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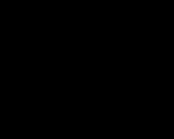


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FAR EAST-AMERICA COUNCIL
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Far East and India News Bulletin

April 7, 1948

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GENERAL COMMENT

Two outstanding developments during the past month forecast a possible reorientation of U. S. Governmental policy with regard to Japan and China, which in turn, over a period of time, may prove of considerable significance to American business. They are, first, the approval of the Foreign Assistance Act which includes provision for \$463,000,000 of economic and military aid for China; and, second, the departure of a top-level group of U. S. government officials and industrialists to confer with General MacArthur on Japanese economic and export problems.

The first development is significant because it may be anticipated that through the medium of the bi-lateral agreement which is a prerequisite to implementing the assistance program, and the subsequent projection thereof, terms and conditions may be stipulated and carried through which could serve as a vital force in reactivating private enterprise in China, particularly in relation to procurement and distribution of program items.

The second development is significant in that it has brought into focus the concern of American business with regard to the general economic drift in Japan under SCAP direction and control, and also because it undoubtedly presages a revamping of some of the more restrictive directives and stringent control regulations which, it is held, have been hampering Japanese recovery. There is a growing tendency toward relaxation of the rules preventing the Zaibatsu from participating in business in the future. Recommendations are also being made to our government from a number of sources favoring a cut in the reparations program.

Thus developments in both China and Japan over the period of the next several months should present possibilities for strengthening the position of American private enterprise, providing business in general takes advantage of the opportunities presented it to do so.

The current annual budgets for India and Pakistan and the general legislation in those areas indicates a definite swing to the right and an alignment with the philosophies of the Western nations. The export and import trade of the Philippines continues at an all time high and the temporary break in the copra market is being overcome by increased government purchases under the various relief programs.

An Interim Government has been set up in the Netherlands Indies and it is now planned that the United States of Indonesia will come into being on January 1, 1949. There are indications that the Republic will join in the United States of Indonesia and in the meanwhile hostilities have virtually ceased. A rapid recovery in the trade of the Indies is forecast and it is expected that large-scale orders for machinery and consumer products will be placed in the United States.

Conditions in other countries of Asia, with the exception of China, are reported to be relatively stable and although trade restrictions are stringent, United States' trade with these areas in many cases continues at above pre-war levels.

CHINA

The "Foreign Assistance Act" provides for economic and military aid to China in the amount of \$463,000,000. House and Senate Bills differed slightly, but in the compromise bill, the conferees agreed to provide \$338,000,000 for

economic assistance and \$125,000,000 for "additional aid" on such terms as the President may determine. The presumption is that this latter amount will be utilized for a program of military aid. The amount earmarked for economic assistance is further reduced by a provision making available not less than 5% or more than 10% for a rural agricultural and educational program under joint Sino-American auspices. Thus the prospects are that slightly over \$300,000,000 will be available for a 12-month program of economic assistance. Even the availability of this amount, however, must await action by the Senate and House Appropriations Committees. Meanwhile, \$50,000,000 has been advanced by the Reconstruction Finance Corporation for the China program pending authorization of the full amount.

Development of the China program is temporarily in the hands of the Department of State. With the appointment of Mr. Paul Hoffman as Administrator, it is anticipated that this responsibility will be transferred to the agency which he will head as soon as it is organized. Representatives of the Council are participating in a conference with the Deputy Administrator in the Department of State charged with current responsibility for developing the China assistance program. A special bulletin giving such details as are currently available on the program will be distributed to members shortly.

Downward Spiral of Chinese Dollar Continues; New Currency Rumored: The value of the Chinese dollar continued to decline steadily in March in spite of reports of a substantial loan from the United States and the relatively tight money market in Shanghai during the latter part of the month. By the end of March the black market rate of the Chinese dollar was CN\$600,000 to US\$1 and the official rate was raised on March 17th to CN\$255,000 to US\$1. Early in April, however, the black market value of the CN dollar was reported to have risen somewhat and to be around CN\$450,000-US\$1. Reports from Nanking indicate that the issuance of a new Sun currency may be announced to coincide with any large scale loan from the United States. No official confirmation of these reports has been made, however.

Government Assets May be Used to Stabilize Currency: It is reported in both Shanghai and Nanking that the State Council has decided to place US\$400,000,000 worth of Government assets at the disposal of the Central Bank of China as an additional reserve for the Chinese currency. About half of the assets would come from the China Textile Company; 100 million from the China Merchants' Steam Navigation Company and the remainder from the National Resources Commission and Japanese reparations.

Central Trust Resumes Buying for Export: The Government of China through the Central Trust began to again buy up native goods for export during March. Substantial quantities of tung oil and frozen eggs have already been purchased for shipment. When the adjusted and fluctuating open market rate of exchange for foreign currency was instituted last November, the Central Trust supposedly ceased buying goods for export, but the wide difference between the official open market rate and the black market rate has prevented the increase in exports which it was hoped would result from the new exchange regulations.

U. S.-China Trade: Exports to China from the United States during the month of December showed a considerable increase over November levels, and totalled \$18,675,563 as compared with \$15,418,319 in the previous month. Imports from China showed an even greater increase, rising to \$14,166,445 from \$8,434,229. Largest increases appear in vegetable oils and ores and metals.

Goods to be Subject to Purchase: Under Press Notification No. 22 of the Export-Import Board, it is announced that "in accordance with an order of the Executive Yuan authorizing commandeering of commodities in conformity with the General Mobilization Law of the Government, the following Registered Unauthorized Imports without Foreign Exchange Provided, having Arrived or been Shipped, shall be subject to purchase by the Central Trust of China as from February 18, 1948; gunny bags; medicines, drugs, and medical substances, compounds and preparations; other manufactures of India-Rubber including tires for motor vehicles; trucks; jeeps; galvanized iron wire (gauges Nos. 10, 12, 14 and 16); field cables; telephone station, telephone switchboard, telegraphic apparatus; wireless transmitters; telegraphic receivers, transceivers, vacuum tubes, headphones, and spare parts."

Pact With Macao Limits Exports: A financial agreement signed by China and Macao in early March provides that re-exports or transshipment through Macao of China Exports will be permitted only if evidence can be presented showing that exchange derived from such exports has been sold to appointed banks in China. Import or export of Chinese currency notes in excess of CN\$5,000,000 will also be prohibited. This agreement which is much similar to that concluded between Hongkong and China earlier this year is designed to prevent smuggling of goods in and out of China.

New Income Tax Schedule Announced: The Shanghai Municipal Government has published the New Income Tax Schedules for 1948 in accordance with an official notification from the Executive Yuan of China. This schedule is subject to periodic adjustments in view of the constant changes in commodity prices and in order to avoid the necessity of frequent revisions of the text of the Income Tax Law itself. Along with the revision of the tax rates, the minimum taxable income levels have also been raised. Members wishing to receive a copy of the current tax schedules, including the lowest taxable income levels, as authorized for the current fiscal year should contact the New York office of the Council.

HONGKONG

General conditions in the Port of Hongkong continue favorable to trade. Business is good and the political situation is quiet. The open market rate for U. S. Dollars late in March was quoted at about HK\$5.90 to US\$1. Coconut oil has been added to the list of exports requiring submission of 100 percent of exchange to Government Control. At the end of 1947 the list of commodities which could not be exported from the colony to non-sterling countries, exclusive of China, without the surrender of all or part of the exchange created by these exports included pepper (100%); raw rubber (100%); lambskins (karakuls) and rabbitskins (100%); diamonds (100%); desiccated coconuts (100%); wood (tung) oil (25%); silver (25%); and tin (25%).

Surplus of Certain Import Items: Although trade conditions are generally good it is reported that there is a temporary surplus of heavy chemicals, foodstuffs, and a few luxury items in Hongkong. These temporary surpluses are frequently caused by the backing up of goods destined for China but which are not permitted entry into Shanghai. The recent financial agreement with China has, of course, aggravated this situation.

1947 Trade of Hongkong: Hongkong's foreign trade in 1947 rose 60 percent over 1946 in terms of declared value. Total imports for the year were valued at HK\$1,540,000,000 and exports at HK\$2,216,000,000. Of that total the British Empire accounted for imports of HK\$444,000,000 and exports of HK\$358,000,000; China for imports of HK\$379,000,000 and exports of HK\$265,000,000; and the United States for imports of HK\$298,000,000 and exports of HK\$151,000,000.

Hongkong-U. S. Trade: Exports to Hongkong from the United States showed little change in December from their November levels, equalling \$7,481,428 in December as compared with \$7,832,768 in November. Principal items of export were coal tar products, paper, metal products and tobacco.

Debt Legislation to be Considered by Hongkong Legislative Council: A bill has been drawn up for the purpose of lifting the debt moratorium in the Colony by establishing the basis for legality of debt payment during the occupation. The main features of the bill deal with the discharge of prewar debts during the occupation and debts incurred during the occupation. According to trade sources in Hongkong, discharge during the occupation of prewar debts which were payable during the occupation or due before or during the occupation are generally considered valid. However, payments may be revalued which were made in occupation currency under duress; in cases where the payment was not due or demanded at the time of payment; or where payment due or demanded was not made within three months. Payments during the occupation of debts incurred during the occupation are considered valid. The table of values of military yen in terms of Hongkong dollars which will be used in connection with debt settlements varies according to period. From January through December 1942, 1,000 yen equal HK\$800; from January through April 1943, 1,000 yen equal HK\$600; from May, 1943 to May, 1944 the value of 1,000 yen ranges from HK\$560 to HK\$120; from May, 1944 to May, 1945, the rate is from HK\$120 to HK\$16; and from May, 1945 to July, 1945 the value covers a range of HK\$12 to HK\$4.

JAPAN

During the past month the regulations surrounding private trade with Japan have been further loosened and postal regulations are less stringent than previously. Comprehensive figures on Japanese trade and industry for the year 1947 have been made available by SCAP and indicate a fair degree of recovery in many fields. The Secretary of the Army has recently released a summary of a comprehensive report submitted on the subject of Japanese reparations, indicating that if Japan is to recover her economic independence it may be necessary to curtail the proposed reparations program and maintain much of the plant equipment in Japan that was previously scheduled for shipment abroad. Details of this report are included in the enclosed Japan Bulletin No. 14.

Postal Regulations Liberalized: Effective February 26th regulations covering air mail, registered mail, trade samples, parcel post, books, newspapers and other periodicals were liberalized to afford Japan greatly expanded international postal service. The new regulations will allow mailing of books, newspapers, magazines and other periodicals from Japan to all countries of the world; use of air mail to and from Japan for all matter authorized for transmission by regular mail service, except parcel post or relief parcels; registration of all matter authorized for transmission in the regular mail service to and from Japan; mailing to and from Japan of trade samples too heavy for the lowered sample postage rates, as parcel post under a weight limitation of 22 pounds; mailing to and from Japan of ordinary items of merchandise in commercial quantities within a weight limit of 22 pounds. All parcel post packages mentioned above must be accompanied by a certified or photostatic copy of a license validated by SCAP permitting the importation or exportation of the items involved. This license must be enclosed in the package and the words "Import License Enclosed" or "Export License Enclosed" and the statement "This package may be opened for customs inspection" must appear on the outside label. In addition a customs declaration must also be enclosed in parcel post packages.

U. S.-Japan Trade: Exports from the United States to Japan during December were \$14,519,556 of which \$13,291,875 consisted of raw cotton. Imports into the United States for the same month totalled \$4,442,241, most of which were silk, silk manufactured goods, and zinc. This represented a substantial increase over November imports from Japan of \$2,524,263.

Cotton Credit Negotiations: The proposed \$60,000,000 cotton credit for Japan for the purchase of American cotton is still under active consideration by the Export-Import Bank and the three private banks who are to extend the loan. This loan, if approved, will provide assistance in the amount of 29 million from the Export-Import Bank and 31 million from the National City Bank of New York, the Chase National Bank, and the Bank of America.

