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currency, will enable them to be sold by the PX's at prices which are reasonably in line with similar commodities in the United States. Any difference between cost of production plus a reasonable profit to such producers, and the price at which the goods are sold to the Central Purchasing Office, should be paid by the Japanese Govt. as an occupation cost. As a supplementary measure, Japanese producers should be required to devote such portions of their production capacities to supplying the Central Purchasing Office as may be necessary to meet the reasonable requirements of the occupation forces, insofar as this can be accomplished without depriving the Japanese economy of goods essential to its minimum peaceful needs.

Part 4. The possibility of subsidizing services has been examined; however, based on available information here as well as information provided to date by SCAP it is believed that the 50 to 1 rate will enable occupation personnel and their dependents to procure adequate services at reasonable costs to meet their needs.

Part 5. Request you coordinate fully with other Allied military forces to whom new rate will be applicable.

Part 6. Rate for Korea is an interim rate subject to further study.

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MAR 7 1947

TOP SECRET
Classification approved by
March 6, 1947

TOP SECRET

No. 444

To the
United States Political Adviser to the
Supreme Commander for the Allied Powers,
Tokyo.

The Acting Secretary of State encloses for the information of the Political Adviser a copy of an approved SWNCC document entitled "Revision of Yen-Dollar Military Conversion Rate".

Enclosure:
SWNCC 343/1, copy no. 40.

894.5151/3-647

TOP SECRET FILE

MAR 6 1947 F.E.

TOP SECRET

A true copy of the signed original

894.5151/3-647

FE:HSTumas HST
3-6-47

FE

JA JKE

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

DC/R Files

RECEIVED
MAR 10, 1947
DEPARTMENT OF

894.515/3-1047

Secretary of State
State Capitol
Sacramento, California

DIVISION OF JAPANESE AFFAIRS
JUN 26 1947
DEPARTMENT OF

Dear Sir:

I have an account with the Yokohama Specie Bank, Ltd. in Japan and would like to know the possibilities of the deposits.

My deposit numbers are: 77046, 79515, 80117, 82314, 83017, and 83018.

I shall appreciate your prompt reply and thank you.

Sincerely yours,

(Mrs.) Itsu Mukuno
98-6th Street
Oakland, California

894.515/3-1047
FILED
CS/A
MAR 16 1947

RECEIVED
MAR 19 1947 PM
DEPARTMENT OF STATE

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DIVISION OF FINANCIAL AFFAIRS
APR 1 1947

Dist.

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MAR 27 1947

894.5151/3-1047

In reply refer to
JK 894.5151/3-1047

My dear Mrs. Itsu Mukumo:

Reference is made to your letter of March 10, 1947, to the Secretary of State, State Capital, Sacramento, California, which was referred to the Department of State for reply. You inquire regarding certain deposits which you hold in the Yokohama Specie Bank Limited, Japan.

Although you do not so indicate in your letter, you may be considering the possibility of converting these funds to dollars or other foreign currencies, and transferring them from Japan. If this is the case, I have to advise you that no foreign exchange transactions are permitted at the present time between the Japanese yen and the United States dollar or other foreign currencies. No official rate of exchange has been established for effecting such conversions, and even after a rate is established, an event not foreseen in the immediate future, it is altogether probable that comprehensive Japanese foreign exchange controls will be enforced severely restricting conversion operations for some time to come. You do not specify in your letter whether or not you are an American citizen. If this is the case, the Japanese Government has been made responsible for preserving and protecting your property pending its return to you.

If you desire further information on this matter, restrictions on communications with Japan have now been relaxed sufficiently to permit you to address an inquiry to the Yokohama Specie Bank in Japan for the purpose of obtaining such information, providing you do not authorize or request any transfer or other disposition of your deposits.

Sincerely yours,

For the Acting Secretary of State:

Edwin M. Martin, Chief
Division of Japanese and Korean
Economic Affairs.

Mrs. Itsu Mukumo,
98-6th Street,
Oakland, California.

JK:OJMcDiarmid:mw 3/24/47

894.5151/3-1047

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

787

CONFIDENTIAL

SIGNED & RECEIVED IN SWNCC

MEMORANDUM TO THE SECRETARY, SWNCC

Subject: Disposition of Certain French and Italian Yen Balances in Japan.

The attached paper represents the views of the Department of State on the question of the disposition of certain yen balances with the former Yokohama Specie Bank held for the account of the French and Italian Foreign Exchange Offices. It is recommended that this paper be circulated among the members of SWNCC for consideration.

J. H. Hilldring
State Department Member
State-War-Navy Coordinating Committee

JW:RBParke:mw 4/21/47

ESP FN NA WE SE A-H

894.5151/4-2147
CS/A

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787

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J. H. Hilldring
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J. H. Hilldring
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JK:RBParke:mw 4/21/47 ESP FN NA WE SE A-H

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DISPOSITION OF CERTAIN FRENCH AND ITALIAN YEN BALANCES IN JAPAN

THE PROBLEM

1. To determine whether certain French and Italian yen balances held with the former Yokohama Specie Bank, Tokyo, are entitled to the immunities and protection accorded diplomatic and governmental funds against bank reorganization procedures in Japan.

2. To authorize SCAP to release funds found to be entitled to immunity, for purposes of the French and Italian Governments in Japan.

FACTS BEARING ON THE PROBLEM

3. French Balances

a. The Banque de l'Indochine, Saigon Branch, is an agency of the French Foreign Exchange Office, and foreign balances are held for account of the French Government. Present balance of the special yen account of the Banque de l'Indochine, Saigon Branch, with the Yokohama Specie Bank, amounts to yen 1,315,275,809,(SCAP's cable Z-31547 of January 17, 1947 -- Appendix "A"). This balance is largely derived from wartime trade activities between Indo-China and Japan. Included in this balance is the sum of yen 28 million, resulting from remittances to French Indo-China from Japan which were not obviously related to wartime trade or military activities.

b. Under date of May 29, 1946 (WAR 89679 - Appendix "B"), SCAP was informed that "interested U.S. Government agencies concur in proposed dissolution Yokohama Specie Bank . . . . If convinced of necessity new bank and you approve plan, suggest Japanese Government guarantee that segregation

domestic

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domestic assets for new bank does not prejudice position foreign creditors in event foreign assets prove inadequate."

c. Cable WAR 90769, dated January 28, 1947 (Appendix "C"), informed SCAP of a French request to unblock 1 million yen from the account of the Banque de l'Indochine, Saigon Branch, with the Yokohama Specie Bank, Tokyo, to support French charitable institutions in Japan during the current year. This cable also informed SCAP that the State and Treasury Departments indicated their willingness to comply with the French request provided it would not require the unblocking of proceeds of wartime activities on the part of French Indo-China, and it would not seriously conflict with local SCAP controls and the liquidation procedure projected for the Yokohama Specie Bank.

d. Under date of February 6, 1947 (cable C-69823 -- Appendix "D"), SCAP recommended against the release of any funds from the account in question on the grounds that it would conflict with the reorganization procedure projected for the Yokohama Specie Bank, as the funds have been placed in a "second restricted account subject to the full impact of the reorganization plan", and that it would establish "an undesirable precedent for similar accounts of banks of other countries."

4. Italian Balances

a. In cable C-68776 dated January 4, 1947 (Appendix "E"), SCAP requested instructions and statement of policy on the question of releasing to the Italian Diplomatic representative in Tokyo for aid to Italian nationals in Japan, and for official purposes of the Italian Mission, certain Italian Government funds deposited with the Yokohama Specie Bank.

b. According

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b. According to the cable cited in paragraph 4 a above, Italian balances, totalling approximately 44 million yen, are contained in 4 yen accounts in the name of Istituto Nazionale per i Cambi con l'Estero (Italian Foreign Exchange Office - Istcambi), and 2 accounts in the name of Romolo Angelone, Commercial Counselor, Italian Embassy. Like the French balances, the Italian balances are derived to a great extent from, and were used to finance wartime trade activities between Italy and Japan. Of these, however, there is one account, the Istcambi Yen Account R, which was opened on December 28, 1940, with a transfer of 5 million dollars from New York; its present balance totals yen 8,600,000. The Italian Government has instructed its representatives in Tokyo not to draw upon this account. According to the Italian Embassy here, this account, originally a dollar account, was opened under a contract between the Yokohama Specie Bank and Istcambi, creating a revolving fund in the amount of 5 million dollars. It was converted into yen in June 1942 pursuant to measures of the Japanese Ministry of Finance prohibiting local banks from carrying dollar accounts. The Italian Government holds that the contract between the Yokohama Specie Bank and the Istcambi, is not invalidated by the action of the Japanese Ministry of Finance and hopes to reconstruct the account in its original amount of 5 million dollars; hence the Italian Government's reluctance to draw upon this account.

DISCUSSION

5. It is understood that on the basis of the cable cited in paragraph 3 b, above, the Japanese Government was required to guarantee

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guarantee the position of foreign crediters on the dissolution of the Yokohama Specie Bank. In the bank reorganization program being carried out in Japan in connection with the cancellation of war claims and the write-off of losses arising out of the war, bank balances are segregated into "first restricted accounts" and "second restricted accounts." The former consist of accounts which are guaranteed by the Japanese Government and are not subject to the write-down attending the Japanese bank reorganization program. As a matter of policy, official diplomatic and governmental funds were placed in "first restricted accounts." All other types of accounts, for the purposes of this paper, were placed in "second restricted accounts" and made subject to the full impact of the bank reorganization plan and the liquidation of the Yokohama Specie Bank.

6. Both the balances of the Banque de l'Indochine, Saigon Branch, and the balances of the Istcambi, were placed in "second restricted accounts" on the ground that these balances, largely accruing in wartime, represented the proceeds of wartime trade activity, and were not, therefore, legitimate property of the French and Italian Governments. In analysing these balances, however, it appears that no distinction was made between funds arising out of wartime trade activity as such, and transactions purely in the nature of bank transfers unrelated to trade.

7. SCAP's primary objection to the release of any of the French or Italian balances appears to be that such funds "are in a second restricted account . . . ." and that being in such an account, their transfer to a first restricted account" would seriously

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seriously conflict with (bank) reorganization procedures . . ." It is submitted, however, that the fact that funds are now contained in "second restricted accounts," should not be considered a justification for denying immunity and protection against Japanese bank reorganization procedures if such funds are otherwise entitled to such immunity and protection.

8. With respect to the French balances, it appears that a sum not exceeding 28 million yen could be transferred from a second restricted to a first restricted account without involving the release of proceeds of wartime trade activities, or seriously conflicting with the reorganization plan for the Yokohama Specie Bank, or establishing an undesirable precedent, for the following reasons:

a. The sum of 28 million yen represents the difference between total credits for remittances from Japan to Indo-China (75 million yen), and total debits for remittances to Japan from Indo-China (47 million yen), which, on the basis of SCAP's Z-31547, of January 17, 1947, cited in paragraph 3 a, above, and discussions with French representatives in Washington, are not strictly proceeds of wartime trade activities, but more nearly in the nature of capital transfers not directly related to wartime trade or Japanese military activities in French Indo-China;

b. The amount involved in any event is substantially less than the probable balance of the account in question after a write-down under the reorganization plan, even if it were as high as 90%, which does not seem likely; and

c. Since the Japanese Government is required to guarantee the position of foreign creditors on the dissolution of the Yokohama

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Yokohama Specie Bank, as noted in paragraph 5 above, government funds not derived from wartime trade activities, and therefore entitled to immunity and protection against the Japanese bank reorganization program, should be removed from "second restricted accounts" and placed in "first restricted accounts."

9. With respect to the balances of the Istcambi with the Yokohama Specie Bank, it would appear that the present balance of the Istcambi Yen Account R, amounting to 8,600,000 yen, as noted in paragraph 4 b, above, is clearly not the proceeds of wartime trade activity, but represents a capital transfer in the original amount of 5 million dollars from New York to Japan in 1940. This account, therefore, would appear to be entitled to the immunities and protection guaranteed diplomatic and governmental funds. Italian assets abroad are not in general blocked or otherwise treated differently than assets of the United Nations.

10. Another compelling reason from the point of view of the State Department for releasing to the French and Italian Governments the yen balances under discussion, is that it would place the State Department in a stronger position to negotiate with the French Government regarding certain earmarked gold, amounting to more than 37 million dollars, as the gold, unlike the yen in question, is clearly the proceeds of wartime trade activities, since such gold was earmarked for the account of the Banque de l'Indochine, Saigon Branch, against certain specified types of exports from Indo-China to Japan. On several occasions, French Embassy officials here have approached the State Department, and are pressing for the release of the French earmarked gold in Japan. Moreover, failure

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failure to preserve legitimate government funds against possible write-offs and thus engender their dissipation, will lay SCAP and this Government open to charges, particularly from the French, that the protection of United Nations' interests in Japan had been neglected.

CONCLUSIONS

11. It is concluded that:

a. The yen balances discussed in paragraphs 8 and 9, above, do not represent proceeds of wartime trade activities;

b. The fact that such funds are now in a "second restricted account" does not justify denying such funds the immunity and protection against the Japanese bank reorganization procedures to which they would otherwise be entitled;

c. In view of a and b, above, and the bearing which the release of the yen funds in question will have on the disposition of the French request for the release of the French earmarked gold, such funds should be released to the French and Italian Government representatives in Japan, subject to such controls as would normally apply to funds not subject to the bank reorganization procedures in effect in Japan.

RECOMMENDATIONS

12. It is recommended that:

a. SWNCC approve the conclusions in paragraph 11 above; and

b. After approval by SWNCC, the Joint Chiefs of Staff be requested to transmit to CINCFE the cables in Appendix "F" and Appendix "G" hereof.

JK:REParke:mw
4/18/47

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APPENDIX "A"

SCAP CABLE TO WAR DEPARTMENT ON FRENCH BALANCES

From: SCAP, Tokyo, Japan

To: War Department for WDSCA ES

Nr: Z 31547 17 January 1947

! . . . . . .

