	Production Year ending 31 March 1945		Estimated Present Capacity	
	No. of Machines	Value (¥1,000)	No. of Machines	Value (¥1,000)
Machine tools	53,844	723,378	50,400	646,000
Small tools	70,050,000	404,816	47,350,000	278,000
Anti-friction Bearings	26,460,000	300,900	31,000,000	350,000
Precision instruments	63,600	33,000	38,000	21,000
Misc. machines	25,100	43,040	19,400	32,500
Total		1,505,134		1,327,500

8. Most manufacturers are reluctant to resume operation while their status as war munitions makers remains uncertain. Some attempt to convert to normal civilian manufacture is being made but the reduction of Japan's war potential by reparations and other means has not progressed to the point where precision machinery makers can estimate demands. While factories making cameras and meteorological equipment are reopening, the balance of the industry is stagnant.

TRANSPORTATION EQUIPMENT

Automotive Equipment

9. In view of the highly critical problem of transportation the manufacture of trucks has been authorized. In addition the automobile control association has been directed to speed the production of parts for all types of trucks, busses and cars and to reopen motor repair agencies.

10. The SCAP directive of 25 September 1945 authorized a monthly output of 1,500 trucks, utilizing existing stocks of parts. Of the three automobile manufacturers in Japan, Nissan and Toyota have resumed partial operation while the third, The Diesel Motor Company, is in the process of reconversion. In October Toyota planned to produce 400-450 units and Nissan 300-400 units. It is expected that authorized production rate of 1,500 trucks a month will be reached in February 1946.

Motor car production during the war years was as follows:

	Truck Chassis	Passenger Cars	Total
1941	42,813	1,065	43,878
1942	34,786	705	35,491
1943	24,000	207	24,207
1944	21,434	0	21,434

From 1943 to the end of the war the bulk of the production of motor vehicles was taken by the military as follows:

	1943	1944	April - Aug 1945
Trucks for civilian use	2,901	1,965	459
Midget cars for civilian use	1,032	700	not given
Sold to the military	20,388	18,037	1,582

11. The automobile industry did not sustain major damage from air raids, but some key plants such as those producing piston rings were destroyed.

The present production capacity of the three main motor vehicle manufacturers is estimated by the Japanese as follows:

Toyota	18,000 trucks (or 15,600 trucks and 120 passenger cars)
Nissan	12,000 trucks
Diesel	8,000 trucks
Total	38,000

Nissan capacity will be increased to 18,000 trucks a year when the reconversion of its Yoshiwara factory is completed. In addition the above three companies have the following annual capacity for the manufacture of parts:

Toyota	¥ 15,000,000
Nissan	¥ 14,000,000
Diesel	¥ 12,000,000

12. The Automobile Control Association estimated that Japan requires 90,000 new vehicles, consisting of 40,000 trucks, 30,000 busses and 20,000 passenger cars. As current production capacity is only one-third of this figure it is evident that the shortage of motor transportation will continue for an indefinite period.

Railroad Rolling Stock

13. It is estimated that as a result of air raids productive capacity was reduced 28 percent for locomotives, 30 percent for passenger and electric cars and 18 percent for freight cars. According to manufacturers all damaged facilities will be repaired by January 1946. Thirteen of a total of 25 government repair shops were damaged but are being repaired. Capacity when repairs are completed is estimated as follows:

Type	Est. Annual Capacity	Actual Prod. 1944	Actual Prod. 1940	Exports 1940
Steam locomotives	850	555	695	59%
Electric locomotives	200	30	41	56%
Passenger & elec cars	2,000	65	1,262	45%
Freight cars	12,000	6,460	9,914	8%

14. The Transportation Ministry proposes the reconversion of 44 munitions factories and naval arsenals for the repair and produc-

tion of rolling stock. These plans are apparently based on the assumption that 1941 stocks, when Japan's transportation system was near a peak, are inadequate to handle normal post war traffic.

The Transportation Ministry plans to build the following new equipment in the year ending 30 September 1946:

Steam locomotives	360
Electric locomotives	100
Passenger and electric cars	1,680
Freight cars	2,605

This program will require 106,000 short tons of steel.

Shipbuilding

15. The growth of the shipbuilding industry during the war is shown by the following comparative figures:

	1935	1940	1941	1942	1943	1944	April-June 1945
No. of yards	25	41	47	48	56	56	50
No. of ways	78	126	126	130	133	135	126
No. steel ships completed a/	96	79	79	172	424	665	61
Tonnage b/	132.4	482.6	231.3	424.8	1,126.0	1,579.6	168.7

a/ over 100 gross tons each.
b/ 1,000 gross tons.

16. Work is being carried on in 46 shipyards on repairs to damaged ships and on new construction under way before the cessation of hostilities. One hundred twenty-two new ships under construction total 372,600 gross tons.

Because of the acute shortage of shipping, SCAP on 28 September 1945 directed the Japanese Government to place all shipyards and ship repair agencies on a 24-hour day, 7-day-a-week schedule. About 15 of these were handicapped by a shortage of experienced workers.

MINERAL INDUSTRIES

Iron and Steel

17. Because of the coal shortage iron and steel production is at a very low ebb. Japanese authorities estimate rolled steel production for the 12 months commencing 1 October 1945 at 270,000 metric tons, with a minimum of 5,000 in October 1945 and a maximum of 40,000 in September 1946.

It is further estimated that 450,000 metric tons of rolled steel can be produced during the fiscal year commencing 1 April 1946. This estimate is based on the expected availability of 3,000,000 metric tons of domestic coal allocated from a total national supply of 20,000,000 metric tons. Sufficient domestic ore can be mined to

cover this production, but 13,000 metric tons of magnesium clinkers and 6,500 tons of fluorite must be imported.

18. The Japanese estimate the quantity of rolled steel to be available for the year commencing 1 October 1945 as follows:

(metric tons)

Mill production	270,000
Army and navy stocks	400,000
Steel in stock	110,000
Total	780,000

Of this amount 180,000 metric tons have already been allocated for essential needs. The Ministry of Transportation has submitted a plan providing for the construction of 65 new merchant ships of 212,000 gross tons requiring 155,000 tons of steel. The same Ministry has also submitted a plan for the repair and expansion of railways and rolling stock which requires 800,000 tons of steel. Figures of the specific needs of other consumers are not available.

19. The wartime expansion in Japan's iron and steel production is illustrated by the following figures:

(metric tons)

	1926/29 Average	1940/44 Average
Pig Iron	971,000	3,722,000
Ingot steel	1,848,000	6,890,000
Finished steel	1,606,000	4,966,000

RATED PLANT CAPACITY
(1,000 metric tons)

	1944	1945
Pig iron		
Hokkaido	1,185	1,137
Honshu	2,954	2,121
Kyushu	2,446	2,356
Total	6,585	5,614
Electric furnance steel		
Hokkaido	37	37
Honshu	2,962	2,613
Kyushu	336	240
Total	3,335	2,890
Open hearth		
Hokkaido	1,000	880
Honshu	6,960	5,500
Kyushu	2,673	2,504
Total	10,633	8,804

Rolled steel	1944	1945
Total Japan	8,702	7,722

SUPPLY OF RAW MATERIALS
(1,000 metric tons)

	Domestic Production of Iron Ore	Imports of Iron Ore	Recovery of Iron & Steel Scrap	Imports of Coking Coal
1940	1,042	5,129	871	3,315
1941	1,268	5,058	1,022	3,417
1942	2,059	4,277	1,251	4,025
1943	2,502	3,666	1,292	2,939
1944	2,672	1,668	1,371	1,435

Aluminum

20. Japan's aluminum industry is based on bauxite imported from the southwest Pacific (72 percent), aluminous shale from North China and Manchuria (23 percent) and alunite from Korea (5 percent). There is no aluminum ore in Japan proper and shale and alunite are not economical raw materials on a normal commercial basis.

Aluminum production reached a peak in 1944 when output amounted to 98,000 metric tons as compared with probable capacity in that year of 143,000 metric tons. Annual civilian consumption needs are currently estimated at 30,000 metric tons.

PETROLEUM REFINING

21. The Japanese developed a sizeable refining industry based on refining their own limited production and also crude oil imported from the west coast of the United States and from South Pacific Areas. Total capacity prior to the war was estimated at 4,770,000 kiloliters. Present refining capacity is estimated at 800,000 kiloliters as follows:

(kiloliters)

Location	Light Crude Oil	Heavy Crude Oil	Total
Pacific & Inland Sea	200,000	100,000	300,000
Japan Sea	300,000	200,000	500,000
Total	500,000	300,000	800,000

Japan developed a synthetic crude production of 131,175 kiloliters in 1944. Subsequent air raids reduced this to an estimated capacity of 40,000 kiloliters.

22. The Japanese have estimated civilian petroleum stocks at 50,000 kiloliters. In addition the Japanese Army and Navy held approximately 39,000 kiloliters of aviation gasoline and 7,000 kiloliters of aviation lubricants.

An estimate of petroleum requirements for civilian needs, together with pertinent data on stocks and production capacity, follows:

0059

(kiloliters)

	Gasoline	Kerosene	Diesel	Fuel Oil	Lube Oil
Jap. stocks (1 October 45)	9,300	4,267	11,224	4,558	12,929
Est. refinery prod. (Oct 45)	2,100	800	5,500	725	1,512
Est. syn. prod. (October 1945)	1,300	500	1,000	2,400	0
Jap. Army & Navy stocks (Approx.)	15,000	559	5,765	3,760	17,600
Total Avail (Oct. 45) (Approx.)	27,700	66,126	23,489	11,443	32,041
Est. consumption (October 1945)	12,700	15,126	23,489	3,443	7,041
Est. Balance (1 November 1945)	15,000	9,000 (Deficit)	0	8,000	25,000

CHEMICALS

23. During the war the emphasis was on the production of essential chemicals. The only new products of note were synthetic rubber and plastics which were produced in small quantities. Production was maintained at a fairly constant level until April 1944 when a decline set in due to lack of proper maintenance and shortages of labor and materials.

24. The industry has been under strict governmental control for years. The governmental organization set up for control of chemical production in 1939 has continued to function virtually cut change. Control is exercised by three sections of the Industry Bureau, Ministry of Commerce and Industry, which deal respectively with inorganic chemistry, organic chemistry and all other chemical matters including administration.

The Japanese have recently been changing key personnel in these official positions. The Chemical Industry Control Association, operative since early 1943, was set up as a self-regulating board by chemical manufacturers. The Control Association has several virtually autonomous branches and more than 20 allocation companies.

25. War damage varies considerably for the different classes of chemicals. In addition plants have deteriorated due to lack of maintenance during the war. Present production of almost all key chemical products is below estimated domestic requirements. Many plants are experiencing shortages of raw materials, fuel, power, water, repair parts or transportation facilities. In some cases relatively minor causes are holding up important production.

Many of the difficulties are unavoidable but some are the result of a lack of initiative on the part of both Japanese officials and industry. Limited repairs and conversion are under way and Japanese estimates of future production indicate that they intend to recover much lost capacity.

0060

Japanese estimates of their 1946 requirements and production capacity as of 31 October 1945 are listed below:

	Estimated Requirements in 1946 (metric tons)	Capacity 31 Oct 45 (metric tons)
Nitric acid	22,000	66,000
Sulphuric acid	2,700,000	2,500,000
Soda ash	183,000	150,000
Caustic soda	275,000	200,000
Ammonium sulphate	1,600,000	300,000
Calcium cyanamide	465,000	258,000
Calcium carbide	502,000	348,000
Benzol	24,170	30,520
Toluol	5,750	4,900
Ethyl alcohol (in kiloliters)	100,000	80,000
Dyestuffs	14,000	8,000
Industrial explosive	28,000	32,960
Glycerol	10,080	9,930
Oils and fats	445,000	996,000
Soap	154,000	89,620
Celluloid	4,200	4,800
Drugs (in 1,000 Kg)	75,962	98,906

TEXTILES

General

26. It is estimated by the Japan Textile Association that the loss of textiles from fire and bombings during the war amounted to 2,033,000,000 square yards, distributed as follows: In mills 458,000,000 square yards; in warehouses 275,000,000 square yards; in households 1,300,000,000 square yards. Domestic textile stocks, which have not been replenished during the war, have greatly depreciated and Japan's textile needs for home consumption alone are enormous.

In order to have the bare necessities in raw materials for the textile industry, Japan must obtain raw cotton, wool, wood pulp, flax, hemp, jute and ramie. While some small amounts of flax, hemp, jute and ramie have been produced in Japan proper, the bulk of these fibres which go into making mosquito nets, thick sail cloth, canvas, fish nets, sheets and table cloths must come from abroad.

Eventual status of the textile industry of Japan depends substantially on decisions to be reached with reference to import allowances and on what Japan will be allowed to manufacture for export.

Silk

27. In accordance with SCAP directive the silk control associa-

tions are in process of dissolution. A more liberal plan of organization formulated by the industry is now under review by this Headquarters. Under a SCAP directive no raw silk, silk yarn, silk thread, silk or silk-mixture woven goods or silk or silk-mixture finished garments may be released unless approved by this Headquarters.

28. Plant capacity for the production of raw silk has been set at approximately 170,000 bales for the 1946 silk year. It is estimated that 35,000 bales will be retained for domestic consumption but this amount will be further reduced if the export demand for silk warrants it. The emphasis in new silk production will be on the export grades of 13-15 and 20-22 deniers. Present stocks of raw silk in warehouses awaiting recheck amount to about 29,000 export bales (132 lbs) of 13-15 deniers, about 6000 export bales of 20-22 deniers and 15,000 domestic bales (83 lbs) of 20-22 deniers. If they test adequately as to grade and quality these amounts can be made immediately available for export.

Cotton

29. At a complete standstill at the time of surrender, the cotton textile industry is gradually making efforts to revive. Mills are applying for permission to manufacture peacetime goods, to remove war material machinery from their plants and to use their raw stocks and machinery for the manufacture of essential textile goods. Spinners are inquiring as to the possibilities of importing raw cotton, yarn and other basic necessities inasmuch as cotton stocks on hand are enough to operate only until 15 December 1945 at the present rate of production. Operations are still on a limited basis. Only 10 percent of the spindles and looms capable of operation are currently in production as follows:

COTTON TEXTILE INDUSTRY
31 October 1945

	Pre-War Maximum	Operable	In Operation
Spindles	13,000,000	2,780,000	278,000
Looms	362,000	120,000	12,000

The principal problem is lack of raw materials. The stock of raw cotton on hand is only 12,000,000 pounds (91,000 piculs), which is sufficient to run only to 15 December 1945 at the present low rate of operation. Raw cotton imports are therefore of primary importance.

30. If average per capita consumption of cotton textiles during the period 1930-1935 is taken as normal, Japan requires 1,900-000 square yards of cloth a year to meet normal domestic needs. This involves an estimated annual import of 443,500,000 pounds (887,000 bales of 500 lbs) of raw cotton without any provision for possible resumption of exports of cotton yarn and cotton tissues. Present capacity of operable spindles and looms is somewhat short of the above figure out the primary problem is raw materials rather than equipment.

Rayon & Staple Fiber

31 Rayon production in Japan is at an abnormally low stage. The greatest need is caustic soda for the manufacture of rayon from pulp. Caustic soda supplies are practically exhausted. The industry's stock of wood pulp consists of about 10,000 tons in the hands of rayon firms and an unspecified amount in the hands of staple fiber firms. The annual requirement for contemplated production is 170,000 tons.

The present annual plant capacity for staple fiber is 300 tons per day while its rayon capacity is 153 tons per day. The Japanese estimate that civilian needs for the next 12 months will be 300,000,000 pounds of rayon and staple fiber. It is reported that the stock of rayon on hand totals about 13,000,000 pounds and operations are at a rate 3,000,000 pounds per month, of which one-tenth is rayon production and the balance staple fibers.

MISCELLANEOUS MANUFACTURING

Electrical Manufacturing

32. Electrical manufacturing continued on an upward trend during the war until the autumn of 1944. A serious decline in production began in 1945, caused by shorteges of materials and transportation, bomb damage and dispersal of plants to mountain areas. Dispersal is believed to have caused more production loss than damage.

33. Communications equipment manufacturing had only 10 percent capacity remaining at the end of the war. Vacuum tube plants were hardest hit. The wire and cable industry lost 40 percent of its capacity. Electrical equipment manufacturing in general lost 35 percent to 45 percent of its capacity. Accurate production statistics were not compiled during the war and many records were burned. The Mitsubishi Economic Research Bureau is computing production figures from raw material used and other available information and will have estimates in the near future.

34. The wire and cable manufacturers plan an output of ¥ 212,600,000 during the next year. It is expected that 100,000 home radios will be built during the balance of 1945 and 2,500,000 during 1946. Most of the necessary equipment for the rehabilitation of communications facilities will probably be produced. Domestic equipment, such as room heaters and electric cookers, are in production and will be produced to the extent permitted by material allocations. Conversion of plants to peacetime production is proceeding slowly.

Pulp and Paper

35. There are four main divisions of the paper industry in Japan, namely: foreign paper (books and magazines), cardboard, newsprint and Japanese paper.

The present supply of all types of paper, particularly of foreign type and newsprint, is exceedingly critical. Seventy percent of the sulphate pulp capacity (high grade papers) has been lost due to Japan's loss of Karafuto, Korea and Formosa. As Karafuto was the main source of pulp, its loss to Japan has crippled the entire paper industry. The production of newsprint and foreign papers for books and magazines is running at about two to seven percent of pre-war production.

36. The Oji Paper Manufacturing Co. Ltd., has virtually monopolistic control of the paper industry in Japan, with over 80 percent of the total paper production in the country and producing almost 85 percent of the total foreign-style paper. The strength of the Oji Company lies in the almost complete control of the pulp production. In 1939 it turned out 1,621,200,000 pounds of paper and 528,586,000 pounds of pulp, which was equivalent to 80 percent of Japan's domestic production.

37. The production of pulp has shown a significant year-to-year increase both in Japan and in Manchuria, totaling 1,007,000 tons of Japanese production and 44,400 tons in Manchuria in 1939. About 167,451 tons were imported from the United States and European countries. With the Manchoukuo and Kerafuto supplies cut off, the future production capacity of pulp in Japan proper requires extensive study.

Available production figures on various papers from January to June 1945 are as follows:

Type	Pounds	Percent
Foreign-style	118,663,650	49
Cardboard	48,452,232	20
Newsprint	37,288,998	16
Japanese	35,777,112	13

38. The monthly production capacity for newsprint totals 25,000,000 pounds and for foreign-style paper 15,000,000 pounds. Annual need for newsprint totals 200,000,000 pounds against a capacity of 300,000,000 pounds, leaving a 100,000,000 pound surplus. Annual need for foreign style paper totals 500,000,000 pounds against a capacity of 180,000,000 pounds, leaving a deficit of 320,000,000 pounds. Basic raw materials, including pulp and coal, are inadequate to utilize full capacity.