Rayon and Cotton Expanding: SCAP is attempting to encourage the rayon industry of Japan by liberalizing regulations and it is now announced that traders, formerly limited to 100,000 pounds of rayon yarn per month, may now order 300,000 pounds per month. Trial orders of filament yarn will continue to be sold in quantities as low as 5,000 pounds. Orders for staple fibre and rayon fabrics may now be placed through the New York Office of SCAP which is located at 292 Madison Avenue and fabrics and price lists may be examined at that office. So far the quality of the Japanese rayon coming in has been reported to be low.

Steps have been taken also to place more responsibility on the Japanese Government's Board of Trade in the marketing of cotton goods. Buyers of cotton goods may now contact the SCAP New York office which in turn will contact the Board of Trade, or the prospective purchasers may negotiate directly with the Board of Trade or individual manufacturers or agents in Japan. Japanese cotton goods are now being brought into the United States for use in this country for the first time since before the war. By eliminating the requirement for a surety bond, guaranteeing re-export of cotton goods brought into the United States, SCAP has opened the way for unlimited quantities of Japanese fabrics to be brought into this country for consumption and use here.

Japanese Economic Statistics: As indicated above, the Economic and Scientific Section of SCAP has compiled detailed figures on the annual production of Japanese industries for the calendar year 1947. A summary of the monthly averages of these production figures appears below in comparison with 1940 monthly average figures.

	<u>1947 Monthly Average</u>	<u>1940 Monthly Average</u>
Coal.....	2,269,000	4,367,000 metric tons
Coke.....	154,000	562,000 metric tons
Lignite.....	232,000	23,000 metric tons
Pig Iron.....	30,000	291,000 metric tons
Crude Steel.....	79,000	571,000 metric tons
Ferro-alloys.....	1,004	12,141 metric tons
Crude Petroleum.....	16,827	27,008 kiloliters
Aluminum.....	987	n.a.
Refined Copper.....	3,068	7,819 metric tons
Refined Lead.....	697	1,522 metric tons
Refined Zinc.....	1,236	4,864 metric tons

Agricultural Implements

Plows.....	20,158	32,881 units
Hoes.....	58,514	96,513 units
Harrows.....	4,558	7,204 units

	<u>1947 Monthly Average</u>	<u>1940 Monthly Average</u>
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Earth-scattering Scoops.....	19,450	17,833 units
Weeders.....	26,884	35,836 units
Forks.....	25,717	34,433 units
Sprayers.....	9,496	6,174 units
Sickles.....	341,730	985,615 units
Threshing Machines.....	11,555	15,596 units
Rice Hullers.....	2,026	1,361 units

Railway Rolling Stock

Steam Locomotives.....	10	60 units
Electric Locomotives.....	4	2 units
Passenger Cars.....	78	87 units
Freight Cars.....	72	712 units

Industrial Rolling Stock

Steam Locomotives.....	9	6 units
Electric Locomotives.....	4	2 units
Battery Locomotives.....	15	7 units
Gasoline Locomotives.....	16	31 units
Freight Cars.....	682	562 units

Motor Vehicles

Truck Chassis.....	774	3,029 units
Standard Size Cars.....	4	133 units
Small Cars.....	137	224 units
Electric Cars.....	79	15 units
Three Wheel Cars.....	619	640 units
Motorcycles and Scooters.....	168	34 units

Machine Tools.....	478	4,842 units
Household Sewing Machines.....	5,760	6,433 units
Industrial Sewing Machines.....	848	0 units
Watches.....	27,716	145,584 units
Clocks.....	103,885	65,750 units
Sulphuric Acid.....	123,962	262,123 metric tons
Soda Ash.....	3,168	49,583 metric tons
Caustic Soda.....	3,616	34,200 metric tons
Salt.....	11,676	53,028 metric tons
Ammonium Sulphate.....	60,082	92,417 metric tons
Calcium Cyanamide.....	14,594	16,083 metric tons
Calcium Superphosphate.....	59,078	136,667 metric tons
Industrial Explosives.....	830	2,620 metric tons
Calcium Carbide.....	20,036	29,746 metric tons
Paper.....	26,368	119,346 short tons
Pulp.....	26,048	58,834 short tons
Matches.....	14,985	35,562 match tons
Wheat flour.....	64,083	81,261 metric tons

	<u>1947 Monthly Average</u>	<u>1940 Monthly Average</u>
<u>Textiles</u>		
Raw Silk.....	9,287	59,400 bales of 132 lbs.
Cotton Yarn.....	22,434	76,368 thousands of lbs.
Worsted Yarn.....	515	3,188 thousands of lbs.
Woolen Yarn.....	1,674	4,233 thousands of lbs.
Rayon Yarn.....	1,363	18,008 thousands of lbs.
Rayon Staple.....	1,562	23,818 thousands of lbs.
Cotton Fabric.....	55,192	218,667 thousands of sq.yd.
Woolen and Worsteds.....	1,761	6,305 "
Filament Rayon Fabric.....	3,852	52,637 "
Spun Rayon Fabric.....	2,670	37,575 "
Sheet Glass.....	97,494	297,537 cases of 100 sq.ft.
Polished Plate Glass.....	363	2,323 "
Cement.....	102	500 thousands of metric tons

PHILIPPINE ISLANDS

The copra market which recorded a drop in February back to a price of about \$240 per short ton recovered rapidly in March to more than \$300. This increase is accounted for by reports of increased government purchasing under SCAP and under the European Recovery Program. Hemp prices failed to recover so quickly but here again the increased government demands will tend to keep the market steady. Flour supplies in the Philippines are still low and the Government is commandeering 20 percent of imports from the United States and 50 percent of the imports from Canada. There is still a marked shortage of building materials and petroleum products. A black market is developing in these items in spite of government efforts at control it is reported.

February Copra Shipments Record Sharp Drop: Copra exports from the Philippines declined 22 percent in February from January levels and were 29 percent below February a year ago. Of the 63,148 long tons moved last month, the United States received 47,148 long tons. Other shipments included 7,250 to the United Kingdom; 7,200 to Yugoslavia; 6,479 to Switzerland; 6,000 to Austria; 5,800 to Denmark; 4,003 to Canada; 2,706 to Norway; and 2,000 to French Morocco. Philippine exports of coconut oil increased slightly in February, however, with 3,635 long tons moving as compared with 3,140 in January.

Commodity Credit Corp. Re-enters Philippine Copra Market: The CCC has announced that it will entertain offers of Philippine Copra FOB the Philippine port of loading. This is the first time in two years that this U. S. government purchasing agency has entered into the copra field. The copra which is being purchased, however, is to be shipped to Europe in connection with the European Relief Program and is not to enter into domestic consumption.

Imports of Quota Items: Imports for consumption of commodities on which quotas were prescribed by the Philippine Trade Act of 1946, from January 1, 1948, to February 28, 1948, inclusive, were as follows: buttons, 16,681 gross; cigars, 151,995; coconut oil, 15,636,414 pounds; cordage, 137,775 pounds; sugar, 62,884,809 pounds; and tobacco, 85,215 pounds.

U. S.-Philippine Trade: Exports from the United States to the Philippine Islands in the month of December topped their high level of November, totalling \$40,211,697. The largest items of export represented food products, tobacco, cotton and rayon products, petroleum products, steel mill products, electrical machinery and auto-motive equipment. Imports from the Philippines in December were likewise higher than during the previous month, equalling \$20,640,811. Oil seeds and vegetable fibers were the chief items of import.

Insurance Law: The Philippine Insurance Law which is now up for consideration is the source of much criticism by American business. The new law would raise deposit requirements from 100,000 to 250,000 pesos; would not allow United States firms any preferential treatment; and would make mandatory the investment of 50 percent of statutory reserves in securities of the Islands. It is this last provision that has caused the most criticism and a second bill has been prepared which would provide for the mandatory investment of 30 percent of the reserves in the Islands. This has failed to meet the basic objections to the enactment of the Bill and negotiations are still continuing.

Banking Law: Another important piece of legislation now up for consideration by the Philippine Congress is a law establishing a Central Bank in the Philippines. American firms operating in the Philippines indicate that in general it is felt that it tries to cover too many contingencies and provides too many different kinds of power and that it represents a considerable departure from typical patterns of central banking systems. The proposed Central Bank Bill will be considered at a meeting of the Council's Philippine Committee to be held on April 12.

Rice Crop Estimate: The 1947-1948 rice harvest of the Philippine Islands is now estimated at more than 113 million bushels of rough rice, an upward revision of 5 million bushels over the earlier estimates. The crops of the preceding year amounted to 107,700,000 bushels and during the three pre-war years production ranged from 113,000,000 to 117,000,000 bushels. It is the rapid recovery of the Philippine agricultural areas which are responsible largely for the favorable conditions now existing in the Islands.

INDIA AND PAKISTAN

Conditions in India and Pakistan have been relatively peaceful during the past few weeks and there has been an increasing tendency to settle differences through mediation and discussion rather than through armed warfare. Both India and Pakistan have extended the financial agreement with the United Kingdom which limits the amount of sterling which India may convert into dollars and there are several indications that the economic and political ties of India and the United Kingdom will be much stronger in the future than appeared likely during the early days of independence.

In spite of sharp criticisms from radical elements in the Government, the legislation passed so far has been moderate and has made few changes in the existing structure of industry and commerce at this time. India and Pakistan are both undoubtedly aiming eventually at a socialized economy but at present are making no move toward the sudden destruction of private enterprise. As a matter of fact, the 1948-1949 annual budgets of the two countries lighten the tax load on private corporations somewhat, and public statements of officials in both areas indicate that any change made will be gradual and will be based on practical considerations.

Debate on Nationalization of Industries: The following statement made recently before the House by S. J. Nalini Ranjan Sarker, Minister in Charge for Industry, in reply to criticisms from left-wing members is encouraging. He indicated that wide-spread nationalization of industries is not contemplated in the immediate future stating that, "the resources in money and personnel at our disposal would not permit a programme of large-scale nationalization as an immediate step. If we concentrate only on the existing industries with a view to acquiring control over their proprietorship, it will not, as many seem to think, lead to the creation of more wealth and employment, which is the paramount need of the country today. Even if the entire wealth of the nation now in existence were distributed equally among the people, it would effect no noticeable improvement in their conditions of life. On the contrary, large-scale nationalization of existing industries in the present transitional stage of the country's economy after the Great War and the partition tangle, is quite likely to entail many undesirable repercussions and the very object of increased production is sure to be thwarted. If there is any illusion in any mind that nationalization of existing industries is a ready means to the creation of more jobs, I must tell the critics at once that it will not be so in the present stage of our development."

Jute Quota Control Still in Effect: In spite of widespread criticism among jute and jute products exporters in India and consumers in other countries, the Indian Government has shown no sign of lifting the quota controls placed on the jute industry earlier this year. Recent statements indicate that the controls are political as well as economic and a communique issued by the Minister of Commerce states that "there has been some transfer of business from non-Indians to Indians, but that was one of the objects of the new scheme", and then speaks of the elimination from the ranks of the quota holders of those business men who are not genuine while "those who are in a position to do business will have been given a foothold and the concentration of the export business in the hands of a few shippers will have been diluted."

Although the controls themselves are still in effect, an encouraging note is found in the fact that a representative of the Minister of Commerce has recently been in Calcutta with a view to rationalizing procedure where necessary and reallocating to bona fide shippers those export quotas which the holders have failed to support with the necessary firm orders and letters of credit. It is further reported that the jute quota to the dollar areas will be substantially increased.