Part 3. Credits to special yen account Banque de L'Indochine, Saigon Branch in Yokohama specie bank period 22 April 1942 to 30 September 1945 totaled Y2,140,183,000 broken down as follows:

Military expenses Y1,407,610,000; rice imports Y497,311,000; other imports Y82,976,000; remittances to Indo China Y74,667,000; miscellaneous Y77,619,000.

Debits same period follows: Remittances China Y881,351,000; exports from Japan Y310,417,000; remittances from Indo China Y46,793,000; payments to French Embassy Tokyo Y10,765,000; miscellaneous Y43,943,000. . . . . present balance is Y1,315,275,809 . . . . . ."

End

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APPENDIX "B"

WAR DEPARTMENT CABLE TO CINCAFPAC ON DISSOLUTION YOKOHAMA SPECIE BANK

"Tele. No. WAR 89679

From: War Department Dated: May 29, 1946

To: Tokyo, Japan CINCAFPAC

Reurad May C 60512.

Interested US Government agencies concur in proposed dissolution Yokohama Specie Bank reurad C 60512 May and Jap Memo LO-427 April under which complete liquidation shall be made all foreign functions, public and private, as well as all domestic operations on government account.

If convinced of necessity new bank and approve plan, suggest Jap Government guarantee that segregation domestic assets for new bank does not prejudice position foreign creditors in event foreign assets prove inadequate. Suggest different name to disassociate it from old bank.

Request advice final action by you."

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APPENDIX "C"

WAR DEPARTMENT CABLE TO CINCFE ON FRENCH REQUEST RELEASE FUNDS

"FROM: WDSCA ES

TO: CINCFE, TOKYO, JAPAN

NR: WAR 90769 28 January 1947

Recurad December WAR 87591

. . . . . new French request to unblock 1,000,000 Yen from subj acct on basis 47 support French charitable institutions in Japan. State and Treasury will favor compliance French request if does not require unblocking proceeds wartime activities nor conflicts seriously in your opinion with controls and liquidation procedure . . . . . ."

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APPENDIX "D"

"From: GHQ SCAP Tokyo Japan

To: War Department for WDSCA ES

Nr: C-69823 6 February 1947

. . . . . Consider release of funds (Banque Indochine with YSB) would seriously conflict with reorganization procedures since funds are in a second restricted account subject to the full impact of the reorganization plan. In addition, release of funds would establish an undesirable precedent for similar accounts of banks of other countries . . . . . ."

End

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

APPENDIX "E"

SCAP CABLE TO WAR DEPARTMENT ON RELEASE ITALIAN FUNDS

"FROM: SCAP Tokyo, Japan

TO: War Department for WARCOS

NR: C 68776 4 January 1947

Subject is accounts of deposit in Yokohama Specie Bank in name of Instituto Nazionale per lst Cambi Con L Estero, (Istcambi) and Romolo Angelone, commercial counselor, former Royal Italian Embassy. This radio in foru parts.

Part 1. History of accounts follows:

A. Yen account R. Opened 28 December 1940 initial transfer 5 million United States dollars from Yokohama Specie Bank, New York. Expressed in yen but could be converted to dollars any time at contracted rate of 2315/32 cents. Transactions not subject to foreign exchange control law. Activity consisted of transfer of 2 million yen to Istcambi ordinary yen account and 2686730 yen to Instituto Frore Religoone. No activity since 15 February 1944. Present balance 8,618,156.76 yen. Italian Government has instructed its representative here not to use R account at this time.

B. Ordinary yen account, opened August 1940. Utilized for expenses of Italian Legations and Consulates Far East. Remittances were subject to authorisation Japanese Government. Source of funds was transfers from yen account R, dollar account and special yen account. Present balance 29096.70 yen.

C. Special yen account A, opened 3rd September 1942 under financial agreement 31st July 1942 between Yokohama Specie Bank and Istcambi for clearing between Japan and Italy. Yokohama Specie Bank acquired necessary funds in Lira in Italy by crediting counter value of yen in Tokyo. Istcambi acquired funds in yen by debiting special yen account. Total net credits to 28th April 1945, 77,809,777.81 yen. Yen outpayments included 38,996,429.73 ending August 1943 to special yen accounts; Romolo Angelone, Commercial Counselor, Royal Italian Embassy, details below; transfer to ordinary yen account 5,828,359.30; Mitsubishi Shoji, Italy, 1,351,396.64; Nissri Bussan, Italy, 11,173.18; Okuma Sangyo, Italy, 88,268.16; Mitsubishi heavy industries 280,810; Pinnila, Charge d'Affaires, Nanking, 3,146,459.50; Brigidi, Consul Tientsin, 2,109,000; smaller amounts, all under 200,000 to Embassies, Legations and Consulates, Bangkok, Hsinging, Shanghai plus small miscellaneous transfers. No acitivity since 20th April 1945. Present balance 24,610,051.74 yen.

D. Special yen account B. On 15th February 1944, due to change in lira exchange rate, special yen account was separated into two accounts and special yen account B was opened by transfer from special yen account A, Yokohama Specie Bank then could raise lira

by

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by crediting counter value of yen to B account, Istcambi to acquire yen by debiting A account as long as balance remained before they might withdraw from B account. No withdrawals made from B account. Present balance 10,098,953.03 yen.

. . . . . .
E. Dollar account "Special Dollar Deposit at notice . . . . . .
. . . . ." (Not pertinent).

F. Romolo Angelone, Commercial Counselor, special yen account. Established by transfer from special yen account from 4th December 1942 to 11th August 1943 total 38,996,429.73 yen. Withdrawals included: Japan Tea Exporters Association, December 1942, 1,058,000.00 yen: Mitsubishi Shoji Kaisha for tin from Malaya from December 1942 to August 1943, 35,158,774.13 yen; Takeda Chobei Company for Quinine, March 1943, 1,470,600.00. No transactions after January 1945. Present balance 1,307,055.60 yen.

G. Angelone free yen account. One credit your 4,358,26 yen, disbursements 24,151.81 yen. Present balance 20,206.45.

Part 2. Italian Diplomatic Representative Tokyo requesting release from Istcambi accounts for aid Italian Nationals. Further requests expected for official purposes mission. No authority at present for funding. Yokohama Specie Bank cannot make loans as use of funds as security doubtful due to bank reorganisation. Another possibility exists by using approximately 700,000 yen individual Italian Nationals deposit in Yokohama Specie Bank, most of which is available, being in first restricted deposits. This could be used to meet partial needs if Italians can guarantee repayment to depositors.

Part 3. Accounts not considered primarily governmental or diplomatic in nature but were trading accounts in large measure, hence immunity not given. As result, bulk of funds segregated in number two restricted account from which no releases permitted at present in view of general bank reorganization program now in process. Funds thus will bear share of loss through reorganisation similar to all second restricted accounts . . . . . Accordingly recommend funds not be released.

Part 4. Request instructions and policy on disposition all points raised here. Accounts have been in custody Swedish Mission Tokyo. Transfer to newly arrived Italian Diplomatic Representative being arranged here. All controls of Supreme Commander for the Allied Powers remain in effect pending instructions."

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APPENDIX "I"

DRAFT CABLE TO CINCFE RE FRENCH YEN BALANCES

"CINCFE

TOKYO

Reurads C-69823 and Z-31547 and curad W-90769.

1. Release from acct Banque Indochine with YSB up to 28 million yen, representing difference between remittances to Indochina and remittances to Japan (Part 3 urad Z-31547), considered desirable. Understanding here is (recourtel W-89679, May 1946) Jap Govt required guarantee position foreign creditors on dissolution YSB. Since amount cited herein considered legitimate claim Banque Indochine, would appear undesirable deny French use such funds. Transfer 28 million from second restricted to first restricted acct may be advisable for purpose. Withdrawals from this amt by French subject to reasonable needs for specified periods and purposes and otherwise subject your controls.

2. Amt involved not regarded here as strictly proceeds wartime activities and release advisable on political grounds. Where accts banks other countries involved, precedent established only with respect to official funds other than proceeds wartime activities.

3. Do not (repeat not) consider release would seriously conflict reorganization procedure as amt involved appears substantially less than balance of acct after possible write-off.

4. Request advice final action by you.

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APPENDIX "G"

DRAFT CABLE TO CINCFE RE ITALIAN BALANCES

"CINCFE

TOKYO

Reurad C-68776, Jan. '47, C-50662, March '47: recurad W-92783, Feb. '47. Italian diplomatic and governmental accts in YSB subject. This radio in two parts.

Part 1. a. Reurad C-68776, Part 1 a & b. On basis info reurad and discussions Italian representatives here would appear balance yen acct R not (repeat not) proceeds war trade activity. State perceives no reason for denying balance this acct immunity granted official accts referred Part 1 reurad C-50662. Fact funds now in no. 2 restricted category not (repeat not) considered justification deny immunity if otherwise entitled thereto.

b. Concur your recommendation other funds Isteambi and Angelone accts not be released in view origin such funds cited reurad C-68776.

c. Consider inadvisable to extend funding facilities to Italians for official purposes Japan.

d. Interpose no objection to funds individual Italian nationals cited Part 2 reurad C-68776 be made available to Italian Mission for official purposes if depositors willing to look Italian Govt for repayment.

Part 2. a. Concur your granting immunity and transferring to no. 1 restricted or free accts govt and diplomatic funds of unquestionable origin, but consider such treatment applicable all official accts not definitely related war trade or similar activities.

b. Approve full compliance accepted liquidation procedures but consider essential liquidation and bank reorganization operations not prejudice funds otherwise entitled protection in accordance with established policy."

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DEPARTMENT OF STATE RECEIVED JUN 22 1949 DIVISION OF

Blocked yen acct

Sharkey OFD FA/Prog JK File

OFFICE OF THE SECRETARY

TREASURY DEPARTMENT

WASHINGTON

MAY 28 1946 To JK for attention File

DEPARTMENT OF STATE

MAY 21 1946

My dear Mr. Clayton:

Reference is made to the memorandum of the Department of State to the Secretary of the Treasury dated April 5, enclosing a copy of a note from the French Embassy relative to the yen account of the French Government with the Tokyo Branch of the Bank of Indo-China. The note requests that "in view of the inability of the French Government to send funds to Japan" the Department of State "intervene with the competent Federal authorities" in order to obtain the release of 250,000 yen per month.

This Department is prepared to authorize, in so far as the Trading with the enemy Act is concerned, the remittance of any funds which the French Government may desire to send to Tokyo for the functioning of the office of the Consulate General of France in Yokohama. It would appear that the recently established remittance facilities, under which dollars are paid to the War Department for deposit to the SCAP account with the Secretary of the Treasury and outpayment in yen at the military rate of conversion is made by the Bank of Japan, could be utilized for this purpose.

The apparent inability of the French Government to draw upon its funds on deposit in Japan is not caused by reason of the impact of any regulations administered by the Treasury Department, but would appear to result from the fact that pursuant to SCAP directives to the Japanese Government, the Tokyo Branch of the Bank of Indo-China has been closed. In addition property in Japan belonging to persons outside of Japan was ordered blocked. It is understood that a radio has been dispatched to SCAP requesting information on the size of the French Government accounts in the Tokyo Branch of the Bank of Indo-China and on the status of the bank.

Should the reply to this radio indicate that the Bank of Indo-China is solvent, and should the French Government not desire to remit new funds to Japan for the operations of the Consulate General, it is suggested that SCAP be authorized to effect the release of the requested sums. This Department perceives no objection to permitting

894.51/5-2146

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

DIVISION OF FINANCIAL AND DEVELOPMENT POLICY DEPARTMENT OF STATE MAY 28 1946

DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS DEPARTMENT OF STATE MAY 29 1946

Suggested action has already been taken. No reason for this to have 7377 to FN Zone T. (65)

ASSISTANT SECRETARY W. L. CLAYTON MAY 24 1946

A-C DEPARTMENT OF STATE

894.51/5-2146

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

the French Government to utilize its pre-surrender yen balances in Japan for the defrayal of its expenses in Japan.

Very truly yours,

Joseph J. O'Connell Jr

Acting Secretary of the Treasury

Honorable William L. Clayton
Assistant Secretary of State
Washington 25, D. C.

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

D-427 DC/E FN 95

EMBASSY OF THE
UNITED STATES OF AMERICA

UNCLASSIFIED

Paris, June 6, 1947.

Reply drafted (FN) 11/13/47

rewrite SK OJM 7/30/47

DIVISION OF FINANCIAL AFFAIRS
Reply drafted FN: Strang:mgt
JUN 27 1947 7:28-47
file
DEPARTMENT OF STATE

No. 8899.

Subject: Transmitting Letter from General Georges Bagulesco to the Secretary of State.

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The Embassy has the honor to transmit for appropriate action a self-explanatory letter dated May 18, 1947, from General Georges Bagulesco to the Secretary of State.

The receipt of the letter has been acknowledged and the General has been informed that the Embassy is unable to forward the two volumes of LA NOUVELLE RELIGION.

Enclosure:
Letter addressed to the Secretary of State.

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

PARIS 18th May 1947.

Mr. Minister,

When the war broke out between Japan and the United States of America and England, I was Rumanian Minister in Tokyo.

At the beginning of 1942, I exposed in a public conference the theory against aggressiveness and published during the same year LA NOUVELLE RELIGION which preached harmony, creation, and condemned aggressiveness, and as a consequence I was the object of two attacks on my life (I add "La nouvelle Religion, 2 vols).

I was interned by the Japanese at Peking for three years and was only released at the liberation.

The money I had in Tokyo (47,500 Swiss francs) was confiscated also "more nipponico", that is to say that I was given by the Yokohama Specie Bank" of Tokyo, a letter of credit in Yens (1 Sw. fr.= 0.98 yen) on 27th October 1943, but as soon as I was away from the Diplomatic Corps in Tokyo (which could have protested against this injustice) the Japanese refused to pay me my money. The letter of credit is now in Tokyo in the former Swedish Legation which represented Rumanian interests in Japan, and for which I wrote to the American Authorities in Japan.

