

# **TWO YEARS OF OCCUPATION**

## **ECONOMIC**

**SUPREME COMMANDER FOR  
ALLIED POWERS**

**Department of the Army Civil Affairs Division  
Washington, D.C.**

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**AUGUST 1947**

**DEPARTMENT OF THE ARMY CIVIL AFFAIRS DIVISION**

**WASHINGTON 25, D. C.**

## TWO YEARS OF OCCUPATION CIVIL COMMUNICATIONS

**First Year.** In the first year the primary job in the communications field was demilitarization. All fixed radio stations and telegraph and telephone offices of the former Japanese Army and Navy were closed and dismantled, or converted to the use of the Occupation Forces, the Japanese Demobilization Board, or the domestic communications system. Stocks of equipment and supplies were inventoried and distributed to the public communications offices. The Broadcasting Corporation of Japan, which is the sole broadcasting agency, had been a propaganda weapon of the militarists. It was relieved of undesirable personnel and thoroughly reorganized as a free and democratic institution. SCAP ordered the Japanese Government to strictly control all radio station, through licensing, assignment of frequencies, and increased surveillance of operations. In order speed the work of repatriation, radio broadcasts were beamed to Japanese nationals outside the home islands, and other radio services were provided to repatriation officials.

At the same time radiotelegraph newscasts from Japan to the outside world were inaugurated and radiotelegraph circuits between Japan and the U. S. and London were set up for press messages. Other international radiotelegraph circuits were maintained.

The work of rehabilitation began during the first year, and the Japanese Government appropriated one billion yen for communications construction. Actual and budgeted expenditures were carefully scrutinized so that they would result in services for the Occupation Forces or the domestic internal economy.

Production of communications equipment was set into motion. Current requirements of the postal, telecommunications and broadcasting systems were met. Production of vacuum tubes, which would be used by radio owners in all parts of Japan, was particularly emphasized.

From an administrative point of view, the most important development of the first year was the elevation of the government agency managing communications to Cabinet level, thus assuring the newly-named Ministry of Communications, and amalgamation of enterprises whose operation entailed the employment of 400,000 persons, of adequate status to present to the Cabinet the needs of the Japanese civil communications systems.

## Second Year:

Administration: In order to continue democratization of the Japanese communications system, SCAP encouraged the setting up of a Temporary Legal Committee, which framed eight new communications laws concerned with postal, telephone, telegraph, and radio operations. The New laws are being introduced in the current session of the National Diet.

Two monopolies, the International Telecommunications Company and its principal subsidiary, the Japan Telegraph and Telephone Construction Company, both highly autocratic in their structure and policies and forming an obstacle to the democratic integration of the communications system, were placed in the process of liquidation, by a SCAP directive issued 25 March. At the peak of its power, the ITC had investments in Korea, Formosa, Mongolia, Manchuria, Central China, the East Indies, Singapore, Hongkong, Hainan and Palao. The ITC had managed its far-flung interests through a group of interlocking directorates. Liquidation of these companies is being accomplished through the Holding Company Liquidation Commission, which called in all stocks of other companies owned by the ITC and JT&T. These stocks will be sold to the public by that commission. The operation of the facilities of the companies was taken over by the Japanese government, which became the employer of the former personnel of these companies.

SCAP also brought about improvements in the accounting and budgetary procedures of the Ministry of Communications. In December, 1946, for the first time in its history, the Ministry of Communications itemized by projects its budget for the fiscal year ahead before submitting it to the National Diet. The practice previously had been to secure a lump sum appropriation and then to allocate it to various uses.

A new accounting system for the Ministry, whereby the financial status of its enterprises might be determined separately, was installed to replace the cash system previously in use. On 1 April 1947 the Diet passed the Communications Enterprises Account Law, which provided for the change to a modern accrual accounting system.

A further reform of the Ministry of Communications accounting system is the establishment of a depreciation reserve. A program to secure data on which depreciation accounting procedure may be based has been initiated, and the year ahead should see this project brought to fruition.

Much remains to be accomplished, however, in the implementation of the plan for the integration of operations at present performed by the Japan Telephone Equipment Company, whose functions are being assumed by the Ministry of Communications. This company has maintained approximately 196,000 privately-owned telephones. The Ministry plan is to acquire these instruments, through donation or purchase, and maintain them. It is estimated that entire integration will require from three to five years.

Telephone and Telegraph. The second year saw great progress made in the repair of telephone exchanges throughout Japan. This program, initiated in September, 1946, has brought about the rehabilitation of all major offices, thereby improving the service to approximately 600,000 telephones. Due to the installation of 130,000 new telephones, the present total in Japan stands at approximately 1,160,000. An average of roughly 5,000,000 telegraph messages per month was maintained in the year ending August 1947, which approximates the monthly traffic loads in the years 1940 and 1941.

In a program covering the next three to five years the Ministry of Communications formulated a new policy under which the government will own PBX installations. Formerly privately owned, the 20,000 PBX installations throughout Japan will gradually be brought under Ministry ownership.

Construction on one major cable route has been continued throughout the year, and a section consisting of approximately 185 miles of non-loaded carrier cable with cable carrier repeater stations has been brought to 95 per cent completion. Practically all direct war damage to sections of outside toll plants has now been repaired or rehabilitated. Maintenance of submarine cables, which are extremely important to the communications system of insular regions, was facilitated by the acquisition of a second large cable ship.

The major communications requirements of the Occupation Forces have been served during the second year following the Surrender by an average of 1,200 leased line circuits. In addition approximately 70,000 toll calls a month have been placed over long distance circuits of the domestic system.

The work of the next year will include implementation of the outside toll plant program, and arrangements to obtain most of the common items of Occupation Force signal maintenance supply from Japanese manufacturers, instead of importing them from the United States.

**International Radio:** International radio services continued to expand during the second year of the Occupation. Authorization was given to the sending of private and non-transactional business radiotelegrams between Japan, Hawaii and the United States; radiotelegraph and program transmission was opened between Japan and Manila; and radiotelegraph circuit for official government messages was set up between Japan and the Netherlands East Indies.

Other international radio services were continued, including beamed radiotelegraph newscasts from Japan to repatriation areas in Southeast Asia and Manchuria.

Improvements were made in some services. Due to intolerable delays on the direct Osaka-London circuit, which follows an extremely northern route for considerable distance, the circuit was rerouted via Colombo in May 1947, bringing about an immediate improvement in the Service.

**Domestic Radio:** A limited public correspondence was reactivated by the Japanese coastal radio system. Radiograms now may be sent by Occupation personnel who have APO and FPO addresses to U. S. citizens aboard ship. A corresponding service is provided for British and other Allied Powers who make the necessary arrangements.

Two radio quadrant-indicating aerial beacons were added to the five already operating in July 1946 for the navigation of Occupation Forces aircraft.

SCAPIN 1166 which established regulations governing the operation of Japanese radio stations, as to location, power, licensing and authorizing procedures, and technical standards to be followed, was published August 1946, later revised by SCAPIN 1744 in July 1947. The Japanese have been required to expand their monitoring of internal and international stations and to establish self-surveillance. As monitoring of international services was inadequate, a close liaison with the Federal Communications Commission Field Monitoring Division was established. The monitoring system has now expanded to 90 per cent of the strength required by SCAP, and has begun to show results. Weekly reports showing violations of standards requirements and engineering mal-practices by offending stations now are being submitted to SCAP.

**Broadcasting:** The second postwar year saw some of the groundwork laid for the development of Japanese broadcasting as a popular medium of information and education and an instrument of democracy.

Broadcast transmission had been before the war, and continued to be, conducted as a non-profit, public-service corporation organized under the Japanese Civil Code. The year's achievement consisted largely in the education of new leaders who took the place of those who had been in power during the militaristic period, and in a study of the problems and prospects of broadcasting.