Items Prohibited for Shipment into Pakistan: The Pakistan Government has announced that for the remainder of the first six months of 1948 no licenses will be issued for the importation of bacon, ham, vegetables (except potatoes), lard, molasses, confectionery, cakes, fruit juices, canned fruits and vegetables, vinegar in bottles and casks, live animals, living plants, coral, cowries, shells, manufactured ivory, rubber seeds, fodder, bran, and pollars; perfumed spirits, perfumery, opium, opium alkaloids and derivatives, fireworks, hides, skins, dressed fur skins, used boots and shoes containing no rubber, boot and shoe uppers not entirely of leather; furniture and cabinet work, except moldings; fabrics containing gold or silver thread, Ghonsis and Muktakesis cotton braids or cords, jute manufactures, silk or artificial silk socks and stockings, lace, and embroidery; cement, stone, marble, articles made of stone or marble, tiles; unset precious stones (except diamonds), jewelry, jewels, lametta, metallic spangles and similar articles, gold and silver plate, gold or silver leaf, gold or silver thread and wire, other gold and silver articles, articles (except cutlery and surgical instruments) plated with gold or silver, chemical or imitation gold; stirrup pumps, tin or galvanized buckets, obsolete arms and swords intended only as antiques or for theatrical or ceremonial purposes, and dahs; prints, engravings, pictures, photographs, picture postcards, postage stamps, rubber stamps, complete fountain pens, brooms, and celluloid zippers.

It will be noted that this is much shorter than the list of items prohibited for shipment into the Dominion of India.

Export Licenses from India to Pakistan Required: As of March 1, export of most commodities to Pakistan from India will be allowed only under a license granted by the Chief Controller of Exports, New Delhi, and on payment of customs duty, wherever leviable. 39 Land Customs stations have been established along the frontier of West Bengal by the Land Customs Department of the Government of India. All goods intended to be exported to Eastern Pakistan or to be imported from Eastern Pakistan will have to pass through these Land Customs stations where duty, if any, will be levied or the goods allowed to pass duty free under cover of a license.

New Import Regulations for Iron and Steel Products: Indian importers of iron and steel products have been advised by the government of India that all import licenses for certain iron and steel products, issued prior to August 1, 1947, expired on December 31, 1947, and cannot be revalidated. Licenses issued from August 1 to December 31, 1947, will not be extended beyond the date indicated on the license. Applications for import licenses for a number of items for shipment during the first six months of 1948 will not be considered unless they were received before January 1, 1948. A number of other iron and steel products will be curtailed in importation from dollar areas but may be freely licensed from non-dollar areas. For the list of products so treated, member firms should contact the New York office of the Council.

U. S.-India Trade: Exports from the United States to India and Pakistan during December increased sharply over November levels, totalling \$32,082,474 as compared with \$25,963,100. The chief items exported included grains and preparations, textiles, petroleum products, metals, electrical machinery, industrial machinery, automotive equipment, coal tar products, and drugs and pharmaceuticals. Imports from India likewise increased substantially in December and equalled \$21,270,126. The most important products shipped in terms of value were jute and manufactures, hides and skins, nuts, tea, spices, and gums and resins.

India-Pakistan Cotton Agreement: An agreement has been reached between the Government of India and the Government of Pakistan on the subject of making cotton textiles available to Pakistan in exchange for raw cotton for the period ending August 31, 1948, according to a press note issued by the Ministry of Industry and Supply on March 13. Under the agreement India will make available twelve bales of cloth and yarns against every twenty bales of raw cotton received from Pakistan, both cotton textiles and cotton being subject to customs duties in the two Dominions. The Government of India have also agreed to make an ad hoc allotment of 25,000 bales of cloth to Pakistan against cotton already received in the Dominion of India.

Indian Cotton Shipments: As a result of the ban placed on the exportation from India of most grades of raw cotton, exports of Indian cotton dropped to 99,274 bales in the six months ended February 26, compared with 569,012 during the same period of the preceding year. On the other hand the domestic consumption of cotton in Bombay showed little change and domestic cotton stocks remained at a high level.

Indian Tea Control Act: Commerce Minister Bhabha introduced in the Dominion Parliament on March 10 a Bill to amend the Indian Tea Control Act. The Bill seeks to give official sanction to the interim agreement reached by the International Tea Committee for the regulation of the export of tea and for the control of the extension of tea cultivation. This Committee, consisting of representatives of the tea industry in India, Ceylon, and the Netherlands, has recommended to the governments of those countries that the existing International Tea Agreement which expired on March 31,

1948, be replaced by an interim agreement for a period of two years from April 1, or for such time till a regular agreement is concluded, whichever is shorter. India is the largest tea exporting country in the world. Out of a total production of 550,000,000 pounds per year, about 140,000,000 pounds are consumed in the country and the balance is exported.

Sterling Balance Agreement Between India and Britain: On March 2, Finance Minister Chetty announced to the Indian Parliament the terms of the extended sterling agreement with Great Britain which will be effective through June, 1948. According to the agreement a further 18 million pounds will be transferred from the blocked sterling account to "Account No. 1," the existing balance of which will be carried forward at the disposal of India except for a certain amount to be transferred to Pakistan under the Indo-Pakistan agreement of December. One important feature of the new agreement is the limit on convertibility. Under the original agreement the whole of India's sterling in Account No. 1 was fully convertible for current transactions into any currency including that of the United States. Under the present agreement, however, India's right to multilateral convertibility will be limited to the extent of 10 million pounds. (The Government of the United Kingdom is entering into separate agreements with Pakistan.)

It is further agreed that the Government of India will cooperate with other members of the sterling area in conserving the exchange resources of the area by limiting expenditure in a number of territories (including the continents of North and South America) to the fullest extent compatible with the purchase of India's essential needs.

Pakistan Sterling Balances: The financial discussions between the Pakistan and United Kingdom delegations relating to Pakistan's sterling balances, have been concluded and the financial agreement of August 14, 1947, has been extended to June 30, 1948. As a result of this extension, there will be a further transfer of 6 million pounds for Pakistan from the blocked sterling account in addition to the balance of 4 million pounds carried over from 1947. In view of the worldwide dollar shortage, however, and the strain to which the Central reserves of the sterling area are being subjected, the Government of Pakistan have agreed to restrict their net drawings on the Central reserves for hard currencies to a total of 3.3 million pounds in the first half of 1948. Pakistan will, of course, have available at her disposal her own earnings of hard currencies in addition to this amount.

1948-1949 India Budget: On February 28, Finance Minister Chetty outlined to the Indian Parliament his budget for the 1948-1949 fiscal year. Major points in this new budget included a reduction in the business profits tax from a rate of 16 $\frac{2}{3}$ % to 10% and the raising of the amount of abatement from Rs. 1 lakh to Rs. 2 lakhs or 6 percent of the capital employed, whichever was greater; the reduction of the supertax; the reduction of the income-tax on companies with an income of Rs. 25,000 and below to half the usual rates; an increase in the rate of Corporation Tax from 2 to 3 annas and a provision for the return of one anna to companies which declare and distribute their dividends in India (this measure is aimed at those foreign firms which pay dividends outside of India); conversion of the export duty on cloth to an ad valorem duty of 25% with handloom cloth and yarn exempted; withdrawal of the excise duty on betelnuts; the placement of export duties on oilseeds, vegetable oils and manganese; an increase in the import duties for motor cars, cigarettes, cigars and manufactured tobacco; a levy of 25% as an excise duty on cigarettes; an increase of the excise duty on coffee and tea, vegetable products, and matches; and an increase in postal and telephone rates.

The announcement of this new budget met with widespread criticism from many Parliament members and from the public. Business had been looking forward to greater reductions in corporate taxes and other elements felt that the budget should have provided more funds for relief purposes and resented the placement of excise duties on a number of items. Editorial comment in India, however, was generally favorable toward the Budget and felt that in view of the existing situation it was a conservative compromise during a very difficult period in India's economic development.

1948-1949 Pakistan Budget: The Pakistan Budget for the coming fiscal year was introduced also on February 28 by Finance Minister Mohammed in his address to the Pakistan Parliament. The details of this Budget included; the establishment of a Refugee Rehabilitation Finance Corporation with a capitalization of 3 crores of rupees; provision for a loan for Provincial governments of 10 crores of rupees for rehabilitation purposes; the establishment of a State Bank of Pakistan with a capital of 3 crores of rupees, 51% of which would be subscribed by the State; provision that new industrial undertakings using power-driven machinery and employing more than fifty men in Pakistan should, during the next five years, be exempt from all direct taxation on so much of their profits as does not exceed 5% of the capital employed; the introduction of a Central Sales Tax as soon as practical; the placement of export duties on hides, skins, and cotton seeds and the retention of the export duty on raw cotton; reduction of undistributed profits tax; reduction of income tax on companies with an income of Rs. 25,000 and below to half the usual rates; exemption from taxation of contributions to charities, etc. and payments of municipal taxes on property; increase in Corporation tax with similar provisions to the Indian measure described above; the conversion of the export duty on cloth and cotton yarn to an ad valorem basis; placement of export duties on oil seeds, vegetable oil, and manganese; increase in import duty on cars and tobacco products; and withdrawal of excise duty on betelnuts.

Pakistan Notes Not to be Legal Tender in India: The Reserve Bank of India announced on March 22 that new bank notes inscribed with the words "Government of Pakistan" in English and Urdu, to be issued in Pakistan, will not be legal tender in India, and will not be accepted by the bank at its offices, branches, or agencies in India. The existing latest patterns of Reserve Bank of India bank notes of the denominations of Rs. 2, 5, 10, and 100 inscribed with the words "Government of Pakistan" in English and Urdu will be issued in Pakistan from April 1, 1948, and will be full legal tender in Pakistan.

Government of India currency notes or Reserve Bank notes without the words "Government of Pakistan" in English and Urdu inscribed on them will, until September 30, 1948, be legal tender at any place in Pakistan in payment or on account of the amount expressed therein.

Railway Control Extended: The Indian Parliament on March 19 passed the Transport Minister's Bill to amend the Railways (Transport of Goods) Act to extend control for another year. This move was necessary, it was claimed, in order to conserve and control the limited Transport facilities available in India and to regulate shipments of critical food and industrial items by a system of priorities.

General Industrial Notes: Freight car shortages continue to clog terminals --- A shortage of farm equipment and large-scale demand for these items is reported --- Production of paper and paperboard has declined sharply during 1947, totalling only 86,000 tons --- United Provinces plan installation of two textile mills, one acetate rayon plant, two contact sulfuric-acid plants, and two electrolytic caustic soda plants --- The 1947 flue-cured tobacco crop in India totalled 56,000,000 pounds, a

decline from 1946 levels --- Preliminary work on the Ramapadasagar Dam by the Madras Government has been completed --- Food grain production in India and Pakistan for the current year shows little change from 1946-1947 levels --- Substantial quantities of steel and rails are being purchased in this country.

NETHERLANDS INDIES

The Dutch on March 9 formally installed the Interim Netherlands East Indies Government and renewed the invitation to the Indonesian Republic to join. The Interim Government will function until the establishment of a United States of Indonesia and January 1, 1949, has been set as the target date for the inauguration of this government. Conditions in the Indies are reported to be steadily improving although foreign trade will undoubtedly be closely controlled by the Government for a considerable period of time. Many of the functions of the Netherlands Indies Government Import and Export Organization which was dissolved late in 1947 were taken over by the General Import Organization which has financed the purchase of such important items as textiles, foodstuffs, bulk goods, sundries, fertilizers, and chemicals.

According to foreign exchange regulations announced on January 1, 1948, importers must obtain an import declaration from the Bureau of Supplies to be submitted to the customs officer at the port of entry before they can take possession of the goods. No goods shipped after February 29, 1948, will be permitted to enter the Netherlands Indies without an import declaration, with the understanding that any shipments covered by a foreign exchange permit will be permitted to enter until April 30, 1948.

U. S.-Netherlands Indies Trade: Exports to the Netherlands Indies from the United States during December totalled \$5,852,663 and consisted primarily of foodstuffs and automotive equipment. Imports from the Netherlands Indies were valued at \$2,345,229 of which rubber and tin were the largest items.