But in case this letter of credit cannot be found, there ought to be a copy of same in the "Yokohama specie Bank" which issued it on 27th October 1943 or around that date.

Because I had raised my voice against the aggressors, because I had published"LA NOUVELLE RELIGION" in 1942 in Tokyo, therefore, in the very heart of the aggressiveness, I left my career, my money was confiscated in Japan; and the Rumanian Government at that time, by orders of the Germans, stopped my rights immediately and confiscated all my property.

The U.S.Authorities who found me in Peking, knowing my sufferings and my activities, helped me to leave the

...

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

Far East and put seats in the plane and places in the steamer at my disposal.

On arriving in New York I was interviewed by the Press regarding Communism; I expressed my opinion and my beliefs very freely. The interview appeared in the New York Times of Saturday 3rd August 1946 under the title "Rumania described as Anti-Communist". Owing to this fact, which was much commented on, and to others similar, I was and still am unable to go back to my country and am at present in Paris.

I am addressing the U.S.Authorities begging them to compel the "Yokohama Specie Bank" of Tokyo to reimburse me the sum of 47.500 Swiss francs.

My money arrived in Japan in Swiss francs and was transformed into Yens in accordance with Japanese law. In accordance with the same law, when a Diplomat leaves Japan, the country must transform the Yens into Swiss francs, dollars or pounds sterling.

I beg, therefore, that the "Yokohama Specie Bank", Tokyo be compelled to pay me the amount abusively confiscated in 1943 not in devalorised Yens but in Swiss Francs or U.S. Dollars equivalent at the date of confiscation (1 Swiss franc = 0.98 Yen or 3.75 Yen = 1 U.S.Dollar).

In the two volumes of LA NOUVELLE RELIGION annexed are found several documents regarding which it is not the place to insist on here.

I beg the Minister to accept my thanks for the aid that the American authorities gave me to leave the Far East, and

I remain,

most sincerely,

Général Georges Bagulesco

General Georges BAGULESCO
1, Square Villaret-de-Joyeuse
PARIS (17e)

To General Marshall.
Foreign Secretary of the U.S.A.
WASHINGTON

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

August 15, 1947

UNCLASSIFIED

No. 3188

To the

Officer in Charge of the American Mission,

Paris.

The Secretary of State has received the Embassy's Despatch No. 8899 dated June 6, 1947, which transmitted a letter dated May 18, 1947 from General Georges Bagulesco concerning the status of his account in the Yokohama Specie Bank of Tokyo.

The Embassy is authorized to inform General Bagulesco, whose address is given as 1 Square Villaret-de-Joyeuse, Paris (17e), that there are at present no means by which he can realize in non-Japanese currency, upon the value of the Swiss francs originally deposited to his credit in the Yokohama Specie Bank. Japan has at present no foreign exchange available for converting yen balances in Japan into any foreign currency, or for honoring foreign currency accounts in Japanese banks. Since the proceeds of Japanese exports at present are far less than is required for the purchase of essential imports, it is not contemplated that the conversion of yen balances acquired prior to or during the war, will be possible in the near future.

In respect to the status of General Bagulesco's yen balance, the Yokohama Specie Bank is at present in the process of liquidation pursuant to orders of the Supreme Commander, but certain of its deposits have been guaranteed by the Japanese Government, and have been transferred to a new financial institution which is now operating under the name of the Bank of Tokyo. Deposits thus guaranteed include those belonging to persons who were residing in Japan or in its occupied areas during the periods December 7, 1941 to September 2, 1945, and who were imprisoned, interned, placed under house arrest, or had their property taken, blocked or sold by the Imperial Japanese Government or any agency thereof, because of their being nationals of countries at war with Japan, or sympathizers with such nationals or countries. In view of the statement contained in paragraph 6 of General Bagulesco's letter to the Embassy of May 18, 1947, it may be that his funds are eligible for protection in accordance with this policy. The Department, therefore, will communicate the substance of General Bagulesco's letter to the U.S. Political Adviser in Japan so that appropriate action may be taken to protect his properties, if the facts as indicated in his letter can be verified in Japan.

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August 15, 1947

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UNCLASSIFIED

No. 554

To the
United States
~~U.S.~~ Political Adviser ~~to the~~ for Japan,

~~Supreme Commander for the Allied Powers~~,

Tokyo.

The Secretary of State transmits herewith a letter dated May 18, 1947, from General Georges Bagulesco which has been transmitted to the Department by the American Embassy in Paris. The Department's instruction to the Officer in Charge of the American Mission, Paris, is also enclosed for the information of the Political Adviser.

If it is true, as alleged ~~in the allegation made~~ by General Bagulesco in paragraph 6 of his letter, ~~namely~~ that his money was confiscated in Japan because of his sympathy with the cause of the Allied Powers, ~~it~~ it would appear that his funds are entitled to the guarantee provided in paragraph 2 a, SCAPIn 1364, 27 November 1946, entitled "Supplementary Instructions Relating to the Guarantee of Deposits".

The Political Adviser is requested to bring this matter to the attention of officials of the General Headquarters for whatever action may be considered appropriate.

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Enclosures:

Letter dated May 18, 1947 from General Bagulesco.
Instruction from the Department of State to the Officer in Charge of the American Mission, Paris.

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

DONALD P. LA TOURETTE, M. D.

GEORGE M. CAMPBELL, M. D.

CALIFORNIA CLINIC
9923 CALIFORNIA AVENUE
SOUTH GATE, CALIFORNIA
JEFFERSON 6835

DIVISION OF FINANCIAL AFFAIRS
AUG 5 1947
DEPARTMENT OF STATE

July 28, 1947

Reg 15304

SPECIAL PROJECTS
DIVISION
AUG 15 1947
DEPARTMENT OF STATE

15-XIII-47 to DF-Manchuria transaction Encl

RECEIVED
AUG 18 1947
DIVISION OF FINANCE
DEPARTMENT OF STATE

State Department
Siamese Affairs
Washington D. C.

Dear Sir:

Enclosed is a receipt for money which was given to Mr. Chapman on board the Asama Maru at the time of our exchange in July, 1942. I have never heard from the Treasury or State Department regarding the exchange of this receipt for U. S. currency, and as the amount is enough to be worth while, I was wondering if you could take care of this for me.

The note is an exchange for 90 Poastres and 40 Bhat or Ticals, making a total of 130, to be exchanged at the rate of 31/3 per U. S. dollar.

You may send any remittance or correspondence concerning this to me at the above address. Thanking you for attending to this matter, I am,

Sincerely yours,

Donald P La Tourette. M. D.

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DCR TRANSFER SHEET

IMPORTANT---ENTER ONLY ONE ENCLOSURE NO. ON SHEET

FILE NO. 894.5151/8-2747

DESCRIPTION OF PAPER BEING TRANSFERRED letter fro
RCA dated Aug 27, 1947 & letter to RC
dated Nov 12 1947

TRANSFERRED TO 895.5151/8-27

NAME OF PERSON MAKING TRANSFER H Hyman

DATE Dec 3, 1947

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

DCR TRANSFER SHEET

PORTANT---ENTER ONLY ONE ENCLOSURE NO. ON SHEET

E NO. 894.5151/8-2747

CRIPTION OF PAPER BEING TRANSFERRED letter from RCA dated Aug 27, 1947 & letter to RCA dated Nov 12 1947

NSFERRED TO 895.5151/8-2747

E OF PERSON MAKING TRANSFER H Hymans

E 2 Dec 3, 1947

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RCA COMMUNICATIONS, INC.
A SERVICE OF RADIO CORPORATION OF AMERICA
66 BROAD STREET
NEW YORK 4, N. Y.

Korea-Tels
WDC
FILED
IRC
SEP 2 1947

GLEN McDANIEL
VICE PRESIDENT AND GENERAL ATTORNEY

August 28, 1947

ADDRESS FOR RADIOGRAMS
"TELCORCA"

TELECOMMUNICATIONS DIVISION
File in T D. WDC.
SEP 2 1947
DEPARTMENT OF STATE

FW 894.5151-8-2847

Mr. Cecil G. Harrison
Acting Chief
Telecommunications Division
Department of State
Washington, D. C.

Dear Mr. Harrison:

I am writing with reference to your letter of July 30, 1947, addressed to Mr. Guthrie and the reply of Mr. T. H. Mitchell dated August 15, 1947, concerning the extension of our services in Korea.

For your information I enclose a copy of a letter which we have sent to Mr. R. H. Whitman of the Division of Occupied Area Economic Affairs, State Department, for making arrangements to convert Korean Won into dollars. Anything the State Department can do to assist us in this matter will be greatly appreciated.

Very truly yours,

Glen McDaniel

Enclosure

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

August 27, 1947

Mr. R. H. Whitman, Associate Chief,
Division of Occupied Area Economic Affairs,
Department of State,
Washington 25, D. C.

Dear Mr. Whitman:

I refer to my recent telephone conversation with you in which I stated that RCA Communications, Inc. is accumulating Korean Won at a fast rate and desires to seek the assistance of the State Department in making an arrangement for the conversion of Korean Won into dollars. I stated I would send to you a letter setting forth the facts and circumstances.

On June 22, 1945, the Joint Chiefs of Staff requested the Board of War Communications to arrange for a United States commercial company or companies to furnish two commercial mobile radio stations for operation of two direct circuits between future United States Army operational areas in the Pacific and the United States. On June 26, 1945, Mr. Paul A. Porter, Chairman of the Board of War Communications, invited RCA Communications, Inc. to submit a proposal for the operation of these two commercial mobile stations. RCA Communications' proposal was submitted to Mr. Porter on the following day, June 27, 1945. On July 7, 1945, the Board of War Communications notified RCA Communications, Inc. that it and Press Wireless, Inc. had been designated to provide the two mobile stations.

On September 1, 1945, Mr. Syngman Rhee wrote to RCA Communications, Inc. that in view of the expected liberation of Korea the Korean Commission, being fully aware of the extensive facilities of RCA Communications, Inc., was most

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anxious that RCA Communications, Inc. take steps to inaugurate a communications service between the two countries.

On September 24, 1945, the Board of War Communications, referring to its letter of July 7, 1945, officially notified us that in view of the cessation of hostilities the need for the mobile stations no longer existed and the project would be dropped.

In October, 1945, the Federal Communications Commission invited RCA Communications, Inc. to submit a proposal for the establishment of a fixed commercial radio station at Seoul, Korea. The Company's proposal was transmitted to the Commission on October 26, 1945.

On December 8, 1945, General Stoner, Assistant Chief Signal Officer, sent the following telegram to T. H. Mitchell, Executive Vice President of RCA Communications, Inc.

"MOST IMMEDIATE HUSH SVC

TO MR MITCHELL RCA NEW YORK

FROM GENERAL STONER WAR WASHINGTON DC

XXIV CORPS ADVISES IT HAS ENOUGH EQUIPMENT FOR ESTABLISHING KOREA SAN FRANCISCO /RCAC/ CIRCUIT PENDING ARRIVAL RCAC PERSONNEL FOR OPERATIONS. TO BE OPERATED BY COMMUNICATIONS BUREAU OF KOREAN MILITARY GOVERNMENT.

REQUEST AUTHORITY TO ESTABLISH THIS CIRCUIT ON FOLLOWING FREQUENCIES PROPOSE IN OURAD ZAX 10299. RATES TO BE CHARGED IN TERMS BANK OF CHOSEN YEN TO BE THOSE YEN RATES ESTABLISHED FOR PRESS SENDER COMPOSITION AND EPM MESSAGES FROM JAPAN. DIVISION OF FUNDS BETWEEN COMMUNICATION BUREAU AND RCA WILL BE SAME AS BETWEEN JAPAN AND UNITED STATES COMPANIES. PRESS, EPM AND SCM WILL BE HANDLED. BUREAU SERVICE WILL BE EMPLOYED ONLY UNTIL RCAC ARE READY TO TAKE OVER.

RCAC WILL HAVE TO USE SOME MILITARY EQUIPMENT ON INITIAL OPERATIONS UNTIL ITS EQUIPMENT ARRIVES. REQUEST AUTHORITY TO ALLOW USE BY RCAC OF ESSENTIAL EQUIPMENT ON TEMPORARY BASIS

END

SIGNED GENERAL STONER"

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Mr. Mitchell replied as follows:

"GENERAL STONER, ASS'T. CHIEF SIGNAL OFFICER
WAR DEPT.
WASHINGTON, D. C.

DECEMBER 11 1945

REFERENCE YOUR MESSAGE DECEMBER 8 CONCERNING KOREA CIRCUIT RCA WILL BE PLEASED TO COMMENCE OPERATION AT THE EARLIEST POSSIBLE DATE COMMUNICATING UPON A TEMPORARY BASIS WITH COMMUNICATIONS BUREAU OF KOREAN MILITARY GOVERNMENT AT SEOUL UNTIL RCA EQUIPMENT AND PERSONNEL SHALL HAVE ARRIVED AT THAT POINT PRD RCA IS NOW PREPARED TO COMMENCE OPERATING AT SAN FRANCISCO EMPLOYING 5 UNIT PRINTERS OR BOHME MORSE AS MAY BE DESIRED PRD APPLICATION IS BEING MADE TO FCC FOR AUTHORIZATION TO OPERATE THIS CIRCUIT UNDER THE TERMS AND CONDITIONS EXPRESSED IN YOUR MESSAGE EXCEPT THAT THE BASIC RATE BEING REQUESTED IS THIRTY CENTS PER ORDINARY FULL RATE WORD IN ACCORDANCE WITH THE AGREEMENTS REACHED AT THE BERMUDA CONFERENCE COMMA INSTEAD OF THE TWENTY CENT RATE NOW APPLICABLE BETWEEN SAN FRANCISCO AND TOKYO PRD UPON RECEIPT OF THE FCC LICENSE COMMA AND AT THE CONVENIENCE OF THE COMMUNICATIONS BUREAU OF THE KOREAN MILITARY GOVERNMENT WE SHALL BE PLEASED TO COMMENCE THE TEMPORARY FORM OF OPERATION PRD RCA EQUIPMENT AND PERSONNEL FOR THE PERMANENT STATION IN KOREA ARE NOW AWAITING TRANSPORTATION.