Lumber

39. In Japan wood is more carefully used than in the western nations. It furnishes housing and paper, the two principal building materials, and is the principal source of household fuel.

40. The average annual cut for the years 1940-45 was about 7,200,000,000 board feet of timber, equivalent to about 5,000,000,000 board feet of lumber. Breakdown of this cut by uses is given below:

Public works & construction	64%
Shipbuilding	7%
Cabinet making	1.5%
Mine timbers	13%
Railroad ties.	2.5%
Telegraph poles	0.6%
Log piling	1%
Pulp	5.4%
Plywood	5%

It is believed that neither imports nor exports during this period were greater than 10 percent.

41. The present annual sawmill capacity is about 4,200,000,000 board feet of sawed lumber involving a cut of 6,400,000,000 board feet. Japanese sources estimate that the entire production plus stocks on hand will be needed for normal uses and reconstruction. Past history indicates a normal consumption of about 4,000,000,000

board feet annually. Present stocks on hand in Japan proper are 230,000,000 board feet of lumber and 1,326,000,000 board feet of cut logs. Sawmills are suffering from lack of proper maintenance during the war. Transportation difficulties further hamper production.

Under present conditions the Japanese lumber industry can apparently meet civilian requirements plus the needs of the Occupation Troops, but transportation difficulties may bottleneck the supply to the consumer. In order to increase production, imports of sawmill machinery will be necessary. It is estimated that with adequate machinery and transport Japan could produce as much as 15,000,000,000 board feet annually, but at the expense of serious overcutting and consequent land erosion.

Rubber

42. The industry has been government controlled since 1937 when the Trade Regulating Association was set up to regulate crude rubber imports; the Rubber Materials Controlling Association to control distribution to factories; and the Rubber Goods Controlling Association to distribute the finished product. Tire production is dominated by three scale producers: The Yokohama Rubber Co., the Bridgestone Rubber Co. and the Dunlop Co. These three companies together with the Nippon Rubber Co., Mikka Rubber Co. and the Bento Belting Co. produced about 35 percent of Japanese rubber products.

Over 49 percent of Japan's rubber industry was damaged during the war. Productive capacity is now 32,000 metric tons per year. Available crude rubber stocks in the Home Islands are estimated at 40,000 metric tons, of which 23,500 tons were in the possession of the Japanese military. Six thousand tons of the crude rubber stocks have been allocated to the Japanese for the production of rubber goods for civilian consumption. The rubber industry is entirely dependent on imports of crude rubber.

Cement

43. The Home Islands of Japan have abundant supplies of the raw materials. Production has ordinarily permitted the exportation of cement after domestic demands have been met.

Present reserve stocks of cement are less than 100,000 metric tons, but if fuel is made available Japan should be able to reach a production rate of 4,500,000 metric tons of cement per year within six months.

Handicrafts

44. During the war the handicraft industries were largely closed down or converted to the manufacture of parts for munitions factories.

The initial consideration is the restoration of the handicrafts industry to supply souvenirs to the Allied Forces, and secondly for trade balance exports.

The handicrafts industries specifically considered are those making items representive of Japanese art, such as chinaware, lacquer ware, silk textiles (especially of the "Tsuzure-ori" class or hand-loomed), cloisonne, porcelain, jewelry (using culture pearls), toys and small wood products. Small scale production has already begun with most of the output going to the souvenir trade with the Occupation Forces.

FOOD PROCESSING INDUSTRIES

Canned Goods

45. During the war production of canned goods decreased by 20 percent. With the exception of the loss of northern fishing and canning facilities the industry suffered slight war damage. Canning factories were closed down following the cessation of hostilities. At the present time 13 percent of the 300 canneries in Japan are operating.

The output for the coming year is expected to drop sharply due to shortages of tin plate, sugar and cottonseed oil and due to the uncertainty of exporting in the future. Production for the next 6 months will consist chiefly of mandarin oranges, fish, bamboo sprouts and other vegetables.

Flour Milling

46. Production of wheat flour decreased by 50 percent during the war because of the shortage of wheat and damage to flour mills. Fifteen of the 37 large flour mills in Japan prior to the war were destroyed. The remaining 22 mills are operating. The output of wheat flour is not expected to increase in the coming year unless wheat imports are permitted. The Japanese expect to have 19 additional mills in operation within the next year through repair of damaged mills and reconversion of war plants.

Sugar Refining

47. Sugar refining in Japan Proper is confined to three sugar beet refineries in Hokkaido and one cane sugar refinery in Kyushu. These plants are not damaged, but in relation to the domestic demand for sugar produce a negligible amount. The three mills in Hokkaido are now in operation.

Soy Sauce and Miso

48. Soy sauce production decreased by 50 percent during the war due to raw material shortages. War damage to the 6,087 soy factories was slight. The majority of factories are operating now, but many are expected to close down within the next four months because of the critical shortages of soy beans and salt.

Miso, or bean paste, production decreased by 20 percent during the war for the same reasons. Of the 4,800 miso factories in Japan many are now operating at reduced rates and others are inoperative for lack of salt and soy beans.

Other Foodstuffs

49. The table salt industry produced about 25 percent of pre-war domestic requirements. Salt production was reduced during the war, and the typhoon of September 1945 damaged salt-producing fields to the extent that only 50 percent of normal production is now anticipated. The Japanese are converting several war factories and airfields to salt-producing installations in an effort to increase domestic production of table salt.

Other lines of food processing such as confectionery products, condensed milk, tofu or bean curd and meats have been sharply curtailed and future production is largely dependent on imports of sugar, salts and soy beans.

Statistics

50. Statistics on processed foods follow:

Commodity	1939 Production (metric tons)	Present Production capacity of factories (metric tons)	Estimated Prod. Nov. 45-Nov 46 (metric tons)
Canned foods	13,961,000 a/	10,000,000 a/	1,200,000 a/
Wheat flour	1,000,000	684,000	360,000
Sugar (Japan Proper)	40,860	150,000	10,932
Soy sauce	1,075,562	1,109,000	523,000
Miso	595,680	752,400	251,123
Salt	636,000	165,000	165,000

a/ cases.

ELECTRIC POWER

51. Present installed capacity is approximately 5,800,000 KW hydro-electric and 3,000,000 KW steam power, a total of 8,800,000 KW. Only about 30 percent of this capacity is now in use. Industrial demand for power dropped off sharply, beginning in February 1945, as the result of air raids and other difficulties in maintaining production. A further drop in industrial demand came at the end of the war when the manufacture of munitions stopped.

52. Hydro-electric plants were practically undamaged. In general there was no extensive damage to electric power facilities until 1945 and even then damage was confined to distribution networks in cities and to a few steam plants and substations. Repair of damaged facilities has not been vigorously prosecuted because of the large surplus of available power. Repair materials can be found in existing non-essential installations or in spare stocks.

53. During the winter when the water flow is low, electric power generated from coal is the principal source of power. In normal years 90 percent of the coal burned in Japan during the winter months is used for power generation. At the present time coal stocks at the steam power plants are extremely low. Output of steam plants is currently limited to about 500,000 KW.

CARTELS

54. An inquiry into Japanese participation in international cartels has so far disclosed only one, governing the sale of chlorate of potash.

The Japanese participating group consisted of Nippon Denki Kogyo, Nihon Soda K.K. and Hodogaya Soda K.K. The cartel also included I. G. Farben and French, Italian and Swedish concerns. Uniform Chemical Products of New York was not a member but had first option on the purchase of the 300 metric tons which were alloted to the Japanese as their annual sales quota in the United States.

55. The territory and quotas alloted to the Japanese were Japan, Formosa, Korea, Manchukuo, Kwantung, 55 percent of the total China trade, 600 metric tons annually in British India and 300 metric

tons in the United States. They also had the right to offer and sell on the same basis with the European firms in Australia, New Zealand, Mexico, Siam and the Philippines.

While this is the only publicly know international cartel in operation, an inquiry into the existence of secret agreements is continuing.

CONTROL ASSOCIATIONS

56. There are 21 commercial or industrial control associations, 50 control companies and 150 Unions under the jurisdiction of the Minister of Commerce and Industry. There are other control associations under the Minister of Agriculture and other ministers. The key commercial and industrial enterprises of Japan are regimented and controlled rigidly through these agencies. Although existing before the war, they were greatly strengthened during wartime, when the government delegated to them responsibility for the rationing of commodities and the control of prices. Business men frequently have to deal with several of these agencies to complete a single transaction.

Legal Basis

57. A series of laws, ordinances and special acts dating from 1941 in general provide for the establishment of control associations by the minister concerned for the purpose of planning production, allocation of materials and labor, and finance; and for the enforcement of these plans. The associations purchase materials and sell products, carry out research and investigations and receive government subsidies.

Control companies were established to purchase, sell, export, import, transport and store commodities. Commerce and industry unions were established to purchase, sell, store, finance and generally control the products of its members, including mining concerns. The regulations of these unions are enforced by the police power. Chambers of commerce were established within given geographical areas (prefectures, cities) to cooperate in the control of commerce and industry in such areas, although they are not operating organizations and have no inherent powers to enforce regulations.

Special control companies were established to handle critical item such as petroleum, alcohol, electric power, coal and iron. The purpose of all these agencies was to maximize production under powerful state control, to allocate raw materials and finished products and to control prices.

Operation

58. Methods of operation vary from one industry to another. Among the least complex are those of the rubber industry, but even here there are six control factors:

(1) The Organic Chemistry Section of the Industry Bureau of the Commerce and Industry Ministry, which is charged with administrative supervision.

(2) The Rubber Control Association, which cooperates in planning raw material requirements, allocation of raw materials to manufacturers and production schedules.

(3) The Rubber Materials Control Company, which purchases all new materials, sells allocated quantities to manufacturers, receives a percentage commission on all sales and receives a subsidy from the government to compensate for the difference between the cost of

materials and final sales price.

(4) The Rubber Goods Control Company, which purchases all rubber goods other than those sold to the military, allocates goods to unions for distribution in each consuming area, sells goods to distributors and receives a percentage on all goods handled.

(5) A rubber goods union which allocates available stocks to dealers exists for each type of rubber goods.

(6) The rubber goods dealers sell to consumers. They are members in one rubber goods union for each type of goods sold, and in one or more chambers of commerce and Industry, depending on the number of areas in which they operate.

Dissolution

59. The control agencies are so integrated into the economic scheme that to disturb any portion of them without providing satisfactory substitute controls would injure the entire economy.

The following steps are being taken to put into effect the policy of dissolving the control associations: (1) Japanese governmental agencies have been directed to submit a full report on control agencies under their jurisdiction; (2) control agencies have been directed to submit full reports on their past operations and future plans; (3) conferences have been held with government officials and representatives of control agencies and also with individual and groups of manufacturers, wholesalers and distributors; and (4) above reports have been analyzed and a list of the more important control associations and companies prepared.

60. The Japanese government has been ordered to dissolve the Japan Silk Controlling Company, the Japan Raw Silk Manufacturing Company and the Mutually Prosperous Silk Reeling Company.

A paper rationing organization, comprising representatives of the government, publishers and public, is being created to displace the Japan Newspaper League (Nippon Shimbun Renei) and the Japan Publishers Association (Nippon Shuppan Kyokai).

Most of the other major control associations, recognizing occupational policies, are taking steps for voluntary dissolution under supervision of SCAP.

SCIENTIFIC ACTIVITIES

61. At this time the supervision of scientific activities in Japan is being exercised as a function of the land, sea and air intelligence groups and special non-military investigating bodies. All Japanese scientific laboratories are required to submit monthly reports of their activities.

62. One of the outstanding physicists in Japan is Dr. U. Nishina of the Institute of Physical and Chemical Research. His request for permission to operate a 60-inch cyclotron was granted by this Headquarters in October with the restriction that experiments could be carried on in the fields of biology and medicine but not in the fields of chemistry or metallurgey.

Dr. Nishina was also permitted to transfer a set of magnetron oscillators from a Japanese Naval Laboratory to his own plant to be used for irradiation of seeds.

63. A scientific investigatory group is being sent to Japan by the Australian government. Their primery mission is to study industrial technologies and processes that can be applied in Australian manufactures.

SECTION 3

TRANSPORTATION

C O N T E N T S

1. Although all types of transportation in Japan suffered heavily as a result of the war, the railroads have come through in reasonably good condition. This important means of internal transportation is now functioning in an almost normal manner

2. Motor transportation has never been of great importance in Japan but such motor vehicles as now remain are in a very poor condition with little hope of immediate improvement. The manufacture of 1500 trucks a month has been authorized.

3. Shipping has been greatly curtailed due to loss of vessels and a general breakdown of organization at the time of the surrender. Repair and dock facilities are adequate and an effort is being made to recondition or build sufficient tonnage to handle necessary coastal traffic.

RAILWAY TRANSPORTATION

4. Wartime railway freight tonnage according to the Japanese Government increased 265 percent from 1936 to 1944. Most of the increase was due to elimination of passenger traffic, overloading freight cars and transfer of rolling stock to busy lines.

Although air raids and difficult maintenance problems taxed the railroads' capacity as late as April and May of 1945 the railways handled 13,350,000 and 14,331,000 metric tons of freight respectively. Tonnage handled went down to 12,961,000 in June and 11,334,000 metric tons in July. Tonnage handled in August up to the time of surrender was at the rate of 7,991,000 metric tons per month.

As nearly as can be determined, passenger traffic decreased one-third to one-half during the war.

War Damage

5. Damages to plant and equipment during the war included the following:

Tracks	1,600 Km
Bridge	10
Elevated lines	20 Km
Powerhouses	18
Trolley wire	150 Km
Automatic signals	600
Locomotives	891
Passenger cars	2,228
Electric cars	563
Freight cars	9,557
Railroad Ferries	18
Private Railroad Locomotives	45
Electric cars	1,470
Freight cars	570

Present Facilities

6. Rolling stock on hand at the present time according to the Japanese Government follows:

Steam Locomotives	5,350
Electric Locomotives	1,438
Passenger cars	9,118
Freight cars	110,632

There are in addition in the service of the National Railways 14 ferries and nine car ferries. There are at present 13,732 miles of main track and 5,755 miles of siding track.

Condition of Plant

7. Present condition of Japanese railways appears to be adequate. Roadbeds are good, rolling stock is in reasonably good condition and plant capacity for construction and maintenance is excellent. Shortages of tank cars and refrigerator cars are being alleviated. Present passenger congestion is due primarily to large turnovers in population, to demobilization, movement of displaced persons and scarcity of motor transportation.

MOTOR TRANSPORTATION

Vehicles

8. Motor vehicles in Japan on 31 December 1940 amounted to 141,000 units divided as follows:

Trucks	64,000
Buses	27,000
Passenger Cars	43,000
Special Cars	7,000

According to Japanese sources, the above totals decreased to about 30,000 trucks useable at present, 20,000 buses and a total of 21,000 passenger cars of which 10,000 are operable. The condition of all motor vehicles is very poor due to lack of maintenance and lubricants and the use of substitute fuels.

Roads

9. According to the Japanese Government, there are at present 5,559 miles of national roads (19 percent paved) and 15,786 miles of prefectural roads (10 percent paved). Probably another 35,000 miles of municipal roads and 450,000 miles of village roads exist, many not more than trails.

A proposed construction program by the Japanese Government would increase the road mileage by 250 percent. The quantities of steel (20,000 tons), cement (450,000 tons) and asphalt (20,000 tons) required by it and the general lack of road building machinery make realization of the program doubtful.

SHIPPING

Control

10. Control over the movement by Japanese merchant shipping outside Japanese waters is exercised by the Navy through its Shipping Control Authority. The loading of Japanese ships and their allocation for the movement of commodities in coastal trade have been left to the jurisdiction of Japanese authorities. Where foreign commerce is involved orders from SCAP have been issued covering the commodities to be moved and the time required at destination. Shipping details have been and are being handled by the Japanese.

Tonnage

11. Tonnage of Japanese merchant shipping decreased from 6,376,000 gross tons in 1941 to 908,000 gross tons in active service at the time of surrender. An additional 619,000 gross tons were under repair. Approval has been granted by SCAP for the completion of 372,000 gross tons of shipping which was under construction at the time of the surrender.

Allocation

12. Allocation of shipping in use on 30 October 1945 to various areas included 736,239 gross tons in coastal service in the Home Islands, plus tonnage necessary to move 70,000 to 75,000 tons of coal per month to Korea and a varying tonnage in use in repatriation of Japanese to the Home Islands and Koreans and Chinese to Asia.

Requirements

13. Shipping requirements as estimated by the Japanese Government amount to 2,500,000 gross tons. Of such requirements a grand total of 2,028,000 gross tons are now in service, inactive, under repair, or under construction; this total includes 225,000 gross tons of wooden shipping. A program presented by the Japanese for additional construction of 211,900 gross tons is being held under consideration pending determination of the availability of Japanese shipping out of Japanese waters at the time of surrender and further study of the status of steel availability during 1946.

Shipbuilding and Repair

14. Shipbuilding capacity in Japan may be taken as that of its peak year (1944) when 1,579,610 gross tons of shipping were constructed. The Japanese industry is self-sufficient in plant capacity to produce all engines and other fittings for new ship construction. Repair facilities are ample with probably an excess of floating dry docks. Major difficulties in ship repair and construction encountered to date have been those of labor and organization.

Docks

15. Dock facilities have been adequate for the shipping to date. Loading and unloading facilities are adequate but hampered by labor and organizational difficulties.