Copra Exports Gain: In February, copra exports from the Netherlands Indies totalled 14,600 long tons, more than double those of the previous month and 51 percent larger than in February 1947. March and April shipments are expected to at least equal and possibly exceed the February level. Total production in February was 19,192 tons of which 16,731 were produced in East Indonesia. Local oil mills reported very small deliveries since the bulk of the copra is being produced for export at the present time.

Export Regulations on Rubber: It is announced that as of February 1, 1948, licenses for the export of rubber, previously issued by the Netherlands Indies Rubber Fund, will no longer be necessary; nor will deliveries for export be further subject to a charge of 2 cents per kilogram previously collected by the Fund to defray certain of its expenses.

BRITISH MALAYA AND SINGAPORE

Trade conditions in British Malaya and Singapore are generally good. The rubber market, after its earlier slump, was reported to be steady in early March although drops in the manufacturing schedules in the U. S. were felt later in the month. The textile market was reported quiet and apparently awaiting the result of the resumption of private trade by Japanese textile interests before making too many commitments in other areas. Produce markets in March showed little fluctuation

although pepper declined because of heavy shipments into Singapore, but later rose as foreign demand increased. Increased rations of rice in Singapore have depressed open market prices for that commodity and the price of tin declined following the trend in the London market. Negotiations are being carried on looking toward the lifting of the Moratorium on debts.

Total imports into the Port of Singapore for the month of January were SS\$129,000,000 and total exports were SS\$135,000,000, of which rubber comprised SS\$87,000,000.

U. S.-Malaya Trade: Exports to British Malaya and Singapore increased in December to a total of \$6,903,714. The major items of export were cotton manufactures, dairy products, grains, rayon fabrics and metals. U. S. imports from that area totalled \$25,416,164 of which rubber was valued at \$19,700,927.

Open General Licenses for Goods from Certain Areas: In an announcement of January 29, 1948, the Government of the Malayan Federation placed under open general license all imports from the United Kingdom, British colonies and mandates, Burma, Southern Rhodesia, France, French Morocco, Tunisia, Algeria, Netherlands, Austria, Poland, Czechoslovakia, Yugoslavia, Denmark, Hungary, Italy, Greece, Norway, and China, with the exception of agricultural commodities under international allocation and certain United Kingdom manufactures in short supply, namely, cotton linings and poplin, worsted suitings, linen piece goods, lead semimanufactures, cutlery, chinaware and earthenware, liquors, manufactured foodstuffs, manufactured tobacco, flat glass and wool carpets. These announcements make the import control schedules of the Malayan Federation and Singapore practically identical.

1947 Rubber Production at All-Time High: Malayan production, imports, and exports of natural rubber in 1947 broke all earlier records. Rubber production in the Malayan Union totalled 645,229 long tons, averaging 53,769 tons a month. An additional amount of about 1,100 tons was produced on Singapore Island. Imports of rubber into the Malayan Union and Singapore totalled 313,549 long tons in 1947, and gross exports 953,697 long tons. Net exports were 640,148 tons, an increase of 11 percent over 1941.

Copra Production Continues Upward: Malayan commercial copra production amounted to 182,000 long tons in 1947 compared with the 1935-1939 average of 225,000 tons. While production is approaching average, however, exports are negligible since large quantities are consumed domestically in the production of coconut oil and as food. January shipments of copra and coconut oil were considerably larger than in the same month last year and well above the 1947 monthly average. January copra and coconut oil exports were 800 and 5,384 long tons, respectively. Coconut oil shipments were the largest since the industry was resumed in July, 1946.

Rice Production: The 1947-1948 rice crop of the Malayan Union now being harvested is reported to be 26,986,000 bushels compared with an average in pre-war years of 27,009,000 bushels. The latest official estimate of the current crop shows a marked increase over last year's harvest of 21,314,000 bushels. The total planted acreage is forecast at 904,000 acres compared with the corresponding estimate of 810,000 acres in the preceding year.

FRENCH INDO-CHINA

The new autonomous tariff for Indo-China brought into operation in 1947 carried substantial reductions in duties on products essential to the country's rehabilitation. It levies the same duties on goods of all origins and is applicable throughout the Indochinese Federation. Prior to the war, French products had been admitted free or at considerably lower rates than goods from other sources. All importations require prior purchase authorizations, which are granted only on essential products. While importers' requests for foreign credits need no longer be referred to Paris for approval, they are to be authorized only if similar French goods are not obtainable or would be subject to unreasonable delay in delivery.

A port tax of 1.20 piastres per ton or cubic meter, as stated in the bill of lading, of imported merchandise, has been imposed. The tax on exports varies as to commodity.

New Piastre-Dollar Rate: Effective January 28, 1948, the buying rate of the Indochinese piaster is 12.55 piasters to the United States dollar, and the selling rate 12.70 piasters. This announcement came as a result of the devaluation of the metropolitan franc to which the piaster is linked.

Trade Controls: Under Government decree, the Central Committee of Supplies has been replaced by the creation of the Central Committee of Supplies and Commercial Exchanges. The principal duties of the new Central Committee include the approving of the Supply Plan for Indochina; the fixing, periodically, of quotas of controlled imports to be shared among the States of Indochina, also exportable surpluses from each State; and the fixing of general rules and regulations for importing and exporting merchandise. The Central Committee is assisted by an Office of Foreign Trade and Supply and the Permanent Internal and External Exchange Commission. The functions of the latter Commission include the approval of import and export licenses, and internal exchanges; and the approval of lists of products which may be exported directly.

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CHINA

"Watchful waiting" best expresses the present status of business interests and our government in the current China situation.

During the past month, war in China has seemingly shifted from a military to a political phase -- the joint U.S. Military Advisory Group has left China, ending American military guidance for training of the Chinese army, airforce and navy -- the American Embassy remains in Nanking, but an Embassy office has been opened in Canton, formally established as China's temporary capital -- Lewis Clark, Minister Counselor, is in charge -- U. S. Consulate personnel remain in Mukden, Tientsin and Peking, now under control of Chinese Communists.

The present phase of events would seem to have China divided into three areas of control -- (1) Northernmost China - under Soviet expansion - evidenced in the reported Sinkiang-U.S.S.R. Pact under negotiation reported to provide a fifty-year U.S.S.R. mining monopoly of Sinkiang mineral resources -- a U.S.S.R. monopoly on raw materials (wool especially going to Russia in return for finished products) -- a civil aviation agreement renewing the U.S.S.R. virtual air monopoly through a Sino-Soviet airline; (2) Southern Manchuria and Northern China under control of Chinese Communists; (3) the area below the Yangtze under the National Government of China.

Revised Foreign Exchange Control Regulations, governing foreign exchange and trade, were promulgated by the Chinese National Government on December 1, 1948.
(this material available for Members)

A BROAD NEW PROGRAM OF FINANCIAL AND ECONOMIC REFORMS AND REVISED TAX SYSTEM was announced by Finance Minister Hsu Kan on February 24th to become effective when approved by Acting President Li Tsung-jen.

Provisions include a free market in gold and silver - with the Central Bank selling bullion whenever necessary to stabilize the market -- minting and circulation of silver dollars by the Government -- circulation of foreign currency remains banned - a system of foreign exchange certificates will be inaugurated.

Reports from Shanghai are to the effect that - cotton mills in Shanghai area have curtailed operations about 50% (some mills have closed down) due to shortage of raw cotton and power.

First reports from Tientsin (as of February 15th) state that the Communists have taken over the Tientsin branch of the China Textile Corp., the Central Machine Plant, the three steel plants of the North China Steel and Iron Corp. -- passenger train service was resumed between Peking and Tientsin on February 4th -- electric light, telephone, streetcar and water supply were restored January 20th -- strict ban has been imposed on the circulation or private buying and selling of foreign currencies -- notes issued by Chinese Peoples' Bank are sole legal tender for all financial transactions -- the Communists are ignoring foreign businessmen in Tientsin - they may move freely about the city but may not leave precincts -- their requests to the Foreign Affairs Officer appointed by the Communists were being tabled.

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JAPAN

The visit of Kenneth C. Royall, Secretary of the Army, said to be for the purpose of speeding up Japan's economic self-sufficiency along the lines of the nine economic principles (announced in our Japan Bulletin #13) highlighted developments there last month. Deputy Chief of Staff, Lt. General Albert C. Wedemeyer, and a staff of eight, accompanied the Secretary, also Joseph M. Dodge, President of the Detroit Bank, and a staff of three. Dodge will remain in Japan for three months or more to act as Chief Financial and Economic Adviser to General MacArthur.

Despite the issuance of SCAP on January 14th of the regulations widening the latitude of foreign participation in Japan's economic life, the Japanese Government's exact methods of inviting foreign capital have not been clarified as yet. Legislation is needed to eliminate some of the more important obstacles to foreign investment. Difficulties to be cleared include: (1) the settlement of questions regarding old investments made before the war; (2) the questions involved in reimbursing foreign investors of losses during the war; (3) obstacles lying in the way of new investment in Japan -- including the setting of an exchange rate, the lowering of the current high corporation and enterprise taxes (now in the vicinity of 56 to 57% of the entire profits), assurance of adequate foreign patent protection, revision of existing labor laws in keeping with the 9-point economic stabilization program.

Boekiho has announced new export trade regulations effective as of February 15, 1949, indicating a broad transfer of export trade from a government to private basis. Under this, exporters will need only trade board's permission to export all but border items, including scrap metal, ships, rolling stock, machine tools, all textile products, all raw materials currently on import approved programs, and commodities requiring special handling or contract agreements, which require prior SCAP validation of export licenses.

1948 Japan exports are reported to total approximately \$272,300,000 - 46% increase over 1947.

Textile export for December are estimated by SCAP at \$30,000,000 - almost twice those of November and \$17,000,000 over October. Japan Textile Sales Commission reports January foreign woolen yarn sales of 1,114,000 pounds -- 90% going to India. Textiles are expected to constitute about two-thirds of Japan's 1949 exports.

1948 total imports were over \$695,400,000 -- 32% over 1947. 1948 imports of pulp were 21,147 tons (5,570 tons from U. S.) -- Pulp Purchasing Board now reported purchasing rayon pulp.

The Japanese Government has asked SCAP for permission to import 200 items of machinery ranging from rock drills and underwater welders to meters needed in coal mining, iron and steel production, oil drilling, textile plants, fertilizer plants, etc., totalling \$2,500,000 to be drawn from the ERCA fund.

Production -- April-December coal output was 25,242,906 tons -- pig iron output in December was reported 82,625 tons. Japan's 1948 raw silk production totalled 132,936 bales (44,416 bales exported to U.S.). 297 billion units of penicillin

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are reported to have been produced in Japan in 1948. The production of chemical fertilizers is nearing 1941 prewar figures - 1948 production reported at 917,000 metric tons of ammonium sulphate, 997,000 tons of superphosphate and 227,000 tons of calcium cyanamide.

Other Japan production figures (previously announced in bulletins) are available at Council Headquarters upon request.

Exchange Control -- On February 1st, General MacArthur ordered the Japanese Government to establish a Foreign Exchange Control Board for the purpose of implementing coordinated control over the movement of foreign exchange and trade into and out of Japan. Controls will be subject to general supervision of SCAP.

Dodge Studying Exchange Rate -- It is reported that the establishment of a single exchange rate tentatively set by the Japanese Government for April 1st will be postponed until Dodge has completed a study of financial and economic problems in Japan. Speculation is that a single exchange rate will not be established until July 1st.

Export Standards -- The Japanese Government has announced grades and standards for export productions, except textiles, which exporters must meet or be subject to imprisonment or fine.

PHILIPPINES

On January 24th the Philippine Congress received President Quirino's report on the State of the Nation -- a balanced budget and virtual restoration of peace and order in Central Luzon were accomplished facts -- other items reported were - U.S. assistance for hospitalization of veterans - campaign against leprosy and tuberculosis had made progress - new census of the country had been taken (shows 19,000,000 population) - 5260 kilometers of roads rehabilitated - 605 schools built - 381 public buildings constructed - 2231 temporary and 6 permanent bridges constructed - Central Bank set up with a system for stabilizing Philippine currency.