T. H. MITCHELL
EXECUTIVE VICE PRESIDENT "

On January 14, 1946, the RCA personnel assigned to Korean operations arrived in Seoul. On January 17, 1946, direct service between Seoul and San Francisco was opened. Only government, press and military traffic was handled at the beginning. The borrowed transmitters and receivers were replaced in April 1946. Borrowed terminal office equipment is now being replaced by RCA equipment. RCA is using some antennas of its own construction and is also using some borrowed antennas.

On January 25, 1946, the military authorities in Korea asked whether RCA Communications, Inc. was in a position to handle such censored civilian messages as the military authorities felt could be transmitted. RCA Communications, Inc. replied that it would handle whatever traffic the military authorities were willing to pass. On January 30, 1946, RCA Communications, Inc. was notified that the military

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authorities in Korea had approved the handling of civilian Korean messages subject to clearance by the Civilian Communications Intelligence Group. The Army Finance Officer stated that he had no objection to the conversion of Yen obtained in this manner to United States Dollars for forwarding to United States. Civilian service was thereupon inaugurated by RCA Communications, Inc. with the understanding that the Korean Yen would be converted into dollars.

In accordance with this understanding we proceeded with the conversion of Yen into dollars through the local Finance Officer and purchased United States Treasury checks in the same manner as was followed in the case of Yen received from military sources. This practice continued until June 1946 when we were verbally informed that conversion of receipts from Korean sources was disallowed by higher headquarters. As a result of this ruling all Korean currency previously and subsequently received from Korean civilians was accounted for and set aside in a separate account.

RCA Communications, Inc. has always considered that its function in Korea is primarily to handle government, military and press traffic. We informed the military authorities that we wished to remain in Korea as long as our services are required by the military authorities and that if and when the Korean Bureau of Communications assumes control of international communications activities we would like to cooperate with it by operating the American end of a San Francisco-Seoul circuit.

On July 30, 1947, Mr. Cecil G. Harrison, Acting Chief, Telecommunications Division, Department of State, sent a letter to Mr. Guthrie, our Washington representative, a copy of which is attached. A copy of the reply of T. H. Mitchell is also attached. These letters are self explanatory. I also append to this letter the following tables giving the statistics of our Won accumulations and disbursements, and expenses and income from our operations in Korea:

I Won Balances on Hand
II Won Disbursements
III Operating Results of the Korea Station For the First Six Months of 1947
IV Korea Expenses - June 1947
V Korea Income - June 1947

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The large Won disbursements indicated for March and April in Table II represent payments for the accumulated rental of local facilities. Billings for these rentals are submitted at infrequent intervals.

Preliminary figures for July 1947 show, for our operations in Korea, income of $7,435.95 and expenses of $11,926.92, or a loss of $4,490.97.

The income figures in Tables III and V are calculated by the usual method followed in the international telegraph industry. The gross collections, consisting of dollars and Won collected in Korea and dollars for traffic originating outside Korea, are split 50 - 50 after deduction of payments to connecting companies. Thus in general when the Korean station originates or terminates a message it is credited with 50 per cent of the tolls collected for the message, and the station at the other end of the circuit is credited with the other 50 per cent. The outpayments to connecting carriers give us some concern. They must all be paid in dollars. It is estimated, for instance, that RCA Communications, Inc. will be required to make payment of at least $560.00 to connecting companies for their part in the handling of the traffic represented by the Won collections in June.

While it is true, as I have pointed out above, that our primary function in Korea is to serve our own government and military authorities, we desire very much to serve the Korean people also. We understand it to be the aim of our Government to promote the development of trade in Korea and the establishment of sound political and economical conditions in that country. We are anxious to make whatever contribution we can to assist our Government in achieving that goal. To render service for Won which are not convertible and therefore worthless, however, is to render service free of charge. Like practically all other American international telegraph carriers we are operating at a loss. The Federal Communications Commission issued its recent decision in Docket No. 8230 which allowed certain rate increases, but the analyses which we have just made show that the most we can hope for under these rate increases is to operate at approximately the break even point. Thus with no return in prospect on the many millions of dollars invested by stockholders in this Company we cannot possibly be justified in rendering a free service or to subsidize the development of Korean trade at the expense of RCA stockholders.

We therefore urgently request the Department of State to assist us in making arrangements for the conversion of our

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Korean Won accumulations and future collections into dollars. When such an arrangement is made we shall take pleasure in immediately resuming the tender of our service for payment in Won.

If the Department of State desires any further information regarding this matter we shall be happy to cooperate. We shall also be glad to come to Washington for a discussion if the Department should desire it.

Very truly yours,

cc - Mr. Mitchell
Mr. Cearley
Mr. Sager
Mr. Fifield - Korea
Mr. Guthrie
Mr. Sparks

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

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DEPARTMENT OF STATE

WASHINGTON

In reply refer to
TD

July 30, 1947

RESTRICTED

My dear Mr. Guthrie:

The Department has for some time been corresponding with the military authorities at Tokyo and Seoul regarding the possibilities of expanding telecommunications services to the whole of United States Occupied Korea. It is understood that RCA Communications, Inc., is now accepting telegrams for delivery in the Seoul Area and is also accepting a certain amount of traffic leaving Seoul paid for either in Korean won or with reply-paid vouchers. It is further understood that messages to United States military personnel in areas outside Seoul are received from the RCAC office in Seoul by United States Army personnel who deliver such messages over military teletype.

The Department feels that it would be desirable to extend telegraph services to all Korean civilians in United States Occupied Korea, but the military authorities have advised that the facilities of the Korean National Telegraph System are inadequate to handle such traffic. It is suggested, therefore, that RCAC might begin accepting messages for all parts of Southern Korea outside the Seoul Area with the understanding that delivery of such messages would be effected by mailing them from the RCAC office in Seoul, such mailing to be at the sender's risk. It is hoped that RCAC will be able to extend this service, and will also be willing to receive messages by mail from Southern Korea addressed to its Seoul office for transmission to the United States, provided that proper payment is made. Such payment could

Mr. F. P. Guthrie,
Assistant Vice President,
RCA Communications, Inc.,
1625 K Street, NW,
Washington, D. C.

RESTRICTED

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

presumably be effected by the mailing to Seoul of a reply-paid voucher with the message. Furthermore, if RCAC were willing to accept payment in won for such messages, there would be no objection to such an arrangement, but it is not desired to press your company on this matter as the Department can give no assurance as to when any accumulation of won might be converted into dollars.

It is, of course, understood that there is no restriction on the entry of other American communications companies into Korea. The present suggestions for extended services are addressed to your company in view of the fact that RCAC is the only American company presently operating in Seoul.

The Department would be pleased to receive the comments of RCAC on this matter.

Sincerely yours,

For the Secretary of State:

/s/ Cecil G. Harrison
Acting Chief
Telecommunications Division

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

RCA COMMUNICATIONS, INC.
A SERVICE OF RADIO CORPORATION OF AMERICA
66 BROAD STREET
NEW YORK 4, N. Y.

T. H. MITCHELL
EXECUTIVE VICE PRESIDENT

ADDRESS FOR RADIOGRAMS
"TELCORCA"

August 15, 1947

Mr. Cecil G. Harrison
Acting Chief
Telecommunications Division
Department of State
Washington, D. C.

Dear Mr. Harrison:

Your letter of July 30, addressed to Mr. Guthrie, the Company's Washington representative, was referred to me for action. I appreciate fully that radiotelegraph service is important to the development of foreign trade in Korea and it is the desire of my Company to make its service of maximum usefulness in this connection.

Effective September 1, 1947, radiotelegraph service will be extended to all United States occupied Korea on the basis suggested in your letter. Our representative in Korea confirms that the Korean national telegraph system is not suitable for handling this traffic, and our tariff will specify that the Korean postal service will be used for the collection and distribution of Radiograms. Only dollars, or pre-paid vouchers will be accepted in payment for our service until suitable arrangements are made for converting Won into dollars.

The Company has accumulated in excess of one million Won from its operations in the Seoul area, and its Won holdings are increasing at the rate of more than 400,000 monthly. The only use that can be made of this money under present conditions is to pay rent, purchase such supplies as are available on the local market, and pay salaries of Korean personnel. These expenses total only about 70,000 Won per month. Obviously, the Company cannot perpetuate this situation, and beginning September 1, 1947, our transactions in the Seoul area, as well as those in other parts of South Korea, will be limited to those for which we receive payment in dollars. Pre-paid reply vouchers will, of course, be accepted throughout Korea.

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Mr. Cecil G. Harrison August 15, 1947

I fear that Korean civilians will be seriously handicapped in the development of foreign trade because of the severe limitation imposed upon their ability to use radiotelegraph service by lack of means for converting Won into dollars. Koreans are not permitted to possess dollars, and so long as the situation is such that we cannot accept Won in payment for radiotelegraph service, Koreans cannot initiate the exchange of Radiograms, but can only reply to those which are accompanied by prepaid reply vouchers.

We should like very much to extend the usefulness of our service in Korea by the acceptance of Won, and just as soon as this local currency can be converted into dollars its acceptance will be authorized. The assistance of the State Department in making this possible will be most helpful. Full information on the situation is being furnished to Mr. R. H. Whitman.

Sincerely yours,

/s/ T. H. Mitchell

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TABLE I

WON BALANCES ON HAND

February 28, 1947	105,938.25
March 31, 1947	160,433.15
April 30, 1947	278,985.79
May 31, 1947	417,178.00
June 30, 1947	693,957.00
July 31, 1947	1,077,436.00
#December 31, 1947	2,750,000.00

#Estimate based on present rate of accumulation

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TABLE II

WON DISBURSEMENTS

January 1947	7,028.00
February 1947	1,120.00
March 1947	89,840.00
April 1947	37,650.00
May 1947	1,800.00
June 1947	3,248.00

Future months Won Disbursements are estimated to be 70,000.00 based on telegraphic advice from Seoul.

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TABLE III

OPERATING RESULTS OF THE KOREA STATION

FOR THE FIRST SIX MONTHS OF 1947

	Income	Expenses	Profit or (Loss)
January 1947	$ 6,679.51	$13,206.22	($ 6,526.71)
February 1947	7,584.98	11,294.81	(3,709.83)
March 1947	6,837.35	12,835.96	(5,998.61)
April 1947	9,170.92	10,693.08	(1,522.16)
May 1947	11,363.33	13,606.74	(2,243.41)
June 1947	8,889.77	10,458.29	(1,568.52)
	$50,525.86	$72,095.10	($21,569.24)

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

TABLE IV

KOREA EXPENSES

JUNE 1947

Salaries and Wages		$ 9,543.12
Adjustment for May expenses		150.00
Transportation - Staff		165.20
Stationery and Printing		4.38
Passport		10.00
Tubes		222.62
Automobile Expenses		41.16
Antenna Rent		14.48
Traffic Adjustments		38.44
Prepaid Insurance		268.89
	Total	$10,458.29

TABLE V

KOREA INCOME

JUNE 1947

Korea - San Francisco		$ 5,865.72
Korea - Manila		458.75
San Francisco - Korea		2,344.40
Manila - Korea		220.90
	Total	$ 8,889.77

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

TELEPHONE
LONGACRE 5-2656

CABLE ADDRESS
LUSTFIBRES, NEW YORK

LUSTRE FIBRES, LIMITED

350 FIFTH AVENUE

NEW YORK 1, N. Y.

RD/MVD/1001

Reply drafted 9/22 DC/R file

September 5, 1947

894.5151/9-547

Mr. Samuel S. Stratton
Acting Secretary General
Far Eastern Commission
2516 Massachusetts Avenue, N.W.,
Washington 8,
D. C.

Dear Mr. Stratton,

I refer to your letter of August 13th in which you were kind enough to send me certain reports of the Far Eastern Commission. I would appreciate it if you could give me your opinion on the following questions.

In Appendix 33 of the reports which you sent me, and to which you drew my attention, under Paragraph 2, commercial exports are classified under their destinations into A, B and C. Would you be kind enough to give me your opinion as to which of these three categories of Appendix 33 the following markets would come:

India	Kwantung	Siam
Burma	Hong Kong	Philippine Islands
China	Korea	Syria
Manchukuo	Netherlands East Indies	Iraq
		Egypt

With regard to Paragraph 4 of Appendix 33, it is stated that "the price should be the established world price where such a price exists." It would be interesting to know whether the Far Eastern Commission have studied the world price level for rayon, and if so, what it is.

Yours sincerely,

R. Dunford

R. Dunford

894.5151/9-547

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

Jean:

See Appendix 33, FEC Blue Book.

The first question stumps me. Offhand, I'd say that most of the markets he mentions don't come under a, b or c. Would that cable that Treasury finally sent to any use?

I talked with Bramble re the second question, and he agrees with me that this guy is trying to trap us. There is no "world price" for rayon, as there is none for wool & many other commodities. US price is 32 cents. Bramble thinks the world price if any should be about 28 cents. The new Jap price (see below) is taken from a Tokyo radio broadcast - they quote Boski Cho directly so I'm inclined to believe them. It's pretty high. The 31 cent figure is taken from SCAP's monthly report "Quantitative & Estimated Landed Cost Value Report - Civilian Supplies Exported from Japan - Schedule II." I think they might underline the word "estimated." However, if you think we can safely quote these two sources, here is a proposed reply to his last question:

A world price level for rayon is a difficult thing to establish, as you understandably know. Japanese rayon has been in the past months valued at an approximation of what "world prices" may be thought to be, selling at about 31 cents per yard. Due to rising costs in Japan, the Board of Trade recently set a price of 34 cents for rayon fabric 29 inches wide. The type or quality of rayon thus priced is not mentioned in our advice from Tokyo.

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

(Pls return to bcb
with number)

In reply refer to
OE

My dear Mr. Dunford:

Mr. Stratton of the Far Eastern Commission has referred to me your letter of September 5, in which you make inquiry (1) as to the destination of Japanese exports in terms of foreign exchange usability; and (2) whether the Far Eastern Commission has studied the world price of rayon.