Shipping Statistics

16. Status of Japanese steel merchant vessels over 100 gross tons on 5 September 1945.

(1) Japanese Coast - Active

Type	No	Gross Tons
Cargo	305	561,300
Tankers	54	63,900
Liners	6	15,600
Miscellaneous	161	95,600
Total	526	736,400

(2) Japanese Coast - Under Repair

Cargo	132	459,700
Tankers	42	139,500
Liners	2	5,300
Miscellaneous	9	14,600
Total	185	619,100

(3) Other Areas - Status Unknown

Cargo	58	65,600
Tankers	37	50,000
Miscellaneous	40	55,900
Total	135	171,500

(4) Under construction

Cargo	95	269,800
Tankers	15	76,900
Passenger-Transport	1	9,000
Miscellaneous	11	16,900
Total	122	372,600
Grand Totals	968	1,899,600

17. Status of Japanese wooden ships.

In service 24 Aug 45	455	77,700
Inactive 24 Aug 45	379	59,500
Under construction	372	88,500
Planned	150	18,600
Total	1,356	244,300

18. Steel shipping tonnages from 1941 - 1945.

Japanese Steel Shipping Over 100 Gross Tons, 1941-1945

Type	No	Gross Tons
Nov 1941	2,626	6,376,000
Nov 1942	2,445	5,942,600
Nov 1943	2,025	4,944,000
Nov 1944	1,339	2,564,000
Aug 1945	900	1,527,000

19. Uses of shipping tonnage used by commodities from 1940-1945:

TABLE OF SHIPPING TONNAGE USED FOR KEY COMMODITIES
(1,000 metric tons)

Type	1940	1941	1942	1943	1944	Apr-Jun 1945
Coal	29,670	24,140	19,720	14,030	8,370	1,620
Iron Ore	4,920	4,880	4,710	3,330	1,080	130
Steel	4,210	3,750	3,530	3,140	2,020	210
Salt	1,460	1,760	1,730	1,410	830	380
Non-ferrous Metals	2,460	3,190	2,690	2,440	1,810	210
Types of Cokes		90	250	250	290	80
Types of Soda		53	70	30	10	1
Cement	910	790	320	200	70	5
Types of Oils	3,930	150	90	100	50	3
Paper & Pulp	760	640	670	400	150	20
Cotton & Wool	520	260	90	30	29	10
Raw Rubber	70	30	50	40	10	
Lumber	2,990	2,030	1,270	350	270	20
Grains	2,880	3,370	2,280	1,870	1,190	930
Sugar	990	480	510	320	120	
Fertilizers	930	1,140	1,040	580	400	120
Phosphates	670	450	260	240	80	10
Fodder	150	280	220	150	60	2
Fats & Oil		230	150	130	50	15
Other Products	130	450	450	240	170	20
Fishing in Northern Waters		560	420	190	70	
Totals	57,650	48,723	40,520	29,480	17,129	3,786
Miscellaneous Goods	13,380					
Grand Total	71,030					

20. Tonnage shipped and received for the period 1 Sept to 30 Sept 1945 is according to cargo report prepared by the Japanese Shipping Control Association. Only cargo carried in steel ships over 100 tons operated by the Japanese Shipping Control Association is represented. Figures on Inland Sea Passenger Services and Inland Ferry Services are not included.

TONNAGE SHIPPED FROM JAPANESE PORTS TO JAPANESE PORTS
1 Sept to 30 Sept 1945
(long tons)

SHIPPED FROM	COAL	COKE	PAPER & PULP	LUMBER	SALT	PROVISIONS	GEN'L CARGO	TOTAL
Otaru	84,346	308	2,904	2,366	-	32	1,202	91,158
Muroran	59,820	-	5,910	2,181	-	2,048	-	69,959
Kumoe	12,905	-	1,740	-	-	1,958	-	16,603
Maizuru	-	-	-	-	-	-	500	500
Hokodate	-	-	-	-	-	2,655	-	2,655
Tainochana	1,280	-	-	-	-	-	-	1,280
Sakaide	-	-	-	-	1,204	-	-	1,204
TOTAL	158,351	308	10,554	4,547	1,204	6,693	1,702	183,359

TONNAGE RECEIVED AT JAPANESE PORTS FROM JAPANESE PORTS
(long tons)

RECEIVED AT	COAL	COKE	PAPER & PULP	LUMBER	SALT	PROVISION	GEN'L CARGO	TOTAL
Niigata	48,796	288	3,776	3,181	-	4,038	1702	61,781
Sakata	18,495	-	-	-	-	-	-	18,495
Funakawa	24,555	-	-	-	-	629	-	25,184
Hoetsu	2,150	-	-	-	-	-	-	2,150
Keihin	10,215	-	1,450	2,067	-	-	-	13,732
Fushiki	26,023	20	1,266	299	-	-	-	27,608
Toyama	8,870	-	-	-	-	-	-	8,870
Shiogama	15,148	-	1,873	-	-	-	-	17,021
Nanao	2,300	-	-	-	-	-	-	2,300
Aikawa	520	-	-	-	-	-	-	520
Osaka	1,280	-	-	-	1,204	-	-	2,484
Shibarua	-	-	2,189	-	-	2,026	-	4,215
TOTAL	158,352	308	10,554	5,547	1,204	6,693	1,702	184,360

SECTION 4

IMPORTS AND EXPORTS

C O N T E N T S

1. Basic policy on foreign trade was laid down in the SCAP directive of 9 October 1945. All exports and imports must be approved by this Headquarters. Imports are limited to goods considered essential to the minimum needs of the population and must be covered by exports of goods or foreign exchange. Exports are limited to those goods not necessary to meet minimum domestic requirements.

2. Efforts are being made to supply the needs of friendly nations by means of exports from Japan and to obtain the minimum needs of Japan by commercial imports or barter with other countries.

3. Plants, machinery and other equipment are not being considered as available for export pending determination as to whether they will be required for reparations or restitution. Japanese "blocked" gold, silver and foreign exchange will not be used for payment of imports.

WARTIME TRADE

4. Investigation of Japan's wartime foreign trade is being continued. Such foreign trade was restricted to Korea, Formosa, Manchuria and the occupied areas of China and South East Asia. The small trade with Europe carried by blockade runners has not been recorded; it had virtually stopped by the second half of 1943. Japan's wartime trade was as follows in millions of yen: (Note excess of exports, 1942 and 1943).

	1941	1942	1943	1944	1945 (1st half)
Exports	2,634	3,412	2,969	2,173	353
Imports	2,885	2,811	2,793	3,101	831
Balance	-251	+601	+176	-928	-478

From an export balance of ¥ 601,000,000 in 1942 there developed an import balance of ¥ 928,000,000 in 1944 and ¥ 478,000,000 during the first half of 1945. A relatively minor role was played by the occupied territories of South East Asia because of rapidly declining shipping. From 6½ percent of the total exports and 15 percent of the total imports in 1942 it dwindled during the first half of 1945 to 3 percent of the total exports and 6 percent of the total imports. The latter consisted mainly of a few shipments of rubber and tin from Malaya.

Import Items

5. During the war the chief import items were: grains including rice from Korea, Formosa, Indo-China and Siam; soy beans from Manchuria; iron and steel from Manchuria; coal and iron ore from China; raw cotton from China; raw and powdered eggs from North China; crude rubber from Indo-China, Siam and Malaya; crude oil and gasoline from Borneo and Sumatra; and copra from the Philippines.

Imports of rice, which held first place in 1942 with 23 percent of the total value, decreased to 10 percent in 1943 and practically stopped during 1944. Imports of pig-iron from Manchuria fell from ¥ 120,000,000 in 1942 to slightly more than ¥ 1,000,000 in 1944.

Export Items

6. The major exports during this period included cotton, silk and staple fibre tissues and yarns, machinery and manufactures, canned fish and fruit. Exports of cotton and silk tissues, which in 1940 were in first place in Japanese exports with 20 percent of total value, dwindled during the first half of 1945 to less than five percent.

Yarns and threads, which in 1940 were in second place with 18 percent of the total export value, did not appear at all in the statistics of the first half of 1945. The percentage value of machinery exports increased from 13 percent in 1940 to 17 percent during the first half of 1945 largely due to the wholesale transfer of existing factories to Manchuria and China.

Nature of Operations

7. The characteristic features of Japan's wartime foreign trade were the complete absence of planning and dependence on the armed forces as collectors and distributors of goods not only in the newly occupied territories of South East Asia but also in China and Manchuria. All statistics recently received from the Japanese Ministry of Commerce and Industry must therefore be closely scrutinized.

Investigations will be required to analyze the actual conditions prevailing during the years 1942-1945. The actual turnover has never been disclosed although theoretically all foreign trade was strictly controlled, first by the Foreign Trade Associations (Nippon Boeki Kaisha) and since 1943 by the newly created semi-official Foreign Trade Monopoly (Boeki Eidan) which bought and sold goods on a quota basis with registered foreign trade firms.

8. At the outset of the war the services utilized the Zaibatsu, but they later started their own trading companies. By this device the armed forces were able to reap considerable profits. Most famous of these firms is the Showa Tsusho K. K. which from the latter part of 1942 practically dictated the whole foreign trade of Japan as far as the army was concerned. This firm was a faintly veiled army organization originally capitalized by the Mitsui, Mitsubishi and Okura, but exclusively managed by army personnel.

The navy later entrusted their trade to Mitsubishi because they were not as successful as the army with their own firm which they had founded in 1942. Showa Tsusho K. K. and Mitsubishi Shoji Kaisha handled between them the greater part of Japan's wartime foreign trade. Mitsui Bussan Kaisha, Japan's largest foreign trade firm in prewar times, definitely fell out of favor with the armed forces.

CONTROL

9. Directive No. 3 prohibited the import or export from Japan of all goods, wares and merchandise except as authorized by SCAP.

The directive of 25 September 1945 froze raw and finished silk goods and other materials which are in short world supply and presently considered not essential to the minimum domestic economy of Japan.

The directive of 9 October 1945 defined the basis on which the Japanese Government should request imports of essential materials. It also directed the submission of a plan whereby resources were to be made available for export to provide necessary foreign exchange. It directed the creation of responsible agency to receive, hold and distribute imports and to inspect, purchase, store and deliver exports to designated ports.

The directive of 10 October 1945 detailed the type of report to be furnished when requests to import goods are filed.

Japanese Government Agencies

10. One of the agencies being studied is the Koeki Eidan (The Trading Corporation). It is a government controlled corporation organized in 1943 to carry out the over-all control of exports and imports. Its inventory of materials earmarked for export at the time of surrender is estimated by the Japanese Government at ¥ 750,000,000.

11. A study is being made of the activities of the exporters associations and their methods of operation. Each association has been directed to furnish data on current stock available for export, commercial details, markets sold, sales (domestic and export) for the past 10 years, FOB prices and other details. Plans are being studied with the ultimate view of abolishing the undesirable features of their operations.

EXPORTS

12. The goods thus far reported to Washington as surplus to the minimum needs of Japan are:

40,000 bales raw silk

5,000,000 yards Habutai

30 tons raw ivory tusks

400 tons cigarette paper

Handicraft Goods—cloisonne, pearls, lacquer ware and pottery

The following goods are not considered surplus in view of the need in Japan but have been reported to Washington as being available for export in view of the short world supply. Pending further advice they have been frozen.

10,000 tons leather

4,200 tons tin

1,000 tons antimony

10,000 tons rubber

Requests for Japanese Goods

13. Request for short supply goods have been received from other countries as follows:

Korea	75,000 tons of coal monthly 150,000 sheets of silkworm eggs
China	297,000 mining timbers monthly
British Empire (Hongkong)	18,000 tons of coal monthly

Action taken on above requests as follows:

Korea—The Japanese Government has been directed to deliver to Korea 75,000 tons of coal monthly. The first shipment went forward on 3 October 1945. The silkworm eggs are to be shipped by the end of the year.

China—Mining timbers for China can be secured from stocks prepared for export before surrender. Word is awaited from China as to when ships to carry this cargo will arrive.

British Empire (Hongkong)—The coal desired for Hongkong will be made available upon the arrival of the British bottoms.

Discussions are under way regarding the types of barter goods which will be made available for payment of these exports.

IMPORTS

14. The Japanese Government has submitted several requests for imports. The paper work of the Japanese Government is bad and great difficulty is experienced in getting adequate information from them as to the basis for their requirements. This is caused by such factors as loss of records in air raids, incompetent personnel, the statistical blackout during the war because of rigid army control and in some cases false figures prepared during the war.

This Headquarters has advised the Japanese Government that import requests by them will not be considered until adequate justification is given.

Payment for Imports

15. The Japanese Government has been very slow in formulating plans for payment of imports. It has been advised that imports will be considered only when means of paying for such imports are provided.

Estimated Requirements

16. The initial requests from the Japanese for last quarter 1945 and annual 1946 imports upon investigation proved unreliable and unrealistically high. New estimates have been called for.

Supply in Adjacent Areas

17. In conformity with the policy of securing essentials from adjacent areas, AFWESPAC, COMGEN CHINA and XXIV Corps (Korea) have been requested to furnish estimates of possible export surpluses. AFWESPAC has advised that they have a surplus of 5,000,000 pounds of uncooked soft wheat; shipment to Japan has been requested. COMGEN CHINA reported no surpluses in China of salt or grain.

XXIV Corps in Korea reported a surplus of 1,000 tons of salt, of which 900 tons have been received to date. Early information from Korea indicated a rice surplus for export. Later advice from Korea states that in view of current shortages in Korea and no anticipated imports from Manchuria or elsewhere there will be no exportable surplus of rice from Korea.

MISCELLANEOUS

Excess Supplies of United States Armed Forces

18. The United States Armed Forces have had and will have supplies which have been declared excess to their needs. These excesses may be sold to the Japanese Government when such commodities are considered essential to their minimum needs. Such supplies to date have included:

38,000 bbls of oil

20,000 bbls of kerosene

200 tons dynamite

Terms of Sale

19. Wherever practicable, exports and imports are being carried on Japanese repatriation vessels, on terms of FOB Country of Sale in the case of imports, and CIF (in effect) foreign port in the case of exports. The sales of coal and silkworm eggs to Korea and the purchase of salt from Korea have been negotiated on this basis.

In trade routes where Japanese merchant ships are not operating, imports and exports will be on a basis of delivery at Japanese port. Coal to be shipped to Hongkong and the mining timbers to China will be on this basis. Japanese shipping at present can handle only a small part of this trade.

Customs

20. The Customs Service in Japan has been investigated and found unsatisfactory.

Licensing

21. A study has been made of the methods of licensing exports and imports prior to the war. Plans have been prepared with respect to the type of licensing controls which will be established when ordinary export and import trade channels have been reestablished. In the interim all foreign trade transactions are being carried on between SCAP and the agency appointed by the Japanese Government in accordance with directive of 9 October 1945.

Records

22. A system of records will be set up whereby quantity receipts of all imports delivered to the Japanese Government and all exports delivered to other countries are recorded. No effort is being made at this time to establish fixed prices on either exports or imports.

SECTION 5

LABOR

C O N T E N T S

GENERAL

1. Arrangements were made for the Japanese Government to procure and pay labor employed by the Occupation Forces. Shortages of skilled workers are noticeable in devastated areas but have not materially affected the construction of Army installations.

The Japanese wage control system is in need of revision in order to correlate it with price controls and to strengthen its minimum wage provisions. The impact of unemployment has caused a deflationary wage decline for all except skilled workers.

2. The emergence of a strong unified labor movement is perceptible but its continuance is dependent upon the ability of prewar factions to cooperate and reconcile their viewpoints.

The two Japanese "labor front" organizations have dissolved voluntarily. One is continuing under a different name as a semi-official governmental agency for the procurement of day laborers for the Occupation Forces. Abolition of this organization is contemplated as soon as employment exchanges are capable of operating effectively. Independent labor unions are flourishing and several well-known prewar unions have already completed their reorganization plans.

3. Protective labor legislation has been reinstated to the approximate status prevailing prior to the China Incident. Legal hindrances to the formation of labor unions have been abrogated. The Government has appointed a deliberative committee to draft a labor union law, revise the current mediation law and establish collective bargaining principles.

4. Labor disputes between Japanese unions and management have been sporadic but conflict between liberated Koreans and Chinese on the one hand and Japanese employers on the other has assumed serious proportions in Hokkaido. Military intervention has calmed the situation and the working and living conditions of Koreans and Chinese awaiting repatriation have improved.

Coal production has been seriously impaired by this unrest and by the repatriation of Korean miners. The Japanese Government has instituted a recruitment campaign among Japanese people to replace these repatriated workers. The Cabinet has approved increased food rations and wages for the miners.

LABOR SUPPLY

Occupational Census

5. Since accurate information regarding manpower distribution throughout Japan is not available, an occupational census of males 12 to 60 years of age and females 12 to 40 will be conducted on 1 December. It should reveal data on individual workers and indicate the current situation with regard to unemployment.

Skilled Labor

6. On 20 September the Japanese Government made a survey of skilled labor and reported that 160,883 such workers were available for immediate assignment to Occupation projects. An additional 404,829 skilled workers were either employed or unable to accept employment at that time. A shortage of skilled construction workers exists in most devastated areas due to large demands for construction required for the Occupation Forces, civilians and the government.

Unemployed

7. The Welfare Ministry has estimated that unemployment will reach 4,280,000 persons during the period of demobilization and industrial conversion. A further increase in unemployment is anticipated as repatriation of Japanese military and civilian personnel continues. The Ministry plans to offset this increase by the displacement of female workers and the eventual return of approximately 3,000,000 women to non-industrial occupations.

8. The negative mass attitude toward work which was so widespread at the start of the occupation is gradually being overcome and ever increasing numbers of laborers are seeking employment.

The psychological effect of defeat after Spartan wartime efforts created a "shikata ga nai" (cannot be helped) attitude which was accentuated by the availability of accumulated war earnings and by the payment of sizeable severance allowances by the munition companies. Demobilized soldiers were also advanced retirement funds which precluded any immediate necessity for working.

People who were evacuated to the country are not disposed to return to the cities where food supplies are limited and homeless families are concentrating on the construction of improvised winter shelters. City dwellers are migrating to rural areas to assist in the grain harvest and accumulate food reserves.

LABOR PROCUREMENT

9. The Japanese Government has been directed to provide labor in such quantities and with such skills as are required by the Occupation Forces. This arrangement has been operating in a satisfactory manner through Japanese Liaison committees established in areas occupied by Allied Troops. These committees, usually composed of police officials and Romu Kyo-kai (Laborer's Association) representatives, are responsible for the procurement and payment of all requisitioned Japanese nationals.

10. Foreign nationals are being employed and paid directly by labor-using units from funds advanced by the Japanese Government. This procedure has been adopted to avoid the complications that might arise between Japanese and foreign nationals employed by the Occupation Forces.

WAGES

Rates

11. Japanese nationals employed by the Occupation Forces are paid by the Japanese Government in accordance with wage rates established by prefectural authorities. The only wage supplement granted by the Japanese is an allotment of food, equivalent to one meal. This is extended to skilled workers to induce them to remain continuously on the same project.

Wage rates established by the Japanese are checked by Army units to ascertain their equitability in relation to prevailing wages in private and government concerns and services. Evidence is increasing that greater coordination of these wage rates must be attained by Japanese authorities in order to prevent dissatisfaction among laborers employed in private concerns.

The Japanese Government extends workmen s compensation benefits to Japanese nationals employed by the Occupation Forces but no other forms of social insurance are provided.

Control

12. The wage control system of Japan is so inefficient that for practical purposes it is useless in controlling inflationary wage increases. No correlation exists between wage and salary controls which are administered by separate ministries or between wages and prices.