This study has revealed the problems which confront leaders in the broadcasting field. These include legislative clarification of the legal status of the Broadcasting Corporation of Japan, the establishment of its financial structure on a sound basis, rehabilitation of facilities for transmission, reorganization of distribution of programs and station and network coverage, and the improvement of programs so that they will constitute a better service to listeners.

Studies have also been made to improve the design, production, equitable distribution and servicing of radio receiver sets from the viewpoint of the listeners.

In order to develop the technical, social, economic and legal bases and future policies for the expansion of broadcasting services, including standard broadcasting, FM international broadcasting and television are being investigated.

**Communications Equipment Manufacturing:** The past 12 months saw the completion of the conversion of all communications equipment manufacturing plants in Japan from war-time to peacetime production. Approximately 90% of all plants possible to put back into production have been rehabilitated. Practically all phases of the communication industry have been operating close to capacity. Production has risen substantially. The output of radio receiving tubes, an outstanding example, has increased from 160,000 tubes per month a year ago to the present rate of 629,000 tubes per month, and the plan is to bring production up to 1,500,000 tubes per month in the next 12 months.

In order to properly handle communication equipment production and distribution problems, governmental controls have been established over the distribution of raw materials and blackmarket activities have been checked. Previously existing systems of graft between private manufacturers and government procurement agencies have been broken up, and the unhealthy situation of competition between private communication equipment manufacturers and the Ministry of Communications, which had been allowed to arise, has been abolished.



**Research and Development:** In the past year teleprinter weather reporting circuits were established for the first time in Japan. Two weather reporting stations at Sendai and Sapporo are now linked with Tokyo, although the service is not wholly satisfactory. Radio teleprinter operation, another innovation in Japan, also is in an experimental stage. Laboratories in Japan are emphasizing the search for material substitutes as scarcities are gravely impairing production of communications equipment. A major project which remains to be accomplished is the reorganization of the Ministry of Communications research and development laboratories to increase their efficiency and productivity. During the past year surveillance was maintained over all communications laboratories in Japan.

**Postal Services:** The standard which has been set for the rehabilitation of the Japanese postal system is that which will meet the minimum requirements of a democratic country and people.

One of the most important problems was the reestablishment of international mail service between Japan and all other countries of the world. These arrangements were completed 10 September 1946 when the first international postal service in Japan since the end of hostilities was inaugurated.

Until January 1947 only personal and family communications on postal cards in the regular international mails to and from Japan, and relief parcels to Japan were allowed. At that time international service was expanded to include non-transactional letters to and from Japan and all countries of the world. The opening of international airmail, the increasing of the weight limit of international parcel post relief parcels, and the addition of other postal services in operation before the war are at present being studied.

Investigation of the domestic postal system has brought to light a multiplicity of feudalistic and paternalistic allowances and commissions in its wage structures. One beneficial result has been the abolition to a great extent of the giving of the so-called "Free Fund" allowances which had been abused by the chiefs of special post offices, who are not subject to all accounting provisions of regular post offices.

Faster handling of mail has resulted from the adoption of modern methods of mail handling and distribution, from improvements in railway mail cars and from revision of mail dispatch schedules.

Investigation of the Japanese Postal Transfer system also has resulted in a marked increase in efficiency through revision of laws, increases in fees, and new budgeting methods. A survey of

accounting procedures for receipts and disbursements at post offices has effected many improvements, among which are adequate measures for the protection of funds. Methods to curb illegal practices of postal employees such as embezzlements and the cashing of frozen checks have been instituted to protect the public.

A survey of the Japanese Post Savings systems, the “poor man’s checking account” in Japan, brought about a reorganization which has not only increased its efficiency of operation but its reliability. Services and safeguards necessary for the democratic tradition, which were discontinued by the Japanese during the war, have been reintroduced, and many autocratic practices have been eliminated.

The tangible achievements during the past year have consisted in the further freeing of the Japanese communications system from undemocratic influences and practices through the destruction of a powerful telecommunications monopoly, the inauguration of modern accounting procedures, the rehabilitation of telecommunications lines, the reopening of international communications --- including international postal services, the improvement of quality and the raising of the production of communications equipment to essential levels.

## **Civil Property Custodian**

During the first year of the occupation, the Japanese Government was instructed relative to the custody and disposition of the property of foreign nations and their nationals which included those of the United Nations, enemy nations and property which the Japanese had looted from all parts of their former empire, plus certain miscellaneous property.

SCAP also took over the control of certain Japanese domestic property which included those of ultranationalistic and terroristic organizations, suspected war criminals and large quantities of Japanese Government precious metals and gems. At the same time, investigation of the foreign exchange assets of Japan was begun and thousands of external assets were codified and tabulated.

The collection of diamonds seized from the Japanese Government and stored in the vaults of the Bank of Japan was inventoried, classified and evaluated. Experts of the Smithsonian Institute, Washington, D. C., were brought out to do the job. Substantial amounts of previously unreported property were uncovered as the result of investigations and audits.

During the past twelve months much has been accomplished in the task of control, custody and especially the disposition of foreign property in Japan.

Approximately ¥150,000,000 of United Nations' and their nationals' property has been restituted in fifteen separate cases.

A wider recognition is now given through powers of attorney to persons seeking restitution of property for persons who can not come to Japan at this time. Localized responsibility is still with the Japanese Government for the continued protection and preservation of United Nations' property scattered throughout the islands.

German property, such as movable assets of the German Government and repatriated German nationals has been placed in four warehouses under United States Eighth Army supervision and the movable assets of German enterprises are placed under Japanese custodians.

Authority has been granted to dispose of movable property for the internal economy of Japan or for the export program where it is spoiling, deteriorating and depreciating. To date accomplishments include the disposition of medical supplies of the German Naval Hospital, the sale of dyestuffs for ¥37,000,000 and the disposition of stocks of three German corporations.

German real estate valued at approximately ¥22,000,000 and representing 130 units of real estate is being administered and a policy for the rental and payment of insurance, taxes and maintenance charges is being formulated.

There are 78 enterprises in Japan of vested German interest with gross assets estimated at approximately ¥133,000,000. With the exception of five corporations and partnerships, none of these enterprises are operating. Japanese custodians have been appointed where necessary.

The status of three very large Japanese concerns with mixed German interests is pending determination as to either liquidation of assets or sale of shares and participation in annual profits. Pending this determination, measures have been taken to hold in escrow, under SCAP, a total of about

¥10,000,000.

Looted property is that which can be identified as having been located in an Allied country at the time of occupation of that country and which was removed by fraud, force, or duress by the Japanese or their agents. The fact that payment was made is disregarded unless there is conclusive evidence that fraud, force, or duress did not take place.

During the year, 86 individual claims have been received from the United Kingdom Reparation and Restitution Delegation, plus 1,333 individual ship claims.

A total of 105 claims has been received from the Philippine Reparation and Restitution Delegation.

A total of 89 claims has been received from the Chinese Reparation and Restitution Delegation.

A total of 137 claims has been received from the Netherlands Reparation and Restitution Delegation.

Restitution for the year amounted to a total of 41 as follows:

Ships: 15 ---- (China, Korea 9, United Kingdom 1, Netherlands 1) Automobiles: 5 ---- (Philippines 3, British 2) Cultural Objects: 13 ---- (Netherlands 4, Korea 1, Scotland 1, China 2, Soloman Islands 1, Philippines 2), United Kingdom 2) Industrial Equipment: 2 (British 2) Miscellaneous: 6 ---- (China 3, Netherlands 1, British 1, Philippines 1)

Miscellaneous property involved the property of neutral nations and “special status” nations. In this field and investigation was conducted as to illegally possessed foreign films in Japan. About 2,500 foreign films were taken into custody.

Data has been secured on all property in Japan of the various puppet governments. An effort was also

made to ascertain the source of the funds with which this puppet property was purchased. Procedure for disposition of this property is under consideration.