With regard to your first question I may say that Japanese exports have thus far been sold either for dollars or through trade agreements which have the effect of barter transactions. This development occurred because none of the markets you listed has a freely convertible currency; trade balances have not yet supported the use of inconvertible currencies as provided for under (b) of appendix 33 to which you referred; and there have been no currency agreements which would permit the use of inconvertible currencies as provided for in (c) of appendix 33.

In answer to your second question, I may say that the Far Eastern Commission has not studied the world price level of rayon. The Commission only establishes the policy; implementation of the policy is by the Supreme Commander for the Allied Powers in Japan.

Sincerely yours,

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

Mr. R. Dunford,
Lustre Fibres, Limited,
350 Fifth Avenue,
New York 1, New York.

OE:DOBowman:bob
9/22/47

HARRYETTE

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

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SEP 24 1947

894.5151/9-547

In reply refer to
OE

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Sincerely yours,

CS/V

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

Mr. R. Dunford,
Lustre Fibres, Limited,
350 Fifth Avenue,
New York 1, New York.

CR
SEP 24 147 P.M.

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9/22/47

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894.5151/9-547

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894.5151/11-1947

DIVISION OF PROTECTIVE SERVICES
NOV 20 1947
DEPARTMENT OF STATE

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FORM DS-322
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(DOMESTIC TELEGRAM)

Department of State

Washington

CLASSIFICATION

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~~NOVEMBER 20, 1947~~

PLAIN

NOV 21 1947

NIGHT LETTER, COLLECT

894.5151/11-1947

ROCK SHIMPO,

1941 LARIMER STREET,

DENVER, COLORADO.

Regarding your telegram November 19, relaxation enables anyone send money to anyone in Japan. $1,000 per month limit transferable any one person Japan. Payment effected yen ~~only~~, at rate fifty yen equal one dollar/ or military ~~[illegible]~~ payment certificates if remittee eligible to receive such certificates. ~~Bank, New York only bank now position make transfers.~~ National City Bank, New York only bank now in position to make transfers.

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CR CLEARANCE
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11-20-47

OF-cleared by phone with Mr. Diamid who suggested change which Mr. Corrick approved.

E. J. MADILL
ACTING ASSISTANT CHIEF
DIVISION OF PROTECTIVE SERVICES
DEPARTMENT OF STATE

CS/A

894.5151/11-1947

★ U. S. GOVERNMENT PRINTING OFFICE · 1947 786335

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

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

To DIVISION OF NEAR EASTERN AFFAIRS

JAN 23 1948

UNCLASSIFIED

DIVISION OF FINANCIAL AFFAIRS

To NA for action

DEC 8 1947

IRA

Paris, November 20, 1947.

DEPARTMENT OF STATE

No. 9911.

DEPARTMENT OF STATE

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1947 DEC 3 AM 9 18
DC/M
FACILITIES BRANCH

Subject: Transmitting Memorandum of Conversation between General Bagulesco and Lt. Col. Birdsall.

DIVISION OF OCCUPIED AREAS
ECONOMIC AFFAIRS
JAN 28 1948
DEPARTMENT OF STATE

894.5151/1-2947
FW OE NA #1

file

Referring to the Department's instruction No. 3188 of August 15, 1947, the Ambassador has the honor to transmit a copy of a memorandum of conversation between General Bagulesco and Lt. Colonel Paul Birdsall, of the Office of the Military Attaché.

ACTION
FN
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General Bagulesco was informed by letter of the contents of the instruction under reference and has called twice at the Embassy with a view to obtaining a "hard currency" in exchange for the Swiss francs he allegedly was forced by the Japanese to convert into yen.

The Embassy would appreciate receiving any information regarding the status of General Bagulesco's account which the Department may have received from the United States Political Adviser in Japan.

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Enclosure:
Memorandum of Conversation between General Bagulesco and Lt. Colonel Birdsall.

851.51 - Bagulesco, Georges
WSPatten.sdh

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JAN 30 1948

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

Enclosure to despatch No. 9911, November 20, 1947, from Paris.

C O P Y

Paris, November 17, 1947.

Subject: Afternoon with General Bagulesco

In the course of an hour and a quarter conversation, General Bagulesco made it clear that he desires:

a) "High level intervention with the U.S. occupation authorities in Japan to secure restitution of approximately 47,000 Swiss francs which the Japanese took away from him during the war;

b) assistance in securing the transport to Paris of considerable quantities of art treasures now stored in Peking, for which the General has an authenticated list attested by the U.S. Consul in Peking.

c) "in extremis", arrangements to permit him to go to the United States.

The General is undoubtedly authentic and eccentric. As Rumanian Minister in Japan at the time of Pearl Harbor, he published and circulated a book entitled "The New Religion" (of which he presented me two copies) dictated to the proposition that "the way of the aggressor is hard" because he never wins, and that the world must unite to preserve peace. For this indiscretion, he suffered two attempts at assassination and was interned by the Japanese for the duration of the war. Liberated by victorious U.S. forces, he was given every facility by them to go to the United States, and possesses one document permitting him to travel by a U.S. military aircraft. In the United States he achieved some publicity by denouncing the present Rumanian regime and its Soviet masters. In Paris, he has given public lectures to the same effect and has organized publicly an association to propagate his ideas for world peace and unity.

In connection with his request for dispatch of his art treasures, he intimated that he would be delighted to make some available at reasonable prices to members of the U.S. Embassy staff. Photographs and impressions which he showed me were undoubtedly of very remarkable quality.

In connection with his desire to have his money restored, he said that he had already written letters to our authorities and that he had been informed by Mr. Patten of the Embassy that the money could not be restored in Swiss francs, but presumably only in yen. He earnestly requested restoration in some monetary unit that would be of value to him in Paris, particularly because his Rumanian properties have already been sequestrated and sums which he has on deposit in a British bank are completely blocked. In short, he is very hard up.

I made no commitments naturally on any of the points and went out of my way to explain the inevitable complications involved in any such effort to recover his funds from Japan. I said I would bring his request to the attention of competent Embassy authorities.

PAUL BIRDSALL.

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

UNITED STATES POLITICAL ADVISER
FOR JAPAN

DEPARTMENT OF STATE
Tokyo, December 1, 1947.

No. 1424

CONFIDENTIAL

SUBJECT: Status of Bank Account of General Georges Bagulesco, Former Rumanian Minister to Japan.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to report that upon the receipt of the Department's instruction No. 554, August 15, 1947, regarding the bank account of General Georges Bagulesco, former Rumanian Minister to Japan, this Headquarters initiated an investigation to verify the allegations contained in General Bagulesco's letter of May 18, 1947, copy of which was forwarded with the Department's reference instruction.

According to the Finance Division of the Economic and Scientific Section of this Headquarters, the records of the Yokohama Specie Bank, a closed institution in process of liquidation, show an outstanding and partially used letter of credit No. 5121, issued October 28, 1943, in the original amount of ¥50,000 in favor of General Bagulesco. The balance as of October 1, 1947, is ¥47,700. As stated in General Bagulesco's letter, the letter of credit was purchased with Swiss francs at a rate of 1 franc equals .98 yen. As all foreign exchange transactions are prohibited by SCAP and as there is at present no means by which anyone outside Japan can realize

credit

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credit in non-Japanese currency for yen funds located in Japan, it does not appear possible to effect restitution of General Bagulesco's yen holdings in Japan at this time.

The Economic and Scientific Section has further advised that it is not considered that General Bagulesco's funds are entitled to the guarantees provided in SCAPIN 1364 until more conclusive evidence can be presented to substantiate his claim that he was interned or that his property was taken, blocked, or sold by the Japanese Government because he sympathized with citizens, subjects, or countries at war with Japan.

An independent investigation was undertaken by United States Army intelligence authorities in Japan to verify the allegations regarding his wartime sympathies contained in General Bagulesco's letter under reference. There is enclosed herewith a copy of a
1/ "Summary of Information" dated November 22, 1947, prepared by these authorities following their investigation. It will be noted that there is no substantiating evidence that General Bagulesco was sympathetic to countries at war with Japan, that any attempts were made on his life because of his alleged sympathies, or that he was ever interned by the Japanese authorities in Peiping. On the contrary it is reported that he was an ardent supporter of the Tripartite Axis, that on several occasions he denounced bitterly Great Britain and the United States, and that he was provided by the Japanese Government when he left Japan in October 1943 with special facilities and shipping space for the transportation of 36 cases of his personal belongings.

Accordingly, this Mission does not consider that sufficient evidence exists to extend to the funds of General Bagulesco the guarantee provided by SCAPIN 1364, November 27, 1946.

Respectfully yours,

W. J. Sebald.

W. J. Sebald
Acting Political Adviser

Enclosure:

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

Enclosure: ~~All~~

Copy of "Summary of Information", November 22, 1947.

Original and ozalid to Department

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CONFIDENTIAL

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

Enclosure to Despatch No. 1424, dated December 1, 1947, from the Office of the United States Political Adviser for Japan, Tokyo, on the subject "Status of Bank Account of General Georges Bagulesco, Former Rumanian Minister to Japan".

COPY

General Headquarters
Supreme Commander for the Allied Powers

General Activities
APO 500
22 November 1947

SUMMARY OF INFORMATION

SUBJECT: BAGULESCO, George

1. Following information has been obtained from sources which are considered reliable by G-2:

a. Bagulesco first arrived in Japan in February 1935 as Military Attache to the Rumanian Legation. Soon after his arrival he showed great interest in the warrior spirit of "old" Japan and became a student of the AKO ROSHI (the story of the 47 Faithful Retainers or Ronins, famed in Japanese Kabuki plays and known as CHUSHINGURA). He also became a member of the CHUO GISHI KAI (Central Society to Perpetuate the Memory of the 47 Ronins). As a result of his studies of the spirit of "old" Japan, he published in February 1938 a book in French and English entitled "Yamato Damashi" which is in essence a eulogy of the Japanese warrior spirit.

b. In February 1939 Bagulesco returned to Bucharest where he is said to have published 30,000 copies of the second volume of "Yamato Damashi." It had considerable success and was quickly sold out. In 1941 Bagulesco returned to Japan, this time as Rumanian Minister.

c. In 1942 Bagulesco, according to his own statement, issued a publication in French entitled "La Nouvelle Religion." Inasmuch as a copy of that book could not be obtained it is impossible to give it an evaluation. A brief note on the book appeared in the Tokyo Asahi on 9 March 1943, stating that it dealt with the religious aspects of the Japanese spirit.

d. The next book of Bagulesco, entitled "Rumania" and published in 1943, clearly indicated that the author was an ardent supporter of the Tripartite Axis and a Rumanian jingoist who on several occasions denounced bitterly the democracies of Britain and the U.S.A. It was further made evident that he fervently hoped the New Order of Hitler would fully satisfy the Rumanian national and territorial ambitions. (Translated excerpts of this book were read by the investigator.)

e. As Rumanian

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e. As Rumanian Minister to Tokyo, Bagulesco made several public speeches in which he often expressed his anti-communist feelings. Nothing is known of his ever having made public utterances in favor of the Allied cause. On the contrary, Bagulesco, in his addresses, seemed to be firmly convinced that the Axis' New Order was the right one and theirs would be the final victory. One source stated that he was always known as a Nazi sympathizer.

f. No information is available on any alleged attempt on the life of Bagulesco. It is known, however, that he had some trouble with his driver which was not of a political nature, but was caused rather by Bagulesco's "unfairness" to his employees in money matters.

g. Bagulesco's relations with the Rumanian Military Attache, General Radulesco, were reportedly none too cordial. It is known that on 8 April 1943 Subject started an argument with Radulesco because the latter supposedly criticized the contents of Bagulesco's publication, "La Nouvelle Religion." As a result of this argument Bagulesco was dismissed from his diplomatic post on 10 April 1943, and Radulesco succeeded him as Rumanian Minister to Tokyo.

h. Subject left Tokyo in October 1943 for Peiping, China, accompanied by one Miss OTSUKA. Upon departure he was provided by the Japanese authorities with special facilities, and shipping space aboard the KOSHIN MARU to transport 36 cases of personal belongings. No confirmation is available of his own claim that he was subsequently interned by the Japanese in China.

i. Investigation failed to disclose that Bagulesco was interned at any time, or that his property was blocked because he was sympathetic with the aims of the nations at war with Japan.

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

D-427

OE

Mr Bernard -

PC/R

JAN 27 1948

CONFIDENTIAL

No. 29

To the

Officer in Charge of the American Mission,

Paris.

The Secretary of State refers to the Embassy's despatch no. 8899 dated June 6, 1947, and to the Department's interim reply thereto dated August 15, 1947 (no. 3188), concerning the account of General Georges Bagulesco in the Yokohama Specie Bank, Tokyo. In the latter communication, the Embassy was informed that further information was being requested from the United States Political Adviser for Japan.

The Department has now received a reply from the Acting Political Adviser, a copy of which, together with enclosure, is transmitted herewith for the information of the Embassy.

In view of the findings of the United States Army intelligence authorities in Japan, and the opinion of the Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers in Japan, it is not considered that the special treatment referred to in paragraph 3 of the Department's despatch no. 3188 should be accorded the funds of General Bagulesco.

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Enclosures:

Despatch from the Acting Political Adviser for Japan, December 1, 1947, no. 1424.
Summary of Information, November 22, 1947.

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Department of State

Washington

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Control 4675

December 23, 1947

Supreme Commander for the Allied Powers,

Tokyo,

Info: Army Chief of Staff.

For Acting Political Adviser.

486 Twenty-Third

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Disregard DEPTS A-110 Dec 5, 1947. Documents not needed. Submit charges incurred.

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UNITED STATES POLITICAL ADVISER
FOR JAPAN

DIVISION OF OCCUPIED AREAS
ECONOMIC AFFAIRS
DEC 12 1947
DEPARTMENT OF STATE

Tokyo, December 6, 1947.