In order to offset "black-market" wages, the Japanese Government, in setting wage schedules for laborers in Tokyo, has in effect doubled the wage rate by adding an equivalent amount to the official wage.

13. The wage control regulations contain a stipulation as to minimum wages. In view of the increasing unemployment it is planned to strengthen this feature of the ordinance.

LABOR LEGISLATION

14. The immediate objectives of the legislative program as regards labor are:

(1) Modification or abrogation of all wartime labor legislation designed to suppress and regiment labor.
(2) Enactment of legislation conferring legal status on trade unions and providing recognition of collective bargaining principles.
(3) Elimination of wartime regulations that relaxed protective standards of the Factory Act and the Mining Act.
(4) Revision of the Labor Disputes Adjustment Act of 1926 to make it a workable instrument for the arbitration and mediation of labor disputes.

15. Since the SCAP directive of 4 October removed restrictions on freedom of speech and assembly, embryo labor unions are enjoying a greater measure of freedom in organizational activities.

The Japanese Government supplemented the directive by abrogating seven wartime labor ordinances and regulations. It also revoked the wartime suspension of the protective standards of the Factory Act and the Mining Act. Pre-war restrictions on dangerous occupations and the use of female and child labor are again in force.

A deliberative committee composed of labor leaders, industrialists, members of Parliament, economists and laymen is drafting legislation for a trade union law and a functional mediation law.

LABOR UNIONS

16. The wartime labor-front organizations, the Sangyo Hokoku-kai (Sampo) and the Romu Hokuku-kai, dissolved voluntarily on 30 September. Sampo controlled labor employed in factories, mines, communications and agricultural enterprises. The Romu Hokuku-kai concentrated upon day laborers, stevedores, transport employees and construction workers.

Sampo officials, after conference with this Headquarters, agreed to discontinue further operations and to donate all their assets to the Government. Immediately after its dissolution, the Romu Hokoku-kai organized a successor association known as the Romu Kyokai. It has received approval and a financial subsidy from the Welfare Ministry.

The Romu Kyokai is the principal organ through which the Japanese Government supplies skilled and common labor to the Occupation Forces. Its continued existence is countenanced only because both government and labor leaders concede that the system of employment exchanges is unable to provide necessary labor to the Occupation Forces. Japanese officials have been instructed to strengthen the employment exchange system with a view to the eventual absorption of Romu Kyokai functions.

New Labor Organizations

17. Immediately after Japan s surrender, prewar labor leaders initiated steps to reorganize labor unions and to create an alignment of labor forces to achieve economic and political ends. The leftist and rightest elements of the 1930's have effected a rapprochement whereby Komakichi Matsuoka and Manju Kato, who were outstanding opponents in prewar labor organizations, have agreed to join forces.

18. The Supreme Commander's statement encouraging the unionization of labor was enthusiastically received by labor leaders. Organizational plans are progressing rapidly. On 10 October 1945 approximately 120 of Japan's labor leaders assembled in Tokyo for the purpose of laying the foundation of a united labor front. The outcome of the meeting was an agreement to create a single labor federation with individual unions represented.

19. Among the principal old time labor unions which have been reorganized are the Japan Seamen's Union, the Tokyo Transport Worker's Union, the Tokyo Gas Workers' Union, The Tokyo Communications Workers' Union and the Japan Farmers' Association. In addition, organizational campaigns are being conducted among railway workers, fishermen, newspaper workers and school teachers.

Political Action

20. Labor union officials contend that political action along lines followed by the British Labor Party is the most certain means of attaining their objectives. They have therefore been among the principal sponsors of the Social-Democratic Party.

LABOR DISPUTES

21. Labor disputes occurring since the beginning of the occupation may be classified into three categories:

(1) Strikes to achieve economic ends such as increased dismissal allowances, continuation of wartime allowances, improvement of working conditions, wage increases and larger food rations. Known strikes of this type totaled six.

(2) Strikes by Koreans and Chinese against the working conditions, wages, food rations and discipline of Japanese employers, principally in the coal mining areas of Joban and Hokkaido. These strikes are the instinctive reactions of a liberated people against oppressive labor practices. Some instances of violence have occurred and the intervention of military police has been necessary to restore and to maintain order in some cases. Steps have been taken to alleviate the living and working conditions of the Koreans and Chinese and their repatriation is being expedited.

(3) Newspapermen, radio broadcasting employees, motion picture workers and others have engaged in strikes and protests for the purpose of "democratizing" management. Workers assert that the owners and managers of these enterprises were active in the war effort and therefore are not qualified to guide Japan toward democracy.

22. Strike statistics were not being compiled by the Japanese Government prior to 21 October. The Welfare Ministry has now arranged to collect such data.

SECTION 6

COMMUNICATIONS

C O N T E N T S

GENERAL

1. The electric communications operating and manufacturing industries of Japan were in a state of disrepair, confusion and inactivity. The situation was the product of war damage and neglect of maintenance in an industry completely under government control. It was complicated further by additional controls maintained over key supplies by the Japanese Army and Navy.

2. Communications equipment manufacture required for rehabilitation and maintenance has commenced. These agencies have been sufficiently restored to serve the needs of the Occupation Forces and partially to fill the requirements of Japan's civilian economy.

3. Liberalization of the industry has been started under Allied supervision. Surveys have been initiated to develop the basic information needed to plan programs and formulate policies both for immediate needs and for a long range program.

4. The Japanese Army and Navy communications systems and supplies have been taken over by Occupation Forces. This equipment has been destroyed, returned to the Japanese Government or held in custody. Action taken is based upon: demilitarization of communications, supplying occupational needs, and reestablishment of facilities to meet the minimum communication needs of the internal economy of the country.

WIRE COMMUNICATIONS

5. The most immediate requirement was for essential wire communications in Japan by Occupation Forces. The telephone and telegraph system adequately covered the four home islands but it was severely damaged by the war especially in the large cities.

This service has been expanded in the first two months of occupation, and toll plants have been repaired on a temporary basis in most locations. The current needs of the Armed Forces are being met.

It is probable that the peak of use of wire facilities by the Occupation Forces has been reached. The demand is expected to register a downward curve. A long range program of reconditioning and repair has been started. The program aims at building a permanent system adequate for the Occupation Forces and providing a substantial portion of the minimum requirements of the internal economy of Japan.

Radio Network

6. At the time of capitulation Japan possessed a radio broadcasting network of 100 stations and a domestic short wave circuit of about 200 stations. The two systems were badly run down due to lack of maintenance. All radio communications in Japan are controlled by the government through the Board of Communications.

7. The initial problems of the occupation were to utilize networks to carry press and broadcast news of the surrender and occupation to the United States, to establish a satisfactory Expeditionary Forces message transmission, insure proper Japanese management organization and operation of essential services and to implement measures necessary for rehabilitation

The first two problems have been satisfactorily solved. A beginning has been made toward bringing the approximately 700 Japanese transmitters under security controls. Steps are being taken to coordinate those circuits that can be operated and those frequencies that can be used.

A progress has been made toward assuring proper Japanese management organization. An extensive program has been mapped out to facilitate utilization of Japanese Army and Navy stockpiles and to stimulate manufacture of equipment indispensable for rehabilitation.

Signal Equipment

8. The signal communications manufacturing industry suffered extensive destruction. Japanese experts estimate that at least half of the signal communications manufacturing plants will require rehabilitation before full production can be resumed.

9. The Japanese Government is in the process of abolishing the basic laws under which the wartime control associations had been organized. Communications stands a fair chance to lead in the conversion of industry to a peace time basis. By the end of October essential manufacturing had been started, though at a slow pace. This reconversion activity is being encouraged as one means to help democratize the industrial fabric of Japan.

10. The long distance wire communications system in Japan is built on the basic plan of providing multiple routes to insure continuity of service under almost all conditions. The toll circuit plan is to provide toll cables linking the four main Home Islands, running generally north and south from Hokkaido to Kyushu, with open wire toll lines radiating from the cable routes to form cross-island circuits feeding into the toll cables.

At present one toll cable runs between Tokyo, Aomori, and Hokkaido. Another toll cable is under construction between Sendai and Tokyo along a different route.

Two toll cables following different routes are operating between Tokyo and Osaka and two between Osaka and Fukuoka. One runs along the southern coast of Honshu and the other is routed over Shikoku Island to Oita (Kyushu) thence to Fukuoka. The section between Oita and Fukuoka is under construction.

11. The pole line construction is of high standard. While many pole routes follow highways and railroads, others go cross-country over rice fields and muddy areas. This makes them accessible for maintenance only with difficulty. The aerial cable construction does not meet the standards of the openwire, especially in the slack condition in the cable and the inferior splicing.

While temporary repairs of the toll facilities have made them adequate, there are three traffic bottlenecks in the war damaged submarine cable between the islands of Hokkaido and Honshu; between Tokyo and Sendai, where additional construction is now underway; and in the Hiroshima area.

Practically all facilities between Korea, Kyushu and the mainland of Japan pass through a single point at Hiroshima. They were completely disrupted by the atomic bomb. Temporary repairs made after the bombing were destroyed by the typhoon in September.

12. Adding to poor maintenance and war damage as causes for the poor quality of service are faulty operating methods. Toll operating techniques are completely out of date. Considerable operator and circuit time is lost in completing toll calls.

13. Telegraph printers use either Kana or English characters. Fairly high speed automatic tape equipment on the main trunk circuits is capable of moving a large amount of traffic.

14. The Occupation Forces are now using the following long distance toll circuits along the axis of the EIGHTH Army:

Yokohama	- Tokyo	9
Tokyo	- Sendai	15
Sendai	- Aomori	11
Aomori	- Hokodate	14
Hokodate	- Sapporo	17
Sapporo	- Chotose	5
Sapporo	- Otaru	12

15. The Japanese circuits along the axis of the SIXTH Army are:

Tokyo	- Okazaki	17
Okazaki	- Nagoya	19
Nagoya	- Kyoto	29
Kyoto	- Osaka	39
Osaka	- Matsuyama	25
Matsuyama	- Kure	27
Kure	- Shimonoseki	18
Shimonoseki	- Fukuoka	22
Fukuoka	- Sasebo	18
Sasebo	- Kanoya	2

16. There are numerous cable pairs in local cable being used for intra-city service and for tie lines between units within the same area.

17. A few submarine cables of various sizes in good condition connect Japan with Korea. Prior to the war there were cables between Japan-Okinawa, Japan-Formosa, Japan-Shanghai, Formosa-Aomori, Formosa-Hongkong and Okinawa-Yap. These are now inoperative due to war damage. Carrier systems are extensively used particularly the three and six channel carrier types on both open wire and cable. The telegraph circuits are usually routed over the same wire lines as the telephone but there are short branch open wire routes which support telegraph circuits only.

18. There were about 10,000 miles of toll cable and about 40,000 miles of toll bare wire circuits before the war. Japan has about 13,000 telegraph offices including those in post offices and railway stations.

Local Telephone System

19. The local plant consists of about 6,000 telephone exchanges of all types. There were about 1,600,000 telephone instruments in service before the bombing. These handled 5,500,000,000 local calls, 425,000 toll calls and 325,000 telegrams annually. The system has 127,000 employees.

20. About 25 percent of the wire communications system was destroyed by bombing and fire. An additional 25 percent replacement is necessary due to wartime neglect and depreciation. Most of the war damage occurred in the large cities where exchanges were burned out. Fifty percent of the telephone instruments were destroyed. In Tokyo, out of 200,000 prewar telephones 50,000 are in service today.

Toll lines outside the cities were only slightly damaged, the estimate being less than 5 percent. All of the repeater stations, except the one in Hiroshima, were located outside the cities and were not damaged. The repeater station in Hiroshima was completely demolished by the atomic bomb.

21. In the central offices, the trouble rate per station and telephone instrument is extremely high and the service rendered is inferior. Switch and dial contact difficulties are frequent. The transmitters are of poor quality. Anti-side tone circuits are not used. The manual local and long distance switch boards are in a general state of disrepair.

Unsatisfactory maintenance of the buildings is a contributing factor to the poor state of the central office equipment. The building interiors are damp, poorly ventilated, dirty and unsanitary; floor coverings have deteriorated giving rise to bad dust conditions. Building lighting is poor.

22. The repeater stations are in much better state of repair than are the central offices and the performance of repeater equipment is also much better. There is considerable trouble caused on the toll circuits by the voice frequency ringers used.

Administration

23. The management of the wire communications system by the Board of Communications is through seven of its eleven bureaus. Among these are: The Bureau of Telecommunications, the telephone and telegraph operating division dealing with commercial traffic and operating policies; The Bureau of Electrical Engineering, the engineering department; The Bureau of Telecommunications Reconstruction, in charge of general construction and maintenance; the Electro-Technical Laboratory, the system's research organization; the Higher Communication Training School, for technical training of new employees; the Secretariat Bureau, handling higher personnel and policy; and the General Affairs Bureau, dealing with general matters.

In addition to the general headquarters organization there are ten operation district headquarters located in Tokyo, Nagoya, Osaka, Hiroshima, Kumamoto, Sapporo, Sendai, Matsuyama, Nagano and Kanazawa. The organization within each of the operating districts is similar to that of general headquarters. Each district has a director who is responsible for its activities.

Rehabilitation

24. The Japanese have proposed a four year program of rehabilitation, repair and new construction to put the wire communicati

system in condition and make it ready to serve Japan. This program will require the following items of major equipment and material:

Lead covered cable, all types and gauges	48,000 Km
Insulated wire, all types and gauges	51,000 Km
Bare copper wire, all types and gauges	4,000 metric tons
Bare iron wire, all types and gauges	700 metric tons
Steel wire cable messenger	6,000 metric tons
Telephone instruments all types	1,000,000 each
Switchboard positions, all types	15,000 each
Automatic equipment, selectors and connectors	1,000,000 each
Electrical measuring instruments	17,000 each
Carrier telephone repeaters	1,700 each
Telephone repeaters	325 each
Teletypewriters	2,200 each
Morse telegraph instruments	3,700 each

In addition to the above the Japanese state a large quantity of telephone and telegraph storage batteries, power equipment, ringing machines and miscellaneous types of vacuum tubes will be required. A preliminary examination indicates that the program is in excess of minimum Japanese needs.

25. Specific recommendations are being made to eliminate bottlenecks and insure continuation of satisfactory service to the Occupation Forces. Included were recommendations to:

(1) Place two 14 pair non-loaded cables between Honshu and Hokkaido;

(2) Expedite the cable construction between Tokyo and Sendai;

(3) Expedite the repairs in the Hiroshima area;

(4) Give high priority to the repairs of the open wire and cable on Kyushu and the laying of submarine cable between Tanonwa and Sumoto so that this section will be completed by the time the Matsuyama-Oita route is finished;

(5) Initiate a training program for all outside plant construction and maintenance personnel to teach them improved and correct methods of construction and maintenance and replacing of tubes and making of transmission tests;

(6) Initiate a training program to teach the use of instruments in the location of wire troubles;

(7) Revise the present operating practices to make them more efficient and more in keeping with modern methods;

(8) Initiate a building maintenance program to improve maintenance inside central offices.

RADIO COMMUNICATIONS

General

26. The Occupation Forces found in Japan a radio broadcasting chain of 100 stations in bad physical condition but useable; an

internal radio short-wave net of about 200 stations to support the wire system, also suffering from poor maintenance; active circuits to neutral countries and former Japanese-occupied territories; a complete but worn out police radio system; and numerous other radio stations.

27. During September and October a portion of the Japanese civilian radio system was adapted to the Armed Service Radio Service, operating over 10 stations. Foreign circuits have been put to work sending and receiving Press and Expeditionary Force messages. Wartime interference from Japanese stations is being eliminated through frequency reassignments. Plans have been evolved, and in part put in operation, to make civilian radio secure while at the same time serving the Occupation Forces and the internal economy of Japan.

Thorough surveys of radio communications have begun and a determination has been made of the external and foreign radio circuits which may be operated by the Japanese. A study has been nearly completed of the Japanese civilian radio frequency assignments to eliminate interference with radio circuits used by the Occupation Troops.

28. The period has seen the loosening of the tight hold of governmental control over both broadcasting and radio telecommunications. It has witnessed an internal revolt against bureaucracy within the operating industry and prospects of the development of competition in a field that has been the Japanese Government's own.

The sections of the Board of Communications primarily responsible for radio communications are the Electric Wave Department, concerned with technical and equipment matters; and the Supervision Department, which controls administrative and fiscal matters. Regional Bureaus of Communications carry out the local functions of the board.

Radio Broadcasting

29. Radio broadcasting is conducted by the Broadcasting Corporation of Japan. The first problem on broadcasting is the Corporation itself. While technically a quasi-private corporation, it operates as a government agent. The president and all directors must be approved by the Board of Communications and may only be removed by it.

30. Until the practice was abolished by an Allied directive, program policies were determined by the Board of Information and the programs censored by the Board of Communications. The Corporation has about 5400 "members", none of whom hold more than 46 units of membership. Stock cannot be transferred except through inheritance. All the shares combined have a voice equal only to that of the President on the one hand or Board of Directors on the other. There are no dividends paid.

31. Financially the Corporation is in good position. Its original capitalization was ¥ 1,356,600 but its capital assets currently amount to nearly ¥ 50,000,000.

Its income is from receiver license fees, supported by the government, of ¥ 1 per month (increased from 50 sen per month 1 August 1945). These fees totalled ¥ 45,582,981.27 in the fiscal year ending 31 March 1945, with about a 15 per cent collection cost. The increase in rate has been more than sufficient to compensate for the decrease in licenses caused by bombing. The

continuance of the sound financial position of the Corporation is dependent upon government support of the license fee system.

32. The Corporation is influential in related fields through stock ownership in such agencies as the International Telecommunications Company and in the control association having cognizance over the distribution of home receivers.

33. The studios at the broadcast centrals located at Nagoya and Hiroshima were destroyed by the bombing. Ten minor stations suffered major damage. Of these, five are in operation using temporary facilities, three have been closed as no longer necessary, and two are in the process of restoration.

34. The Broadcasting Corporation has a good physical plant, although at present it is run down and short of equipment, particularly vacuum tubes of the high power types.

It was designed primarily to provide a single nationwide service for the dissemination of propaganda and to have a system by which the Japanese people could listen to local broadcasts without at the same time being able to listen to foreign broadcasts. It was also necessary to overcome the poor transmission characteristics of the mountainous terrain. Both these aims were accomplished by installing a large number of low power stations (below the high frequency band) connected by wire lines to central studios.

