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COPY NO. 30

FAR EAST/PACIFIC DIVISION

OFFICE OF REPORTS AND ESTIMATES

CENTRAL INTELLIGENCE AGENCY

STAFF STUDY NO. 12

23 November 1949

"Japan's Postwar Shipping Position"

WORKING PAPER

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Japan's Merchant Shipping Position - 1949

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Note: This study has been prepared as one of a series which will form the basis for a projected estimate of the war potential of the Far East.

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JAPAN'S MERCHANT SHIPPING POSITION - 1949

I The Problem

To determine the size, composition and condition of Japan's merchant marine and shipbuilding facilities; to present some of the factors involved in consideration of post-treaty limitations on the Japanese merchant marine and shipbuilding facilities.

II US Security Aspects

Determination of the proper size of the Japanese fleet must be conditioned by various US security factors. On the one hand, unless Japan can transport a large share of its raw material imports and manufactured exports in ships operating at low costs consistent with its own standard of living, US efforts to rebuild a self-supporting Japan as a deterrent to Communism are difficult, if not impossible. High costs of foreign shipping, and Japan's inability to earn foreign exchange through sale of shipping services are substantial factors in Japan's unfavorable balance of payments position, and require the expenditure of substantial US aid funds. On the otherhand, revival of the Japanese merchant marine would force considerable Allied shipping into retirement, which would unfavorably affect domestic economies of the Allied countries and would reduce their ability for rapid mobilization of their fleets in the event of war. To this, must be added the ever-present threat, particularly in the view of the Pacific and Far East nations, of a revival of the Japanese military potential.

III Importance of Shipping to the Japanese Economy

Japan, being an island country, is vitally dependent upon shipping to link its economy with the flow of international commerce. Incapable of producing many of its most basic needs, continuous imports are required to sustain its growing

population. For domestic use alone, at least one-fifth of its food, one-third of its wood, 88% of its petroleum, three-fifths of its iron, one-half of its phosphates, all of its aluminum, and nearly all its lead, tin, manganese and antimony must be imported. Its industrial plant, producing both export and domestic goods depends upon foreign sources for roughly one-third of its raw material requirements. Japan thus faces a serious long-term food and raw material problem, perhaps unprecedented in modern times. To this dependence upon foreign imports, must be added Japan's dependence upon water transportation to carry a substantial portion of her domestic, inter-island commerce.

IV Growth of the Japanese Merchant Marine 1/

Although Japan carried on limited foreign trade prior to the 17th century, the ban on foreign commercial relations by the Tokugawa Shogunate completely suspended ocean shipping for over two centuries. Following the Meiji Restoration, the economic necessity of developing a substantial foreign and domestic trade, plus realization that a merchant fleet was a requisite to imperialistic expansion, caused rapid growth of the fleet. From 27,000 gross tons in 1870, the Japanese by 1910 had attained sixth place among the maritime nations of the world with a merchant tonnage of 1,146,000 GT.

Japanese shipping received its greatest impetus as a result of preparations for foreign military operations. The Sino-Japanese War of 1894-5 and the Russo-Japanese War of 1904-5, brought about substantial increase in the size of the fleet. With the withdrawal of British and German merchant fleets from Asiatic waters at

1/ Sections IV, V, and VI of this study are based largely upon the United States Strategic Bombing Survey series #48, 53, and 54.

the start of World War I, Japan found itself in a position to absorb virtually all the maritime commerce of East Asia. Expanding shipbuilding capacity 10 times, the merchant marine doubled during World War I, and by 1920 had surpassed 3,000,000 GT.

During the decade of the twenties, another 1,300,000 gross tons were added, bringing the fleet to a crest of 4,316,000 GT in 1930. The depression of the early thirties, coupled with a "scrap and build program" caused the fleet to recede during the next four years. During this period, however, the efficiency of the fleet was increased, with over 450,000 GT of superannuated ships being replaced with 250,000 GT of new ships.