On 18 October 1946, the Supreme Commander for the Allied Powers sent out invitational letters to the eleven member nations of the Far Eastern Commission requesting the appointment of permanent five-man Reparation and Restitution Delegations to be stationed in Tokyo.

Since that date, all nations have sent Reparation and Restitution Delegations to Japan with the exception of India. The Delegation from that country is expected to arrive in the near future.

## **CIVIL TRANSPORTATION**

1. Transportation Status at Time of Surrender. At the time of surrender, Japanese transportation facilities were in poor condition. The Merchant Marine, with less than one million operable gross tons, was at less than one-fifth of its immediate prewar strength. The majority of usable vessels had been built during the war to sub-standard specifications and were badly deteriorated due to lack of proper maintenance and to initial use of substandard materials. Although the railways had suffered comparatively little actual war damage, lack of maintenance to permanent right of way, rolling stock, and communications, coupled with failure to rehabilitate actual damage on a current basis, had caused gross deterioration of efficiency. Municipal transportation was seriously disrupted due to bombings. Over fifty percent of the bus and trolley equipment was totally destroyed or badly damaged. Highway transportation was at a low ebb due to deterioration, both of roads and vehicles.

2. Practically all transportation was operated or controlled by the Japanese Government through the Ministry of Transportation, with private enterprise and initiative almost completely stifled. Two-thirds of the railway system is government owned and operated. During the war, the government took over from private interests the entire operation of the merchant fleet.

3. Immediately after the surrender, the Occupation Forces assumed supervisory control of portions of the transportation system. The Eighth Army, through the 3rd MRS exercised supervisory control over land transportation to the extent necessary to serve the Occupation Forces. A Shipping Control Authority for Japan (SCAJAP) was established to supervise the operation of the merchant fleet. SCAJAP, now functioning under the Commander, Naval Forces Far East, directs the activities of the Civilian Merchant Committee (CMMC) which is the operating agency of the Japanese Government

functioning under the Ministry of Transportation. In September of 1946, a Civil Transportation Section was established in the Headquarters of the Supreme Commander of the Allied Powers to advise on policies relating to use and rehabilitation of water and land civil transportation facilities of Japan.

4. Target Programs. Programs for rehabilitation were set up to accomplish restoration of plant and equipment necessary to sustain a minimum level of economy. For the railways, the programs include reconstruction and rehabilitation of housing and building facilities, of equipment, and of permanent way. Programs for municipal and highway transportation include construction of trucks, buses, street-cars, etc. necessary to replace worn-out and destroyed equipment. Programs for the merchant fleet include plans for salvage, major repairs and completion of construction of new vessels whose keels have already been laid. Other programs to improve efficiency of operations were established at the same time. These include planned maintenance and repairs consistent with the availability of materials, labor and funds. Programs for effecting changes in forms of control of transportation include plans for breaking up of monopolistic controls and restraints, means of financing the costs of salvage and major repairs, and the reestablishment of a normal pattern of rates. These programs involve considerable legislative reform.

5. Although marked progress was made against rehabilitation programs during the first year of the occupation, the major accomplishment was the formation of the programs themselves and the establishment of goals. For the railways, first priority was given to restoration of equipment and buildings necessary to eliminate bottlenecks restricting operating efficiency. With regard to the Merchant Marine, first consideration was given to rehabilitation of vessels which could most economically and speedily be put into serviceable condition. Due to the low level of industry and commerce, immediately after surrender, the traffic load on municipal and highway transportation was light. Early restoration of minimum operations was fairly rapid due to utilization of critical supplies released from Japanese Army and Navy stocks. Street and highway repair programs, however, progressed slowly due to shortages of paving and repair materials.

6. Progress in Rehabilitation of Railroads. By July 1947, approximately one-third of the railway repair capacity had been permanently restored. The repair program itself, however, is behind schedule due to critical shortages of materials such as steel, coke, carbide, etc. It is estimated that approximately fifty percent of housing and building reconstruction is completed. There remains considerable work to place the railway system in a reasonably normal condition for continued operation, but with an improvement in the supply of essential materials, it is believed that the program will keep abreast of the general economic recovery of the nation. Rehabilitation of railway communications is progressing satisfactorily and much of the program will have been completed by the end of the Fiscal Year 1948. Progress of railroad rehabilitation is reflected by the daily average of gross ton kilometers, which have increased 26.3 percent over 1945. Gross tons per train have increased 34.2 percent and coal consumption has decreased from 96 kilograms to 90 kilograms per

1,000 gross ton kilometers.

7. Progress in Rehabilitation of Merchant Fleet. Progress of the program of rehabilitation of the merchant fleet has been slow but steady. At the time of surrender, the Japanese reported 526 steel vessels of over 100 G/T, a total of 736,000 gross tons in active service. A recent figure for Japanese steel vessels over 100 G/T under SCAJAP control shows 777 operating ships with a gross tonnage of over one million tons. The salvage program is approximately one-half completed. Progress is necessarily retarded by lack of materials and funds. It is estimated that the salvage and major repair program can be completed by the end of the fiscal year 1951 provided materials, labor, and funds can be made available as required.

8. Because of acute shortages in materials, maintenance programs are below desired levels. In order to conserve materials, emphasis is being placed on essential maintenance, but in many instances work which should be done on a current basis is being deferred.

9. Progress in Democratization of Transportation Management and Control. Considerable progress has been made in programs for democratization of forms of management and control. Obstacles are rapidly being overcome and positive results are looked for within the current year. Laws have been or are in process of being enacted to accomplish reforms in land and harbor transport, also to provide and protect an orderly and democratic framework within which a Merchant Marine can be reestablished. Because of gross distortions brought about by the war and subsequent disturbed economic conditions, a normal pattern for tariffs cannot yet be formulated, but studies now in progress are calculated to point out and provide a means of regaining normal freight rates both for land and water transportation.

## **ECONOMIC AND SCIENTIFIC SECTION**

In the first two years of the Allied Occupation of Japan, SCAP's activities in economic matters have been directed toward eradicating the old imperialistic, non-democratic economic pattern of life and replacing it with a new framework which should lead Japan into democracy and rightful membership among the community of nations. In each of the specific fields of labor, industry and industrial reparations, foreign trade, finance, price control and rationing, science and technology, antitrust and cartels, and in the basic economic research necessary for an understanding of the several fields, a guided democratizing program is under way. The purpose is fourfold, to insure that Japan will not again wage aggressive war, to reform and democratize the Japanese economic structure, to restore the Japanese economy on a sound self-supporting basis, and to assure the Japanese people of their right

to a peaceful fruitful existence.

## FINANCE

Within the field of finance, SCAP set out on one hand to destroy those aspects of the Japanese financial structure that were used to promote the war. On the other hand, the program was intended to maintain and strengthen those aspects which could contribute to the earliest possible recovery of Japan in its new and modified setting.

In money and banking the first year's program was one of issuing superimposed regulations to control repatriates' funds, to prevent repatriates from removing the capital assets of once conquered countries, to block and segregate bank accounts, financial instruments or other property that later might have had value as foreign exchange assets, to place stringent restrictions on bank withdrawals, to institute a system of credit rationing and to authorize a currency conversion. Toward the end of the first year certain regulations were relaxed to encourage reorganization and reopening of financial institutions, as well as industrial and commercial concerns. Systems for reporting the condition of all commercial banks were also established.

In the second year, while many of the controls continue, reorganization is the keynote. A program of licensing foreign banks to operate on a limited scale and of authorizing selected types of foreign businesses to operate, has been developed. A Reconstruction Finance Bank has been established and a general reorganization of all corporate and financial institutions, including insurance companies, is progressing. In the final months of the second year the financial aspects of reopening large scale foreign trade has become a paramount responsibility.

In the field of public finance a system of control, supervision, and approval of governmental budgets was established in the first year. Control over the finances of the Imperial Household was also established and maintained and supervision over the tax structure was instituted. Two extraordinary tax laws were enacted. The Capital Levy Law had the twofold objective of deconcentrating private fortunes and of providing funds for the Government, while the War Indemnity Tax had as its objective the cancellation of war damage claims.