This system of low-power stations when operated on common frequencies as was done during the war, helped to counter the possibility of its use by Allied bombing forces as a navigation aid. At present there are approximately 100 broadcast transmitters in operation throughout Japan with the principal centrals at Tokyo, Osaka, Nagoya, Hiroshima, Kumamoto, Sendai, Sapporo and Matsuyama.

35. The station equipment is of sound design. It is copied from United States and other foreign equipment. There are two 150 kilowatt transmitters in the Tokyo area which are now operating at 10 and 50 kilowatts due to lack of high powered tubes. For the same reason the 10 Kw regional broadcast centrals at Nagoya, Osaka, Hiroshima, Matsuyama, Kumamoto, Sendai, and Sapporo are operating at reduced power. Local stations have powers ranging from 50 watts to 3 kilowatts, and are currently operating on full power.

36. The Corporation had a second net work covering the metropolitan centers of Tokyo, Osaka, Nagoya, Sendai, Kumamoto, Sapporo, Hiroshima, Matsuyama, Okayama, Fukuoka, Niigata, Okita, Shizuoka, and Matsue for the transmission of better class programs. This network which was discontinued during the war, has been requisitioned for Armed Forces Radio Service, which now broadcasts over 10 stations. The Corporation is setting up its second network service by using reserve transmitters.

37. Distribution is effected by means of wire lines leased from the government and the International Telecommunications Company. Most of the programs originate in the JOAK studios in Tokyo. Programs can be originated in the regional broadcast centrals, but are of secondary importance. As a rule local stations do not originate any programs.

The wire network is in bad condition and in many instances high frequency relay stations are used to distribute programs, although the result is poorer quality of reception. The short wave facilities of the International Telecommunications Company are also used by the company to relay programs to be rebroadcast on United States networks.

38. The poor physical condition of the broadcast plant has its counterpart in the home receiver situation. The Japanese Government actively encouraged the distribution of cheap receivers to the citizenry to develop a large audience for officially inspired propaganda and to prevent them from having receivers that could tune in foreign stations. The average Japanese receiver has four tubes, is cheaply constructed and insensitive when compared to the average receiver in the United States.

39. In the early stages of the war there were seven and one-half million receivers in Japan. Fifty percent of the homes had one receiver but in the metropolitan areas a much higher percentage existed. Approximately 1,600,000 sets were destroyed in air raids and of the remainder only about 3,000,000 are in operating condition. Many receivers are lacking replacement vacuum tubes. There is currently a big demand for receivers and receiving tubes and the current selling prices are inflated far above the pre-war prices.

40. The Japanese were probably far ahead of any other country in the use of radio broadcasting to supplement primary school instruction. At one time practically all of the schools were equipped with usable sets; many multi-unit schools were wired for radio reception in every class room. At present the equipment in only a quarter of the schools is operational due to normal attrition. Priority is being given to the replacement of inoperative units to facilitate the dissemination of revised curricula.

41. Since the occupation two movements in connection with broadcasting have been started.

The first, originating with important members of the Board of Communications and sponsored by certain prominent business people, has been to set up an independent broadcasting system capitalized at ¥ 5,000,000 and consisting of 10 stations. It is proposed to support this system by commercial advertising but at present radio advertising in Japan could hardly support a radio chain. It is to be owned by radio manufacturers, newspapers, theaters, department stores and other interests which would stand to profit from having a radio outlet.

The proposal has not yet received approval, and has been sent back for further study by the Japanese because it did not make clear how an independent system could serve the public and survive or what effect it would have upon the Japanese Broadcasting Corporation.

The second movement, originating at the operating levels of the Japan Broadcasting Corporation, seeks to throw off control by both government and the present top management. It springs both from the personal ambitions of the younger elements in the corporation and a desire to make radio broadcasting effective in Japan. Careful study is being made of the wisdom of permitting complete independence for the Broadcasting Corporation of Japan at this time. Developments in the management revolt are being watched but not interfered with.

42. The main objectives of the occupation relating to radio broadcasting are: (1) to require the building of a sound regulatory management and financial structure for broadcasting; (2) to permit competition provided it is practicable; and (3) to stimulate production for reconditioning of stations, wire lines and home receivers. A start has been made on the first. The second appears to be definitely in the future. A beginning has been made in the solution of the third problem.

Radio Communications System

43. The radio communications system of Japan included: the International Telecommunications System of nine stations; the police net of 56 stations; approximately 200 Japanese Army and Navy stations; about 33 privately owned stations; nine meteorological stations; about 40 stations providing safety services such as radio range, radio beacons and radio direction finding; and a few stations operated by the Railway Bureau and the Post Office Department.

44. There were many problems demanding immediate solution. Some of them have been solved.

Japanese officials set up suitable circuits upon the arrival of the Armed Forces to carry surrender news. There are now established daily broadcasts from Radio Tokyo studios over International Telecommunications short wave circuits to America. Expeditionary Force message procedures were established about 15 October and now about 1200 messages per day are being transmitted to and from Mackay Radio, RCA and Press Wireless stations in the United States over three International Telecommunications Company circuits. These circuits are also extensively used for press traffic.

45. A beginning has been made toward controlling the approximately 800 Japanese transmitters. All telecommunications circuits to foreign countries and former Japanese-occupied territories have been brought under censorship by the Civil Censorship Detachment. The Communications Board has been given instruction concerning the circuits it can operate and the frequencies it can use.

Traffic of the character authorized is permitted over the circuits to China, Dutch East Indies, Siam, Geneva, Moscow, Stockholm, Lisbon, Formosa and Korea. No additional foreign or external circuits may be operated without prior notice to the Supreme Commander, and after clearance of the frequency. Changes in points of communication, station location, station control and ownership may be made only after notice to the Allied Command.

46. A complete list of stations, frequencies, station locations, character of service and power is in the process of compilation by the Japanese. This list will be the basis of coordination of radio frequency assignments. Only stations of the list for which need can be demonstrated will be permitted to operate and no changes in or additions to the stations on the list can be made without notice to this Headquarters. Adequate plans for censorship, monitoring and utilization of necessary radio facilities are being developed.

47. The problem of management, organization and operation of essential services centers primarily around the International Telecommunications Corporation. Like the Japan Broadcasting Corporation it is controlled by the Board of Communications. The government owns half its stock. It conducts all of Japan's radio communications with the outside world.

The corporation has shown remarkable growth, its assets increasing from ¥ 22,000,000 in 1935 to ¥ 238,000,000 in 1945. It has a current net worth of approximately ¥ 100,000,000. The investment in the radio plant is ¥ 3,500,000 . The investment is only one-eighth of the value of the land lines formed and operated by the corporation in Japan and in Korea. During the past year the company showed a profit of approximately ¥ 3,000,000.

48. The transmitting and receiving facilities of the International Telecommunications Corporation are in the vicinity of Tokyo and Osaka. The receiving stations are at Nagasaki, Oyama, Yamato, Tama and Ashigara. The Tokyo transmitting stations are located at Komora and Fukuoka. The Osaka stations are at Ono, Kawachi and Yosami. There are 40 transmitters on hand ranging from very low frequency to high frequency types.

The International Telecommunications Company does not operate any central office equipment for the filing of the actual transmission of messages. The sender files his messages in the local post offices as in the case of domestic messages. It is then carried over the government's domestic system to either the Tokyo or Osaka Central Office where it is put on the lines controlling transmitters. The organization operates its own laboratory and factory for the development and manufacture of telecommunications apparatus.

49. The Board of Communications has three external radio telegraph circuits to China, one to Korea and three to Formosa with transmitters at Kamigawa, Fukui and Fukuoka. There are also about two hundred low power stations scattered over Japan providing service to the numerous islands and supplementing wire telegraph in the domestic service. These stations are presently receiving extensive use due to the poor condition of the wire plant.

50. The police communications system includes ten stations having a power of 1 kilowatt or higher and thirty-eight 50 watt stations located in all key cities. A number of aeronautical communications and navigation stations are being used by the Occupational Air Forces. Japanese meterological stations are being used to broadcast weather information for the Allied Forces in the Pacific.

51. The Japanese Army had an extensive radio communications net of 200 stations covering the Home Islands and reaching army outposts. It also operated air communications circuits, weather stations and radio navigation aids.

52. The Japanese Navy operated separate stations ship to shore, to Home Islands and outlying naval stations. Its net now consists of approximately 20 stations.

REDISTRIBUTION OF WAR SUPPLIES

53. One of the important sources of materials to rehabilitate the wire and radio communications system is the supply of Japanese Army and Navy communications equipment that is capable of civilian use. The occupation policy is that such equipment will be turned over to the Japanese Home Ministry. Considerable time and effort has been spent to stimulate and supervise this return and to establish satisfactory plans for the proper control of the returned equipment.

54. The first step was to locate and arrange for the turnover and distribution of transmitting and receiving tubes vitally needed to keep broadcast stations on the air, the telecommunications facilities operating and to supply receiving sets in schools and public buildings. Consolidated lists were sent to the Occupation Forces with instructions to conduct surveys on and report locations of these tubes.

Representatives of the Home Ministry were sent to the reported locations to collect and distribute them. As a result of this activity a serious shortage has been temporarily relieved by

distribution of approximately 23,000 tubes. Other communications equipment, suitable for civilian use, has been returned to the Home Ministry.

Plan of Operation

55. In order to control the distribution of the collected equipment and prevent any inimical or unsound use therof, the Japanese Home Ministry was directed to prepare and submit for approval a plan for its collection and distribution. The plan was to provide first for the needs of the Occupation Forces and secondly for the most pressing needs of the civilian economy of Japan. As a result of this directive, a plan was evolved, approved and put into operation with the following features:

(1) The collection, storage, safekeeping and issuance of receipts to the Occupation Forces for reclaimed communications equipment is delegated by the Home Ministry to the Governor of each prefecture. Easily moved items of equipment are transported to and stored in centrally located warehouses. Items not readily movable remain in storage at place of receipt. The local civil police are called upon to furnish the necessary guarding personnel.

(2) Of the equipment collected 10 percent is turned over to schools and institutions for educational programs and installations. First priority on the remaining ninety percent is given to rehabilitation and maintenance of existing facilities; second priority to new facilities urgently needed by the Occupation Forces and Japanese civilian economy; and third priority to other new facilities.

Within the above stated priorities, distribution is to be according to use. The public communications services other than radio broadcast, transportation and weather have first call. Second call is to radio broadcast and third to transportation and weather.

(3) The Board of Communications is designated by the Home Ministry as the distributing agency.

(4) A stock record system is to be kept by both the receiving and distributing agencies.

(5) Periodic reports are to be submitted by the prefectural representatives to the Home Ministry and the Board of Communications. The latter is to submit weekly reports to this Headquarters for study and recommendations.

56. Directives and necessary report forms have been received by the prefectural representatives. Distribution of the equipment started slowly but will improve substantially during the current month. Close scrutiny of the weekly reports is planned to maintain proper control and supervision.

SIGNAL COMMUNICATIONS MANUFACTURING INDUSTRY

General

57. The initial tasks in connection with the Japanese signal communications manufacturing industry have been to: swing it from abruptly terminated war production to the manufacture of critically needed items, overcome the lethargy caused by the defeat, to begin to understand the intricacies of the controls under which it operated, and institute controls over the communications laboratories. By the end of October essential manufacturing had been started on

a preliminary scale, the bureaucratic control system was showing signs of breaking up; and plans for laboratory control had been developed.

Main Companies

58. The signal communications manufacturing industry is not a large one in Japan but it showed considerable growth during the war. Approximately 127 wire and cable companies did a third of a billion yen of business in 1944. Twenty-one radio receiver manufacturers produced more than a million receivers in 1941. A number of equipment manufacturers made electrical apparatus in addition to communications equipment. The industry was concentrated, with Tokyo Shibaura, Sumitomo Electric Company (formerly Nippon Electric Ltd.), and Oki Denki making 75 percent of all telephone equipment.

Furakawa Electric Company Ltd., Sumitomo Electric Wire & Cable Works and Fujikura Electric Cable Works Ltd., made approximately 55 percent of all wire and cable. In the wire and cable industry, only 15 companies were capitalized at over 1 million yen each and 6 over 10 million yen. Tokyo Shibaura produced about 50 percent of all vacuum tubes.

A sudden growth of companies in the communications field developed as a result of the war. One instance is the Iwasaki Instrument Company which had a capital of ¥ 300,000 in 1938 and of ¥ 10,000,000 in 1945.

59. The first demands of the Occupation Forces upon the signal communications manufacturing industry were for high power transmitting tubes for radio broadcasts, radio receivers for schools to carry out the re-education program to the pupils and teachers, and wire and cable for repairs to the wire systems used by the military.

War Damage

60. War damage to the signal communications manufacturing industry was extensive according to Japanese estimates, which preliminary checks indicate are reasonably accurate. Approximately 30 percent of the communications cable manufacturing capacity has been destroyed Fifty nine of the 127 electric wire and cable manufacturing companies had been damaged. Indication of the destruction is the fact that of the 35,331 persons who were employed in the wire and cable industry during 1944, only 16,804 remained by August 1945.

War damage can also be seen in the upward spiral of prices in this industry, in which production dropped from 98,300 tons in 1937 to 65,200 tons in 1944, while the yen value of goods produced rose from ¥ 158,200,000 to ¥ 333,100,000 during the same period. The low point occurred in 1941 when 48,200 tons of wire and cable were delivered but production rose steadily each year to 69,500 metric tons as of August 1945.

61. Both war damage and the diversion of critical materials to more pressing needs may explain the drop of production of civilian radio receivers from 1,178,322 sets of all types in 1941, to 1,060,866 sets in 1943, 565,000 sets in 1945, and 72,864 sets in 1944.

The capacity of Tokyo Shibaura for making large tubes was completely destroyed by the bombing. One of the six plants of Oki Denki and one of the six plants of Sumitomo were completely destroyed and some of the remaining plants suffered partial destruction. The Japanese estimate that at least half of the signal

communications and manufacturing plants will require rehabilitation before full production can be restored.

Government Control

62. All manufacturing of communications equipment for both the war needs and the civil population was directed and administered through a system of government control associations.

Three of these associations ran the entire communications industry. They are the Electrical Apparatus Manufacturing and Distributing Control Association, the Radio Receivers Distribution Control Association and the Electric Wire and Cable Makers Control Association.

Through an intricate system of membership permits, materials allocation, allocation of production and control of distribution, these associations in their respective fields decided every important step manufacturers could take. For a number of weeks after the surrender production was stagnant while the associations debated policy, required manufacturers to submit plans and estimates and engaged in internal political maneuvering.

Detailed investigations were made of the first two named associations and general investigation made of the Electric Wire and Cable Makers Control Association. Studies made indicated that abolition of the control associations was necessary not only for the democratization of the industry itself but also to make possible needed production. Since the Japanese Government is taking steps to abolish the basic laws under which the control associations were organized, directives to "free" the communications industry were not required.

Postwar Outlook

63. The factors enumerated, coupled with the general confusion and the uncertainty of the future, have been responsible for a slow start in communications production. Approximately 3000 radio receivers have been built to meet the immediate needs of the Ministry of Education and schedules call for the building of 35,000 receivers by the end of the year.

The production of wire and cable has been assured through the allocation of raw materials to two factories capable of starting immediate production. One of them had materials on hand and production commenced the last week of October on 1800 meters of plain and lead covered cable to meet the needs of the Occupation Forces. Orders for 150 kilometers of telephone cable were also placed and negotiations are presently underway to place orders for 210 kilometers of toll cable urgently needed.

Orders have likewise been placed on two factories capable of producing the 1500 transmitting tubes urgently needed for broadcasting. The production schedules of 10 tubes in October (which was met), 100 in November, 250 in December, 350 in January and completion by July 1946 are sufficient to meet the immediate and short term needs of the Japan Broadcasting Corporation, except for two types of High power tubes for Radio Tokyo. The production problems of these two tubes are being studied.

64. More satisfactory is the production of 160,000 receivers tubes during October, with 400,000 promised for the balance of the year.

Two of Japan's largest vacuum tube producers are now back in production after almost complete disruption of their main plants in Kawasaki. Tokyo Shibaura Company Ltd., is producing on the following schedule: September, 587; October, 85,800; November, 151,000; December, 292,000. Sumitomo Tsushin Kogyo KK, which prior to the war produced 10 percent of the country's tubes, plans to produce receiving tubes on the following schedule: December, 51,500; January, 52,000; February 52,000; March 120,500. This production will not overcome the deficit of receiving tubes accumulated during the war.

65. The occupation policy has been to expedite manufacturing by pointing out the requirements of the various users to the Board of Communications or to the government agency concerned.

66. Business leaders in the industry have ambitious plans for communications production. They hope to produce during the next year, small quantities of experimental television sets, 4,500,000 radio receivers, 14,000,000 radio tubes, 750,000 telephones, and 333,000 automatic switches of all types. These are against estimates of need made by the Japanese of 1,200,000 telephones, 42,000 switchboard positions, 2,000 television receivers, 7,500,000 receiving sets and 23,500,000 radio tubes.

67. The occupation policy includes encouragement of production of all-wave receivers that will enable the Japanese people to listen to foreign broadcasts.

Research

68. Technical research and development on signal communications in Japan was conducted by both military and non-military organizations. The Army, Navy and Air Forces each had separate laboratories engaged in research on the communications requirements of their respective branches. There were a number of laboratories established by other government departments or by private concerns such as the Electro-technical Laboratory of the Board of Communications and the research laboratories of Sumitomo Tsushin Kohyo, K. K., and Tokyo Shibaura Denki, K. K.

69. Damage from air raids reduced the facilities for communications research by approximately 20 percent. The electronics laboratory of Tokyo Shibaura Denki, considered to have been the best equipped electronics laboratory in Japan, was completely destroyed. Other laboratories were damaged to varying degrees. In an effort to minimize the damage to laboratories from air attacks, a program of dispersion was initiated early in 1945, and at the close of the war this dispersion program was practically completed.

Present plans are to return most of these laboratories to their former locations as soon as the necessary reconstruction can be effected. A survey indicates there are now less than ten laboratories in Japan equipped to conduct extensive research in the communications field.

70. Developments in signal communications during the war by non-military laboratories were seriously hampered by lack of confidence or trust in these organizations by the military. To preserve secrecy, only meager information was supplied to researchers when assigned projects for development.

This policy resulted in engineers attempting to develop communications equipment of devices without the knowledge of where or how such devices were to be used. The practice was particularly

noticeable in the field of radar research. Interviews with various scientists and engineers who performed research work for the military indicate that their efforts were only about 50 percent effective due to the lack of pertinent information furnished them. All such work stopped with the end of the war.

71. Very little research has been conducted in the communications field since the occupation. Research in radar and similar developments for war by the Japanese has been prohibited. General research in communications has been permitted to the extent necessary to provide the coordinated signal system required to serve the needs of the Occupation Forces and the civilian economy of Japan.