Increased commercial and military activity in Manchuria and Korea in the middle thirties, plus world conditions favorable to Japanese shipping rates again spurred deliveries temporarily. However, a shift in emphasis to naval shipbuilding after 1937 tended once again to hold down merchant ship construction. On Pearl Harbor Day, Japan's merchant marine, surpassed only by those of Britain and the US, consisted of 6,654,535 GT of ships over 100 tons, plus an additional 575,464 GT of tankers.

V The Merchant Fleet During World War II

Japan entered World War II apparently secure in the belief that its merchant marine was adequate to its assigned task. This confidence was reflected in the shipbuilding plans of December 15, 1941, which continued the emphasis of the previous three years on naval rather than merchant shipbuilding. 1/ Initially, no effort was made to protect the merchant fleet. The ships were unarmed at the

1/ This plan called for 398,000 GT in 1942, retrogressing to 72,000 GT in 1945.

outset, no anti-submarine indoctrination was presented, and it was not until 1944 that even limited convoy was attempted.

Despite the initial relatively weak Allied attacks and the augmentation of 823,000 GT of seized foreign shipping, the Japanese merchant marine started its downward trend in April 1942. By the time a substantial merchant shipbuilding program was undertaken in late 1942 it was too late to relieve the shipping shortage which plagued Japan's economy for the remainder of the war. Total sinkings of 8,141,591 GT of shipping (ships over 500 GT) reduced the merchant fleet at the end of the war to only 533 serviceable ships aggregating 768,411 GT (ships over 100 GT).

VI Shipbuilding and Ship Repair During World War II

Japanese failure to estimate both the demands upon its merchant marine and the force of allied retaliation minimized plans for merchant shipbuilding prior to, and during the initial months of the war. Priority for construction of combatant ships and military competition for scarce materials were reflected in annual merchant ship construction before the war which declined steadily to 210,000 GT in 1941 after reaching a peak of 374,000 GT in 1937. Construction still lagged in 1942; only 241,000 tons were build in the first 11 months of the year, during which time 880,000 tons of ships were sunk.

It was not until Japan had lost over a million tons of shipping, that an ambitious shipbuilding plan was undertaken. The program called for expansion of shipyard capacity from its previous estimated maximum of 500,000 GT annually to a goal of 1,400,000 GT in 1944. The plan resulted in the construction of 769,000 GT in 1943, and the peak of 1,699,000 GT in 1944. Growing labor and material shortages started the shipbuilding index on its decline in the fall of

1944, and construction during 1945 amounted to only 559,000 tons (to August 15). The following table shows the timing and extent of wartime expansion of shipbuilding facilities:

Table 1: War-time Expansion of Shipbuilding Facilities and Employment

Fiscal Year	Floor Space	Length of Ways	Employment
1941	100	100	100
1942	111	104	129
1943	148	120	188
1944	170	126	226
1945	178	126	185

Review of Japanese wartime merchant shipbuilding indicates that capacity of the shipyards was never a limiting factor in production except during the period November 1942 - December 1943 which was characterized by a rapid increase in the rate of production. For three years prior to the war and until the end of 1942, merchant shipbuilding held a low priority in relation to naval construction. During the period of peak production (January to October 1944) a shortage of steel was the primary factor which prevented full production. Although air attack destroyed 24% of the floor space of commercial shipyards, this damage, for the most part, occurred after the decline due to the steel shortage had set in.

During the war Japan had a total of 71 shipyards capable of producing or repairing steel ships of over 100 tons. Twelve major yards performed about 74% of the total work using 71% of the steel, 65% of the labor force and one-half of the physical plant. These 12 yards produced 68% of the steel merchant tonnage and 60% of the naval tonnage which was produced in Japan during the war years.

Total new ship construction 1941-5 amounted to 3,293,000 GT of steel merchant shipping (including tankers), 328,000 GT of powered wooden vessels and 1,321,781 DWT of combatant vessels. To this effort must be added conversion and repair work, both of which tended to interfere with new construction. Although maintenance was postponed to the maximum, tonnage actually repaired in 1943 and 1944 amounted to 8,595,000 GT and 9,576,000 GT respectively.