The second year in public finance saw the reform of governmental accounting procedures, the power of the Diet over public finance increased by virtue of the new constitution, the establishment of



procedures for the disposition of State-owned property, and the reorganization of the ordinary tax structure, including the “pay-as-you-go” tax plan.

Perhaps one of the most significant aspects of financial reorganization has been in the field of “liquidation.” In the first year of the Occupation, 46 institutions were closed, principally financial colonization and wartime development companies which were used to spearhead the economic penetration of conquered areas or to tighten control on the home front. The total book value of assets of the 46 institutions within Japan was ¥176 billion. During the first year proceeds of the sale or collection of certain of these assets totaled ¥1.8 billion and payment of domestic claims was ¥0.6 billion.

During the second year, 113 additional wartime institutions were closed, including domestic control associations and subsidiaries and affiliates of institutions previously closed. Total assets of the 159 closed institutions are estimated at ¥209 billion and liquidation proceeds have been ¥8.8 billion and payment of domestic claims has been ¥7.4 billion.

## **ANTITRUST AND CARTELS**

The initial step in this field was to direct the creation of the Holding company Liquidation Commission, a juridical person empowered to liquidate the major holding companies and to deconcentrate the control held over them by individuals.

During the first year the activities of 41 holding companies and their approximately 1,200 first-line subsidiaries were investigated and designated as “restricted” concerns. These companies were prohibited from engaging without prior SCAP approval in any act not construed to be in the normal course of business. This enabled SCAP to maintain surveillance so as to preclude the dissipation of assets until dissolution or reorganization could be achieved. Approximately 200 applications for exception to the prohibitions above were reviewed, investigated, and acted upon during the year.

In addition to the holding companies investigated, more than 2,000 control companies, associations, and unions were investigated during the first year. As a result of these investigations, the Japanese Government was directed to dissolve all control associations and to repeal all laws and regulations which had fostered their growth. On the positive side the newly organized Japanese Economic Stabilization Board was directed to create agencies to allocate materials to specific industries. The

Japanese Government was directed to dissolve the Koeki Eidan, the wartime foreign trade agency, and to establish in its stead of Japanese Board of Trade as the exclusive government agency to handle all foreign trade transactions. Finally, the Japanese Government was directed to prepare legislation prohibiting international cartels and the execution by Japanese firms of restrictive international contracts.

The activities of the second year consisted of supervising the work of the Holding Company Liquidation Commission and of designating 67 corporations as holding companies. The Holding Company Liquidation Commission designated 56 members of Zaibatsu families and commenced investigations of 27 additional families to determine if their members should be designated. The real and personal property of designated family members is controlled. All companies designated by the Holding Company Liquidation Commission were directed to effect measures to protect and preserve securities and other properties in such companies owned by foreign nationals since 7 December 1941.

Late in the second occupation year liquidation plans were submitted by the Mitsui, Mitsubishi, Sumitomo, Yasuda and Fuji Holding Companies. On 3 July 1947, Mitsui and Mitsubishi, the two largest and most powerful trading companies in Japan, were ordered by the Holding Company Liquidating Commission to liquidate immediately.

The 67 designated holding companies had 150.8 million shares of stock with a par value of about ¥6.3 billion. The HCLC also took custody of over ¥500 million in bonds held by the 67 designated companies and the voting rights of the shares of 4,085 subsidiary and affiliated concerns.

Antitrust legislation was initiated in the second year and became law on 31 March 1947. A Fair Trade Commission was appointed on 14 July 1947, to carry out the intent of the legislation.

In the direction of restricted companies, more than 2,000 applications requesting permission to perform acts not construed to be in the normal course of business were reviewed and acted upon the second year. Expenditures of more than ¥4 billion were authorized for the rehabilitation of industries essential to the economic recovery of Japan.

## **PRICE CONTROL AND RATIONING**

In the field of price control and rationing SCAP has directed the activities of the Japanese Government in the planning and execution of the economic controls necessary to assure the equitable distribution of food, production materials, and consumer goods, and through price control, to minimize inflation.

At the war's end Japan's indigenous food stocks were very low and the wartime controls had broken. It was obvious that a severe food shortage would develop by the spring of 1946. In October 1945 the 2.1 go (1042 calories) staple food ration was reinstated; this ration, although effective the previous July, had been allowed to lapse. About the same time the first food requirements study was made.

The anticipated food crisis began in April of 1946, and in May the Japanese government under SCAP supervision placed in effect an "emergency food deficit transfer plan." This plan brought out hoarded stocks and forced them into legal distribution channels at legal prices. Further to relieve the crisis, imported foods were released throughout the summer. While these actions did not result in an adequate diet for the Japanese people, they did prevent widespread starvation and unrest. Without controls and planning, large numbers of Japanese would probably have starved and inflation would undoubtedly have become rampant.

In August 1946, on the basis of plans drawn in the spring and early summer, the Economic Stabilization Board, a central economic control agency, was created in the Japanese Government. A Price Board was also established. Both agencies, however, suffered from a lack of funds and from inadequate governmental support.

The continued short food supply has necessitated various emergency measures during the second year. In an effort to break the black market and to lessen the danger of mal-distribution, the official ration was raised to 2.5 go (1240 calories) and the Japanese were instructed to take vigorous action to improve the food distribution system and control the black market.

In February 1947, SCAP took vigorous action through the Japanese government to improve rice collections. Collections, though 104 percent of the initial quota set, were short of the 110 percent revised goal. In the winter and spring 267,000 tons of imported foods were released for distribution while an equivalent amount of rice was withdrawn from distribution to be made available during the critical summer months. This rice is currently being release. While current supply does not meet the needs of the Japanese people, the deficit is being spread so that there will be a maximum shortage of

five days ration per month until the 1947 harvest is in. The effective per capital distribution this year is 62.5 go per month as compared with 63.0 go per month in 1946. In view of the millions of returned repatriates, the total volume is actually larger than a year ago.

In June 1947 the new Cabinet announced an 8-point economic stabilization program. It included plans for increasing the supply of food, distribution at equitable prices, allocations control of critical items, and a new price policy. In July the new Cabinet announced a price stabilization program setting prices at a maximum of 65 times the base period 1934-36. The new program must be effectively integrated if the new higher wages are to be effective in purchasing basic necessities.

In June 1947 the old neighborhood associations were abolished and a new democratic food distribution method was established. To help curb the black markets, all non-essential restaurants were closed on 5 July for a period of six months. Under the new "link" distribution system the producer is enabled to purchase farm implements, fertilizer, fish nets, and clothing at official prices, provided he sells his produce through the official distribution organization.

In July 1947 the Japanese Government announced a coordinated nationwide distribution and anti-blackmarket program to support the price stabilization program, to assure equity in the distribution of scarce necessities, and to reduce the real cost of living by minimizing the dependence of the population on blackmarket supply sources. The program is intended to eliminate the sources of blackmarket goods, to control transportation of essential commodities, and to redirect goods into legal channels at official prices. It further aims to improve the official procedures and increase the efficiency of distribution.

## **FOREIGN TRADE**

Two basic objectives are involved in the foreign trade policy of the Occupation; they are, first, the creation of a balanced trade position for Japan and, second, a volume of foreign trade to bring the Japanese economy to the average 1930-1934 level. Japan requires imports of food and essential raw materials and must be able to reach a situation in which either her goods or her services can be exchanged for the necessary imports.

SCAP's first action with respect to foreign trade was to limit the activities of the Hoeki Eidan, the wartime import-export agency of Japan which was one of the tools of Japanese aggression. The

Koeki Eidan was abolished and the Japanese Government was directed to establish a new agency to handle foreign trade. This agency, Beeki Cho, in November 1945 established a yen revolving fund to pay Japanese producers for their supplies. To further aid the Japanese, SCAP established a foreign trade account to pay for American goods from the proceeds of the sale of Japanese goods. Both nations were thus in position to resume some trade even without the formal establishment of foreign exchange rates.

