 1949
(References: FEC-242/39, 242 series; 084 series)

Note by the Secretary General

The enclosure, a statement on the subject of the level of economic life in Japan was presented by the United States representative at the 166th meeting of the Far Eastern Commission, 29 September 1949 as a supplement to the statement of 22 September 1949 (FEC-242/39) and is circulated for the information of the Far Eastern Commission.

NELSON T. JOHNSON
Secretary General

FEC-242/41

FEC-RESTRICTEDE N C L O S U R ELEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
U.S. Statement of 29 September 1949

"My Government has requested me to supplement the remarks which I made at the last meeting of the Commission in expressing the opposition of my Government to the Soviet motion to amend paragraph 9b of the FEC policy decision, 'Reduction of Japanese Industrial War Potential' (FEC-084/21).

"To remove any possible misunderstanding as to the reasons for this position, I wish to state that in the view of the U.S. Government the FEC policy decision on 'Reduction of Industrial War Potential' serves two purposes: first, to eliminate from Japan and prohibit the re-establishment in Japan of industrial facilities for war purposes; and second, to determine what industrial capacity was to have been made available for reparations removal.

"As to the first purpose, the Supreme Commander for the Allied Powers has accomplished the demilitarization objective of FEC-084/21 by destroying specialized war-making industrial capacity and effectively prohibiting the operation of all primary war facilities as such.

"As to the second purpose, the position of the United States Government was clearly and fully stated in my statement of 12 May 1949 on the subject of Japanese industrial reparations. Whether or not other Commission members can accept fully that position, there should be no disagreement that normal development of Japanese industrial operations for peaceful purposes should not be hampered by being kept within a continuing strait jacket. This was the view of my Government throughout negotiation of FEC-084/21 and before approving its provisions on August 14, 1947, the U. S. Government had pressed for and had secured the acceptance by other FEC countries of a cut-off date - 1 October 1949 - after which restrictive levels on production for peaceful purposes in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries should lapse.

"It was argued then that while the FAR EASTERN COMMISSION was obviously competent to deal with basic matters of occupation policy, it was not the proper body in which to deal with the question of long-range disarmament controls. That position seemed to have been accepted by the Commission when the cut-off date was included in this policy. My Government now hopes that this position can still be accepted by other FEC countries. For the reasons I have mentioned the U.S. Government will vote against the Soviet motion whose long-range effects and implications can seriously prejudice, both practically and psychologically, Japan's efforts to achieve economic self-support."

FEC-242/42FEC-RESTRICTEDFEC-242/427 October 1949FAR EASTERN COMMISSION

LEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
Soviet Statement of 6 October 1949
(References: FEC-242 series; 084 series)

Note by the Secretary General

The enclosure, a statement on the subject of the level of economic life in Japan, presented by the Soviet representative at the 167th meeting of the Far Eastern Commission, 6 October 1949, is circulated for the consideration of the FAR EASTERN COMMISSION.

NELSON T. JOHNSON
Secretary General

FEC-242/42

FEC-RESTRICTEDE N C L O S U R ELEVEL OF ECONOMIC LIFE IN JAPAN:
POLICY TOWARDS JAPANESE INDUSTRY
Soviet Statement of 6 October 1949

At the last three meetings of the Far Eastern Commission the Soviet delegation insisted that the Far Eastern Commission proceed, without any further delay, with the discussion of the draft policy decision on the level of economic life in Japan (FEC-242/32) and the Soviet proposals on this document submitted by the Soviet delegation on December 23, 1948 (FEC-242/37).

As is known, the policy decision of the Far Eastern Commission FEC-084/21 "Reduction of Japanese Industrial War Potential" provides that the Far Eastern Commission should have adopted such a policy decision prior to October 1, 1949. Notwithstanding the fact that this date has already lapsed, there are nevertheless no reasons whatsoever to further delay the consideration of this question.

It is necessary to note that the proposal of the Soviet delegation that the Far Eastern Commission proceed, without any further delay, with the discussion of FEC-242/32 was opposed only by the United States representative who asserted, without any foundation whatsoever, that the adoption of such a decision would, allegedly, be "inimical to the objective of Japanese peaceful economic revival".

In order to be convinced of the groundlessness of such an assertion of the United States Government it is necessary to analyse the Soviet proposals on the level of economic life in Japan contained in FEC-242/37.

Indeed, in regard to paragraph 1 of this document the Soviet delegation proposes: "No limitations should be placed upon the production of pig iron, steel, copper, aluminum, machine tools, sulphuric and nitric acid, soda ash and caustic soda, chlorine, calcium carbide, ferroalloys, ball and roller bearings, railway equipment and rollingstock, automobiles of non-military type, electric power, cement and the inventory of metal working machinery so long as it will be intended for the satisfaction of only peaceful needs of the population, but not for the military purposes."