RESTRICTED

No. 1437

SUBJECT: Transmission of Tables Concerning Yen/Dollar Relationship Represented in Japan's Foreign Trade.

DIVISION OF FINANCIAL AFFAIRS
MAR 1 1948
DEPARTMENT OF STATE
1 copy tables returned

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to enclose copies of tables prepared by the Research and Statistics Division of the Economic and Scientific Section of this Headquarters which indicate the yen/dollar relationships by principal commodities represented in Japanese foreign trade. The tables show transactions conducted through the medium of governmental agencies for the first nine months of 1947 (Table III), the values and yen/dollar ratios of private contracts validated by SCAP during the months of September and October 1947 (Table IV), as well as the relation between the price trends in Japan and the United States between 1934 and 1947 (Tables V, VI). Tables I and II, which indicate the yen/dollar ratios represented in all foreign trade transactions that have taken place during 1947 and those projected for 1948, are presently being revised and copies will be forwarded as soon as available.

The enclosed data indicate that there is a wide dispersion between the dollar and yen value, both by commodity groups and by individual commodities within these groups. In this connection, it is to be noted that at the present time the dollar prices placed upon exportable items are not controlled by the yen cost of these items.

Respectfully yours,

W. J. Sebald.
W. J. Sebald
Acting Political Adviser

Enclosures:

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Enclosures: att.

Five copies each Tables III, IV, V, VI.

Original and ozalid to the Department.

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DMBane/DMM/cjl

JBB.

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

Tokyo's No. 1437
December 6, 1947.

Enclosures: att.

Five copies each Tables III, IV, V, VI.

Original and ozalid to the Department.

851.5/631
DMBane/DMM/cjl

JBB.

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

Clarence T. Arai
ATTORNEY AT LAW
RAINIER HEAT & POWER BUILDING
316 MAYNARD AVENUE
Seattle 4, Washington
ELLIOTT 0680

LEGAL ADVISER
DEC 17 1947
DEPARTMENT OF STATE

December 10th, 1947

JAN 20 1948

Legal Adviser
Department of State
Washington 25, D. C.

Sir:-

Kindly advise me as to the status of the Sumitomo Bank bill of exchange or draft, which was sold in this country prior to the war by the Sumitomo Banks, where the instrument provides that the payment on same is to be made in yen in Japan at a certain Sumitomo Bank there.

You will find the full facts concerning same in the enclosed copy of a letter which I wrote to the Office of Alien Property bearing even date, wherein I made inquiry as to its status with that department.

Kindly advise me, as to whether or not it is necessary to file any claim with your office to protect one's interest on such instruments or as to whether or not any procedurehas been set up to collect on same.

Any information concerning same will be greatly appreciated.

Very truly yours,

Enc. Ck - $1E

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894.5151/12-1047

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

December 10th, 1947.

Office of Alien Property
Department of Justice
Washington 25, D. C.

Re: JS:OKB:mhm
D-39-506

assumes 83-990 1137 Bassetti

Sir:

With reference to your reply of October 28th, 1947 in answer to my inquiry of September 15th, kindly further clarify the status of the Sumitomo Bank bill of exchange or draft made payable in yen in Japan.

The facts are as follows: One Yo Yamashita, Box 53, Kingston, Washington, who is a Japanese national and a resident of the United States since the beginning of the war, had purchased from the Sumitomo Bank of Seattle a bill of exchange or draft in the face amount of 1,000 yen on December 5, 1938. This instrument was made payable at the Yokohama Branch of the Sumitomo Bank, Ltd in Japan ON DEMAND anytime six months after date and bears interest at the rate of .033 per annum, such interest computed every six months on the instrument.

I have discussed the matter with Miss Wolf, who is now finishing up with the liquidation of the Sumitomo Bank of Seattle, and it is her opinion that, since such instruments are made payable in Japan in yen and not in the United States, it is not required to file with your office the Form APO-1c to protect one's claim.

It appears that her position can be further justified in view of Section 34 (a) of the Trading with the Enemy Act, where in part states: ". . . Any defense to the payment of such claims which would have been available to the debtor shall be available to the Custodian. . .", and also since, as I understand it, all proceeds from such transactions covering said instruments were transferred to the branch of the Sumitomo Bank, Ltd. in Japan, where it was payable.

Kindly advise me as to the status of such claims, whether or not it is necessary to file said form to protect claimant's claim on such instruments, where the bill of exchange or draft is made payable at the branch office of the Sumitomo Bank, Ltd. in Japan in yen. A copy of the instrument is annexed hereto.

A prompt reply will be highly appreciated, as numerous inquiries are being received by this office and it is necessary, that I inform my clients as soon as possible.

Very truly yours,

CTA:em

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

JAN 20 1948

In reply refer to
Le/E 894.5151
/12-1047

894.5151/12-1047

My dear Mr. Arai:

Reference is made to your letter of December 10, 1947 enclosing a copy of a letter to the Office of Alien Property requesting information concerning the filing of a claim for the value of a bill of exchange purchased by a Japanese national from the Sumitomo Bank of Seattle payable in yen at the Yokohama Branch of the Sumitomo Bank, Ltd. in Japan.

It is assumed that the Office of Alien Property will advise you whether it will entertain a claim of the type you mention against the vested assets of the Sumitomo Bank of Seattle.

While the Department cannot under ordinary circumstances assist a Japanese national in obtaining satisfaction of his claim in Japan, it is pointed out that there are no restrictions on correspondence with the Japanese bank in matters of this nature. Consequently, it may be possible for the claimant to pursue his claim to a satisfactory conclusion by direct correspondence with that bank.

Ordinarily

Mr. Clarence T. Arai,
Attorney at Law,
Rainier Heat & Power Building,
316 Maynard Avenue,
Seattle 4, Washington.

A/CSV

894.5151/12-1047

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

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Ordinarily American claims are referred to the Civil Property Custodian, General Headquarters Supreme Commander for the Allied Powers, Tokyo. However, no procedures have yet been established for the adjudication of such claims.

Sincerely yours,

For the Secretary of State:

Stanley D. Metzger
Assistant to the
Legal Adviser

Le/E:VHague:nlc
1-14-48

OE

CR

JAN 19 1948

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

OE/K
Files

DEC 11 1947 Original signed letter dictated over A-S. directly Carried by special messenger to FEC

In reply refer to
OE

My dear General McCoy:

I enclose herewith a statement which the United States Government desires be made to the Far Eastern Commission on December 11, 1947, together with a memorandum of information with accompanying SCAP Circular. The memorandum of information with attachment should, if possible, be distributed to the members of the Commission prior to the meeting at which the statement is made.

The purpose of this statement and memorandum of information is to acquaint the members of the Commission with the steps being taken by the Supreme Commander in connection with the implementation by him of paragraph 16 g, FEC-032/26 entitled "Interim Import-Export Policies for Japan". This action is considered necessary because the implementation of this policy statement involves the obtaining of bank loans for financing Japanese foreign trade and the interested banks have requested that the members of the Commission be informed as to the course of action contemplated by the Supreme Commander, prior to the finalizing of the necessary loan agreements.

I regret the necessity of such early action on this matter but, in order to maintain supplies for Japan, it will be necessary to have these bank funds available by the beginning of the year. Since the possibility exists that other Commission members may wish to comment on the memorandum it is felt that the matter should be introduced at least one meeting prior to the last meeting of the Commission this year.

Messrs. Barnett, Whitman and McDiarmid of the Department of State are fully conversant with the problem and will be available for such briefing as may be required.

Sincerely yours,

DOR OE Init.
Amb. PLH
Rev. FR
Cnt. CE
Dist.

(signed) Frank G Wisner

Frank G. Wisner
Deputy to the Assistant Secretary
for Occupied Areas

Gen. Frank R. McCoy,
Far Eastern Commission,
Washington, D. C.

OE:OJMcDiarmid:el 12/10/47. A-S CS LE/P

A true copy of the signed original

AS-3852

894.5151/12-1147

CS/A

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RE-START

BOX - NO.

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

STATEMENT BY GENERAL MCCOY

The members of the Commission will recall that paragraph 16 g, FEC-032/26, "Interim Import-Export Policies for Japan", adopted by the Commission on July 24, 1947, provided for the use of certain Japanese-owned stocks of precious metals and stones, for acquiring foreign exchange to assist in financing a portion of the Japanese trade program. The Supreme Commander has now forwarded to the Commission Circular No. 9, which has been issued to implement the Commission's policy statement. This Circular, together with an explanatory statement thereof, has been circulated as MI- . The Supreme Commander is about to take such steps as are necessary for the accomplishment of this program, and I am therefore calling it to the attention of the Commission at this time.

OE:OJMcDiarmid:mw
12/10/47

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

MEMORANDUM OF INFORMATION - FEC

IMPLEMENTATION OF PARAGRAPH 16 g, FEC-032/26

The Supreme Commander for the Allied Powers has now taken steps to implement paragraph 16 g, FEC-032/26, "Interim Import-Export Policies for Japan", which authorizes the use of stocks of gold, silver and certain precious stones of established Japanese ownership, for the purpose of acquiring foreign exchange to purchase imports necessary for Japan's peace economy. A copy of the implementing SCAP Circular No. 9, 15 August 1947, including proposed amendments, is annexed hereto. This instrument creates a separate fund, including gold and silver, from such stocks with which to finance imports of materials to be used in self-liquidating programs, and permits the borrowing of such currencies as may be needed for this purpose. If, under circumstances now deemed unlikely, proceeds of Japanese exports or other funds are not available to pay maturing obligations of the fund, the stocks of precious metals referred to in paragraph 16 g, will be sold for the currencies required to the extent necessary to pay such obligations. All amounts sold will be properly accounted for, and equal opportunity to acquire such assets for the afore-mentioned currencies will be granted to all member countries of the Far Eastern Commission.

Circular No. 9 establishes various safeguards for preserving the values of the gold and silver. Paragraph 4 b provides, for example, that the export proceeds of products manufactured from materials, the importation of which are financed by the fund, will be paid into the fund. In addition, the net return from the export of textiles manufactured from raw cotton imports which have heretofore been financed by the U.S. Government, will also form a portion of the fund's assets.

OE:OJMcDiarmid:mw
12/10/47

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

(EXTRACT SCAP CIRCULAR NO. 9)

ESTABLISHMENT OF OCCUPIED JAPAN
EXPORT-IMPORT REVOLVING FUND

1. There is hereby created an Occupied Japan Export-Import Revolving Fund (hereinafter referred to as "The Fund"). The Fund is established as a means of financing, primarily on a self-liquidating basis, Japanese imports and exports of commodities and services which are required for the achievement of the objectives and policies of the Occupation and for the mutual benefit of the United Nations and Japan.

2. The Fund shall be managed and operated by a Controller designated by the Supreme Commander for the Allied Powers. The Controller shall have such deputy or deputies as may be similarly designated.

3. The Controller shall be responsible and accountable to the Supreme Commander for the Allied Powers for the safe custody, management, operation and control of The Fund. He shall have authority to make all collections of moneys due The Fund, to make disbursements from The Fund, to make any commitments, allotments, allocations or incur obligations involving The Fund, to borrow monies on the credit of The Fund, and to perform all other acts which he shall determine to be necessary, appropriate or convenient to accomplish the purposes for which The Fund is created.

4. The Fund shall consist of the following:

a. Gold and its equivalent in the approximate value of one hundred thirty-seven million ($137,000,000) dollars, made available to the Supreme Commander for the Allied Powers for the purpose stated herein.

b. The export proceeds of all products, including textiles, manufactured from materials the import of which was financed by The Fund, or by credits based thereon.

c. The export proceeds (in excess of the amount necessary to

liquidate

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liquidate CCC_1 and CCC_2 accounts) derived from the sale of textiles manufactured from cotton imported under CCC_1 and CCC_2 contracts.

d. Any monies otherwise accruing from any operation of The Fund.

e. That proportion of the total export proceeds as the respective value of the material purchased through the use of The Fund bears to the total value of all materials used, when any material, the import of which into Japan is financed through the use of The Fund, is mixed with any other material not acquired through the use of The Fund.

f. Other assets as may be designated by the Supreme Commander for the Allied Powers.

g. Any monies borrowed on the credit of the foregoing assets.

5. The Fund shall be used for the payment of the following only:

a. Fidelity and surety bond premiums of the Controller, any deputy Controller and such other employees as may be deemed necessary.

b. Materials imported for the purpose of directly deriving goods for export therefrom, which will, in the judgment of the Controller, have an anticipated value in excess of the cost of such materials realizable within one year after the date of arrival in Japan of such materials.

c. Raw materials, processing materials or operating supplies needed for the production of such exports.

d. Services and general imports of machinery or machine parts, supplies, or other materials deemed necessary by the Supreme Commander for the Allied Powers for the general Japanese economy; provided that any funds advanced for these purposes shall not exceed fifteen percent (15%) of the value of the assets of The Fund specified in Paragraphs 4a, 4c, and 4f, above.

e. Monies borrowed and interest and other charges in connection therewith.

f. Fees,

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

f. Fees, service or other charges arising out of any transaction specified in Paragraphs 5b, 5c, and 5d, above.

6. The Fund shall be subject to the following special restrictions:

a. No obligation arising out of the operation of The Fund shall be secured by a special lien on any of the assets thereof; but those to whom The Fund is so obligated shall have a first claim against the assets thereof, prior to any other claim against such assets.

b. The Fund shall not be expended or obligated unless after such expenditure is made or obligation is incurred, a cash reserve consisting of gold and its equivalent, dollars, and freely convertible currency is equal to 30 percent (30%) of the initial value of the assets specified in Paragraphs 4a, 4c, and 4f, above, or of the outstanding liabilities, whichever is greater; provided, however, that the foregoing restriction shall not apply to expenditures made to discharge obligations previously incurred within such limitations.

c. In the event he deems it necessary to export and sell any of the assets referred to in 4a to obtain currencies to pay obligations of The Fund, the Controller shall, prior to making the sale, first offer to sell such assets to member nations of the Far Eastern Commission for currencies required to discharge such obligations of The Fund.