Primarily the Japanese have shipped raw silk to the United States and received foods from the U. S. By January 1946, an overall import-export program for the calendar year was established and approved in Washington. In March 1946 the U. S. Commercial Co. became the commercial agency for SCAP in the U. S. For the year 1946 imports were \$305 million and exports were \$72 million.

A new program was developed for 1947 before the year began. Progress to date indicates that imports will be approximately as in 1946 while gross exports will be more than three times as great as 1946. The overall volume of both is still insufficient, however, and the lag in the import program is indicative of the need for further attention. Mere balance of trade, even if it could be achieved, does not make up for volume.

Of tremendous potential stimulus to Japan's foreign trade was the decision on 13 August to use approximately \$137,000,000 worth of Japanese-owned gold and silver as a base for acquiring foreign exchange. This "gold pot" will be utilized as a credit base against which private or governmental financing institutions of Allied or neutral countries will be asked to advance funds or commodities to activate their trade with Japan. The fund will serve as a credit base for loans which could eventually total upwards of \$500,000,000.

Additional impetus to foreign trade can be anticipated as private traders reenter Japan on 15 August 1947.

## **INDUSTRY**

In September 1945 Japanese industry had virtually ground to a halt. In the face of rapidly disappearing stockpiles of essential raw materials and the virtual lack of imports for many months prior to surrender, Japan's industrial remnants were disintegrating rapidly. For a considerable period the rail lines and equipment had received only that maintenance absolutely necessary to keep the

dwindling stocks rolling. Stocks of ingots and pig iron were at the vanishing point, and actually would have been on-existent had the Japanese been able to furnish the fuel to fire their open hearth furnaces.

The immediate tasks of SCAP were to remove the war potential of Japanese industry and to aid in the rehabilitation of Japan's industry to predetermined allowable limits. War potential was removed through directives ordering the destruction of arsenals, aircraft factories, and other war making machinery. Following surveys in November, 1945, initial production goals which eventually would become industrial levels were established for the Japanese. Later the Far Eastern Commission set the production level of the years 1930 to 1934 as the top limit for Japanese industry. That period included approximately two years of Japanese depression.

Following the early reforms, SCAP directed the Japanese Government to replace Industrial Control Companies and Industrial Control Associations with public agencies and with a publicly managed system of materials allocation designed to facilitate recovery. Concurrently SCAP directed attention to technological improvement in food processing industries to aid the Japanese in achieving greater self-sufficiency in food. The shipbuilding industry was rapidly converted to peacetime activities and trawlers and fishing vessels of all types became its chief product.

At present Japan's productive level is approximately one third of the limit set by the Far Eastern Commission and only 15 to 20 percent of her peak wartime output of 1943.

The major efforts of SCAP have been the fight to increase coal production and to distribute the production most effectively. Although 36 million tons of coal per year are regarded as essential to Japan's minimum economy, only small quantities were coming from the pits at the close of the war. At the end of the second year of occupation the rate of coal production is approximately 26 million tons per year; intensive efforts continue to achieve increased production. Labor shortages, labor skills, worn out tools, financial difficulties, and inadequate housing all play a part in the failure thus far to achieve the minimum production goal. Production of many other commodities kept pace with the coal output and distribution. In the field of construction and reconstruction desperately needed housing facilities were made available. Allocations of lumber, cement, glass, nails, copper wire, and other essentials for housing were made by the Japanese Economic Stabilization Board. The allocation system was buttressed by a system of building permits intended to halt non-essential construction while giving priority to the essential. The blackmarket in building materials and construction was finally throttled though not broken. By August 1947 one-fourth of the war-destroyed houses in Tokyo had been replaced. Substantial progress has been reported from other bomb damaged cities.

Fertilizer production increased over the two year span by more than 400 percent and the industry now appears to have the best reconversion record. Because a ton of fertilizer means more than three additional tons of food (within limits) the fertilizer program is vitally important to the food-short Japanese.

In August 1946 SCAP selected industrial plants in nine industrial categories which would be subject to reparations removal. These selections were designed to reduce the surplus industrial capacity above the specified limits within which Japan's future economy will be contained. Above the level as designated by the Far Eastern Commission, all machine tools, ball bearing plants, caustic soda plants, shipbuilding facilities, sulphuric acid plants, soda ash plants, chlorine plants, munitions plants, and thermal electric plants were designated for reparations.

## TEXTILES

The recovery of the textile industry has been complicated by shortages in raw materials, raw cotton and wool, and by the shortage of coal required for processing. Nevertheless, during the past eight months, production of the key textiles reached progressively higher levels. Generally, the post war highs varies from one fourth to one eighteenth of the pre-war production records. The post war gains have been made in the face of dwindling stockpiles of fuel and of raw materials. Virtually all the textile industries are living on day-to-day deliveries of coal, since stockpiles were reduced considerably below an emergency operating level in the last quarter of 1946.

Production in the key textile industries has increased from five to 15-fold since the beginning of the Occupation:

	Jan. 1946	Post-war Peak (month)	Monthly Average Pre-war Peak (Year)
Cotton Yarn (lbs.)	1,885,000	27,394,000 (Apr '47)	130,000,000 (1937)
Rayon Yarn (lbs.)	206,000	1,356,000 (Jun '47)	27,500,000 (1937)

Woolen and Worsted Yarn (lbs.)	1,292,000	2,700,000 (Dec '46)	13,000,000 (1937)
Raw Silk (bales)	2,957	10,834 (Mar '47)	60,000 (1943)

The production trend in the textile industries during the next six to twelve months will depend almost entirely on quantities of coal which will be mined in Japan. Even if SCAP's program for the import of raw wool and raw cotton are fulfilled to the point where all operable capacity may be utilized, coal will be the limiting factor in the output.

Production of rayon requires more coal per unit output than other industries and therefore is more seriously affected by the coal shortage. Attempts have been and are being made to import high grade rayon pulp and caustic soda. If additional coal were made available through expanded domestic production or imports, the chemical industry and the rayon pulp industry could provide enough raw materials to operate the rayon mills at capacity.

Cotton spinners have been rehabilitating war-damaged and stored machinery steadily since the first shipments of American cotton arrived in Japan in June 1946. On June 1, 1946, there were fewer than 2,500,000 cotton spindles operable, only a quarter of these were in operation. A year later, there were 2,700,000 spindles operable of which 2,200,000 were operating. Further rehabilitation up to the 4,000,000 spindle limit set by SCAP will be determined by the quantities of raw cotton which are made available. The pre-surrender peak of cotton spinning capacity in Japan had been 12,500,000 operable spindles of which 8,000,000 were operating.

Eighty per cent of the cotton goods produced since June 1946 has been made available for export, with the result that sufficient cotton goods have been provided to liquidate the Commodity Credit Corporation debt, when the goods are sold. In addition, significant quantities have been made available for distribution to the essential coal mining, food producing and processing, transportation, and communication industries. The quantity thus far made available for general distribution to the Japanese people has been very small.

The goal for monthly production of raw silk was set last year at 10,000 bales. This level was achieved late in 1946 and production has been stabilized at around these levels ever since. Emphasis has been placed on types most desired in the export market. Plans have been formulated for diversion of considerable proportion of silk production into the weaving industry where, it is believed, an



important export potential lies. This field, and the field of manufactured silk articles, will be exploited more fully when private buyers arrive in Japan.

The rayon industry has progressed slowly but steadily in the past six months and has reached several successive postwar production peaks. The gains in production volume have been small when compared with the operable capacity of the industry. Only one-half the effective operable production capacity of the filament branch and 15 percent of the capacity of the staple branch are actually being utilized. Production volume is only 5 percent of prewar peak.