The broad program presented for 1949 -- plans for increased production - social amelioration, legislation to eliminate slums, fire hazards, etc. - redemption of emergency currency - recommended need for irrigation systems, for increased agricultural production, the development of oil resources.

Philippine imports during 1948 totalled 1,037,557,000 pesos - exports for 1948 amounted to 649,713,000 pesos -- both export and import totals increased slightly over those of 1947. While copra and coconut oil exports fell off over 30%, exports of sugar and base metals were substantially increased.

Sugar Import Controls are expected to be limited to 10% of 1948 total import commodities -- about 200 tons.

Exchange Rate -- The Central Bank of the Philippines fixed the United States dollar rate at 200.75 pesos per 100 dollars on telegraphic transfers and 200.70 pesos per 100 dollars on sight drafts.

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Philippine Import Control Regulations -- Clarification of several classifications in the list of luxury and non-essential goods, subject to Philippine import controls (as announced in the Council's Philippine Bulletin of January 13th), has been issued and is available upon inquiry at the Council's New York office.

Public Lands -- Foreign firms and corporations may lease public lands for industrial and residence purposes but are disqualified from purchasing public lands for exploitation of natural resources or agricultural purposes -- last year the constitution was amended to allow U. S. citizens equality in exploiting natural resources.

INDIA

India's foreign trade for the half year ended September, 1948 totalled approximately 4,470,000,000 rupees, of which imports amounted to 2,325,000,000 rupees and exports 2,145,000,000 rupees. The main commodities imported were machinery, grain and flour, metals and ore, vehicles, chemicals, drugs and dyes. Chief exports were jute, tea, cotton, oils, hides and skins.

India's food imports for 1949 are expected to exceed all records. It is estimated that the Indian Food Ministry may have to buy $4\frac{1}{2}$ million tons of food grains this year (3 million tons were imported in 1948). An arrangement for the import of 300,000 tons of food grain from the U. S. is contemplated. To improve the food situation the Government of India has launched a five-year plan for the reclamation of 6 million acres of uncultivated land. This plan includes construction of 4000 tube wells, buying of 10,000 tractors, 150 boring rigs and associated equipment.

Reports are that India will put in a formal application to the International Bank For Reconstruction and Development for a loan of 150 million dollars upon the completion of the survey there now being completed by the Bank's Mission, headed by A. S. G. Hoar, Assistant Loan Director of the Bank.

India's Industrial Production shows production increased in cloth, cement, paper, electrical goods, heavy chemicals, metals & alloys, machine tools, sugar and salt. Steel and coal production were slightly decreased. Export of cloth of finer counts and wider widths now unrestricted, including hand loom as well as mill-made piece goods.

India's Jute Mill Industry has been having difficulty in securing sufficient raw jute to keep the mills going -- continued high prices of jute has been another disturbing factor, while prices for burlap, though fluctuating, have steadily declined.

New Manganese Ore deposits - with traces of gold and copper have been discovered in Saudur, adjoining Madras Province. India is now the largest supplier of manganese to the United States.

The Government of India is making substantial progress in its radio expansion program. All India Radio, a Government enterprise, is reported to be the fourth largest broadcasting organization in the world -- the largest in Asia -- broadcasts in 31 languages. A new radio station (the eighth since August 1947) was opened at Allahabad, United Provinces in February and a radio station in Ahmadabad, Bombay Province will start functioning the end of this month. Receiving sets and

loud speakers are being installed in villages in the proximity of national transmitting stations.

Six Indian engineers employed by the Government of India arrived in the United States during February for a three months' training program in making chemical fertilizers. These engineers will eventually operate a 50-million dollar fertilizer plant, now being built for the Government of India at Sindri. The Chemical Construction Corporation, a Council member, is the engineer for the new plant. The Chemical Construction Corporation will also handle the plant's operations until Indian engineers are trained sufficiently to take over management duties.

An Italian Economic Mission composed of about 40 representatives of banks, trade and industrial organizations is reported to be in India for a six weeks' study of Indian economic conditions, markets and problems of industrial development.

PAKISTAN

Pakistan's trade balance is reported to be favorable for the year ending August 31, 1948. Exports to countries other than India amounted to 724,200,000 rupees in value -- re-export of foreign merchandise was valued at 85,500,000 rupees, imports were valued at 275,800,000 rupees -- leaving a favorable trade balance of 533,900,000 rupees.

Pakistan raw jute exports to hard currency areas will continue without license until June 30, 1949.

An excise duty on raw jute of $1\frac{1}{2}$ rupees per bale for cuttings, and 5 rupees per bale for other than cuttings, will be levied during the next baling season -- according to an announcement from Karachi on February 28th. Export duties on sheep and goat skins have been cut to 10%.

Import duties on machinery will be halved to 5%.

INDONESIA

Reports indicate that during the first eleven months of 1948 Indonesia exported 262,000 tons of rubber and 242,000 tons of copra. In January, 1949, Indonesia exported 33,000 long tons of copra -- $4\frac{1}{2}$ times the quantity of copra exported in January 1948. On February 1st, The Copra Board announced a decrease in the price of all grades of copra -- 149.15 for sun-dried, 141.50 for mixed, 130.03 for inferior grade (all prices per long ton).

Indonesia changes in Import Duties and Export Levies -- On February 1st the defense and extra export duties, amounting to 30 percent, were revoked by the Indonesian Government. This was replaced by a general export duty of 8 percent ad valorem with exceptions made in common wood, some spices, citronella oil, topics products, rattan, coal (all 3%), reptile skins (except snake), tea - 1947 and later crops, sugar 1949 (first 25 guilders), forestry products from the Outer Provinces - all 5%. Exception is also noted in tin -- taxed at $3\frac{1}{2}$ guilders per 100 kilograms.

A new schedule of export tariffs on rubber will go into effect on May 1, 1949.

Import Duty on iron and steel drain pipe has been reduced from 12 to 6% ad valorem.

Indonesia's statistical duty has been raised from 1/4 of 1 percent to 1/2 of 1 percent ad valorem on imports and from 1/4 of 1 percent to 3/8 of 1 percent ad valorem on exports.

SIAM

A Trade Mission from Siam will arrive in the United States this month. This Mission is reported to be primarily interested in obtaining steel, railway equipment and repairs, and machine tools.

Customs Duties on wines, beer and spirits were increased last month by the Government of Siam.

Reports from Bangkok indicate that the effect of the Import Controls of Siam (see January 14th Bulletin) will result in a 5% decrease in imports from the United States during 1949.

HONGKONG

Hongkong imports increased 35% and exports increased nearly 30% in 1948 over 1947 -- leading imports during 1948 were food products, beverages, tobacco, textiles, chemicals and pharmaceutical products -- leading exports cover practically the same products.

Hongkong-South China trade is on a sharp downward trend -- Hongkong-Japan trade is increasing -- Hongkong-Manchurian trade routed through North Korean ports is believed to be increasing -- Hongkong-Korean trade in 1948 totalled approximately 20 million dollars -- Hongkong exports being \$11,600,000 and imports \$8,400,000.

Import Duties on unmanufactured tobaccos and cigarettes were increased January 6, 1949 -- new duty rates are available upon request.

MALAYA

The value of Malayan exports during 1948 was reported more than 192,000,000 pounds -- imports worth nearly 191,000,000 pounds. The adverse balance is greater than in the previous year. Tin exports increased over thirty percent.

That United States exports to Malaya will probably decrease during 1949 is evidenced in the restrictions on imports from hard currency areas as revised in December 1948. Imports of textiles there were suspended last June and the present ruling implies that no U. S. textiles will be imported there this year. The importation of cars of over 20 horsepower and trucks, from hard currency areas, is continued.

A list of U. S. export items which may be imported there is available upon request.

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FAR EAST-AMERICA COUNCIL
OF
COMMERCE AND INDUSTRY, INC.
30 Rockefeller Plaza New York 20, N. Y.

UNITED STATES FOREIGN TRADE WITH MAJOR COUNTRIES IN THE ORIENT

First Five Months, 1948

<u>Country</u>	<u>1st Four Months</u>	<u>May</u>	<u>Total 5 Months</u>
<i>Value US. Dollars</i>			
<u>Exports to:</u>			
Philippine Islands	168,615,049	39,424,328	208,039,377
Japan	103,679,399	12,082,481	115,761,880
India	95,707,349	24,450,842	120,158,191
China	94,570,450	35,450,848	130,021,298
British Malaya	32,740,527	10,744,234	43,484,761
Hongkong	29,971,900	8,474,430	38,446,330
Netherlands Indies	26,989,830	6,943,235	33,933,065
Korea	26,861,590	4,462,306	31,323,896
Ceylon	6,814,689	1,112,517	7,927,206
French Indo-China	5,760,534	1,417,695	7,178,229
Siam	4,202,290	1,476,368	5,678,658
Taiwan	2,657,873	363,261	3,021,134
Pakistan	2,606,843	542,119	3,148,962
Burma	1,568,661	293,008	1,861,669
Portuguese Asia	381,365	54,743	436,108
Manchuria	895	---	895
TOTAL	603,129,244	147,292,415	750,421,659
<u>Imports from:</u>			
India	98,504,101	23,761,131	122,265,232
British Malaya	92,451,091	20,236,735	112,687,826
Philippine Islands	81,726,249	17,641,991	99,368,240
China	36,474,393	8,402,301	44,876,694
Ceylon	16,614,013	4,815,143	21,429,156
Japan	15,146,055	3,524,351	18,670,406
Netherlands Indies	14,849,875	3,038,482	17,888,357
Siam	12,971,377	2,930,764	15,902,141
Pakistan	8,199,595	3,159,794	11,359,389
Hongkong	1,320,589	258,230	1,578,819
French Indo-China	810,402	39,150	849,552
Burma	318,007	72,311	390,318
Taiwan	297,839	80,002	377,841
Korea	196,186	54,504	250,690
Portuguese Asia	139,609	33,063	172,672
TOTAL	380,019,381	88,047,952	468,067,333

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EXPORTS TO THE PHILIPPINES FROM THE UNITED STATES
May, 1946

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Meat Products	273,655
Dairy Products	1,439,879
Leather	242,983
Leather Manufactures	477,718
Grains and Preparations	4,826,385
Vegetables and Preparations	362,942
Fruits and Preparations	350,161
Table Beverage Materials	458,711
Sugar and Related Products	318,193
Beverages	458,488
Rubber and Allied Gums and Manufactures	1,110,048
Tobacco and Manufactures	1,202,877
Cotton Manufactures	4,750,176
Synthetic Fibers and Manufactures	3,218,512
Misc. Textile Products	424,415
Paper, Related Products and Manufactures	1,091,280
Petroleum and Products	1,702,135
Glass and Products	472,648
Steel Mill Products	1,416,179
Iron and Steel Manufactures	997,016
Aluminum and Manufactures	489,520
Copper and Manufactures	239,109
Electrical Machinery and Apparatus	1,440,576
Engines, Turbines and Parts, not elsewhere specified	282,646
Mining Well and Pumping Machinery	270,349
Textile Sewing and Shoe Machinery	305,849
Industrial Machinery, not elsewhere specified	912,618
Printing and Bookbinding Machinery	212,625
Automobiles, Parts and Accessories	2,719,673
Aircraft Parts and Accessories	1,547,539
Vehicles and Parts, not elsewhere specified	244,777
Medicinal and Pharmaceutical Preparations	1,144,681
Chemical Specialties	250,702
Industrial Chemicals	244,558
Pigments, Paints and Varnishes	394,785
Soap and Toilet Preparations	630,348
Photo and Projection Goods	319,163
Scientific and Professional Equipment	213,764
Misc. Office Supplies	260,224
Firearms, Ammunition, Pyrotechnics	207,627
Books, Maps, Pictures and Print, not elsewhere specified	515,082
All others (incl. all items less than \$200,000)	3,983,712
TOTAL	39,424,328