Difficulties encountered by the Japanese in conducting research toward peace time uses may be attributed to the shortage and poor grade of raw materials, damage and of uncertainty toward the future.

Development of methods for improving existing telephone carrier equipment and multi-channel radio-link systems are considered to be the most important fields for research at the present time.

72. The ultimate objective with respect to civil communications laboratories is to allow only that scientific research and development which is necessary to serve the requirements of the Occupation Forces and the needs of the internal economy of Japan. A program to accomplish this objective has been initiated.

A list of all laboratories, educational institutions and scientific societies related to the signal communications industry is being compiled, together with names of all individuals connected therewith. Monthly reports concerning the activities of each organization have been directed. Complete reports from two of the largest laboratories have already been obtained and are being studied.

0101-2.

SECTION 7

RATIONING AND PRICE CONTROL

C O N T E N T S

GENERAL

1. The National General Mobilization Law passed in 1938 and revised in 1941 was the authority under which the Japanese Government established rationing and price controls over essential commodities. Imperial Ordinances were the instruments used by the government to create control agencies and handle these matters.

The most important of these ordinances were No. 276 issued in April 1938 creating the Central Price Control Committee under the Ministry of Commerce and Industry and No. 703 which pegged the prices of most commodities as of 18 September 1939.

Throughout the war prices were continually revised upward. There never was effective overall control over rationing and prices of necessary goods and services. Each ministry in the Japanese Government was made responsible for the pricing and rationing of commodities under its jurisdiction. They in turn set up control companies and associations to handle prices and rationing of specific items. The pricing of those commodities of special concern to more than one ministry was reviewed by cabinet committees. These agencies were ineffective in holding down general price advances.

The present situation is one of short supply, excess purchasing power, excessive subsidies and black market activities. The distribution of food and other essential commodities is unsatisfactory in large cities primarily because of transportation difficulties and the reluctance of farmers and fishermen to sell at ceiling prices. The Japanese Government was directed to take appropriate measures to cope with the problem.

At present necessary directives are being issued to change the commercial economy gradually. Because rationing and price controls are handled through control associations, certain of these are being allowed to continue the distribution of essential commodities. Whenever feasible these control associations will be abolished.

RATIONING

Food

2. The food situation for the urban population may become critical within six months. Present estimates indicate that on the basis of rice equivalents there may be a shortage of food in 1946.

The reluctance of farmers and fishermen to sell their

entire output through official channels and the lack of transportation facilities aggravate the situation in the larger cities.

3. The Ministry of Agriculture and Forestry is responsible for food rationing in Japan. Individual food products such as staples, fruits and vegetables, and marine products are dealt with by special bureaus.

Control companies and associations responsible to the Ministry are charged with the mechanics of distribution. They purchase food supplies from the government and distribute them to local branches for resale to dealers associations. The latter in each locality sell to distribution stations or retail stores for resale to the general public.

Prefectural governors have the responsibility for supervising food distribution in their respective prefectures, while mayors and town heads supervise distribution at the municipal level. Staple commodities are rationed on a national basis, but perishables are distributed locally depending on the supply. Canned and processed foods are distributed by special ration depending on the supply and the particular needs of a locality.

4. Rationing is based on population, but special consideration is being given to various categories of workers. Ration books are supplied by the Ministry of Commerce and Industry to local governments for distribution to consumers through the police. The ration books are presented to the neighborhood associations through which the distribution of food to the household is made.

Coupons are also used for meals obtained in restaurants. Dealers use these coupons as a claim to purchase additional supplies from the control companies. Large food manufacturers receive special coupons from the government to obtain their raw materials. Food processors such as flour mills operate on a commission basis and do not actually purchase the products they process.

5. Ration allowances differ in each locality depending on local supplies and transportation. The national ration of 2.3 go, about 330 grams of staple foods, was reduced to 2.1 go, about 294 grams, in July 1945. It was originally intended to issue this ration in rice, but in recent months it has consisted of wheat, barley and sweet potatoes. There is no hope of increasing the staple ration during the coming year.

The national ration of staples is supplemented by perishables. Distribution of vegetables and fish has been very irregular in large cities due primarily to low production and black market activities. It is hoped to increase the production of fish to enable larger quantities to reach urban areas.

Clothing

6. Control of the distribution of silk is under the Ministry of Agriculture and Forestry, rayon and staple fiber under the Ministry of Commerce and Industry. A Textile Control Board allots raw materials to the spinning, rayon thread and raw silk manufacturers and sets quotas for the manufacture of yarns and fibers. Distribution to textile clothing manufacturers is also on a quota basis.

Manufactured fabrics are purchased by the several central control agencies which were organized by wholesale dealers in order to exercise unified control over distribution. These manufactured fabrics are in turn sold to various prefectural control companies which are the sole distributing agencies for their respective pre-

fectures and are composed of local wholesale and retail dealers and department stores.

Working clothes are distributed at places of employment and students' clothing at schools in exchange for purchase tickets. Other items are sold to consumers through local department and retail stores upon a point rationing system.

7. Due to clothing shortages, no ration tickets were issued to the general public in 1945. Special tickets were issued for war sufferers, returnees, expectant mothers, new born babies and other needy persons.

Critical clothing items such as undergarments, towels, flannel cloth and bleached cotton are distributed at department and retail stores under supervision of local neighborhood organizations to insure proper distribution to the needy. Available supplies and prices are widely advertised by local newspapers and posters.

Fuel

8. The Sikiyu Toseikai (Petroleum Control Institute) pools materials and equipment, controls refineries and carries out government policies. The government purchases refined products from the refineries and sells them to the Sikiyu Haikyu Tosei (Petroleum Distribution Company). The latter has exclusive control over the distribution of all petroleum products both imported and locally refined. Under it there are numerous sub-distributers. The company sells directly to the government offices and bureaus as well as to agricultural, forestry and fishing associations.

9. Purchase tickets were formerly required when dealers sold petroleum products to consumers, but this was suspended prior to occupation. Effective November 1945 tickets will be issued by prefectural governments to insure the delivery of supplies to essential consumers. All Japanese petroleum products seized by the Occupational Troops have been turned over to the Japanese Home Ministry for distribution to essential consumers through the Petroleum Distribution Company.

10. In 1939 due to a critical shortage of coal the government established the Japan Coal Company which was given complete monopoly over the distribution of coal. In 1943 the Ministry of Commerce and Industry (later the Munitions Ministry) granted additional powers to this company and it became the organization through which the Japanese Government allocated coal to all consumers.

Eight local subsidiaries handled the distribution of coal to consumers requiring less than 20,000 tons annually. Large consumers purchased directly from the company.

11. Prior to 26 November 1941 when the Coal Control Association of Japan supplanted the Federation of Mine Owners, governmental control of the production of coal was limited to various licensing and supervisory measures. The new association was given complete power over all phases of operation of mining companies and its president reported directly to the Minister of Commerce and Industry.

Because quotas for production were set by the government at figures above capacity and demands of the companies for labor and materials always exceeded supply, the association was largely concerned with adjusting discrepancies.

12. Since 1941 there has been no significant change in the

control of coal. The current shortage of coal is largely due to poor conditions of the mines and to transportation, labor and equipment shortages.

13. Charcoal is an important fuel in Japan for transportation and for industrial and household use. The Japan Gas and Charcoal Company controls production and the United Association for District Sales handles distribution in each prefecture. The prefectural offices control rationing through branch offices, and distribution is made at selected points in school districts or neighborhoods.

While ration tickets are used, the system varies in each district. Police stations have emergency supplies. Rationing is under the general supervision of the Police Department under the Home Ministry.

Monopoly Commodities

14. Salt, tobacco, alcohol and camphor are government monopolies in Japan controlled by the Bureau of Monopolies under the Ministry of Finance. Local Monopoly Bureaus are located in the eight Administrative Districts.

15. Private companies licensed by the government engage in production, importation and distribution of monopoly products. These commodities are rationed by a ticket system, tickets being issued to consumers by the local Monopoly Bureau.

16. The present ration of salt is negligible because of the serious shortage in Japan. Efforts are being made to obtain salt for use in the preservation of foods, for industrial use and for household purposes.

17. The tobacco ration prior to occupation was seven cigarettes per adult male per day, but this ration was later cut to three.

Paper

18. Total paper and paper board production during September and October 1945 was at the rate of approximately 25 percent of prewar production. Newsprint and paper for books and magazines (foreign paper) are the most critical types of paper. In September and October newsprint was produced at the monthly rate of 12,100,000 pounds, which is 18 percent of prewar production. The largest obstacle to greater production is the loss of South Sakhalin, formerly the chief source of pulp. Other factors are lack of coal, transportation and war damage. Under present plans production will be increased to about 27,000,000 pounds a month by April 1946.

19. Due to the scarcity of newsprint during the war, the number of newspapers was reduced from 5,000 to 75, newspapers were cut down to four pages and circulation was reduced 25 percent. The Japanese Government controlled the distribution of newsprint through the Japan Newspaper Association until September 1945 when restrictions were lifted and the newly formed Newspaper League assumed independant control over distribution.

20. Production of high grade foreign paper for books and magazines has largely ceased due to the loss of South Sakhalin. It contained 62 percent of Japan's sulfite pulp capacity and Korea and Formosa five percent. Of prewar capacity of 480,000 tons annually, Japan Proper retains only 140,000 tons or 30 percent The remaining

supply of sulfite pulp is being mixed with ground pulp to produce cheaper papers.

Paper available for books and magazines is only four percent of prewar consumption. The distribution of foreign paper for books and magazines was controlled by the Japanese Government during the war through the Japanese Publishers Society. It has been replaced by the Japanese Publishers Association which has independent control of distribution.

21. The critical nature of the supply of newsprint and foreign paper makes rationing inevitable. The independent control of distribution by the Newspaper and Publishers Associations was open to abuses. A directive was issued 28 October 1945 instructing the Japanese Government to establish a paper rationing board to effect an impartial distribution of paper. This board is being organized.

Miscellaneous Commodities

22. There is a critical shortage of essential household items in Japan; for example, soap has not been rationed for several months. Efforts are being made to revive production of these items.

Rationing of critical commodities in short supply is handled the same as foods. Control companies selected to distribute these products announce the date of distribution and quantity to be issued, and allocations are made to the neighborhood associations.

PRICE CONTROLS

Control Organizations

23. Interested ministries in the Japanese Government are responsible for establishing prices of commodities under their jurisdiction. Commodity prices of concern to several ministries are studied by the Price Division of the Cabinet Research Bureau before final decisions are made. The prices of important basic commodities are subject to cabinet review before they are revised.

Throughout the war price controls were established through Imperial Ordinances. The cost plus method of establishing ceiling prices is widely employed in heavy industries, but the price freeze as of 18 September 1939 is used as a basis for setting ceilings of consumers goods.

Various associations dealing in particular commodities readjust inequalities among their dealers and then apply for special consideration to the government. Middlemen and wholesalers as well as certain industries operate on a commission basis.

24. Enforcement of price regulations is left to the Economic Police of the Home Ministry. Despite close supervision, ceilings are not obeyed. Although high penalties are given offenders, the government has made many public appeals for better public support. There are numerous cases in which the police have been guilty of allowing price violators to go unapprehended.

Price Movements

25. Although the rise in prices throughout the war was steady, special consideration was given to producers' holding war contracts. Since occupation no price freeze order has been issued, but the Japanese Government has been ordered to stabilize prices and to watch unwarranted demands for raising the prices of newly manufactured commodities.

26. Several attempts to place essential commodities on a free market and to remove subsidies to producers of vital consumer goods have been halted. Any significant price changes are now brought to SCAP for study before being publicly announced.

The purchase price of rice by the government is being raised because of low production resulting from typhoon damage. The increase will not be passed on to the consumer but apparently will be largely absorbed by additional governmental subsidies.

The present official price to the consumer for the ration of 294 grams is ¥ 0.104. As present official prices are low compared to the great profits and high wages realized by the majority of the population during the war, every effort is being made to keep them low to protect salaried and low income groups.

Black Markets

27. Black markets exist in every locality and almost every commodity has its black market price. The situation is particularly serious in foods. Regulations were passed prohibiting private transport of food on trains; but since occupation thousands of people leave the large cities every day for rural areas in search of black market foods.

The government is endeavoring to obtain transportation and readjust prices to enable larger quantities of perishables to reach large urban centers. Black marketing of staple foods is fairly well controlled. It is hoped that the increase in the price of rice and better police supervision will enable the government to maintain control.

28. While bartering between troops and the civilian population continues, the opening of souvenir PX's has curtailed the practice, and Japanese and American military police are breaking up organized black market rings. The prices for services required by the Occupation Forces have been fixed on a reasonable and fair level.

29. Prices of black market items vary greatly as indicated by the following list of selected commodities:

Commodity	Unit	Highest Black Market Price (Yen)	Official Price (Yen)	Percentage of Increase
Sugar	1 kan	1,000.00	3.75	26,666.7
Toilet soap	1 piece	20.00	.10	20,000.0
Refined rice	1 sho	70.00	.53	13,207.5
Boiled sweet potatoes	100 somme	10.00	.08	12,500.0
Millet-jelly	1 kan	400.00	3.40	11,764.7
Kneaded rice-ball	1 ball	8.00	.10	8,000.0
Cotton socks	1 pair	40.00	.50	8,000.0
Rear car tire	1	150.00	20.00	7,500.0
Rape seed oil	1 to	2,000.00	26.80	7,462.7
Cotton yarn	1 bundle	22.60	.30	7,333.3
Raw mackerel	100 somme	20.00	.34	5,882.4
Ration bread to ER passengers	1 loaf	10.00	.20	5,000.0
Soy	2 liters	60.00	1.32	4,545.5
Second grade sake	shot	350.00	8.00	4,375.0

Commodity	Unit	Highest Black Market Price (Yen)	Official Price (Yen)	Percentage of Increase
Sweet potatoes	kan	50.00	1.20	4,166.7
Japanese pipe tobacco	1 piece	18.00	.45	4,000.0
Cigarette (Kinshi brand)	10 pieces	13.00	.35	3,714.3
Drawers for winter	suit	80.00	2.20	3,636.4
Apples	100 momme	13.00	.36	3,611.1
Umbrella	1	50.00	1.50	3,333.3
Cut Tobacco (Minori brand)	30 grams	19.00	.60	3,166.9
Writing pad	1 pad	4.00	.17	2,352.9
Charges for shoe rspair	1 pair	80.00	3.50	2,285.7
Small dried fish	100 momme	23.00	1.13	2,035.4
Miso (bean paste)	kan	40.00	2.00	2,000.0
Salt	kan	40.00	2.00	2,000.0
Electric bulb	1 (100 watt)	20.00	1.18	1,694.9
Scrubbing brush	1	2.40	.15	1,600.0
Shoe polish	1	7.00	.50	1,400.0
Shoes	pair	530.00	42.00	1,261.9
Tooth brush	1	2.00	.17	1,176.5
Egg	100 momme	21.00	1.82	1,153.8
Curry powder	1 package	2.00	.21	952.4
Overcoat for winter	1 suit	160.00	18.00	88.9
Notebook	1 copy	3.00	.35	857.1
Paper for sliding paper door (about 12 feet)	roll	16.00	2.00	800.0
Beef	100 momme	22.00	3.00	733.3
Beer (bigger bottle)	1 bottle	20.00	2.85	701.8
Painted clogs for women	1 pair	20.00	3.00	666.7
Tea	100 momme	20.00	3.30	606.1
Safety razor	1	1.25	.25	600.0
Burdock	1 kan	10.00	1.70	588.2
Radish	1 kan	3.00	.60	500.0
Glass for watch and clock	1	1.50	.40	375.0
Pickled radish	1 kan	5.00	2.00	250.0
Average (Median)				2,285.7

SOURCE: Metropolitan Police Board, October 1945.

MISCELLANEOUS

Cost of Living Statistics

30. The principal sources for obtaining cost of living indices have been the Bank of Japan, the Government Bureau of Statistics and the newspaper "Asahi". Japanese statistics are not always reliable and their statistical methods are often vague. Many records were destroyed during the air raids or were moved to outlying regions for safe-keeping. Complete information is therefore not available.

31. The latest figure of the "Asahi" Index is that of December 1944 when the cost of living was 199.5 using July 1937 as a base. The Tokyo Retail Price Index prepared by the Bank of Japan shows a climb from 262.9 as of January 1941 to 434.2 as of September 1945 using July 1914 as a base.

The Tokyo Wholesale Price Index published in the "Oriental Economist" shows an increase from 273.3 for 1944 to 296.2 in April 1945, using the 1931 average as a base. The Japanese are preparing statistics on current economic trends and will supply information on their statistical methods.

Internal Trade

32. The business districts of the larger cities were largely destroyed but new shops are being reopened and special shops and amusement centers catering to Allied needs are being built. The stocks of the sidewalk peddlers are very poor and few items of major use are offered for sale.

33. Numerous producers believe that the occupation will be followed by free trade and many business men have been advocating the removal of ecoromic controls. This has resulted in considerable confusion, with the result that merchants are hesitating to put their products on the market.

The objectives of SCAP have been explained and the importance of increasing production of essential commodities stressed. The Japanese were told that economic controls over distribution will be retained until essential needs can be supplied under normal commercial conditions.

Procurement

34. The supervision of procurement of Japanese services, supplies, real property and facilities for the use of the Occupation Forces has been centralized in the General Purchasing Agent. The supply situation was surveyed and Japanese officials advised of their responsibilities. Procedures, controls and required report data have been issued to lower echelons to provide for uniform and equitable distribution of procurement.

The policy of this Headquarters is that the needs of the Occupation Forces will be met by the Japanese only to the extent that it will not cause starvation, widespread disease or acute physical distress to the civilian population.

Critical items such as medical supplies, rice, milk and fish are centrally controlled in order to implement this policy. Surplus perishable foodstuffs are authorized for procurement to prevent wastage and to supplement the rations of the Occupation Forces. Cash purchases are authorized in emergencies with a 3,000 yen limitation in each instance.

SECTION 8

FINANCE

C O N T E N T S

GENERAL

1. All banking and other financial institutions are functioning except for national policy banks and development companies which were closed and their officials dismissed. The Bank of Japan has been required to furnish currency and banking facilities for the Occupation Forces.

Note issue has remained unchanged since the occupation began. Because of a return of confidence in banks and other depositories and the dissipation of the fears entertained prior to the arrival of the Occupation Forces, much currency issued in the second half of August has returned from circulation, as indicated by the large increase in deposits.