The industry must depend entirely on scarce indigenous supplies of coal, pulp, and caustic soda. Efforts have been made to increase production of these materials and to make larger allocations to the rayon industry.

The production trend in the woolen and worsted industry has been irregular since the end of the war. A considerable stockpile of raw wool, originally built up to supply the Japanese army and navy, existed when the Occupation began. The woolen industry has conserved this stock and consumed it slowly, stabilizing production at about the present levels in order to keep the mills in operation as long as possible. The supply is now approaching the vanishing point. The first postwar shipments of Australian wool arrived in Japan early in June, but the quantity of 7,481 bales is negligible when compared with the 300,000 bale capacity of the industry, or with the consuming potential of both the domestic and export markets.

Export markets are being investigated for linen products, since the fiber is grown in Japan and no imported materials are required. Production has been small, pending determination of the export potential.

Supplies of jute, hemp, and other industrial fibers were at an extremely low level at the end of the war and have so continued as a result of inability to import significant quantities. Small imports of cordage fiber have been received from China, the Philippines, and the United States.

## **LABOR**

In the field of labor, the first year of the Occupation was concerned primarily with four main

objectives: (1) creation of conditions under which a free and democratic labor movement could develop; (2) encouragement of sound labor relations through collective bargaining; (3) creation of democratic labor legislation; and (4) effective use of Japan's manpower resources. Only the first of these objectives was accomplished during the first year, but important beginnings were made with respect to the others.

The first objective was achieved by dissolving the wartime "laborfront" organizations, by divorcing the police from labor administration, and by the ordered elimination of the repressive labor laws which had blocked the development of labor unions through free self-organization. The Trade Union Law of December, 1945, established the framework of basic labor rights and provided for the creation of 48 tripartite Labor Relations Committees to handle labor disputes. By August 1946, 3,000,000 Japanese workers were labor union members. While the rights of workers to strike were abridged in those instances where the interruption of services would be inimical to the objectives of the military occupation, work stoppages were few and of short duration and in no case was intervention by occupation troops necessary.

During the first year, an Advisory Committee on Labor, consisting of 12 American experts in labor legislation, surveyed the labor policies, programs, and agencies of the Japanese Government and prepared detailed recommendations. Discrimination because of race, nationality or social status was forbidden by SCAP directive. Finally, initial steps were taken toward the "rationalization" of the extremely complex and cumbersome Japanese wage structure.

In the manpower field, a public works program was created to handle the problem of unemployment and to speed reconstruction of public works. Special recruitment programs were undertaken to staff the textile and mining industries. Initial steps were taken for the reorganization of public employment exchanges and beginnings were made toward the abolition of Japan's malignant "labor boss" recruitment system.

The labor policies and programs of the first year were continued and successfully extended in the second year. Union membership nearly doubled and both the federations of labor and the employer organizations took definite shape, with unions giving increasing attention to internal democracy. While labor disputes increased in number most of them were settled by direct negotiations or by the successful attention of the Labor Relations Committees. A proposed general strike was averted, however, only by SCAP intervention.

Within the Japanese Government the labor administration agencies were strengthened and several

new agencies were created. By August 1947 the new Ministry of Labor had three old Welfare Ministry Bureaus, Labor Administration, Labor Standards, and Employment Security; and two new Bureaus, a Women's and Minor's Bureau and a Bureau of Labor Research and Statistics.

By the end of the second year, the general framework had been completed for a system of modern labor legislation which compares favorably with those of progressive democratic countries. Important new laws included the Labor Relations Adjustment Law (September 1946), the Labor Standards Law (April, 1947), the Workmen's Accident Insurance Law (April, 1947), the Seaman's Law (April, 1947), and the Employment Security Law (August, 1947). Legislation providing for unemployment insurance was introduced in the Diet in August, 1947.

Throughout Japan both employer and labor education was greatly expanded during the year and material progress was made by both national and prefectural Labor Relations Committees in their organization and operation.

In the manpower field major second year objectives have been: (1) to develop an effective system of free public employment office, (2) to eliminate archaic and undemocratic labor recruitment practices, (3) to promote full use of Japan's manpower resources in activities supporting economic rehabilitation, and (4) to encourage effective unemployment measures.

The public employment exchanges were stripped of their last vestiges of wartime labor controls and emphasis directed toward service to workers and employers. Steps were taken to eliminate labor bosses from labor organizations and to prosecute cases bordering on indentured service. Special recruitment programs raised total employment in the coal mines from 232,000 to 410,000 and in the textile industry from 173,000 to 283,000. The public works program became effective during this year and at its peak gave employment to some 1,300,000 persons and plans were laid to make the program more effective in urban areas. The Katayama Cabinet announced unemployment insurance as one part of the Government's eight-point reconstruction program.

## **SCIENTIFIC AND TECHNICAL**

In October 1945, SCAP's Directive No. 3 broadly prohibited scientific and technical research in Japan and required monthly reports from Japanese scientists. The purpose of the initial approach was to break the former subservience of scientific endeavor to the Japanese war effort.

During the first year, SCAP conducted continuous and intensive investigations of Japanese scientific research activities. These investigations showed that Japanese science and technology no longer offered a threat to the safety of the occupation forces. Hence restrictive control was virtually eliminated and the policy changed to one of cooperative encouragement of peaceful scientific investigation. A new directive authorized research to be undertaken provided such activities were not directed towards war-like purposes, aeronautics, or certain aspects of nuclear physics. Semi-annual reports replaced the monthly reports previously required.

Toward the end of the first year a basic policy was developed concerning the general attitude toward scientific work in Japan. Cognizance of research activity was to be maintained by requiring research to be reported and by making routine and special investigations in the field. Pure and applied research were viewed as activities of value to the rehabilitation of Japan and, by the natural inclinations of scientists in search of truth, and important agent in a democratic society for establishing and maintaining a feeling of friendship between nations. A remolding of the scientific structure in Japan was to be brought about to make it fit a democratic society released from domination by nationalistic and reactionary personalities and thinking, as well as dogmas related to age, political power, and social level. Such hopes for new freedom and democracy in Japanese science were to be achieved by the Japanese themselves, with SCAP offering guidance and help.

During the second year of Occupation the reorganization of the Japanese science structure progressed to the point where a deliberative group was formed, to meet in August, 1947. This group purported to be representative of all scientific fields, geographical areas, and personalities characterized by relation to industry, government, or academic institution. It was claimed by the Japanese that this group had the intellectual stature and national prestige to prepare and recommend to the Japanese people an effective and acceptable plan for the incorporation of the Japanese scientific community into the economic and social life of Japan. The group's aim was to meet not only the scientific and engineering needs of reconstruction, but also to provide a vigorous segment of Japanese life which would continue to contribute to the preservation of democracy, and to establish and maintain the respect of all high-principled peoples of the world. To assist SCAP in the formulation of policy in this regard, arrangements were made for a group of six American scientists from the National Academy of Science to visit Japan in July and August, 1947.

In the reparations program nearly all the laboratory equipment from Japan' Army and Navy establishments has been collected and put in order to await final disposition to claimant nations. Work has continued on evaluation of the equipment and standards for packing.

Detailed information on scientific and technical establishments, organizations, and personalities has been collected and tabulated. There are approximately 500 organizations in Japan whose research or engineering work warrants consideration, including 13 universities doing work in all fields. A report on the activity in each field of scientific and engineering endeavor, based upon reports by the Japanese of their research work, has been prepared.

Other projects, most of which have long range implications, have progressed to varying degrees. Some 3,700 abstracts of Japanese scientific publications issued during the war have been made. Considerable effort has been directed to the problems of standards so important in research, in manufacturing, and more particularly in connection with foreign commerce. Work continues on plans for the Japanese to stimulate standardization for domestic progress and to achieve more ready acceptance of their products in foreign markets.