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EXPORTS TO CHINA FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Dairy Products	424,673
Grains and Preparations	4,883,657
Rubber and Allied Gums and Manufactures	337,321
Tobacco and Manufactures	1,212,678
Cotton, Unmanufactured	15,343,852
Paper, Related Products and Manufactures	820,372
Petroleum and Products	945,547
Steel Mill Products	535,382
Electrical Machinery and Apparatus	547,339
Engines, Turbines and Parts, not elsewhere specified	472,264
Textile Sewing and Shoe Machinery	303,023
Industrial Machinery, not elsewhere specified	643,880
Automobiles, Parts and Accessories	219,235
Aircraft Parts and Accessories	1,840,292
Vehicles and Parts, not elsewhere specified	1,450,305
Coal Tar Products	378,466
Medicinal and Pharmaceutical Preparations	873,216
Industrial Chemicals	304,333
Scientific and Professional Equipment	343,542
Books, Maps, Pictures and Print, not elsewhere specified	1,357,684
All Others (incl. all items less than \$200,000)	2,213,987
TOTAL	35,450,848

EXPORTS TO INDIA FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Dairy Products	267,640
Grains and Preparations	1,832,893
Tobacco and Manufactures	2,540,327
Cotton Semi-manufactures	491,711
Cotton Manufactures	482,376
Sawmill Products	222,973
Petroleum and Products	930,256
Non-metallic Minerals, Incl. Precious, not elsewhere specified	259,498
Steel Mill Products	685,748
Iron and Steel Manufactures	322,233
Copper and Manufactures	1,224,076

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Exports to India from the United States (Cont'd)

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Zinc and Manufactures	228,941
Electrical Machinery and Apparatus	783,849
Engines, Turbines and Parts, not elsewhere specified	574,435
Metal Working Machinery	258,199
Textile Sewing and Shoe Machinery	532,705
Industrial Machinery, not elsewhere specified	1,539,654
Office Appliances	279,485
Printing and Bookbinding Machinery	458,124
Agricultural Machinery and Implements	294,889
Automobiles, Parts and Accessories	2,807,324
Aircraft Parts and Accessories	386,973
Vehicles and Parts, not elsewhere specified	1,127,855
Coal Tar Products	2,722,969
Medicinal and Pharmaceutical Preparations	318,519
Industrial Chemicals	833,568
Pigments, Paints and Varnishes	260,786
All Others (incl. all items less than \$200,000)	1,782,336
TOTAL	24,450,842

EXPORTS TO JAPAN FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Hides and Skins, Raw, Excluding Furs	97,824
Animals, Animal Products Inedible, not elsewhere spec.	52,500
Grains and Preparations	2,263,840
Fodders and Feeds, not elsewhere specified	1,241,387
Vegetables and Preparations	519,494
Vegetable Oils and Fats, Edible	206,856
Beverages	65,032
Rubber and Allied Gums and Manufactures	143,713
Oil Seeds	1,729,376
Misc. Vegetable Products, Inedible	273,477
Cotton Semi-manufactures	148,145
Vegetable Fibers and Manufactures	1,012,539
Paper, Related Products and Manufactures	80,601
Coal and Related Products	487,457
Non-metallic Minerals, Incl. Precious, not elsewhere spec.	754,933
Iron and Steel Manufactures	95,654
Automobiles, Parts and Accessories	56,093
Coal Tar Products	485,929
Medicinal and Pharmaceutical Preparations	175,063

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Exports to Japan from the United States (Cont'd)

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Chemical Specialties	399,950
Fertilizers and Fertilizer Materials	766,926
Industrial Chemicals	92,677
All Others (Incl. all items less than \$50,000)	953,015
TOTAL	12,082,481

EXPORTS TO BRITISH MALAYA FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Dairy Products	444,011
Grains and Preparations	161,211
Cotton Manufactures	6,587,882
Synthetic Fibers and Manufactures	918,679
Paper Base Stocks	95,825
Petroleum and Products	112,765
Glass and Products	61,915
Steel Mill Products	217,626
Iron and Steel Manufactures	54,613
Aluminum and Manufactures	134,606
Electrical Machinery and Apparatus	184,610
Engines, Turbines and Parts, not elsewhere specified	60,569
Construction Conveying Machinery	218,914
Mining Well and Pumping Machinery	65,572
Industrial Machinery, not elsewhere specified	264,412
Office Appliances	55,932
Automobiles, Parts and Accessories	202,218
Coal Tar Products	62,323
Chemical Specialties	88,185
Industrial Chemicals	151,466
Photo and Projection Goods	52,195
All Others (Incl. all items less than \$50,000)	548,705
TOTAL	10,744,234

EXPORTS TO HONGKONG FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Leather Manufactures	108,974

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Exports to Hongkong from the United States (Cont'd)

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Fruits and Preparations	129,876
Rubber and Allied Gums and Manufactures	106,747
Drugs, Herbs and Roots, Crude	104,863
Tobacco and Manufactures	1,194,770
Cotton Manufactures	231,881
Synthetic Fibers and Manufactures	419,512
Paper Base Stocks	107,124
Paper, Related Products and Manufactures	252,619
Petroleum and Products	142,977
Steel Mill Products	356,696
Iron and Steel Manufactures	134,828
Electrical Machinery and Apparatus	320,391
Construction Conveying Machinery	104,452
Textile Sewing and Shoe Machinery	794,283
Coal Tar Products	287,416
Medicinal and Pharmaceutical Preparations	1,052,754
Chemical Specialties	149,609
Industrial Chemicals	152,442
Soap and Toilet Preparations	107,915
Photo and Projection Goods	149,353
Misc. Office Supplies	361,146
All Others (Incl. all items less than \$100,000)	703,802
TOTAL	8,474,430

EXPORTS TO THE NETHERLANDS INDIES FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Dairy Products	208,345
Animal Products, Edible, not elsewhere specified	123,168
Grains and Preparations	448,533
Fruits and Preparations	150,361
Rubber and Allied Gums and Manufactures	451,805
Cotton Unmanufactured	178,482
Cotton Manufactures	232,959
Petroleum and Products	442,771
Steel Mill Products	717,378
Iron and Steel Manufactures	203,875
Electrical Machinery and Apparatus	307,337
Engines, Turbines and Parts, not elsewhere specified	267,779

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Exports to the Netherlands Indies from the United States (Cont'd)

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Construction Conveying Machinery	137,829
Mining Well and Pumping Machinery	352,550
Industrial Machinery, not elsewhere specified	313,528
Automobiles, Parts and Accessories	961,829
Aircraft Parts and Accessories	186,834
Industrial Chemicals	150,743
All Others (Incl. all items less than \$100,000)	1,107,129
TOTAL	6,943,285

EXPORTS TO KOREA FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Grains and Preparations	2,189,600
Petroleum and Products	68,615
Non-metallic Minerals, Incl. Precious, not elsewhere spec.	131,592
Steel Mill Products	61,470
Copper and Manufactures	533,845
Medicinal and Pharmaceutical Preparations	126,051
Fertilizers and Fertilizer Materials	895,354
Photo and Projection Goods	73,157
Scientific and Professional Equipment	109,048
All Others (Incl. all items less than \$50,000)	273,574
TOTAL	4,462,306

EXPORTS TO SIAM FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Cotton Manufactures	194,227
Synthetic Fibers and Manufactures	65,531
Petroleum and Products	62,787
Electrical Machinery and Apparatus	162,040
Engines, Turbines and Parts, not elsewhere specified	50,407
Automobiles, Parts and Accessories	166,847
Medicinal and Pharmaceutical Preparations	150,008
All Others (Incl. all items less than \$50,000)	624,521
TOTAL	1,476,368

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EXPORTS TO FRENCH INDO-CHINA FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Dairy Products	77,568
Cotton Manufactures	64,026
Petroleum and Products	118,579
Electrical Machinery and Apparatus	59,461
Engines, Turbines and Parts, not elsewhere specified	112,965
Construction Conveying Machinery	257,067
Agricultural Machinery and Implements	65,898
Automobiles, Parts and Accessories	208,593
Vehicles and Parts, not elsewhere specified	83,649
All Others (Incl. all items less than \$50,000)	369,889
TOTAL	1,417,695

EXPORTS TO CEYLON FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Dairy Products	68,750
Cotton Manufactures	595,958
Sawmill Products	114,700
Printing and Bookbinding Machinery	59,735
All Others (Incl. all items less than \$50,000)	273,374
TOTAL	1,112,517

EXPORTS TO PAKISTAN FROM THE UNITED STATES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Misc. Textile Products	83,888
Mining Well and Pumping Machinery	82,711
Printing and Bookbinding Machinery	93,237
All Others (Incl. all items less than \$50,000)	282,283
TOTAL	542,119

OTHER EXPORTS TO THE FAR EAST FROM THE UNITED STATES

May, 1948

Burma	293,008
Portuguese Asia	54,743
Taiwan	363,261

GRAND TOTAL

149,292,415

UNITED STATES IMPORTS FROM INDIA
May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Hides and Skins, Raw, Excluding Furs	624,153
Leather	203,449
Nuts and Preparations	917,825
Cocoa, Coffee and Tea	1,190,248
Spices	770,821
Naval Stores, Gums and Resins	1,368,253
Vegetable Dyeing and Tanning Materials	124,413
Cotton Unmanufactured	614,357
Cotton Semi-manufactures	150,037
Jute and Manufactures	15,186,417
Vegetable Fibers and Manufactures, not elsewhere spec.	117,879
Wool Unmanufactured	581,990
Non-metallic Minerals and Manufactures, not elsewhere spec.	889,921
Ferro-alloys, Ores and Metals, not elsewhere specified	407,170
All Others (Incl. all items less than \$100,000)	614,198
TOTAL	23,761,131

UNITED STATES IMPORTS FROM BRITISH MALAYA
May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Spices	74,104
Rubber and Allied Gums and Manufactures	9,920,024
Tin	10,058,662
All Others (Incl. all items less than \$50,000)	183,945
TOTAL	20,236,735

UNITED STATES IMPORTS FROM THE PHILIPPINES
May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Fruits and Preparations	123,171
Nuts and Preparations	2,298,981
Sugar and Related Products	2,273,698
Oil Seeds	7,311,890
Vegetable Oils and Waxes, Inedible	1,429,370
Cotton Manufactures	477,682
Vegetable Fibers and Manufactures, not elsewhere spec.	1,724,491

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United States Imports from the Philippines (Cont'd)

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Wood Unmanufactured	68,098
Sawmill Products	111,748
Ferro-alloys, Ores and Metals, not elsewhere specified	182,370
Copper and Manufactures	68,741
Brass and Bronze Manufactures	97,606
All Others (Incl. all items less than \$50,000)	156,583
TOTAL	17,641,991

UNITED STATES IMPORTS FROM CHINA

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Hides and Skins, Raw, Excluding Furs	257,857
Furs and Manufactures	409,031
Animals, Animal Products, Inedible, not elsewhere spec.	1,572,308
Vegetables and Preparations	89,004
Fruits and Preparations	78,167
Drugs, Herbs, Leaves, Roots, etc.	66,436
Vegetable Oils and Waxes, Inedible	1,806,212
Cotton Semi-manufactures	57,542
Cotton Manufactures	105,779
Flax, Hemp, and Ramie and Manufactures	385,747
Wool Unmanufactured	625,209
Wool Manufactures	96,821
Hair and Manufactures, not elsewhere specified	167,979
Misc. Textile Products	89,813
Wood Manufactures	125,566
Clay and Products	75,207
Tin	1,219,943
Explosives, Fireworks and Ammunition	424,976
All Others (Incl. all items less than \$50,000)	748,704
TOTAL	8,402,301

UNITED STATES IMPORTS FROM CEYLON

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Nuts and Preparations	132,133
Cocoa, Coffee and Tea	2,722,485

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United States Imports from Ceylon (Cont'd)