VII Size and Composition of Japan's Postwar Merchant Fleet

Japan's merchant fleet presently consists of 1,013 ocean-going ships (over 100 GT) aggregating 1,739,037 GT, including 67 ships amounting to 130,989 GT which are laid up and salvable. The fishing fleet comprises an additional 384 vessels of over 100 GT aggregating 153,684 GT. The distribution by type is as follows: 1/

Type	No of ships	Total gross Tonnage
Dry Cargo	640	1,156,028
Semi-Cargo	71	144,933
Passenger	35	56,850
Tankers	98	198,149
Passenger Ferry	95	24,728
Train Ferry	25	55,098
Whalers	3	25,657
Refrigerator	30	71,164
Miscellaneous	16	6,430
	1013	1,739,037

Present tonnage is about equal to the 1914 merchant fleet, and slightly more than one-third of the 1930-4 average. Not only the quantity but also the quality of the fleet has depreciated, with approximately tow-thirds of the current fleet consisting of wartime standard vessels, 60% coal fired, and estimated less than 50% efficient when compared with prewar vessels. Since the best of the pre-

1/ Compiled from data included in report of Capt.Joseph H.Burger to the US Maritime Commission - 4 June 1949. Figures as of 20 May 1949.

war vessels were requisitioned by the Army and Navy during the early stages of the war (and subsequently sunk), those of prewar construction still remaining are, for the most part, antequated and inefficient. The poor quality of the fleet is indicated by the fact that the percentage relationship between ships laid up and ships afloat is now 25-30% compared with 10% prewar.

SCAP estimates that Japan now has only 42 ocean-going ships which are usuable now or after minor repairs. 1/ These ships have a total lift capacity of 360,000 tons, which, on the basis of 60 day turnaround, provides an annual lift capacity of 2,161,800 tons. However, only four of the 42 ships with total lift capacity of 29,800 tons are long-range, prewar diesels or oil burners suitable for farseas trade. The balance, consisting of 3 pre-war, 22 war-time and 11 postwar vessels are best suited for trading within Far Eastern Waters.

Japan also has a few vessels which could be altered to provide adequate bunker space for foreign trade within Far Eastern waters. These consist of 11 war time and 2 prewar cargo vessels with lift capacity of 88,000 tons, and ten vessels now in repatriation duty, which would provide an additional lift capacity of about 70,000 tons after alterations.

In addition to the vessels listed above, the Japanese Government operates 67 US vessels of which 49 are LSTs, 10 are Liberty ships and 8 C1 type cargo ships. Loaned to Japan to expedite repatriation, these ships are US-owned but manned by Japanese crews. 2/

25X1A 1/ SCAP radio [redacted] to Dept of the Army, dated 18 August 1949

2/ "Weekly Intelligence Digest," Pacific Command, USN, 26 August 1949

VIII Post-War Use of Japanese Vessels

Since the war, Japanese shipping has been confined to home waters except for expecially authorized runs. During the one year period July 1948-July 1949, Japanese owned cargo vessels made the following lifts from foreign ports, exclusive of runs to Korea: 1/

123,079 tons phosphate rock in 19 lifts from Anguar
27,137 tons phosphate rock in 19 lifts from the Ryukyus
62,650 tons semi-coke in 41 lifts from Sakhalin
87,739 tons gas coal in 12 lifts from Sakhalin
9[illegible],173 tons iron ore in 12 lifts from the Philippines
28,646 tons coal pig iron and iron ore from Calcutta
17,643 tons cement to Calcutta in 6 lifts
2,000 tons cement to Pondichery in 1 lift
8,930 tons manganese in 1 lift from Vizagapatan
64,092 tons salt in 7 lifts from Taiwan
15,994 tons salt in 2 lifts from Tsingtao
1,968 tons copra in 3 lifts from Guam
50,000 tons rice in 10 lifts from Bangkok
2,954 tons paper in 1 lift from Sakhalin

A recapitalation of the employment of Japanese ocean-going vessels of 100 GT and over in June 1949 shows the following distribution: 2/