Even the scientists failed to escape some activity connected with the Zaibatsu, for the latter organizations were involved in research activities as well as in manufacturing, banking, and trading. The Institute of Chemical and Physical Research was divested of its Zaibatsu control and the groundwork has been laid for its rehabilitation and independent future aided by a substantial government loan.

Finally a program to foster the simplification of technical and scientific terminology in the Japanese language has been undertaken. Nationally recognized groups have been formed in each field to study and recommend appropriate action.

## **RESEARCH AND STATISTICS**

The inadequacy of the Japanese Government's statistical system and the dependence of the Government upon data from private sources showed the need for a statistical mission from the United States. The Mission was composed of seven top-flight statisticians and economists, headed by Dr. Stuart A Rice of the U. S. Bureau of the Budget. The Mission made numerous recommendations and suggestions for improving the organization and operation of the Japanese statistical system.

The Japanese Government, cognizant of its statistical shortcomings, established a central coordinating and planning group called the Statistics Committee. With the passage of the Statistics Law at the latest session of the Diet, the Committee has control over statistical surveys and for the organization of

Japanese statistical agencies. Even before the arrival of U. S. Statistical Mission and before establishment of the Statistics Committee and the Statistics Law, the Ministry of Commerce and Industry was directed to establish a Bureau of Research and Statistics. The appropriation for this purpose for the fiscal year ending 31 March 1948 is ¥8.3 million.

While the Statistical Mission was in Japan, considerable effort was directed toward the development of plans for an allocation system to be administered by the Economic Stabilization Board of the Japanese Government. The Board has been required to take over the function of distribution of critical materials, formerly performed principally by control associations and control companies.

## **GENERAL PROCUREMENT AGENT**

In accordance with the rules of land warfare, Japan was and is expected to provide supplies, facilities and services to meet the needs of the occupying forces to the extent that this can be effected without causing starvation, wide-spread disease, or acute physical distress.

At the beginning of the occupation a procurement procedure was devised which, though simple, fully meets the needs. All requisitions, in the form of procurement demands, are placed on the Japanese Government whose responsibility is to locate a source of supply. The supplier is given a copy of a receipt form upon delivery of the item and he is paid by the Japanese Government upon presentation of this receipt.

Because of the dislocation of the Japanese economy, it was recognized that certain items were in extremely short supply. A list of such critical items is published throughout Japan and procurement of items on the list is closely controlled. As economic conditions change, additions or deletions to the list are made.

The outstanding feature of the procurement system used in Japan has been its flexibility. Early in the occupation, troops were spread far and wide but the smallest unit could present a procurement demand to the local representative of the Japanese Government. As the troop operations became more concentrated, the same procedure could be used for filling the needs of larger groups.

In order to exercise better control over procurement and to estimate well in advance the impact on

Japanese economy, a new system has been inaugurated which requires supply units to forecast their requirements several months in advance. These forecasts cover miscellaneous indigenous items and, except in emergencies, must be approved by SCAP before procurement demands may be served on the Japanese Government.

For accounting and reporting purposes all indigenous procurement has been divided into three general categories, namely:

(1) Consumables, (2) Rentals of capital assets, and (3) Construction, rehabilitation and furnishing of capital assets. Current and future instruments converting indigenous procurement from the Japanese Government for the occupation forces will be segregated and identified within these categories.

All procurement instruments involving critical items and all forecasts of miscellaneous indigenous procurement are referred to GHQ, SCAP for approval.

The Commanding General, Eighth Army is the sole procuring agency of indigenous supplies from Japanese sources. Therefore, all procurement instruments approved by GHQ are referred to Commanding General, Eighth Army for processing.

## **NATURAL RESOURCES**

The economic rehabilitation of Japan, within the limits allowed by the Potsdam declaration, depends in the ultimate analysis on the use which is made of her domestic resources.

Early in the occupation comprehensive surveys in the fields of mining and geology, agriculture, fisheries and forestry were made. These surveys revealed the extent to which utilization of Japan's meager natural resources had been dislocated by the war, and the urgent need for basic long range reforms and emergency measures in each of these fields.

The most pressing problems were the material shortages. At war's end Japan faced a major coal and fuel wood crisis. Rice production had dropped during 1945 to approximately 68 percent of average

pre-war levels. Production of timber to rebuild shattered cities was virtually at a standstill.

To avoid the threat of starvation a number of emergency measures were recommended by SCAP to increase the indigenous food supply. Fishing areas were extended beyond the original boundaries set in November of 1945. To further increase fisheries production quantities of netting, cotton, rope, wire, fishing vessels and other equipment were made available from Japanese sources. Arrangements were made through other SCAP sections for the purchase by the Japanese Government of surplus U. S. fuel oil for the use of fishermen. A total of 237,386 kiloliters of petroleum products was imported for fishing vessels in 1946 and distributed through the "link system", which provided for the exchange of fuel oil for fish in established proportions.

Exhaustive checks were made of fish landing reports. As an incentive to channeling fish catches into the legitimate market, fishermen were given extra rice allotments above their ration for obtaining specified quotas of fish catches.

Fertilizer materials, seeds and farm tools were made available to Japanese farmers, lands formerly used for military purposes were converted into farms. Agrarian economists compiled data from all Allied agencies concerned with food import problems. Food production, collection and consumption in the 1945 rice year were analyzed, and forecast analyses were made for the next three years. The methods used by the Japanese government in crop reporting and food collection were investigated by field check and appraised. Recommendations designed to minimize opportunities for under reporting crops, and for the upward revision of collection machinery were made. Responsibility for solving the problem of feeding Japan's millions rests primarily with the Japanese government. Since this was and is still the most urgently critical single problem in Japan today, SCAP has exercised close surveillance of the Ministry of Agriculture and Forestry in administering the food collection program, and in encouraging production.

Arrangements were made for increasing the production and importation of fertilizer in Japan. Recommendations were made to the Japanese government for increasing domestic fertilizer production and improving distribution. Food crops were given high priority in fertilizer allocations. Plant disease specialists advised and helped Japanese Ministry of Agriculture officials in developing methods for controlling plant diseases.

Second only to the food problem in importance was the fuel supply, upon which depends the industrial recovery of Japan. Field investigations of mining methods, capacities and reserves as well as labor and material requirements were used as a basis for recommendations for improving technical



procedures. Conferences were held with Japanese cabinet ministers to stimulate governmental action. From November 1945 to October 1946 the production of coal was tripled, although it still remained below minimum requirements. The distribution system for coal, coke and lignite was revised.

The latter half of the first year of the occupation brought a gradual shift from emergency operations to long range planning for improvements in technological procedures and for the conservation of Japan's dangerously depleted natural resources.

Before the arrival of the occupation forces, Japan was twenty years behind the rest of the world in the field of mineral exploration. SCAP experts in the field of mining and geology conducted a painstaking search, both within and outside Japan proper for potential sources of raw materials necessary for rehabilitating Japanese economy. For the first time in Japanese history a regional survey of all oil producing strata was undertaken as a primary step to full exploitation of petroleum reserves. Although the Japanese petroleum industry produces in one year what the oil wells of Texas produce in one day, it is an integral part of Japan's economy. Through the efforts of SCAP engineers it has been put through a much needed reorganization both from the standpoint of operations and geological practices. At SCAP suggestion a Petroleum Exploration Advancement Committee composed of Japanese scientists, was created for the purpose of locating new sources of oil in Japan. Under the auspices of the committee 59 geological survey projects and 12 geophysical projects were planned for 1947.

SCAP forestry experts began during the first year of the Occupation to conduct equally extensive surveys of all forest areas in Japan. These surveys revealed that Japan had been cutting two, possibly three times the amount of timber growing in her forestry, and that at the same time about 14 percent of the forest areas was unused because of the lack of roads. To put timber production on a sustained yield basis, the Japanese government was assisted in carrying out a reforestation program which calls for planting nine billion seedlings, enough to reforest 10 million acres in the next five years. SCAP has encouraged replanting of Japan's overcut protection forests for erosion control. To bring unused forest areas into production, 276 miles of forest roads were built which opened up 270,000 acres of forests supporting a timber volume of more than 500,000 cubic feet of lumber.