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Rubber and Allied Gums and Manufactures	1,763,313
Vegetable Oils and Waxes, Inedible	50,226
Non-metallic Minerals and Manufactures, not elsewhere spec.	64,585
All Others (Incl. all items less than \$50,000)	82,401
TOTAL	4,815,143

UNITED STATES IMPORTS FROM JAPAN

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Shellfish and Products	52,179
Furs and Manufactures	144,868
Fruits and Preparations	73,732
Cotton Manufactures	553,291
Silk and Manufactures	1,843,500
Misc. Textile Products	73,706
Wood Unmanufactured	105,818
Wood Manufactures	51,569
Clay and Products	211,039
All Others (Incl. all items less than \$50,000)	414,649
TOTAL	3,524,351

UNITED STATES IMPORTS FROM PAKISTAN

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Hides and Skins, Raw, Excluding Furs	634,316
Furs and Manufactures	94,923
Nuts and Preparations	67,677
Cotton Unmanufactured	96,147
Jute and Manufactures	1,601,352
Wool Unmanufactured	589,698
Hair and Manufactures, not elsewhere specified	57,639
All Others (Incl. all items less than \$50,000)	18,042
TOTAL	3,159,794

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UNITED STATES IMPORTS FROM THE NETHERLANDS INDIES

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>
Cocoa, Coffee and Tea	119,817
Spices	253,258
Rubber and Allied Gums and Manufactures	2,010,322
Tobacco and Manufactures	315,163
Vegetable Fibers and Manufactures, not elsewhere spec.	92,174
Aluminum and Manufactures	91,165
All Others (Incl. all items less than \$50,000)	156,583
TOTAL	3,038,482

UNITED STATES IMPORTS FROM SIAM

May, 1948

<u>Commodity</u>	<u>Value U. S. Dollars</u>	25X1C
Rubber and Allied Gums and Manufactures	2,110,788	
Naval Stores, Gums and Resins	186,801	
Oil Seeds	80,392	
Stones, Precious, Semi, Imitation and Indexed	103,973	
Tin	330,173	
All Others (Incl. all items less than \$50,000)	118,637	
TOTAL	2,930,764	

OTHER UNITED STATES IMPORTS FROM THE FAR EAST

May, 1948

Burma	72,311
French Indo-China	39,150
Portuguese Asia	33,063
Korea	54,504
Hongkong	258,230
Taiwan	80,002
GRAND TOTAL	88,047,952

FAR EAST-AMERICA COUNCIL
OF
COMMERCE AND INDUSTRY, INC.

30 ROCKEFELLER PLAZA • NEW YORK 20, N. Y.

June 10, 1949

MEMORANDUM

TO: Council Members
FROM: Mildred Hughes

Due to the limited time spent in each country I am visiting on this trip, and the resulting heavy schedule of daily appointments, my reports to you while enroute will necessarily be brief. For on this trip I am "listening and learning", devoting every possible moment to obtaining a well-rounded picture of current trade conditions and the trend of economic developments and policies effecting U. S. trade.

JAPAN

My first impressions in Tokyo were those of a clean city, well-fed, healthy people, and well-stocked stores. While in Yokohama, Osaka and Kobe, I saw many remaining evidences of war destruction; the center of Tokyo itself appeared untouched by war and not unlike other crowded busy commercial centers.

During my stay in Japan I conferred with the officials of the Occupation and ESS, Japanese officials, American business men, and Japanese business men and industrialists. We discussed present controls - Japan's tax structure - labor legislation (including the Labor Standards Law) - Deconcentration and Anti-Monopoly Laws - The Zaibatsu Purge - Patent Trade Marks and Copyright Legislature - ways and means of establishing a system of free enterprise and a score of other things affecting American business interests in Japan.

ESS efforts are directed toward the economic recovery of Japan.

The issuance of the Interim Economic Stabilization Directive last December brought a shift in Occupational policy. Beginning in January, primary emphasis was, for the first time, placed on Japan's economic rehabilitation and a new phase of the Occupation was initiated. In this new phase, the operations of ESS are geared to "Japan's economic recovery".

To say that the economic problems in Japan are abundant and complex is indeed an understatement. Many of the basic broad ones have recently been studied by the Dodge Mission, others are now being studied, or will be within the next few weeks, by technical missions. It was encouraging to find that these problems are well-known to Occupational and ESS officials and that they are seeking ways and means of their solution.

Industrial Production is increasing.

Memoranda to Council Members during the past two years have carried reports of Japan's increasing production of materials and goods for export. Continued progress in production is best evidenced in the following data taken from weekly operations report (May 21) of the Industry Division of the Economic and Scientific Section of ESS.

COAL (Production)

Revised production figures for the first ten days of May 1949 indicate that total production was 750,100 metric tons, or 71.4% of planned production.

Note: Coal production in 1948 shows an increase of over 60% over 1946 production.

CHEMICALS

a. Calcium Superphosphate. Production of calcium superphosphate during the first 10 days of May amounted to 25,500 MT, or 20% more than planned for the period.

b. Salt Imports. During April 137,900 metric tons of salt were imported, representing a 44% increase over receipts during March 1949, and an 80% increase over April 1948. Domestic production in April 1949 was 19,300 MT. This favorable supply situation will greatly aid industrial chemical production as well as supply the necessary salt for alimentary uses.

c. Film. April production of film was 152,330 square meters, the highest monthly production attained since the beginning of the Occupation. There was a large gain in production of cine-film for export, increasing from 26,688 sq. meters in March to 48,718 in April. Total film stock increased from 143,908 sq. meters in March to 217,410 in April.

d. Agricultural Insecticides. Production of lead arsenate during March amounted to 155MT, a decrease of 40% from the February figure of 260 MT, while stocks dropped from 481 to 404 MT. Calcium arsenate rose from 87 MT to 113 MT, an increase of 41%, while stocks decreased from 125 to 113 MT. March production of lead arsenate is equal to approximately 112% of the average monthly demand while production of calcium arsenate is sufficient to meet about 20% of the demand. However, this represents a much better balance between supply and demand than prevailed during CY 1948, during which period calcium arsenate production was 51% of annual requirement and production of lead arsenate was about 5% above the required amount.

2. Shipbuilding.

a. Launching. The 3,600 gross ton steel cargo vessel, "Tonzai Maru No. 5", was launched on 12 May 1949 at the Mitsubishi Shipyard, Yokohama. Upon completion, this vessel will be operated in the Japanese Merchant Fleet by its owner, the Tonzai Steamship Company.

b. Refrigeration. Permission was granted for the installation of modern sharp freeze refrigeration equipment in a 10,900 gross ton whale meat carrier, the "Tenyo Maru". It is estimated that this new equipment will make possible a saving of 40% in meat weight which is lost by the salted storage presently used by this vessel.

3. Public Utilities.

a. Natural streamflow of Japan as a whole, during the period 12 May to 18 May, inclusive, was relatively high, being 106% of the past 10-year average for the same period, and also 106% of the streamflow of the preceding weekly period. Thermal generation was 85% of the preceding weekly period.

b. Japan received unseasonal extra rainfall during the month of February. The hydro-electric power generation by public utilities in all Japan during February 1949 was 2,298,384,000 KWH, which was 223% of the five-year average hydro-electric power generation for February over the years 1930-34, and 82.5% of the previous high of the last 12 months (May 1948). Compared to the hydro-electric power generated in February of years 1945-46-47-48, the hydro-electric power generation of February 1949 was 140.5%, 123.2%, 125.8% and 122.3% respectively. General industrial production level for February was 64.4% of the 1930-34 level.

During March 1949 - overall textile production increased slightly. The textile production index for March being estimated at 27.1 compared with 26.2 for February and 21.8 for March 1948. (1930-34 average = 100).

The reeling of 14,604 bales of raw silk during March set a new postwar record, an increase of 466 bales over the previous high point reached in December, 1948.

RAW MATERIALS

Ferrous Metals.

a. Steel Mill. Interim production reports received from Nippon Koka Kawasaki Plant, the second largest steel mill in Japan, indicate that as a result of recommendations made by various visiting consultants under the Industry Division Visiting Export Program, fuel consumption per ton of steel ingot has dropped 15% to 20% in the last 30 days.

b. Steel Production. On the basis of daily operating reports from the major steel producers, production in May should increase 10% to 20% over that of April. Although preliminary reports have not been received for the month of April, 5% to 10% increase over March production is expected for that month.

Non-Ferrous Metals. 50 MT of ferromolybdenum in excess of requirements in Japan have been approved for export.

Non-Metallic Materials.

a. Petroleum. The following petroleum products were imported during the month of April:

Navy special Oil	47,036 kiloliters	Gréase	41 kilotons
Diesel Oil	18,712 "	Paraffin & Wax	424 "
Fuel Oil Grade 2	7,950 "	Waste Oil	9,785 "
Lube Oil	3,691 "	Waste Grease	5,618 "

The above products were distributed by ten private petroleum companies under the supervision and direction of the Japanese Government and SCAP; these companies replaced the Petroleum Distribution Kodan on 1 April, 1949. The majority of imported petroleum products are consumed by land and marine transportation, fishing and agricultural industries, and other industrial uses. In addition to the above products, 4754 kiloliters of bunker oil were consumed on SCAJAP vessels carrying petroleum products from the Persian Gulf.

b. Fluorspar. During March, consumption of fluorspar reached a new postwar peak, amounting to 2,850 MT. The iron and steel industry, with reported consumption of 1,426 MT, headed the list of consumers, followed by the aluminum industry which reported the use of 1,029 MT... The release from custody of 1,958 MT of fluorspar, held under suspicion of being looted, is expected this week. Although of considerably lower calcium fluoride content than desired, these stocks will be a welcome addition to critically low supplies.

c. Cork. Deliveries of abemaki (Japanese cork) products to manufacturers during 1948 JFY totaled 10,498.6 MT, against 7,765 MT in 1947 JFY. The greatest 1948 JFY increase is reflected in the deliveries of 709,473 insulation sheets against 481,783 during the corresponding period in 1947, and represents a 47% increase. A further increase is anticipated during 1949 JFY, due to scheduled imports of Mediterranean and Korean cork for the processing of end products for export.

d. Coke. Final coke distribution report for March shows deliveries to all consumers totaled 349,159 MT, or 34% of first quarter JFY allocation. Of this total 151,007 MT were consumed by the producing industries, i.e., iron and steel, gas and chemicals. Deliveries for the quarter totaled 927,839 MT, which is 91% of the quarterly allocation.

Trade is in a transition period.

The relaxing of occupation controls to permit private commercial transactions (with the approval of SCAP), opened a transitional period which is a trying and most difficult time for all concerned.

While in Japan I heard no criticism of General MacArthur or General Marquat or of General Marquat's top men. In fact there was universal praise of their efforts to project American business interests while at the same

time apportioning equal benefits among the private business nationals of the other countries who fall under the jurisdiction of the Supreme Commander for the Allied Powers in Japan.

There was general sympathetic understanding, too, of the policy directives effecting Japan's economic revival. Few Americans took issue with the policies involved. There was plenty of unhappiness, discontent, and warranted criticism expressed, however, regarding the implementation of these policies and particularly regarding the present administration of them by some of the personnel of junior executive rank in ESS. For, while administrative difficulties are understood by most, that understanding does not ease the continuous exasperation and frustration experienced by "traders" trying to develop "trade" with Japan.

Before leaving Tokyo I discussed many of the present - pressing - problems of the American "trader" in Japan with Occupation and ESS officials. While it will take time to find a solution for some of them (our members can help in this), I have reason to believe that many of the conditions most irritating to our members in Japan are being worked out. I believe, too, that a good "Trader-SCAP Relations Department" could do a much-needed, and effective job - not only in ironing out many of the existing difficulties, but in saving time of businessmen and key SCAP officials as well.

KOREA

Present economic conditions in Korea must be viewed against the background of political changes since V-J Day, which ended Japanese control and divided Korea into a North and South zone along the 38th parallel. Political developments there during this next year will, to a major extent, determine the amount of economic recovery.