7. Subject to the terms and provisions of Paragraphs 5 and 6, above, at such times as the ~~surplus~~ net worth of The Fund exceeds forty percent (40%) of the total liabilities as reflected by the last current statement of the status of The Fund then, and in that event, and in that event only, the Supreme Commander for the Allied Powers may, at his discretion, withdraw from The Fund any amount so long as such withdrawals do not reduce the net worth of The Fund to less than forty (40%) percent of the total liabilities. For the purposes of this Paragraph 7:

a. In addition to assets described in Paragraph 4, above, assets shall include, but shall not be limited to, all of the following resulting

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resulting from the operation of The Fund,

(1) Receivables arising from firm forward export sales,

(2) The value of raw materials at cost or market (whichever is lower),

(3) Goods in process at the value of the raw materials, and,

(4) Finished goods at their export market value or forward sales value.

b. Liabilities shall include, but shall not be limited to, the initial value of Paragraphs 4a, 4c and 4f, above, plus all accounts payable and commitments made.

8. The Controller shall render a monthly statement of the status of The Fund to the Supreme Commander for the Allied Powers within thirty (30) days after the last business day of the month for which such statement is rendered. Copies of such statement will be made available to such parties as the Supreme Commander for the Allied Powers may direct, or as may be entitled thereto pursuant to the terms of any contract approved by him.

9. In the event of a transfer of authority prior to a peace treaty or upon the proclamation of a peace treaty to which the United States Government and the Japanese Government are signatories, the Controller upon the occurrence of either of the stipulated contingencies shall liquidate, as soon as may be practicable, all proper claims (including commitments) arising out of the operations of The Fund against the assets of The Fund. The balance of The Fund shall be retained for appropriate ultimate disposition in accordance with controlling directives.

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894.5151/12-2347

DESP. 1473 FROM TOKYO

FILE NO.

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SECRET

UNITED STATES POLITICAL ADVISER
FOR JAPAN

Confidential File

FEB 31948

No. 1473

CONFIDENTIAL
FOR USE OF DEPARTMENT ONLY

Tokyo, Japan, December 23, 1947.

Rec'd
Jan.23

ACTION
*OFD

Subject: Views of the Japanese Government Concerning Exchange Problems.

INFO
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The Honorable
The Secretary of State,
Washington.

Sir:

1/ I have the honor to enclose copy of a summary of the recommendations on exchange problems prepared by the Exchange Committee of the Japanese Government and approved by the Conference of Economic Ministers on December 15, 1947, and subsequently submitted to the Foreign Exchange Rate Committee of the Economic and Scientific Section of this Headquarters. 2/ A list of the members of the Exchange Committee of the Japanese Government, a committee of experts, the Chairman of which is TSURU Shigeto, Vice Chairman of the Coordinating Committee of the Economic Stabilization Board, is also enclosed. The Conference of Economic Ministers is a conference of ministers of cabinet rank holding economic portfolios and is comprised of the following members: WADA Hiroo, Director General of the Economic Stabilization Board; KURUSU Takeo, Minister of Finance; MIZUTANI Chozaburo, Minister of Commerce and Industry; NATANO Kanae, Minister of Agriculture and Forestry; KITAMURA Tokutaro, Minister of Transportation; MIKI Takeo, Minister of Communications; and YONEKUBO Mitsusuke, Minister of Labor.

0-0-0

The position is taken by the Japanese Government that a general rate of exchange, to be determined by reference to price indexes, should be established as soon as possible. Further, that where commodity transactions cannot be carried on at the general rate, a special rate, either above or below the general rate, will be established for each such specific commodity. For the most part, it is anticipated that commodity imports, invisible exports, capital imports and other capital transfers will be conducted at the general rate. On the other hand, a multiple exchange rate or factor system would be established for commodity exports with the approval of a Yen Committee to be set up by the Japanese Government.

It is believed that the decision by the Japanese Government to establish a multiple system of exchange rates or factors for commodity exports rather than a single rate has been predicated in large measure upon the recognition of, and belief in the probable continued existence of, the present wide disparity in the ratios of dollar and yen prices of the various goods represented in Japanese foreign trade, by commodity groups as well as by individual items within these groups, as indicated in

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in the tables transmitted in this Mission's despatch No. 1437 of December 6, 1947 on the subject of Transmission of Tables Concerning Yen/Dollar Relationship Represented in Japan's Foreign Trade. As was pointed out in that despatch, dollar prices placed upon exportable items are not controlled by the yen cost of those items. Furthermore, exports from Japan have been sold on a competitive basis in most instances, whereas imports into Japan have been set at an artificially low yen price in order to support price stabilization policies of the Japanese Government.

The Japanese Government has apparently decided, in view of the above, that the establishment of a single yen-dollar rate would not only compel sellers of those commodities in which prices are currently at a yen-dollar ratio above this rate to reduce the yen price and presumably sell at a loss or stop production, but also would enable sellers of commodities at a ratio below the general rate to raise their yen prices and contribute to the inflation, or permit purchasers to buy for less and thereby realize a "windfall profit" at the expense of the Japanese foreign currency position. It is understood that consideration was given by Japanese Government officials concerned to the desirability of establishing a single rate of exchange and utilizing a governmental subsidization program (within the scope of the subsidy provisions embodied in the draft Charter for an International Trade Organization) to meet the needs of those industries whose costs of production would not permit them to continue at the established rate, as well as the imposition of a type of export fee to reduce large profits derived by those industries whose costs of production would permit substantial price increases. However, the belief was expressed that a system of multiple exchange rates would provide a more suitable frame of reference for the conduct of private trade than a single rate, and that a subsidization program on the other hand would present opportunities for corruption of officials and businessmen. In this connection, it is to be noted that no consideration has apparently been given in the enclosed statement to the problem of administration of a multiple system of exchange rates, which would involve, it is believed, in addition to the problem of rate determination, continual pressures to raise individual commodity rates as well as manifold opportunities for corruption of officials and businessmen.

Although the general rate, once established, is to be maintained at that level as long as possible, the plan as outlined envisages a periodic revision of the general rate in accordance with a "balancing formula" (as set forth in Enclosure No. 1), which is intended eventually to effect a balance between the general rate and the ratio of all yen-dollar ratios of commodity transactions carried on above and below the general rate in Japanese foreign trade transactions. In this connection, it is to be noted that unanimity of opinion does not exist within the Exchange Committee of the Japanese Government concerning the mathematical accuracy of the "balancing formula". Apart from the question of mathematical accuracy, however, the Japanese Government officials concerned anticipate that through periodic revision of the general rate in the light of some "balancing formula" and through realistic adjustment of the rates above and below the general rate, a balance will be reached resulting in the use of a single factor or rate for all types of transactions.

Information

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Information available to this Mission through contacts established with Japanese officials concerned would indicate that the views expressed by the Japanese Government in regard to exchange matters conform for the most part to the tentative views expressed thus far by the Foreign Exchange Rate Committee of this Headquarters.

Although the enclosed statement does not treat the problem of currency conversion after the establishment of a rate or rates of exchange, it is assumed that at least for the near future the Japanese would not be permitted to receive foreign currency and non-Japanese would be permitted to convert only limited quantities of foreign currency for yen.

Respectfully yours,

W. J. Sebald
Acting Political Adviser

Enclosures:

1. Copy of a summary of the recommendations on exchange problems, Exchange Committee of the Japanese Government.

2. List of the members of the Exchange Committee of the Japanese Government as of December 12, 1947.

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Enclosure No. 1 to Despatch No. 1473 dated December 23, 1947, from Office of United States Political Adviser for Japan, Tokyo, entitled "Views of the Japanese Government Concerning Exchange Problems".

(COPY)

ON EXCHANGE PROBLEMS

The Exchange Committee
Japanese Government
15 December 1947

NOTE: The following is the summary of the recommendation on exchange problems approved by the Exchange Committee on 12 December 1947 and subsequently approved by the Conference of Economic Ministers on 15 December 1947, and is hereby presented informally to the Yen Exchange Committee, ESS, as a reference for its deliberation on the subject.

I. General Considerations

Measures concerning exchange rate or exchange factors should be taken up as an integral part of the general internal and external economic policies of the country; that is to say, merits or demerits of a particular measure should be judged from the standpoint of whether it contributes to the currently primary task of achieving the earliest stabilization of the economy.

During the past two years Japan has been slowly coming out of the state of a closed economy. Any step we now take as regards exchange problems will be necessarily in the direction of bringing the economy into still closer relation with the international economic factors, such as, external price structure. It is highly desirable that such a step be made into an occasion for lessening the degree of the hot-house character of the present day Japanese economy; but at the same time, it should be emphasized that it should also be an occasion for improving various external economic factors surrounding Japan. Therefore, the Committee wishes to take this opportunity to lay special stress upon the importance of necessary measures of assistance that are complementary once a positive step is taken as regards exchange problems.

II. Next Steps to be Taken

1. General Rate

(1) To be calculated as soon as possible. The matter of making the rate public is to be decided with reference to other aspects of the exchange problems.

(2) The method of calculation is to be as follows:

a) The initial general rate is to be determined by using the index of official prices (for Japan) with a certain practical modification.

b) Subsequent revisions are to be made in accordance with a definite formula that is beyond political control. The rate once established, however, is to be maintained as long as possible.

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2. The "Balancing Formula"

Some of the commodities may be transacted at rates other than the general rate; and there can be four such categories, namely: (designating the general rate by R)

	in ¥	(in $)
a) Exports transacted at rates higher than R.....	X_1	(x_1)
b) Exports transacted at rates lower than R.....	X_2	(x_2)
c) Imports transacted at rates higher than R.....	M_1	(m_1)
d) Imports transacted at rates lower than R.....	M_2	(m_2)

Note: Here, "rates higher than the general rate" means rates at which yen is cheaper than at the general rate; and "rates lower than the general rate" means the reverse.

The "balancing formula" may be written as follows:

$$R = \frac{M_1 + M_2 - (X_1 + X_2)}{m_1 + m_2 - (X_1 + X_2)}$$

It is recommended that the "balancing formula" is not to be applied very strictly at the beginning.

3. Invisibles (including capital movements)

(1) As a rule, the general rate is to be applied.

(2) Implementation is to begin as soon as possible.

4. Commodity Imports

(1) As a rule, the general rate is to be applied. However, at the outset it is to be applied, for most of the commodities, only for accounting purposes.

(2) Implementation is to begin as soon as possible.

5. Commodity Exports

(1) A multiple exchange factor system is to be adopted as an interim measure with the rates differing from the general rate to be established with the approval of the Yen Committee referred to below. The Committee, in approving the rates, shall take into account as far as practicable the "balancing formula". Exchange factors are to apply by commodity groups.

(2) A

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(2) A "cut-off-point" is to be set. However, exceptions may be allowed after strict examination.

(3) Implementation is to begin as soon as possible.

6. Yen Committee (tentatively so-called)

The "Yen Committee" is to be set up in the Japanese Government; but details are to be worked out separately as soon as possible.

7. Exchange Control

Legal steps are to be taken in order to make the exchange control effective as regards the multiple exchange factor system.

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Enclosure No. 2 to Despatch No. 1473 dated December 23, 1947, from Office of United States Political Adviser for Japan, Tokyo, entitled "Views of the Japanese Government Concerning Exchange Problems".

(COPY)

EXCHANGE COMMITTEE

(As of 12 December, 1947)

Chairman of the Exchange Committee:

TSURU Shigeto, Vice-Chairman of Coordinating Committee, Economic Stabilization Board

Members from the Economic Stabilization Board:

FUJISAWA Jiro, Director of Foreign Trade Bureau

SATA Tadataka, Director of Finance Bureau

YAMAMOTO Takayuki, Chief of Secretariat

TANIGUCHI Tsutomu, Director of Price Control Bureau

ARAI Shinji, Councillor

KATSUBE Toshio, Deputy Director of Foreign Trade Bureau

WATANABE Kikuzo, Deputy Director of Finance Bureau

KUBOTANI Naomitsu, Deputy Director of Price Control Bureau

TOKUNAGA Hisaji, Chief of Planning Section, Secretariat

MATSUO Taiichiro, Chief of Foreign Trade Policy Section, Foreign Trade Bureau

YAMASHITA Taketoshi, Chief of Finance Section, Finance Bureau

SHIMOMURA Hajime, Chief of Price Control Policy Section, Price Control Bureau

Members from the Finance Ministry:

IHARA Takashi, Director of Finance Bureau

ISHIDA Tadashi, Chief of Foreign Exchange, First Section, Finance Bureau

ISHINO Shinichi, Chief of Foreign Exchange, Third Section, Finance Bureau

OTA Ryoichi, Secretary of Foreign Exchange, Third Section, Finance Bureau

Members

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Members from the Foreign Ministry:

NAGAI Mikiso, Chief of Economic Section, General Affairs Bureau

Members from the Board of Trade:

ARAI Shigeru, Deputy Director-General

OCHI Minoru, Chief of Foreign Trade Section, General Affairs Bureau

SATO Naokumi, Chief of Research Section, General Affairs Bureau

WATANABE Makoto, Chief of Foreign Trade Fund Section, Accounting Bureau

Members from the Price Control Board:

HIRATA Keiichiro, Director of First Department

YAMAMOTO Kikuichiro, Chief of General Affairs Section, First Department

UCHIYAMA Shusaku, Secretary of Research Section, First Department

Members from the Bank of Japan:

YOSHIOKA Koichi, Director of Foreign Affairs Bureau

IWATA Ryosaku, Vice-Director of Foreign Affairs Bureau

Members from the Bank of Tokyo:

KANNO Masao, Chief of General Affairs Section

ONO Eisuke, Chief of Foreign Affairs Section

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DIVISION OF OCCUPIED AREAS
ECONOMIC AFFAIRS
JAN 28 1948
DEPARTMENT OF STATE

UNITED STATES POLITICAL ADVISER
FOR JAPAN

No. 1473

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Tokyo, Japan, December 23, 1947.