25X1A 1/ SCAP radio [redacted] to Dept of the Army, dated 18 August 1949

2/ Report of Captain Joseph H. Burger to US Maritime Service - 4 June 1949

Area of Operation	No of Ships	Gross Tonnage
Japan - Korea	15	40,470
Japan - Formosa	1	6,872
Japan - India	2	13,834
Japan - Siam	4	20,476
Japan - South Seas	6	13,163
Japan - Philippines	2	11,232
Japan - Persia	16	118,290
Antarctic	14	83,274
Japanese Waters	886	1,300,437
Laid up and Salvable	67	130,989
Total	1013	1,739,037

IX Postwar Shipbuilding

Japan still possesses the skills which once enabled her to build fine, fast transoceanic liners and a formidable navy. Expansion of the postwar shipbuilding industry, however, has been hindered by shortage of steel and seasoned lumber, shortage of operating funds, deteriorated equipment, and to a decreasing extent, a lack of modern technique. From the end of the war (to 1 August 1949) the Japanese completed 238 steel vessels aggregating 424,030 GT, exclusive of fishing vessels. In addition, on 1 August 1949, they had 39 steel vessels of 78,813 GT under construction.1/ The following table shows the yearly post-war construction of all types:

25X1A 1/ ComNavFe [redacted] dated 20 August 1949

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Table 2: Postwar Shipbuilding

Vessels Completed 1/

	All Vessels		Steel Vessels		Wooden Vessels (over 100 GT)	
	No.	GT	No.	GT	No.	GT
1946	468	186,684	324	159,384	144	27,300
1947	536	111,682	437	92,932	99	18,750
1948	346	185,202	282	172,922	64	12,280
1949 2/	110	91,448	83	84,998	27	6,450

With many maritime nations suffering from a shortage of merchant shipping due to wartime losses, foreign orders are providing a stimulus for Japan's shipbuilding industry. On 1 August 1949, 17 steel ships amounting to 78,000 tons were under construction or had been delivered for export as indicated on page 11.

Since that date, additional contracts have been reported signed with France for one 9,200 ton cargo vessel, with Panama for one 8,500 ton cargo vessel, with Indo-China for eight 150 ton steel barges, with Argentina for ten 550 ton catcher boats and with US interests for two 8500 ton cargo vessels. Although no wooden ships over 100 tons have been produced for export, 120 wooden tugs and 175 wooden barges of 100 tons have been delivered to the USSR, and 6 fishing boats of 90 tons have been delivered to Guam.

1/ Excluding barges. See "Japanese Economic Statistics", ESS/SCAP, June 1949 pg. 96.

2/ To 20 June 1949

Table 3: Steel Vessels for Export Completed or Under Construction 1/

Number	Kind	Gross Tons Each	Total Gross Tons	Country of Registry
2	Whalers 2/	470	940	Norway
6	Whalers	470	2,820	Norway
3	Cargo	3,360	10,080	Denmark
3	Cargo	6,100	18,300	Philippines
1	Cargo	6,000	6,000	France
1	Cargo	6,500	6,500	Denmark
1	Tanker	10,000	11,000	Denmark
1	Tanker	11,600	11,600	Denmark
1	Tanker	11,700	11,700	Norway
17			72,000	

Despite Japan's great need for shipping, the current demand of foreign buyers for steel ships and the relatively high potential earnings in foreign exchange have encouraged planning for considerable export construction. SCAP projections indicate export construction of 100,000 GT in Japanese fiscal year 1950, 125,000 GT in 1951 and 1952, and 150,000 GT in 1953, or about 30% of the entire estimated production during these years. 3/

25X1A

1/ Com Nav Fe [redacted] dated 20 August 1949

2/ Completed before 1 August 1949

3/ "Program for a Self-Supporting Japanese Economy," Dept of the Army, January 1949, pg 78.