Other inflationary factors have expanded. The government has sold bond issues totaling over ¥ 12,000,000,000 to the Bank of Japan, and payments to discharged soldiers and workers have continued. Lack of increase in the note issue is disturbing rather than reassuring, for a decline might have been expected in this situation. Potential disbursements of the government in settlement of various war claims are tremendous. It is only the fact that so much potential purchasing power is frozen in restricted accounts that the inflationary pressures are not explosive.

Currency and Budget

2. Bank of Japan notes, state notes and currency, and military yen "Type B" have been declared the only legal tender, and the circulation of all other currencies was prohibited. No arrangements have been made for the use of Bank of Japan notes by the Occupation Forces except in case of emergency. "Type B" notes are being retired by the Bank of Japan.

3. It is now clearly evident that revenue will be considerably under estimates and may decline as much as 50 percent. They

0110

were estimated in the budget at ¥ 18,000,000,000, but are now expected to be not more than ¥ 12,000,000,000 and may decline to as low as ¥ 9,000,000,000. Ordinary expenditures, exclusive of occupation cost and liquidation of war commitments, are estimated at ¥ 22,000,000,000. Japanese public debt had reached ¥ 118,000,000,000 on 31 October.

Computations for the new budget are hampered by a lack of policy determination by the Japanese Government. Disposition of obligations assumed by the government during the war is a primary problem.

Control Measures

4. Major blocking and freezing controls and control over foreign transactions have been established. Statistics on Japanese foreign assets are being collected.

5. Transactions in properties in Japan owned by nationals of designated countries have been prohibited and reports thereon are being received. The Japanese Government has been required to protect properties of Allied nationals and to report upon their present condition and disposition. Gold, silver and platinum bullion; gold and silver coins; and foreign exchange assets have been impounded and reports required.

All precious metals and jewels belonging to the Japanese Government, the Army and Navy have been seized and are now in the custody of the Occupation Forces. Plates, paper and unissued stocks of currency and stamps for use outside Japan have been seized.

6. The Japanese Government guaranteed claims against Japanese insurance companies arising from war damage. As of 31 August 1945 property damage claims amounting to ¥ 19,000,000,000 had been paid; claims estimated at ¥ 14,000,000,000 remained unsettled. At the end of October insurance company assets exceeded ¥ 10,500,000,000 of which at least 75 percent was represented by government securities or government guaranteed loans to war industries. Premium income has declined sharply.

Claims of Korean and foreign policyholders are a major difficulty, since no method is at present available either for the receipt of premiums or the settlement of claims. Efforts are being made to locate insurance company assets in Korea which could be used to meet such claims.

7. Stock exchanges were closed by order of the Japanese Government on 9 August 1945. On 27 September the reopening of any closed stock, commodity or similar exchange was prohibited without the permission of SCAP. An over-the-counter market in securities exists, but the volume of transactions is said to be small. Quotations on securities of war industries have declined, those of peace industries have advanced.

8. Records necessary to indicate receipts and expenditures of the Occupation Forces have been established. The net total of currency supplied to disbursing officers to 31 October 1945 is ¥ 1,098,092,698.

BANKS AND CURRENCY

9. Efficient channels have been established for the supply of Bank of Japan notes to Army and Navy disbursing officers. "Type B" notes are therefore gradually disappearing from circulation.

The note issue of the Bank of Japan increased from ¥ 17,700,000,000 at the end of 1944 to ¥ 23,400,000,000 on 31 July

1945 and to ¥ 42,300,000,000 on 31 August. Circulation on 29 October was ¥ 42,040,000,000. The rapid increase in circulating media up through 31 August reflected continued deficit financing by the government, the collapse of price control mechanisms and the greater use of currency as the result of disruption of communications from air raids. The sudden jump of ¥ 14,000,000,000 during August was partially due to hoarding.

Bank of Japan

10. The Bank of Japan and all its branches are operating as usual. When the wartime financial institutions were closed, the Bank of Japan was suspended for a day. The condensed statement of the Bank of Japan as of 20 October 1945 follows:

(millions of yen)

Assets		Liabilities	
Loans	24,690	Notes issued	42,040
Cash and bullion	540	Gov't deposits	11,260
Gov't bonds and other securities	11,980	Other deposits	3,450
Agency accounts	14,860	Miscellaneous assets	950
Miscellaneous accounts	5,840	Capital and reserves	210
Total	57,910		57,910

Though the Bank of Japan functioned as the primary source of all foreign exchange during the war, the Yokohama Specie Bank was the real originator of policies and the operating mechanism for foreign exchange transactions.

Private Banking Institutions

11. The closing of the National Financial Control Association, the overburdened condition of communication facilities and the priority of the Allied Forces requirements have delayed the accumulation of currency nationwide figures on banking operations. The latest complete data available are for 31 May 1945:

(millions of yen)

	Special Banks	Ordinary Banks	Savings Banks	Total
Total deposits	8,679	76,534	9,202	94,415
Loans and discounts	19,820	45,785	694	66,299
Government bonds	3,524	28,514	6,762	38,800
Other securities	698	7,475	1,108	9,281
Cash	580	5,076	504	6,160

The big banks assumed the major burden of munitions financing during the war and their condition would be critical were it not for government guarantees of both loans and deposits. The assets of provincial banks located outside the large centers consist principally of government bonds and cash.

0112

Savings Banks

12. The number of savings banks was reduced from 72 to 20 during the war. At present about 97 percent of savings deposits are concentrated in the Nippon Savings Bank, which had total deposits of ¥ 8,900,000,000 as of 30 May 1945. As a class savings banks are fourth in importance in the collection of savings as indicated by the following analysis of savings type deposits as of 31 May 1945.

Deposit Funds Management Bureau	¥ 33,895,000,000
Ordinary banks	32,627,000,000
Credit cooperatives	12,908,000,000
Savings banks	9,202,000,000 a/

a/ As of 31 December 1944.

13. The publicly announced program of liquidation of the Zaibatsu has resulted in important personnel changes in the family-controlled "Big" banks. A directive issued on 22 October ordered the submission of complete information on all banking institutions controlled either directly or indirectly by 15 Zaibatsu companies.

14. Major problems are the removal of militaristic personnel, investigation of the Yokohama Specie Bank, democratization and decentralization of the banking system, reduction of government control and interference and elimination of Zaibatsu influence.

NATIONAL POLICY BANKS AND COMPANIES

15. The directive of 30 September closed the head offices, branches and agencies in Japan of 29 banks, development companies and other institutions with wartime or colonial functions. Operations of these institutions ceased; high level officials were discharged; business quarters were closed; and military guards were placed on the premises where necessary. Premises have been inspected and the location of records, securities and cash determined. Arrangements have been made for the pay of employees many of whom will be needed in the work of liquidation.

Liquidation of Closed Banks

16. The Ministries of Finance, Home Affairs and Foreign Affairs have appointed liaison personnel to assist the Finance Division in its relations with closed institutions. The Bank of Japan has been designated liquidator of the branches and offices in Japan of the following banks: Bank of Chosen, Bank of Taiwan, Chosen Colonization Bank, Banque Franco-Japonaise and Deutsche Bank fuer Ostasian.

Its power and authority as liquidator have been carefully defined, and its duties for the present only require it to prepare reports of financial condition of the closed institutions. It does not have authority to dispose of assets, collect claims, pay deposits or perform other acts customarily associated with the liquidation of banks.

INSURANCE

Private Insurance Companies

17. The importance of the insurance business in Japanese economy cannot be overestimated. Volume of life and property damage

policies is normally high and normal volume has been augmented by war damage insurance. Principles of operation and underwriting were patterned after American and British principles and, until the advent of war, were sound.

As of 1 October 1945 there were 17 stock and three mutual life insurance companies and 20 stock property damage companies, which is a reduction of about 50 percent from the number of companies operating in 1938. All present companies can be classified as "big". Their total assets exceed ¥ 10,500,000,000.

18. During the war complete control was established over insurance operations by the entry of various government departments into the underwriting field and by the formation of control associations which had jurisdiction over business methods, investments and personnel. A major function of the control associations was to direct the flow of investment funds into government securities for war financing.

19. All extraordinary war risks on life, fire and marine policies were assumed by the government. As the amount of extra premiums for war damage was negligible, sea and air attacks on the Japanese Mainland created acute problems.

In order to avoid panic the government guaranteed the liabilities of all companies and associations and became directly liable for losses. This was accomplished by setting up the Central Insurance Corporation which was subsidized to the amount of ¥ 50,000,000 and which operated as a reinsurance facility, accepting war risk premiums and reimbursing insurance companies for claims paid.

Prior to April 1945 the extra premiums for war risk (4 to 8 percent) were sufficient to cover war losses. Subsequently they became a negligible factor. Up to 31 August 1945 property damage claims numbering 1,603,194 had been settled for ¥ 18,900,000,000. Claims totalling an estimated ¥ 14,000,000,000 have not been processed. These figures do not include marine insurance, on which information is not yet available.

Before payment all claims had to be approved by the Property Damage Insurance Council which was under jurisdiction of the Minister of Finance. Cash payments could not exceed ¥ 5,000 on any one claim. The balance was deposited to the credit of the insured in a blocked bank account. A note of the Central Insurance Corporation for the full amount of the claim was then delivered to the bank, which thereupon reimbursed the insurance company. Life and personal injury claims were handled in a similar manner.

20. Japanese insurance companies are permitted to invest in corporate stocks, make loans and transact other banking business. At least 75 percent of their total assets are now represented by government bonds or the debentures of and loans to war industries. Although many of the latter are guaranteed by the government, it will be some time before they can be evaluated.

Corporate forms generally follow the American practice. Actual stock ownership, however, is in most cases concentrated in holding companies, banks and industrial concerns. There is much cross-ownership of stock, the effect of which is to centralize control in the hands of a few individuals who have made a minimum personal investment and who are normally able to direct the flow of insurance investment funds toward those corporations in which they have an interest.

Overseas Business

21. As Japanese companies wrote a large number of life and war damage policies in territories formerly under Japan's control, they and their policyholders now face losses. The 20 Japanese life insurance companies, through their 160 branch offices, placed over 1,100,000 policies aggregating over ¥ 2,750,000,000 in Korea. The legal reserve on these contracts, which is the property of the insured, is held in Japan, and no method is at present available either for the payment of premiums or the settlement of claims.

An even more pressing situation exists in China, where the Japanese Government prohibited foreign exchange transactions in 1943, while the companies continued to insure in yen and to accept payments in inflated Chinese dollars which, whether or not converted into securities, remain in China. The policy reserves thus created, totalling over ¥ 1,000,000,000, cannot be utilized by the companies in Japan. Most of the business was written on the lives of Japanese nationals who are now returning to Japan, so that payment of claims or withdrawals must be made out of reserve funds in Japan.

22. Dividends and income from investments have declined sharply due to the stoppage of production and the loss of overseas territories. Premium income of property damage companies has declined as much as 60 percent because of the large destruction caused by air raids.

Government Bureau Insurance

23. Various governmental departments and bureaus are engaged in the direct underwriting of insurance. Coverage is for such factors as health, workmen's compensation and annuities, crops and livestock, fishing vessels and accidents. This policy of direct insurance was adopted to supplement social security. A Deposit Bureau was created for the reception of funds, and special accounts have been set up as a part of the operating machinery.

SECURITY AND COMMODITY EXCHANGES

24. The Stock Exchange of Japan was closed by the Japanese Government on 9 August 1945. Commodity markets had not been allowed to operate since the end of 1941 due to governmental control of commodity distribution. The Stock Exchange received authority from the Japanese Government to reopen on 10 October, but a 27 September directive prohibited the reopening of any stock exchange, commodity exchange or similar institution without prior approval of the plan of operation by this Headquarters.

25. On 29 September representatives of the Ministry of Finance presented to SCAP an informal draft of conditions under which the Securities Exchange would be allowed to operate, as well as a list of the names of 326 companies whose securities were to be admitted to trading and 401 companies whose securities were to be de-listed. Most of the companies whose securities were to be de-listed were those which had operated mainly in occupied areas, whose value was in doubt, or which had ceased to operate because of SCAP directives.

There is an over-the-counter market in securities, but it is not believed to be of sufficient size to afford an adequate indication of conditions.

26. The major problem is the proper timing of permission to reopen. Commodities are so scarce and so closely controlled that no object would be gained by reopening commodity exchanges now. Until major decisions are taken by the Japanese Government, it is also undesirable to reopen the stock exchanges.

PUBLIC FINANCE

27. In Japan commercial banks were used in financing war production. All such financial aid and war risk insurance were government guaranteed. A smaller share of war expense was met through current revenue. Forced savings provided a market for government bonds, which together with price and rationing controls proved a reasonably effective deterrent to inflation.

Japan's public debt as of 31 October was ¥ 118,000,000,000 as against a national income estimated at ¥ 90,000,000,000 in early 1945.

28. The Ministry of Finance and other fiscal divisions of the government are in reasonably good operating condition. Trouble in keeping records current results from delays and disruptions in communications with outlying sections.

Budgetary computations are hampered by lack of policy determination by the government. Lack of personnel in some of the departments concerned with maintaining records, particularly in translation, is a cause of delay in furnishing reports. The Japanese system of records and accounts is being studied by this Headquarters so that requests for reports will correspond with the Japanese system and still obtain the necessary information. Finance officials have evidenced a cooperative attitude.

29. The immediate major problem is the disposition of governmental obligations growing out of the war. This includes the extent of compensation to be allowed on war contracts, war risk property damage insurance, governmental aid to munitions companies for conversion and governmental guarantees of munitions bills.

Other important problems are the question of sales or other disposition of government or Imperial Household properties, recoupment of war profits through taxation or otherwise and control of government borrowing and expenditures with a view to suppressing inflation without injury to finance reconversion and rehabilitation. In working out solutions voluntary planning and action on the part of the Japanese are encouraged.

Budget

30. At the time of Japanese surrender, the 1945-46 national budget was in effect. It had been prepared late in 1944, was passed by the Diet in early 1945 and went into effect 1 April 1945 to run through 31 March 1946. As amended and supplemented it totaled ¥ 103,000,000,000. It called for the Japanese people to return over 73 percent of the national income to the government, another 15 percent to be channeled into the capital needs of government controlled industry and the 12 percent remaining to be available for civilian consumption.

The salient revenue features included heavy direct taxation, numerous excise taxes, substantial enterprise and monopoly revenues and heavy loans from the occupied regions. The major source of funds was the domestic sale of bonds through a comprehensive system of compulsory savings. On the expenditure side of the budget direct military expenditures alone accounted for more than 85 percent of the total.

JAPANESE BUDGET
1 April 1945 to 31 March 1946
(thousands of yen)

General Account	Revenue
Tax	13,661,443
Stamp duties	279,889
Profit of monopoly	2,118,021
Miscellaneous	1,569,892
Receipts from loans	11,321,782
Total General Account	28,951,027
Special War Expenditure Account	
Receipts from public loans	35,298,577
Receipts from special accounts (net) a/	1,556,628
Other ordinary receipts	7,894,747
Advances by banks	30,136,463
Total War Expenditure Account	74,886,415
Total revenues	103,837,442

a/ Actual total is ¥ 11,670,211,000 but ¥ 10,113,583,000 represents transfers from General and Special Accounts.

General Account	Expenditure
Imperial Household	4,500
Foreign Affairs (including Greater East Asia)	653,594
Home Affairs	1,950,123
Finance (including Communication)	19,765,066
Justice	108,619
Education	647,558
Welfare	638,708
Agriculture and Forestry	1,672,817
Commerce and Industry	3,264,674
Transportation	243,530
Army	678
Navy	1,160
Special War Expenditure Account (net) a/	74,886,415
Total expenditures	103,837,442

a/ Detailed figures for this account are being secured. Actual total for this account is ¥ 85,000,000,000 but ¥ 10,113,583,000 represents transfers from General and Special Accounts.

This budget plan was followed without substantial deviation until surrender. Incurring further obligations for war purposes ceased at that time. Settlement of direct war obligations previously incurred has been suspended pending accumulation of complete reports on their magnitude and the economic effects of their payments or cancellation.

These obligations are principally accounts payable to munitions and supply companies for war goods and government guaranteed war risk insurance claims. Japanese editorial opinion favors scaling down or cancellation of the former.

The 1945-46 budget has otherwise been substantially followed from the date of surrender until the present. Tax and enterprise revenues have fallen off with the decline in economic activity, while expenditures incident to demobilization, rehabilitation and the occupation have been heavy. Total expenditures have continued at about the wartime rate.

Public borrowings, due to the decline in revenues and the cessation of income from overseas areas, are therefore increasing beyond the wartime level. Compulsory savings are being continued.

The revised proposals for the General Account are summarized below:

PROPOSED EXPENDITURES a/
(yen)

Ministry	For Work Completed Prior to 1 Sep 45 b/	For Period 1 Sep 45 to 31 Mar 46 b/	Total Proposed Expenditures
Imperial Household	---	2,000,000	2,000,000
Foreign Affairs c/	88,313,396	42,277,037	130,590,433
Home Affairs	584,059,309	1,293,883,116	1,877,942,425
Finance	10,176,855,944	5,479,679,123	15,656,535,067
Justice	6,588	36,737,712	36,744,300
Education	161,837,857	255,524,063	417,361,920
Welfare	672,159,922	165,201,654	837,360,576
Agriculture and Forestry	145,406,235	1,354,129,733	1,500,136,058
Commerce and Industry d/	1,268,493,306	207,815,426	1,476,308,732
Transportation	41,087,924	48,795,332	89,883,256
Total	13,138,219,571	8,886,643,196	22,024,862,767

a/ General Account only.
b/ The breakdown of total proposed expenditures is a rough estimate according to the Japanese Bureau of Budget.
c/ Includes Greater East Asia.
d/ In 1945-46 Japanese Budget as approved by the Diet, this item was termed "munitions".

31. Analysis of the figures submitted and detailed study of the Japanese Government organization will lead to the preparation and approval of a new budget which will take a more moderate share of the national income, will slow down accumulation of the public debt and will discourage inflation.

Expenditures for the military establishment, war production, foreign and colonial affairs, anti-democratic and authoritarian functions and other activities prohibited or divorced from the government will be either eliminated entirely or reduced to the minimum needed for final wind-up of those activities.

Expenditures for continuing government functions will be reshaped to conform to the reduced national economy, but rehabilitation and occupation costs will be new or increased over the wartime level.

The Japanese Government has already announced its budgetary objectives to be speedy elimination of all expenses stemming from or connected with the war and trimming of the remaining peacetime governmental establishments to sizes approximating those of 1931. The latter objective is estimated by them to involve a 50 percent reduction in personnel.