RECEIVED
DEPARTMENT OF STATE

Subject: Views of the Japanese Government Concerning Exchange Problems.

The Honorable
The Secretary of State,
Washington.

Sir:

1/ I have the honor to enclose copy of a summary of the recommendations on exchange problems prepared by the Exchange Committee of the Japanese Government and approved by the Conference of Economic Ministers on December 15, 1947, and subsequently submitted to the Foreign Exchange Rate Committee of the Economic and Scientific Section of this Headquarters. A list of the members of the Exchange Committee of the Japanese Government, a committee of experts, the Chairman of which is TSURU Shigeto, Vice Chairman of the Coordinating Committee of the Economic Stabilization Board, is also enclosed. The Conference of Economic Ministers is a conference of ministers of cabinet rank holding economic portfolios and is comprised of the following members: WADA Hiroo, Director General of the Economic Stabilization Board; KURUSU Takeo, Minister of Finance; MIZUTANI Chozaburo, Minister of Commerce and Industry; NATANO Kanae, Minister of Agriculture and Forestry; KITAMURA Tokutaro, Minister of Transportation; MIKI Takeo, Minister of Communications; and YONEKUBO Mitsusuke, Minister of Labor.

2/ The position is taken by the Japanese Government that a general rate of exchange, to be determined by reference to price indexes, should be established as soon as possible. Further, that where commodity transactions cannot be carried on at the general rate, a special rate, either above or below the general rate, will be established for each such specific commodity. For the most part, it is anticipated that commodity imports, invisible exports, capital imports and other capital transfers will be conducted at the general rate. On the other hand, a multiple exchange rate or factor system would be established for commodity exports with the approval of a Yen Committee to be set up by the Japanese Government.

It is believed that the decision by the Japanese Government to establish a multiple system of exchange rates or factors for commodity exports rather than a single rate has been predicated in large measure upon the recognition of, and belief in the probable continued existence of, the present wide disparity in the ratios of dollar and yen prices of the various goods represented in Japanese foreign trade, by commodity groups as well as by individual items within these groups, as indicated in

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in the tables transmitted in this Mission's despatch No. 1437 of December 6, 1947 on the subject of Transmission of Tables Concerning Yen/Dollar Relationship Represented in Japan's Foreign Trade. As was pointed out in that despatch, dollar prices placed upon exportable items are not controlled by the yen cost of those items. Furthermore, exports from Japan have been sold on a competitive basis in most instances, whereas imports into Japan have been set at an artificially low yen price in order to support price stabilization policies of the Japanese Government.

The Japanese Government has apparently decided, in view of the above, that the establishment of a single yen-dollar rate would not only compel sellers of those commodities in which prices are currently at a yen-dollar ratio above this rate to reduce the yen price and presumably sell at a loss or stop production, but also would enable sellers of commodities at a ratio below the general rate to raise their yen prices and contribute to the inflation, or permit purchasers to buy for less and thereby realize a "windfall profit" at the expense of the Japanese foreign currency position. It is understood that consideration was given by Japanese Government officials concerned to the desirability of establishing a single rate of exchange and utilizing a governmental subsidization program (within the scope of the subsidy provisions embodied in the draft Charter for an International Trade Organization) to meet the needs of those industries whose costs of production would not permit them to continue at the established rate, as well as the imposition of a type of export fee to reduce large profits derived by those industries whose costs of production would permit substantial price increases. However, the belief was expressed that a system of multiple exchange rates would provide a more suitable frame of reference for the conduct of private trade than a single rate, and that a subsidization program on the other hand would present opportunities for corruption of officials and businessmen. In this connection, it is to be noted that no consideration has apparently been given in the enclosed statement to the problem of administration of a multiple system of exchange rates, which would involve, it is believed, in addition to the problem of rate determination, continual pressures to raise individual commodity rates as well as manifold opportunities for corruption of officials and businessmen.

Although the general rate, once established, is to be maintained at that level as long as possible, the plan as outlined envisages a periodic revision of the general rate in accordance with a "balancing formula" (as set forth in Enclosure No. 1), which is intended eventually to effect a balance between the general rate and the ratio of all yen-dollar ratios of commodity transactions carried on above and below the general rate in Japanese foreign trade transactions. In this connection, it is to be noted that unanimity of opinion does not exist within the Exchange Committee of the Japanese Government concerning the mathematical accuracy of the "balancing formula". Apart from the question of mathematical accuracy, however, the Japanese Government officials concerned anticipate that through periodic revision of the general rate in the light of some "balancing formula" and through realistic adjustment of the rates above and below the general rate, a balance will be reached resulting in the use of a single factor or rate for all types of transactions.

Information

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Information available to this Mission through contacts established with Japanese officials concerned would indicate that the views expressed by the Japanese Government in regard to exchange matters conform for the most part to the tentative views expressed thus far by the Foreign Exchange Rate Committee of this Headquarters.

Although the enclosed statement does not treat the problem of currency conversion after the establishment of a rate or rates of exchange, it is assumed that at least for the near future the Japanese would not be permitted to receive foreign currency and non-Japanese would be permitted to convert only limited quantities of foreign currency for yen.

Respectfully yours,

W. J. Sebald
Acting Political Adviser

Enclosures:

1. Copy of a summary of the recommendations on exchange problems, Exchange Committee of the Japanese Government.
2. List of the members of the Exchange Committee of the Japanese Government as of December 12, 1947.

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CONFIDENTIAL

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: April 12, 1948

SUBJECT: Official Netherland's Views on Foreign Exchange Rate for Japan.

PARTICIPANTS: Mr. Jobsis - Netherlands Embassy
Mr. Soutendijk - " "
Mr. Whitman - OE
Mr. McDiarmid - OE

COPIES TO: Mr. Stuart - Treasury
- FN
- NA
- O

1—1408

Mr. Jobsis and Mr. Soutendijk called to express the official views of the Netherlands Government regarding certain principles in connection with the establishment of a foreign exchange rate in Japan. The points covered in the conversation were as follows:

(a) Single Versus Multiple Rate System. The Netherlands would strongly favor the establishment of a single exchange rate. They do not rule out the possibility of the payment of subsidies to industries which it is desired to preserve and which show promise of reducing their costs in accordance with the world price situation. They oppose a multiple rate system chiefly on grounds of its self-perpetuating character and because of its discriminatory effects.

(b) The Free Exchange Market. The Netherlands would oppose applying the French or Italian free exchange systems in Japan on the grounds that such systems would discriminate between currencies and presumably encourage commodity arbitrage. They would not oppose permitting exporters to retain a certain amount of their foreign exchange earnings for the purchase of lower priority imports, and it was intimated that the Netherlands is considering such a program itself.

(c) Level of the Rate. Mr. Jobsis stated that eventually the rate should not undervalue or overvalue the yen, though he believed some initial undervaluation might be acceptable. Permanent undervaluation would, he thought, encourage the Japanese to import from non-dollar areas.

(d) Changes in the Rate. The Netherlands would favor keeping such changes to a minimum though apparently not opposing necessary adjustments during the initial period of operations.

(e) Procedure

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(e) Procedure for Fixing the Rate. The Netherlands representatives place considerable emphasis on:

(1) Having the rate established here rather than in Japan; and

(2) Consultation between the U.S. and other interested governments before the establishment of the rate.

They thought it desirable that the International Monetary Fund be consulted in an advisory capacity and possibly be asked to contribute experts and research materials to any group responsible for handling this problem. Mr. Jobsis thought that a more objective and internationally satisfactory solution to the problem could be reached in Washington than in Tokyo.

The Netherlands representatives were given a resume of the problems and points of view on the questions outlined above. They were informed that no final positions had been taken on these matters, and that further discussions with other government representatives, either here or in Japan, might be held prior to any decisive action.

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COPY

Commercial Department
No. C. 78

BRITISH EMBASSY
WASHINGTON 8, D.C.
30th June, 1947

Dear Ross,

Please forgive me if I revert once again to the question of the fixing of an exchange rate in Japan.

Our people are not at all happy about the system under which it is proposed to re-open private trade with Japan and, in fact, the Treasury have gone so far as to express the view that the proposals are not what they understand by private trade.

The Treasury recognize that, in order to re-introduce private trade, it is not necessary for the foreign buyer to handle yen or the Japanese seller foreign exchange. They do consider it essential, however, that in the negotiations between the two, it should be known at what rate the Japanese Government will pay yen to the seller against foreign exchange paid by the buyer. Without this they consider that the negotiation of transactions will be impossible and that a situation might arise in which nothing would be bought except commodities which are so scarce that their price is a secondary consideration. As a result, Japanese foreign exchange earnings would be seriously hampered instead of encouraged to the greatest extent possible.

The Treasury point out that it is quite unnecessary to control all trade or traders in order to control the proceeds of exports or to ration exchange for imports. They emphasize that private trade could be more effectively stimulated, while at the same time remaining fully under the control of SCAP, by a system of strict import and export licensing and exchange control with direct relations between foreign and Japanese traders and a predetermined rate of exchange. To this end Japan should re-establish her prewar exchange control.

They consider that the difficulty of fixing a rate (which in any case should be done by the Japanese Government) should not be allowed to act as a deterrent. Provided the rate is flexible, as it should be, it can be changed as soon as it becomes inappropriate (provided that the rate is not changed so frequently that it would upset confidence in the yen).

Roswell H. Whitman, ESq.,
Associate Chief,
Division of Japanese and Korean Economic Affairs,
Department of State,
Washington, D.C.

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The essential thing is that transactions taking place on a given day should be settled at the rate ~~xxxxxxxxx~~ obtaining on that day and that, subject to import license, exchange should be forthcoming at that rate.

The Treasury would also like to know how invisible payments are to be handled under the American proposals and whether business men are to get their yen at the military rate.

We hope that the United States Government will take the above comments of the Treasury into serious consideration. Christelow and I would be happy to have an opportunity to discuss them with your Treasury people and other officials who have hitherto opposed the fixing of a yen rate.

Yours ever,

Anthony Percival

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No. 592

To the
Acting United States Political Adviser for Japan,
Tokyo.

The Secretary of State encloses for the information of the Acting Political Adviser a copy of SWNCC 226/9, "REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE UNITED STATES AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS", approved by the State-Army-Navy-Air Force Coordinating Committee on 23 October, 1947.

The reference document, SWNCC 226/4, is not available.

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Enclosure:
1. SWNCC 226/9, copy no. 40.

A true copy of the signed original

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Rec'd December 26, 1947
9:56 a. m.

DEPARTMENT OF STATE

FROM: Tokyo

TO: Secretary of State

NO: 324, December 26

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UNITED STATES POLITICAL ADVISER
FOR JAPAN

No. 7

RESTRICTED

Tokyo, Japan, January 2, 1948.

Subject: Transmission of Tables Concerning Yen/Dollar Relationship Represented in Japan's Foreign Trade.

894.5151/1-248

The Acting Political Adviser has the honor to refer to this Mission's despatch No. 1437 of December 6, 1947 on the above subject and to enclose two copies each (all that is presently available) of Tables I through IX prepared by the Economic and Scientific Section of this Headquarters which supplant Tables I and II referred to in the above-mentioned despatch and Tables III, IV, and V enclosed therein. The enclosed Tables indicate the yen-dollar relationships by principal commodities represented in Japanese foreign trade thus far as well as estimates of the yen-dollar relationships figuring in Japanese foreign trade projected for the calendar year 1948, and are being utilized in discussions regarding the establishment of a rate or rates of exchange for Japan.

Table I is an estimate of the values and yen-dollar ratios of selected commodity items projected for export from Japan during the 1948 calendar year. Table II shows transactions conducted through the medium of governmental agencies for the first nine months of 1947. Table III indicates the values and yen-dollar ratios of private contracts validated by this Headquarters during the months of September through November 1947. The values of projected exports for the calendar year 1948 have been grouped into estimated yen-dollar ratio classes in Table IV. Table V is an estimate of the values and yen-dollar ratios of selected commodity items projected for import into Japan during the 1948 calendar year. The values of projected imports for the calendar year 1948 have been grouped into estimated yen-dollar ratio classes in Table VI.

A comparison of retail and wholesale price indexes in Japan and the United States from November 1946 through October 1947 is shown by Table VII, an urban Japanese consumer's effective price index by Table VIII, and a comparison of industrial commodity wholesale price indexes in Japan and the United States by Table IX.

Enclosure: as above

Tables I, II, III, IV, V,
VI, VII, VIII, and IX
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January 8, 1948
~~Exix~~ 6 p.m.

SUPREME COMMANDER FOR THE ALLIED POWERS

TOKYO 6

INfo: War Department Chief of Staff

For Political Adviser

Refer minutes 44th meeting Allied Council Oct 29 suggestion by General Shang for creation committee experts to facilitate establishment exchange rate. Desire information/~~SCAP~~ your views of/committee suggestion and/your anticipated reply.

Marshall
Lovett
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RNW

MARSHALL

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ECONOMIC AFFAIRS
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Rec'd January 11, 1948
6:44 a. m.

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FROM: Tokyo

TO: Secretary of State

NO: 5, January 11, 1948

FROM SCAP TO DEPARTMENT OF ARMY, CITE C-57900.

Reference DEPTEL 6, January 8.

Informal reply has already been made to General Shang that SCAP does not favor creation of committee of experts under jurisdiction Allied Council. In consequence General Shang has dropped suggestion.

There are already a large number of experts working on exchange problem; to add another committee which would have no authority to make decisions would appear to be impractical, would result in duplication and undue interference with duly established administrative processes of this headquarters, and above all else, would establish precedent for direct interference in SCAP administrative functions by future committees acting under Allied Council. Throughout history of Council, chairman has consistently ruled against Council taking upon itself administrative functions. These rulings were based upon concept Council was established solely to consult with and advise Supreme Commander and that it would create an anomalous situation for a subordinate advisory body to assume powers not implicit in its terms of reference. (In this connection, please see verbatim minutes of third meeting, discussion beginning page 1; ninth meeting, page 11; twelfth meeting, page 7).

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