The Japanese anticipate some difficulty in the profitable construction of ships for export trade. The construction cost of Japanese slips before the pound sterling devaluation was reputedly 20% and 40% lower than Scandinavian and British ships. However, Japanese-built ships can command a price only 60-70% of other foreign-built ships because of uncertain quality. Establishment of the 360-1 exchange rate in April 1949 hit the shipbuilding industry especially hard because 1) it had previously been enjoying a considerably higher exchange rate, 2) it already suffered from general shortage of operating funds and 3) of the difficulty of cutting costs in an industry which is largely so dependent upon other industries. Moreover, the anticipated 30% rise in steel prices on 1 January 1950 due to cuts in import subsidies plus devaluation of the pound sterling will hurt Japan's competitive position in bidding for world shipbuilding contracts.

Some financial relief currently is being extended to the shipbuilding industry through loans from the US Aid Counterpart Fund. However, the Japanese rely upon expanded domestic production to offset some of their current financial difficulties. 1/ As an interim measure, SCAP in April 1949 recommended a construction program to build 300,000 GT of shipping during each of the Japanese fiscal years 1949/50 and 1950/51, which, including normal attrition, is designed to bring the Japanese merchant marine proper (cargo, semi-cargo, passenger vessels and tankers) to slightly more than 2,000,000 GT by April 1, 1951. 2/

1/ The Japanese Government announced that 62 shipbuilding concerns applied for permission to construct 76 ships, toteling 485,170 DT during the next fiscal year.

25X1A 2/ ComNavFe [redacted] dated 22 July 1949.

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X Postwar Shipbuilding Facilities

There is no precise method of determining capacity of shipyards, since output depends upon such things as condition of equipment, supply of materials, efficiency of labor and management, etc. For example, during World War II, the Japanese increased steel ship deliveries from 237,000 GT in 1941 to 1,699,000 GT in 1944 with only a 78% increase in length of ways. However, taking all factors into consideration, Overseas Consultants, Inc, have estimated that Japan's total capacity for new ships over 100 GT is 801,100 GT per year, divided among 80 yards. 1/ Annual repair capacity is estimated at 7,219,840 GT. A more recent SCAP report has estimated that a total of 87 yards has an annual new construction capacity of 641,840 GT and annual repair capacity of 6,497,712 GT. 2/ Only 49 of the commercial shipyards are capable of building vessels of 1000 GT or over.

The following table shows the total capacity of all Japan's dry docks in terms of the maximum size of ship which can be accomodated:

Classification of Docks by Capacities	No.	Capacity Gross Tons of Ships
Under 1000 GT	17	8,100
1000 - 3000	19	28,900
3000 - 5000	10	36,200
5000 - 7000	14	82,300
7000 - 10,000	14	111,000
Over 10,000	15	224,000
	89	490,500

1/ "Report on Industrial Reparations Survey of Japan", Overseas Consultants Inc. Feb. 1948, Exhibit 6.1

2/ FEC - 340/7 dated 8 September 1949

Any attempt to estimate annual drydock capacity must be approximate since capacity depends not only on the dimensions of the drydock but also upon the size of the ships, the number of days the ships occupy the dock and unavoidable idle time. However, utilizing a formula based upon the maximum dock capacity, the maximum annual dockings and the use factor, the Overseas Consultants, Inc. has estimated the above drydock capacity to be 7,219,840 gross tons. Based on past dock-fleet ratios, with due allowance for the poor condition of the present fleet, it has been determined that a drydock capacity of 7,219,840 gross tons will service a merchant fleet of 4,813,200 gross tons. 1/

XI Japan's Balance of Payments Position

Since Japan is already exploiting its natural resources to the maximum, and since consumption is already at a minimum standard, the key to a self-supporting economy lies in a balanced foreign trade account. The post-war unfavorable balance in trade is indicated by 1948 figures, which show imports including invisable trade of $683.5 million and exports of $277.1 million despite intensive screening by SCAP to import only prime necessities. 2/ The current year (to August 20) shows imports of $405.6 million and exports of $293.9 million.

1/ "Report on Industrial Reparations Survey of Japan", Overseas Consultants Inc. Feb. 1948, Pg. 45

2/ Japanese Economic Statistics, ESS/SCAP, June 1949, Pg. 5.