In regard to this paragraph the Soviet delegation proposes to place limitations only upon the production of industrial explosives which could be used for military purposes. Besides this the Soviet proposal provides that the question of increasing the capacity for production of explosives should be decided by the Far Eastern Commission if it is proved that such an increase is called for by the peaceful needs of Japan.

In the Soviet proposals regarding paragraph 3 of FEC-242/32 it is also proposed to permit the production of nickel, magnesium, synthetic fuel and other products with the limitation of the production of these products to the quantities necessary for the satisfaction of only peaceful (non military) needs of the Japanese economy.

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It is clear from the above examples that the Soviet proposals can not in the slightest degree be inimical to the development of the peaceful branches of Japanese industry.

Therefore the Soviet delegation once again insists that the Far Eastern Commission proceed, without any further delay, with the discussion of the draft policy decision on the level of economic life in Japan (FEC-242/32) and the Soviet proposals set forth in FEC-242/37.

June 6, 1950

MEMORANDUM FOR: Mr. K. F. Khalil, Pakistan Delegation

FROM: D. K. Eichler

SUBJECT: Discussion of Level of Economic Life: Policy towards
Shipbuilding and Shipping

1. The first paper in this series (C2-297) was prepared in February 1948 as an outgrowth of discussions in Committee No. 2 on the general subject of the level of economic life (242 series). The proposal was discussed and amended in the normal manner at the working committee level and was forwarded to the Steering Committee on 29 July 1948. In September 1948 consideration of substance was postponed in view of the United States statement at the Commission level (FEC-242/35) to the effect that its position on the over-all subject had not yet been formulated. On 2 November 1948 the Steering Committee forwarded the paper (FEC-297/10) to the Commission without recommendation so that it might be considered in conjunction with other papers on the level of economic life.

2. On 12 May 1949 the United States representative submitted FEC-340, a comprehensive statement on the subject of reparations and level of industry. Since that time there has been no discussion of the pending proposal on shipping and shipbuilding (FEC-297/10), and in fact no discussion of the over-all subject of level of economic life in Japan other than statements by the Soviet representative in October and December 1949 urging that FEC-242/32 and the pending Soviet amendments thereto (FEC-242/37) be discussed.

3. The positions of delegations on FEC-297/10 may be summarized as follows: Australia, India, Netherlands, New Zealand, Philippines, and United Kingdom approve the paper generally; Canada, China, France, USSR, and United States are reserved; Burma and Pakistan have not indicated their positions.

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PRESS STATEMENT BY THE CHAIRMAN OF THE
FAR EASTERN COMMISSION, 10 DECEMBER 1948

For Immediate Release

The Soviet Member of the Far Eastern Commission has issued a statement to the press concerning action taken by the Commission on a Soviet proposal regarding the level of economic life in Japan. It is not the custom of the Commission to publicize those measures which are proposed and considered, but fail of agreement among its members. It was my understanding that this custom would be followed in this case. The Soviet Member has nevertheless made public the fact that his proposal was rejected and has commented on the views of the opposing majority. Under these unusual circumstances, I feel it is my duty as Chairman, with the express authorization of a majority of the members, to clarify the situation to the public on the basis of Commission records which have been accepted by all members.

The Soviet proposal was that the Commission should adopt the following policy:

1. No limitations should be imposed upon the restoration and development of peaceful Japanese industry which seeks to satisfy the needs of the Japanese population, nor upon the development of exports in accordance with the needs of Japan's peaceful economy.
2. The revival and creation of Japanese war industry should be prohibited and there should be established, for a period of several years, a control over the fulfillment of this decision, to be exercised by the Powers most interested in preventing a new Japanese aggression.

After extended deliberations in which all members of the Commission participated, it developed that a majority opposed this proposal for the following reasons:

1. The first paragraph of the Soviet proposal was regarded by other members as vague or as unnecessary since no limitations on the development of Japanese peaceful industry had ever been adopted or even considered by the Commission. On the contrary, the effect of all established policies of the Commission has been to permit such development without hindrance.
2. The second paragraph of the Soviet proposal, as interpreted by its author to call for international control over war industries in Japan beyond the conclusion of a Japanese peace treaty, was regarded by other members as falling outside the jurisdiction of the Commission, which is not concerned with the post-treaty period.

While the press policy approved by the Far Eastern Commission in 1946 permits members of the Commission to make individual statements to the press, it has been the custom of members during the ensuing two and one-half years to refrain from exercising this privilege in the interests of continuing cooperation. In view of the public statement of the Soviet Member of the Commission in which comment was made on the views of other members, I consider it incumbent on me as Chairman to suggest that other members need not, in this instance, feel obliged to adhere to the custom of refraining from the issuance of individual statements. Members of the Commission should therefore feel at liberty to express their views publicly on this important matter which has been considered by the Commission.

FEC - 242-100

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