Lumber is a key commodity in the industrial and physical recovery of Japan from the ravages of war. During World War II the whole lumber industry was under the complete control of the Japanese Government which exercised its authority through the Japan Lumber Company, SCAP faced the problem of retaining necessary control to insure proper distribution of lumber while at the same time allowing for the rebirth of free enterprise throughout the industry. This was accomplished by the dissolution of the Japan Lumber Company, and the establishment of democratic forest industry associations, ordered by SCAP directive on June 26, 1946. The Japan Forest Industry Association

established by the Japanese in implementation of the directive, is now composed of 35 prefectural associations and one national association.

One of Japan's major problems has been the pressure of a large agrarian population on a limited area of arable land. The Japanese government has made repeated attempts during the past 70 years to increase this area by reclaiming and improving submarginal lands.

During the first year of the occupation, SCAP specialists reviewed critically the latest Five-Year Land Reclamation program, and made numerous revisions in procedures. Besides bringing new land into cultivation a program for improving 8,750,000 acres of present cultivated land by proper drainage, irrigation and flood control was undertaken. The whole development program has as a goal an eventual increase of 25 percent in the cultivated average of Japan and the establishment of a million new farms. Since the beginning of the Occupation approximately 500,000 acres of land have already been reclaimed for cultivation. This is more than half the land reclaimed between 1910 and 1939. During the first year of the Occupation, SCAP experts investigated the possibilities for increasing pasture and forage utilization to increase live-stock production, and started a reconnaissance soil survey project to be used as a basis for future agricultural planning.

At the beginning of the second year of the Occupation arrangements were completed for Japanese whalers to participate in Antarctic whaling for the first time since Japan's entry into the war. The expedition made up of twenty-one vessels owned by two fishing companies, was authorized by SCAP directive on August 6, 1946 as an emergency measure to increase Japan's meager food supply by vitally needed proteins. Two SCAP representatives accompanied the fleets as observers to insure compliance with prescribed regulations. In approximately four months of whaling operations in the Antarctic, the expedition returned to Japan with a total of 1,175 whales. These provided over 21,000 metric tons of salted and frozen meat, and 50 tons of salted livers for distribution to the Japanese people, the equivalent in food value of approximately 40,000 tons of wheat. It also provided 12,000 tons of whale oil and 11 tons of vitamin A and D which is in short supply all over the world, and worth six million dollars in foreign exchange. A second Antarctic whaling expedition authorized on June 21, 1947 by the Supreme Commander pursuant to instructions from the United States government is now being organized.

The second year of the Occupation brought Japan's downtrodden tenant farmers one step closer to freedom from the economic bondage of a feudalistic agrarian system. The first assault on this system came on December 9, 1945, when SCAP directed the Japanese government to undertake a program of agrarian reform which would redistribute the land equally among Japan's five and a half million farm families. The program was translated from plan to reality with the promulgation of the Land Reform Law on October 21, 1946, drawn up by Japanese legislators in response to the directive.

The main objectives of the Law are to transfer land ownership to those who actually till the soil, remove the yoke of high rents and improve the conditions of tenancy for those farmers who will continue to rent the land they cultivate. These objectives are to be accomplished through purchase by the government of from 70 to 80 percent of the tenant cultivated land of Japan for resale to tenant farmers within a two-year period ending December 31, 1948. Some five million acres of land, or one third of all Japan's farm lands will be involved in the transfer. Compensation of the land-owners is at legally established price levels. Resale of the land to tenant cultivators after consolidation into economic farm units will be at the same prices. Tenant payments may be made in equal annual installments over a 24-year period, will never exceed one third of the gross income of the land, and may be reduced, delayed or canceled by the government in case of crop failure or a drop in farm prices.

In accordance with provisions of the law, every immediate member over 20 years of age of farm families owning or cultivating one or more tan (.245 acres) or land was registered in categories of owner, owner-cultivator or tenant by November 30, 1946.

Responsibility for administering the purchase program rests with the local and prefectural land commissions democratically elected by and from among Japan's farmers. The local land commissions, made up of five tenants, three owners and two owner-cultivators, were elected on December 31, 1946. The prefectural land commissions, made up in parallel ratio, were elected by and from among members of the local land commissions on February 25, 1947.

The Central Land Commission, which decides on broad policies, was appointed by the Cabinet on March 26, 1947.

As provided by law, farmers dissatisfied with the actions of their representatives on the commissions may petition for their removal and schedule recall elections. The number of recall elections of rural land commissioners throughout Japan (1100) resulting from tenant demands for more effective action is an indication of the increasing awareness on the part of the most downtrodden elements of the Japanese agrarian population.

The program is now in full swing. The overall purchase plan for the transfer of land from landlords to tenant farmers provides for periodic purchases at fixed dates within the two-year period. The first land purchase date was set for March 31, 1947, at which time 129,000 cho of land were bought by the

local commissions. The second occurred July 2, 1947, and brought about the purchase of a total of approximately 219,000 cho. These two purchases have exceeded by almost 50,000 cho the goal set by the Japanese government for purchase to date.

Also available for resale to tenants are the 193,603 cho of land turned over to the government by landowners in lieu of cash tax payments. The total of 541,889 cho amounts to more than one third of all the land estimated to be available for purchase and resale by the land commissions to the tenant farmers.

To accomplish the maximum consolidation without disturbing production, government acquisition of the land has been expedited while resale to the tenants has been deferred. The first sale of lands to tenant purchasers, however, has already begun during the month of July. In many cases, the actual transfer of land to tenants will be a technicality, since tenant-purchasers will bid to buy the land they are already cultivating.

The task of altering the basic structure of Japan's agrarian economy requires more than the creation of the administrative machinery of reform. It entails also the re-education of the great mass of Japanese farmers as to their newly acquired democratic rights and privileges. In order to set the rural land reform program in motion and to insure its effective accomplishment, the Japanese Ministry of Agriculture, with the assistance and encouragement of SCAP has launched an extensive campaign of education on land reform through the press.

## **REPARATIONS**

1. First Year's Work --- The preparatory work for reparations removals which was accomplished during the first year of the occupation consisted largely of inventorying metalworking equipment in arsenals and aircraft plants. This was performed by the Reparations Branch in the Economic and Scientific Section, General Headquarters, Supreme Commander for the Allied Powers, which was subsequently transferred and established separately as a Reparations Section.

2. Second Year's Work --- Most of the work of this year has consisted of inventorying and evaluating a large proportion of the facilities taken into custody for reparations.

3. During the second year, all 11 member nations of the Far Eastern Commission established Reparations and Restitution Delegations under the operational control of the Supreme Commander to handle all reparations and restitution matters for their respective governments.

4. In accordance with a directive from the United States Government, the Supreme Commander on 21 May 1947 established the Reparations Technical Advisory Committee, consisting of the Chiefs of the respective Reparations and Restitution Delegations, and headed by the Chief of the Reparations Section, to assist him in an advisory capacity in the development of procedures for the orderly removal of reparations facilities.

5. Towards the latter part of the second year, the United States Government announced an interim directive under provision of the terms of reference of the Far Eastern Commission, authorizing the Supreme Commander to make limited deliveries of reparations goods to China, Philippines, the Netherlands (for the Netherlands East Indies), and to the United Kingdom (for Burma, Malaya, and other Far East colonial possessions). In accordance with the interim directive, the Supreme Commander on 9 July 1947 announced the availability of metalworking equipment in Army and Navy arsenals and synthetic rubber plants which were to be allocated as soon as administratively possible. No allocations were made, however, by the end of the second year.

6. The complete job of physical removal of reparations equipment is accordingly still to be accomplished.