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Approved For Release 2001/08/26 : CIA-RDP79-01082A000100030004-3

The significant contribution of its prewar merchant marine to Japan's balance of payments position is indicated below:

Table 4: Japan's Merchandise Account and Net Receipts from Shipping (1,000,000 Yen) 1/

Year	Imports	Exports	Excess of Imports	Net Shipping Receipts
1920	2502.7	2011.2	491.5	267.0
1921	1730.5	1297.3	433.2	140.1
1922	2023.0	1685.5	337.5	111.0
1924	2597.7	1872.0	725.7	117.8
1925	2734.7	2377.9	356.8	128.9
1926	2563.6	2118.9	444.7	125.1
1927	2359.1	2065.1	294.0	132.5
1928	2373.0	2038.1	334.9	138.3
1929	2389.2	2217.7	171.5	159.1
1930	1680.3	1518.6	161.7	125.3
1931	1319.4	1179.2	140.2	100.6
1932	1524.5	1457.3	67.2	99.7
1933	2017.5	1932.1	85.4	126.1
1934	2400.5	2258.1	142.4	144.6
1935	2617.9	2603.1	14.8	177.7
1936	2928.0	2797.6	130.4	193.8

(1920-36 includes Formosa and Korea; 1923-36 includes South Seas Territories)

1/ Source: Compiled from statistics contained in "The Industrialization of Japan and Manchukuo, 1930-1940, E. P. Schumpeter, et al.

Net receipts from the sale of shipping services to foreign countries earned more than sufficient foreign exchange to offset the excess in imports during the years 1932-36, the period which SCAP considers, represents the best available measure of the recovery of the Japanese economy in relation to the allowable standard of living recommended by the Far Eastern Commission. For the period 1920-36, net shipping receipts offset more than half of the commodity trade deficit. Since shipping rates have risen considerably more than commodity prices, the future of shipping receipts to the economy is expected to be even more significant. 1/

Of even greater significance to the Japanese economy then shipping receipts is the current loss of foreign exchange caused by the lack of an ocean going merchant fleet. In US fiscal year 1949, less than 5% of both imports and exports (by weight, excluding Korea) were carried in Japanese ships compared with a 1930-34 average of more than 60%. The total freight charges were about $237 million; the portion earned by Japanese vessels is estimated at only $17 million. This expenditure compares with average annual net earnings of more than $29 million in 1930-34. 2/ The significance of the expenditure lies in the fact that it amounted to more than half of Japan's merchandise exports during the same period.

1/ The National Federation of American shipping tends to discount the importance of the net balance of payments earnings from Japanese shipping, contending that such figures are overstated by the cost of imported fuel and other supplies purchased in Japan, and because of the Japanese method of valuing imports CIF and exports FOB. See letter, National Federation of American Shipping to Dept. of the Army, dated September 22, 1948.

2/ "Japanese Economic Statistics #37", Section IV, Pg 36, September 1949.

SCAP estimates of future "savings" through the use of Japanese bottoms is more conservative. With 1953 estimated imports doubled and exports quadrupled over the 1949 forecasts, SCAP estimates that by carrying nearly 50% of imports Japan can save $135. million through use of its own shipping. 1/ The Japanese Government, on the other hand, estimates that in 1955, 20,000,000 tons (of a total 32,250,000 tons) will be imported from distant points at an average cost of $20 per ton. At this rate, freight costs alone would amount to $400 million, or almost one-third of Japan's projected export trade for that year, if foreign shipping were used exclusively. 2/

XII Postwar Shipping Rates

In order to realize maximum revenues for the Japanese shipping industry and the economy, SCAP has followed a policy of endeavoring to establish a fixed tariff rate agreeable to shipping interests of all flags. Japanese vessels, when necessary to obtain the business, are permitted to meet the lowest rate quoted by foreign commercial operators, as long as such quotation brings sufficient revenue to cover actual operating costs including depreciation, insurance, and a minimum profit on such individual quotation of 2%. This procedure has been instituted in order to prevent a rate war between Japanese and Allied shipping interests. 3/