Revenues

32. Estimated revenues for the fiscal year ending 31 March 1946 show substantial reductions from the original budget as follows: taxes of ¥ 13,700,000,000 decreased to ¥ 9,000,000,000, stamp duties of ¥ 280,000,000 reduced to ¥ 238,000,000 and monopoly profits of ¥ 2,700,000,000 reduced to ¥ 1,200,000,000.

At the present time the Japanese Government is drafting proposals for changing the tax structure by overhauling certain provisions of the individual and corporation income tax laws and by imposing a capital levy and a special war profits tax designed to recoup the profits of corporations and individuals made during the war. The Commodities Tax Law has been amended to enable post exchanges to purchase goods in Japan free of sales or manufacturing taxes.

Expenditures

33. Complete details of government expenditures during the 1945-46 fiscal year are being compiled by the Japanese Government. Incomplete totals indicate that up to the time of surrender government spending in general was distributed according to the above budget plan but fell considerably short of the amounts authorized by the budget for that portion of the fiscal year.

Future expenditures will be controlled by the revised budget now being prepared. Compilation of accurate expenditure figures has been retarded by the decentralization of disbursing officers, particularly of the Japanese Army and Navy, and the independance of those services from the Finance Ministry. Until corrected, these conditions will also increase the difficulty of effective control of expenditures.

Public Debt

34. Despite the constantly expanding public debt, only sporadic attempts were made to balance the budget and the series of deficits since 1931 have remained unbroken. The rate of increase of bonds was sharp after the start of the China War and it has skyrocketed since 1940, as shown by the following table:

(millions of yen)

Fiscal Year	Issued	Absorbed a/	Percentage
1940-41	6,884	5,693	82.7
1941-42	10,191	8,873	87.1
1942-43	14,259	13,663	95.8
1943-44	21,147	19,751	93.4
1944-45	30,484	27,883	91.4
1945 - April-July	6,636	10,396	156.6
August	4,055		
September	5,000		
October	7,029		

a/ Not retained by the Bank of Japan.

The October issue of bonds through the Bank of Japan represented the largest ever made in a single month and brought the yearly total up to ¥ 22,300,000,000, or slightly less than half the amount budgeted for the fiscal year 1945-46. Anticipated decreases in revenue and expenditures at a high rate for reconversion and rehabilitation of war damaged properties indicate much deficit financing for the immediate future.

Absorption by financial institutions and by the public is becoming increasingly difficult. The unpopular forced savings program is being continued by the Japanese Government as a method of bond absorption as well as an inflation deterrent.

PROPERTY CONTROL

35. Direct action was taken to seize the stocks of gold, silver, platinum and precious stones held by the Japanese Government, the Bank of Japan and other financial institutions. Similar action was taken with respect to stocks held by the various control organizations which acquired or distributed these valuables. The seized metals and stones are being consolidated in the vaults of the Bank of Japan under guard. Accurate figures of the amounts seized are not yet available.

Estimates supplied primarily by the Japanese Government are as follows:

	Amount (grams)
Gold bullion	99,085,267
Gold bullion earmarked for foreign governments or banks	73,329,647.1
Gold coin	16,598,300
Silver bullion	2,244,994,084.9
Silver coin	194,633,000
Platinum	6,176,317.9
Iridium	18,317
Rhodium	4,831
Palladium	5,614
Osmium	140
Ruthenium	120
Radium	235 a/
Diamonds	158,977.28 b/
Diamond dies	1 c/
Diamond tools	2,487 d/

a/ Capsules.
b/ Carats.
c/ Box.
d/ Pieces.

36. Property known or suspected to belong to the German Government or to the Nazi Party has been seized. The properties of the governments or nationals of Germany, Italy, Bulgaria, Finland, Thailand, Rumania and Hungary are reported as follows:

ENEMY NATIONALS HOLDING PROPERTY IN JAPAN

Country	Real Property	Personal Property (Tangible)	Personal Property (Intangible)	Total
Germany	135	734	639	1,508
Germany (Jewish Refugees)	2	22	23	47
Rumania	None	1	11	12
Hungary	1	9	8	18
Finland	None	3	3	6
Siam	1	60	50	111
Italy	8	71	82	161
Total	147	900	816	1,863

37. The unissued stocks of Bank of Chosen notes held by the Japanese branches of the Bank of Chosen were seized and shipped to Korea. Engraving plates used in printing of currency other than the Japanese yen were seized and similar action was taken in respect to plates used to print postage stamps for the Philippines.

FOREIGN EXCHANGE

Major Controls

38. Blocking and freezing controls over certain types of financial transactions within Japan and between Japan and other countries have been established. The major controls imposed thus far are:

(1) Prohibition, except by special permission, of all transactions in gold and other precious metals, in assets owned or controlled abroad by residents of Japan, and in assets owned or controlled in Japan by persons resident abroad, and all transactions in foreign exchange.

(2) Prohibition, except by special permission, of transactions in bank deposits and other property in Japan owned or controlled by the nationals or governments of former enemy powers.

(3) Prohibition, except by special permission, of exports and imports of gold, silver, securities and financial instruments, and the transmission between Japan and foreign countries of authorization or instructions to effect financial or property transactions.

Significant Problems

39. Requests from the governments and nationals of former neutrals and of the United Nations for transfer abroad of funds blocked in Japan have been received, but do not involve substantial amounts. To date no transfers involving foreign exchange transactions have been permitted.

40. Requests have been received for the release of certain funds and properties owned or controlled by former enemy nationals. One German controlled company, Leybold K. K., has been permitted to operate under supervision of the Occupation Forces because its products are urgently required by the Occupation Forces and are essential to the health of civilian population. Funds of individuals have also been released up to maximum amounts of ¥ 1,500 a month for heads of families plus ¥ 500 for each dependent to meet living expenses and for payment of taxes to the Japanese Government.

All assets owned by persons being repatriated to and from Japan in excess of maximum amounts of ¥ 1,000 for civilians, ¥ 500 for officers and ¥ 200 for enlisted men are being taken up against receipt for subsequent disposition. Instructions are currently being prepared clarifying the administration of these controls.

Data Requested from Japanese Government

41. Reports of the external assets of Japan are to be furnished on approved forms, the first report to be available about 5 December 1945. A rough estimate values external assets as of 6 December 1941 at ¥ 1,600,000,000 (excluding occupied areas) as follows:

EXTERNAL ASSETS OF RESIDENTS OF JAPAN a/
(thousands of yen)

Kinds of Asset	USA b/	British Empire b/	Dutch Indies	Axis Countries	Others	Total
Bank deposits	277,936	127,605	124,697	113,876	47,192	691,306
Insurance	47,916	72,463	439	1,749	1,903	124,470
Ships and shipping companies	6,300	4,517	1,215	3,701	2,332	18,065
Trading companies	148,602	56,095	26,419	50,814	30,435	312,365
Colonization companies	45,395	176,675	102,424	7,527	161,173	493,194
Others	9,233	8,413	1,554	782	1,598	21,580
Total Assets	535,382	445,768	256,748	178,449	244,633	1,660,980
Total Liabilities	278,790	135,845	50,450	344,787	60,871	870,743
Net Assets	256,592	309,923	206,298	166,338	183,762	790,237

a/ Exclusive of foreign assets of Japanese Government and exclusive of properties owned in China, Manchuria, Kwantung, Korea and Formosa.

b/ Reports are being received of properties of former Axis nationals in Japan and of assets taken from repatriated persons moving into or out of Japan.

OCCUPATION COSTS

42. Breakdown to date of requisitioned funds and type "B" yen follows:

REQUISITIONED FUNDS

Requisitioned from Japanese Government	¥ 1,100,000,000.00	
Transferred to Disbursing Officers September	839,415,950.00	
Balance in Bank of Japan, requisitioned funds, 30 September 1945		¥ 260,584,050.00
Transferred to Disbursing Officers in October	228,860,000.00	
Returned to Funding Officer in October	146,145,900.00	
Net transferred to Disbursing Officers in October		82,714,100.00
Balance in Bank of Japan, requisitioned funds, 31 October 1945		177,869,950.00

TYPE "B" YEN

Total receipts type "B" yen	953,182,400.00	
Net advances to Disbursing Officers September and October	175,962,648.80	
Balance on hand type "B" yen 31 October 1945		777,219,751.20
Net requisitioned and type "B" yen on hand		¥ 955,089,701.20
Net requisitioned and type "B" yen disbursed or with Disbursing Officers		¥ 955,092,698.80

ZAIBATSU

43. Many conferences have been held with senior government officials and representatives of the Zaibatsu to have them understand the objectives of the Supreme Commander with regard to the Zaibatsu and the monopoly problem in Japan. Due to lack of personnel it was felt that progress toward solution of this problem could best be made by encouraging voluntary action by the Japanese.

It was decided to concentrate on the four major firms of Mitsui, Mitsubishi, Yasuda and Sumitomo as an initial step. These are the dominant firms, each representing a slightly different form of combine. It has been made clear to the Japanese Government that all firms similar to the four leading Zaibatsu, including direct and indirect subsidiaries, would take appropriate action.

By the middle of October Yasuda, Mitsui and Sumitumo had agreed to present plans for dissolution conforming to the principles discussed informally with them at numerous meetings. The Minister

of Finance, the Minister of Commerce and Industry and the President and Vice-President of the Liaison Committee were also active participants in the discussions.

The Joint Chiefs of Staff in Washington were informed by radio of the developments and approval was requested to proceed on the basis of the proposed plan. Subsequent to the dispatch of the radio, Mitsubishi also agreed to adopt the same plan. The plan calls for the complete elimination of the "Honsha" (holding company) in each company, the resignation of the members of the respective families from all positions of influence, the resignation of the directors and auditors of the Honsha, and the creation of a Holding Company Liquidation Commission to receive and dispose of the securities of the companies affected.

It provides for payment for the securities with government bonds which will be non-negotiable and ineligible as collateral for a minimum of 10 years after date of issue. The purpose of this restriction is to freeze the capital of the Honsha and prevent its use in re-acquiring securities in the near future. The plan gives preferential purchase rights to employees and places restrictions on the amount of shares that can be acquired by each individual.

All appointments to and out of the Liquidation Commission will be subject to SCAP approval. Full freedom of action is retained to make such changes as further study may indicate to be necessary.

0124-2

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

SUMMATION
of
NON-MILITARY ACTIVITIES
in
JAPAN and KOREA

Number 1. September - October 1945

PART IV

SOCIAL - JAPAN

TABLE OF CONTENTS

0125-2

SECTION 1

PUBLIC HEALTH AND WELFARE

C O N T E N T S

GENERAL

1. During the war years the Japanese desire to promote only those activities that contributed to military operations resulted in attaching secondary importance to public health and welfare affairs.

Manufacture of supplies essential for the maintenance of national health and welfare was curtailed and even scarce products were requisitioned for use by the military. Standards of training for professional groups declined, and the downward tendency was further accelerated as large groups of professional operatives were drawn into the Army.

The Civil Service personnel system, which placed capable, trained men under the direction of individuals not professionally trained, became all the more inefficient. Reporting of all public health and public welfare statistics which had never been adequate was neglected and in some cases no reports were made.

The presence of large groups of Chinese and Koreans needing assistance complicated the relief problem. Destruction by bombing caused an additional weakening of the already neglected public utility services. Hospitals lacked supplies and a general slackness of upkeep was evident. Though the food supply was adequate and the people were in a good state of nutrition black markets were interfering with the distribution of food. No epidemics were reported.

Actions Taken

2. Medical and dental supplies which had been stockpiled by the Japanese Army and Navy are being returned for civilian use and a study has been made of the regulations for manufacturing sera and vaccines. Narcotics control measures have been implemented.

Directives requiring registration of all cases of communicable disease and reporting of the use of preventive measures have been issued. Weekly hospital bed status reports are being received

and used as indications of requirements.

Measures for controlling animal diseases have been put in effect and monthly reports of such diseases are being received. Meats and dairy products are being inspected.

3. The Japanese Government was directed to furnish accurate statistics on the status of the several government managed social insurance systems. Civil Service regulations which favor general administrative personnel in technical positions are receiving attention. Action has begun on the raising of training standards of all professional and welfare personnel. The Japanese Government will report specifically on all phases of public health and welfare activity.

PUBLIC WELFARE

4. Public Welfare Administration in Japan during the war was influenced by the two main pressures of rapid industrialization and urbanization in the four main islands and the dominance of military aims over all social welfare considerations. Industrialization and expansion of urban population created additional social problems and intensified the emotional strain of war. Some expansion of social insurance, particularly health protection, and the development of measures to keep labor in a productive mood were required.

Pressure of militarism brought greater emphasis on such wartime protective measures for individuals as compensation for bomb damage, free transportation from devastated areas, and the "cultural development" of Koreans in Japan. It also resulted in a complete cessation of social work training and an attempt to eliminate other Western influences in public welfare administration.

The wartime pressures coupled with the traditional paternalism of Japanese thought and its shallow attack upon fundamental problems resulted in an almost complete breakdown of both public and private social work administration. The closing months of the war added confusion to an already disorganized administrative pattern.

5. The Ministry of Health and Welfare is nominally the agency of the Japanese Government charged with the operation and supervision of welfare activities. But the Home Ministry through its appointment and control of prefectural governors and the Finance Ministry through budgetary controls have actual supervision of all activities at lower governmental echelons. Prefectural governors report directly to the Home Ministry.

Although technical liaison is maintained between the prefectural welfare staffs and the ministry, the latter does not influence local administration. It does not maintain a field supervisory service, budget or auditing controls, a system for obtaining current statistics on expenditures or caseloads (except a fiscal year report), standards for professional employment or requirements regarding performance.

Relief

6. During the war several public and private agencies were established for meeting welfare and relief needs. An attempt has been made to sift through the meager materials presented to date in order to determine the function of each agency. In addition the Ministry of Health and Welfare has been directed to present data regarding its organization, functions, current statistics, estimated future case load, areas of greatest need and information of similar nature.

Information as to the number of persons in need of or actually receiving assistance was incomplete. Reports received estimate 83,502 individuals were actually receiving relief. No information was available as to the quantities of supplies and facilities available for their care.

7. Factors of particular significance to the welfare problem are the lack of essential food, clothing, housing and fuel. Relief measures which have been taken are under the sponsorship of the Home Ministry rather than the public welfare administration.

Social Insurance

8. The Social Insurance Bureau of the Ministry of Health and Welfare is responsible for supervision of five insurance programs in Japan: Sickness Insurance, National Sickness Insurance, Workmen's Liability Insurance for Accidents, Seamen's Insurance, and Pensions Insurance. Local administration of these insurance systems is conducted by the prefectural insurance institutions and private insurance associations recognized by the ministry.

The Social Insurance Bureau has submitted preliminary information summarizing its activities and outlining the several types of insurance coverage. The Bureau reports 9,500,000 persons insured by Sickness Insurance in December 1944, 41,500,000 persons by National Sickness Insurance in September 1945, 270,000 workers by Workers Liability Insurance in December 1944, 160,000 seamen by Seamen's Insurance in April 1945 and 8,500,000 persons by Pensions Insurance in November 1944.

The Bureau has been directed to submit current statistics on coverage, contributions, benefits paid, reserve funds and related subjects.

Private Agencies

9. A Washington representative of the American Red Cross has been in Tokyo for conversations regarding possible activities of ARC in the Japanese civilian program. The representative has also surveyed the situation in Korea. No proposal has yet been received for action by this Headquarters though the possibility has been explored that skilled ARC social work technicians be assigned to lower echelon Army units in advisory capacities.

Japanese Red Cross

10. The reorganization of the Japanese Red Cross to eliminate its military status and dependance upon the Japanese Army and Navy has been the subject of discussion between this Headquarters and JRC leaders. During the war the activities of that agency were almost wholly confined to its medical function within the Army and Navy. Its National Relief Department was supervised by the Japanese Army Chief Surgeon.

Although approximately 10 hospitals were maintained for civilian care, major emphasis was directed toward the military program. No civilian relief has been undertaken nor is there any well organized relief staff comparable to the American Red Cross disaster relief organization for post-war use. Under disaster conditions the fact that the local Red Cross organization is under the direction of the prefectural governors tends to obscure any civilian aspect of its program.

The close control of the organization by government personnel requires revision. It is proposed to encourage speedy charter changes and reactivation of the agency's peacetime functions.

Repatriation of Koreans

11. At the time of the activation of SCAP the repatriation of Koreans from Japan had been in progress for approximately one month. Japanese shipping used in returning Japanese nationals from Fusan to the Shimonoseki area is utilized on the return trip to transport Koreans from Japan.

It is estimated by the Japanese Government that on 15 August 1945, there were about 2,000,000 Koreans in Japan, including 350,000 contract (requisitioned) laborers, and that through 31 October approximately 150,000 had been repatriated to Fusan. Collection of data on the location and condition of Koreans in Japan is underway and the Japanese plan of repatriation and policy for their minimum care and protection are under surveillance.

Care of Foreign Nationals

12. Nationals of other countries who were resident in Japan at the time of occupation included approximately 30,000 Formosan-Chinese, 30,000 Chinese and 6,000 others. Arrangements were made for the International Red Cross to distribute excess POW supplies (dropped by air prior to occupation) to United Nations nationals and certain neutrals in need of assistance.

Monetary relief to foreign nationals has not been required but it has been found necessary to supplement their diet to bring it above the normal Japanese standard and to prevent malnutrition. Repatriation of the Chinese groups has been started by the Japanese Government. Most Western nationals desire to remain in Japan.

ADMINISTRATION OF HOSPITALS

Japanese Army and Navy Hospitals

13. According to reports received from the Japanese Army 78,000 sick and wounded veterans were being treated in 268 hospitals in Japan and nine hospitals in Korea on 15 August 1945. Of these, eight hospitals were destroyed in whole or in part by the bombing. Most of these have subsequently been moved to inns, schools or other civil buildings. There were also approximately 68 field and four clearing hospitals, which are gradually being demobilized.

The Ministry of the Japanese Navy reported 58 hospitals having a total capacity of 30,900 beds. Three hospitals having a capacity of 700 beds were 70 to 80 percent destroyed by fire.

Japanese Civilian Hospitals

14. Incomplete reports from the Japanese Government of civilian hospital facilities show that approximately 25 percent of hospitals and 15 percent of available hospital beds were destroyed as a result of Allied air raids. The Ministry of Health and Welfare on 15 September 1945 reported 1,025 hospitals totally destroyed and 58 hospitals partially destroyed by bombing in 46 prefectures. The 1,083 destroyed and damaged hospitals had a total bed capacity of 53,007. Data were not available for those hospitals having 10 beds or less.

The ministry reported 39,269 physicians, 17,438 dentists and 96,846 nurses available in Japan in September 1945 and estimated that there were an additional 20,000 physicians, 4,000 dentists and 35,000 nurses to be demobilized.