Japanese importers and exporters claim that current shipping rates are so high that Japan is placed at a competitive disadvantage in world markets. The

1/ "Program for a Self-Supporting Japanese Economy" - Dept of the Army - Jan 1949, Pg 77

2/ "Japanese Shipping" Foreign Office, Japanese Government March 1948

25X1A 3/ SCAP Radio [redacted] to Dept. of Army dated 18 August 1949

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Japan Iron Federation estimates that the freight costs of coal, iron ore and fuel amounting to 30% of value when carried in foreign ships could be reduced to 17% through the use of Japanese bottoms. As further examples, the Oriental Economist 1/ states that US iron ore quoted at fob $5.98 becomes $20.98 cif Japan; Brazilian ore fob $6.10 becomes $21.10 cif Japan; Red Sea salt fob $5.75 becomes $16.85 cif Japan; and Italian and West Indian salt $4.90 and $5.10 becomes $19.00 and 18.20 respectively. Exports too, are frequently quoted on foreign markets at three to four times the Japan fob price, according to the same source.

XIII Inadequacy of the Postwar Merchant Fleet

During the period 1930-34, Japan's imports averaged 27,399,000 freight tons, and exports 9,029,000 freight tons per annum. In value, Japanese ships carried 74% in export and 63% in import trade. Assuming the same relationship between value and tonnage, Japanese ships probably carried an average of 23,700,000 tons per annum in this period. During the peak year of 1937 when total tonnage carried amounted to 39,923,000 tons, 23,954,000 tons or 54% were carried in Japanese vessels. 2/

SCAP estimates that the maximum amount of freight which Japanese ships can carry in foreign trade is 2,161,800 MT in US fiscal year 1950 and 2,881,800 MT in fiscal year 1951. 3/ This estimate is based on the amounts which can be carried by vessels now in classification, or which can be converted to secure classi-

1/ Oriental Economist - July 2, 1949

2/ "Japan Shipping", Foreign Office, Japanese Government, March, 1948.

25X1A 3/ SCAP radio [redacted] to Dept of the Army, 18 August 1949

fication within this period. An additional 528,000 tons of cargo could be carried annually in vessels which can be altered in about six months time to provide adequate bunker for foreign trade, but which probably could not secure classification. Total imports carried in calendar year 1948 amounted to 6,976,000 freight tons, and exports totaled 2,096,000 freight tons. In the first six months of 1949, imports amounted to 5,340,294 tons, and exports to 1,388,983 tons. 1/ Thus the inadequacy of Japan's present ocean-going fleet, even at the current low volume of trade, is readily apparent.

XIV Future Merchant Marine Requirements

Estimates of future requirements in respect to a merchant marine depend not only upon the quantity of needed imports, but also on the point of purchase, and the percentage which will be carried in Japanese bottoms. According to Japanese government estimates, foreign imports in 1955, exclusive of petroleum, will amount to 29,250,000 freight tons. 2/ Based on the assumption that Japan will be permitted to carry 50% of its import trade with maritime nations and 80-90% of import trade with non-maritime nations, it is estimated that Japan would require a merchant fleet of 4,030,000 GT, of which 2,470,000 GT would be assigned to foreign routes, 870,000 for domestic shipping, and 690,000 GT of miscellaneous tugs, barges etc. 3/ This is claimed to be a conservative estimate for foreign routes since it represents a ratio of only 8.5 to 100 (2,470,000 GT of shipping to 29,250,000 tons of cargo) against a 1934 actual ratio of 13 to 100 (3,380,000 GT of shipping to 26,800,000 tons of cargo).

1/ Imports include approximately 832,697 M/T of petroleum products. See "Japanese Economic Statistics", ESS/SCAP, July 1949, Pg 5,10

2/ See Table 5, Pg 20

3/ See Table 6, Pg 21

SCAP estimates of Japanese shipping needs for 1953 are considerably more conservative, since they are based on a greater shift of trade from distant to near-seas areas, and anticipate that slightly less than 50% of all imports and less than 2% of exports will be carried in Japanese ships. These estimates, envision a merchant tonnage of 2.4 million GT, of which 1.8 million would be devoted to overseas routes. 1/

Table: Estimated Imports - 1955
(Unit: 1,000 freight tons)

Coal:	5,000	Non-ferrous Metals and Ores:	416
Iron Ore:	1,940	Paper Pulp:	266
Pig Iron:	2,475	Phosphorous Ore:	1,000
Fibre:	775	Organic Fertilizer:	1,543
Salt:	1,500	Soda:	41
Potassium:	320	Coke:	45
Fats and Oils:	256	Plate Glass:	91
Machinery:	100	Fodder:	1,300
Rubber:	96	Graphite:	80
Lumber:	3,085	Asphalt:	60
Food:	7,610	Chemicals:	129
Magnesia Clinker:	30	Sundry Goods:	1,095
Total:		29,253	

Source: "Japan Shipping" - Foreign Office, Japanese Government March 1948.

1/ "Program for a Self-Supporting Economy", Dept of the Army, Jan. 1949, Pg 77

Table 6: Estimated Imports by Region and Shipping Required - 1955

From	Importation 1,000 freight tons	Bottom 1,000 D/W	Percentage of Japanese Bottoms	Japanese Bottoms 1,000 D/W	Type of Ships Required D/W
North & South Americas	6,683	2,470	50%	1,240	10,000
Europe	357	170	50%	90	10,000
Australia	1,453	340	50%	170	10,000
India & Near East	1,796	515	50%	260	10-8,000
Africa	381	105	80%	90	10-8,000
Fr. Indo-China, Siam, Malaya	2,558	380	80%	310	10-4,000
NEI, Philippines, So. Seas Islands	3,360	575	50%	290	10-6,000
China, Formosa, Manchuria	9,216	995	80%	800	8-3,000
Saghalien	1,926	260	90%	240	8-3,000
Korea	542	40	90%	40	3-1,000
Others	1,000	360	50%	180	10-6,000
Total	29,250	6,210 (4,140 G/T)		3,710 (2,470 G/T)	

Source: "Japan Shipping" - Foreign Office, Japanese Government March 1948.

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XV Future Plans

Under its terms of reference, the Far Eastern Commission is empowered to formulate broad policies for the Occupation of Japan. The policy towards Japanese shipbuilding and shipping, which is still on the agenda, proposes a Japanese merchant fleet (including fishing vessels over 100 GT) not to exceed 1,800,000 GT, and a shipbuilding capacity of not more than 150,000 GT annually.1/ Since no firm decision has come out of the FEC, and is not likely to in view of the US decision against further industrial reparations and levels of industry, the only policy relative to the size and composition of the Japanese merchant fleet and shipbuilding facilities is that which may be determined by SCAP to be necessary to meet the need of the Japanese economy.

In SCAP's program for a self-supporting Japanese economy, 2/ a minimum shipbuilding objective was established which envisioned a Japanese merchant marine of 2.4 million gross tons at the beginning of US fiscal year 1953, estimated to be sufficient to carry nearly 50% of Japan's imports. New construction is estimated at 325,000 GT, 425,000 GT, and 450,000 GT in US fiscal years 1950, 1951 and 1952 respectively, but net increases to the Japanese fleet will be only 225,000 GT, 300,000 GT and 325,000 in those years due to normal attrition and construction for export. 3/

1/ FEC 297/10 2 November 1948

2/ "Program for a Self-supporting Economy", Dept of the Army, January 1949

3/ IBID

A later plan, which may be too ambitious in view of current financial, steel, and power shortages, is indicated by a SCAP recommendation in April 1949 that the Japanese build for their own account 300,000 GT of shipping during each of the Japanese fiscal years 1949/50 and 1950/51. This increase, considering attrition of 164,000 gross tons during the same period, will bring the Japanese merchant fleet on April 1, 1951 (cargo, semi-cargo, passenger vessels and tankers) to slightly more than 2,000,000 GT. New construction under this plan will be limited to vessels with a maximum tonnage of 6000 GT and speed of 15 knots.