While in Seoul I had several conferences with our able Ambassador, John J. Muccio. I also had two conferences with President Rhee - during which he repeatedly referred to the fact that the Communists were only 35 miles away. In addition several hours were spent discussing the Korean ECA program with our ECA officials there.

Highlights of present economic recovery in Korea.

There has been steady improvement in power generation, and through April South Korean plants produced more electricity than in any earlier post-war month. It was estimated that this trend of improvement would continue and that there would be sufficient power production to take care of allocations to industry. Recovery of power generation, in fact, has been more rapid than the capacity of industry to absorb it.

The improved power position was reflected in the upward trend of industrial production, particularly in the textile field. During April the production of coal, machine-made paper, cement and truck tire output was increased. The production of copper is continuing at approximately the 1948 monthly average. Tungsten output of 70.6 MT (metal content) is improving.

1949 Budget.

On April 30th the Korean National Assembly approved the budget for the fiscal year beginning April 1st, 1949. The projected budget deficit of ₩ 27,500,000,000 looms large, especially in view of the slow collections for ECA aid supplies.

The budget provides for Government expenditures for operation of the Government and Government enterprises of about ₩ 95 billion, with Government revenues from taxes and Government enterprises totaling about ₩ 67.5 billion. The Government expects to cover the deficit of ₩ 27.5 billion by withdrawal of counterpart funds, in addition to requesting utilization of most of the remaining ₩ 60 billion estimate to be paid into the counterpart fund during FY 1949-50 for special projects. Most disturbing element in this situation is the very slow rate of collections for aid goods by the Government. Government deposits for ECA aid goods as of 30 April, totaled ₩ 15.4 billion, but as of 30 April, Government collections for such aid goods totaled only ₩ 845,000,000. Cash collections for aid goods covered by Civilian Supply Account for last fiscal year (1 April 1948 to 31 March 1949) totaled only 30.1 percent of sales posted.

During the last week of April, the Korean Government's Current US Dollar Account in the Korean Foreign Exchange Bank, increased \$5,191.67. The Special US Dollar Account remained unchanged at \$23,646,812.85. During the same week the Current Hong Kong Dollar Account decreased HK\$ 136,800. The net exchange held by the KFEB for its own account totaled US\$ 287,257.74.

Proposed new exchange and trade controls.

During my stay in Korea, the Foreign Exchange Stabilization Board of the Korean Government was considering new regulations and control of exchange and foreign trade. Briefly these would include:

- a. Acceptance of foreign currencies by the Korean Foreign Exchange Bank for deposit.
- b. Inauguration of a periodic "open market" buying and selling rate on the basis of the US dollar; the existing rate of ₩ 450 to US \$1.00 would be maintained only in connection with official Korean Government transactions.
- c. Issuance of foreign currency deposit certificates against proceeds from exports, such certificates not to be transferrable and to be utilized within 90 days for purchase of approved imports, or sold to the Bank at its buying rate on the date of transaction.
- d. Grants of foreign exchange loans against shipping documents for exports.
- e. Bank purchases in Won of documentary drafts drawn in negotiable foreign currencies under irrevocable letters of credit.
- f. Waiving of the currently required deposit of 10 percent of the estimated value of a trustee export shipment.

- g. Elimination of the current practice of fixing prices on goods exported from and imported to Korea, excepting certain controlled commodities.

Korea ECA Program

The ECA program for Korea will, of course, depend to a large extent, upon the amount of money authorized by Congress for this purpose. Administration of that program under present conditions in Korea, is not going to be an easy task.

HONG KONG

Hong Kong is now a very overcrowded city. Rumors are everywhere and facts hard to find. While in Hong Kong, however, I have tried to secure information on the amount and character of Hong Kong-North Korea-Manchuria trade, and to run down some of the statements I heard in Japan, relative to immediate trade development possibilities in Hong Kong-China trade.

As far as I can learn, most of the North Korea-Manchuria-Hong Kong trade has been conducted on a barter basis which has not been profitable to the Hong Kong firms. It is reported that three buying agents from North Korea have been in Hong Kong for several months negotiating barter details and also that Chinese Red agents are in the city for the same purpose. As far as I can learn, the latter group have yet to provide evidence of their authority to act for the Chinese Communists.

Hong Kong-Japan trade is also a matter of considerable interest here. This trade, too, is on a barter basis and is controlled by the Government and is cleared through SCAP as well as the Hong Kong Government Supplies Trade and Industry Department. Hong Kong imports from Japan are restricted to 40% of the value of exports from Hong Kong by the firm doing the importing - although it is possible to buy Certificates of Export for Hong Kong from other Hong Kong-Japan exporters. These certificates bring premiums of 15-20%.

When Japan-Hong Kong trade was first started, limited quotas of US dollars were given to over one hundred Hong Kong firms. Few American firms were included in this list. The only chance for a Hong Kong firm not on this list to do business with Japan, is through that firm first exporting to Japan - for every 100 units exported, permission to import 40 units from Japan is granted. The uncertainty of developments in Shanghai-Hong Kong trade has everyone worried. Some British and Chinese firms in Hong Kong are said to be negotiating directly with Chinese Communist agents. American firms are waiting clarification of U. S. Government policies, while at the same time, are trying to ascertain just what China trade will be permitted - and how - under Communist rule.

PHILIPPINES

This is an election year in the Philippines and a spirit of nationalism prevails. Domestic and international issues are being projected which the politicians feel have the greatest amount of appeal to voters and particularly

to the organized minorities. Some of these are of great concern to American business interests in the Philippines.

During conferences with representatives of Council Member firms there, concern was repeatedly evidenced in the current trend of the political and economic relationship between United States and the Philippines and the hope expressed that a reversal of this trend might be effected after the elections were over.

The attitude of the Philippine Congress toward restricted commercial legislation and tighter trade regulations, which could be imposed by the Philippine Government within the framework of existing treaties, was mentioned by several. It is rather universally recognized that Communism is a serious threat - and is on the increase - in the Philippines. The present Philippine Government is having difficulty in maintaining law and order in the country. Small groups of armed bandits are reported operating almost everywhere. They are not unknown even in Manila.

Need and possibilities in agricultural development.

While talking with officials of the Philippine Government, I was told of their plans, now underway, for increasing and diversifying the agricultural output of the country. At the same time they admitted that more rapid progress would have been made except for the political aspects involved in the program. Agricultural experts estimate that the Philippines can produce an adequate food supply for the country and, after the elections are over, it is hoped that the present agriculture development program will progress more rapidly.

This program includes an expansion in the cultivation of fruits and vegetables, greater production of rice and corn (preferred to rice by about 20% of the people), the raising of cattle, hogs and poultry and the development of the fishing industry. The domestic economy of the Philippines can be greatly strengthened if this program is promptly and effectively carried out.

Development of major export products.

There are possibilities in the expansion of the Philippines major export items such as:

Coconut products (copra, coconut oil, coconut meal etc.)

These constitute a high percentage of the Philippine receipts from foreign trade.

Sugar

It is estimated sugar will soon reach 75% of prewar production.

Lumber

Lumber is now subject to difficult governmental restrictions.

Metals

Mining: There is a real need, and an opportunity as well, for development of the natural resources of the Philippines. Rehabilitation of the mining industry continues to lag, and production in all fields of mining is being retarded by labor demands, proposed Philippine legislation (which would permit the employment only of mining engineers of Philippine citizenship) and other Government restrictions.

Hemp

An industry which is not regaining its prewar position because of domestic politics.

Tobacco

Although forecasts for the 1949 tobacco season vary widely, Philippine Government officials estimate that there will be a substantial increase in the production of leaf tobacco.

Throughout Manila one sees reconstruction going on on damaged public buildings and business properties as well as the repair and erection of residential units. Housing shortage, however, is still acute and rents are high.

Development of Philippine natural resources is vital.

The development of the natural resources of the Philippines would open new fields of industry and would greatly promote the general economic welfare of the country. Investment of foreign capital, including technical supervision, should be encouraged. Labor issues should be clarified, government controls limited and the present fears of foreign firms of more and tighter restrictions being imposed, eliminated. This may be accomplished -- if, as, and when the full attention of the Philippine Government is fully and realistically directed toward the establishment of sound policies.

At this time it is essential that both our Government and American business use every possible media to improve U. S. political and commercial relations with the Philippines. It is important to us that the facts relating to the benefits which the Republic of the Philippines derives from the Philippine Trade Act of 1946, the Bell Trade Bill, the Military Bases Agreement, etc., be made known to the general public there in order to combat the nationalistic anti-foreign propaganda of ambitious politicians and Communist groups.

FAR EAST-AMERICA COUNCIL
OF
COMMERCE AND INDUSTRY, INC.

30 ROCKEFELLER PLAZA . NEW YORK 20, N. Y.

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CONDUCT OF TRADE WITH JAPAN

1. In so far as is compatible with the Basic Post Surrender Policy for Japan (approved 19 June 1947, and forwarded to the Supreme Commander on 26 June 1947) and other policy decisions of the Far Eastern Commission, including this policy decision, Japan's foreign trade should be so conducted as to:

a. foster the development and balanced growth of Japanese foreign trade to a level consistent with Japan's peaceful needs as defined by the Far Eastern Commission;

b. encourage an increase in Japanese exports;

(1) in order that these exports may, as soon as possible, pay for the imports required for the prevention of disease and unrest within Japan, and for the reestablishment of a self-sustaining economy; and

(2) in order that Japan may participate in providing goods for international trade;

c. insure competitive conditions in trade free of contracts or arrangements which limit access to markets or foster monopolistic controls, and prevent excessive concentration of economic power in Japan and monopolies in Japanese foreign trade, whether with the participation of Japanese or foreign capital.

2. In addition to Allied trade representatives whose entry into Japan has been or may be approved consequent upon policy decisions of the Far Eastern Commission, persons in the following categories should be permitted to enter and reside in Japan in accordance with regulations established by the Supreme Commander for the Allied Powers:

a. Merchants and other traders (including representatives of commercial organizations, Governmental or otherwise) who are prepared to purchase or to make arrangements for future purchases of potential exports, or to provide raw materials or other commodities which Japan must import;

b. Representatives of banks, insurance companies, airlines, shipping and other companies who are prepared to render necessary services in connection with Japan's foreign trade either to private non-Japanese businessmen, to the Supreme Commander for the Allied Powers, or to Japanese persons or agencies approved by him;

c. Representatives of companies or individuals who had prewar property

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interests in Japan, the renewed operation of which would contribute to the accomplishment of the objectives in paragraph 1;

d. Representatives of companies or individuals who had substantial prewar property interests in Japan, for the purpose of inspection of those interests.

3. Nothing in this policy decision is to be understood as requiring the reopening or operation of factories in Japan.

4. There should be no discrimination against any foreign trade representatives or businessmen in Japan and all should be accorded equality of opportunity to transact business. Accommodations should be allocated to such persons entering Japan under the provisions of this policy decision on an impartial basis.

5. Yen acquired by foreign nationals through activities envisaged in this policy should be useable for local expenditures in accordance with laws and regulations enforced in Japan.

6. The Supreme Commander for the Allied Powers may impose port and service charges upon foreign vessels entering Japanese ports for commercial purposes with the exceptions enumerated below:

a. No port charges should be imposed on vessels entering Japanese ports in so far as they are carrying occupation force cargo or are engaged in the removal of reparations or restitution goods. Where vessels are also engaged at the same time in normal commercial operations, port charges should be imposed in proportion to the bulk of commercial cargo carried.

b. All port charges on commercial vessels as well as the services rendered to commercial vessels in Japanese ports should be subject to appropriate and non-discriminatory payment in any foreign exchange useful for the purchase of imports for Japan or in local currency, in accordance with laws and regulations enforced in Japan.

7. The persons referred to in paragraph 2 should be afforded opportunity for direct access to individual Japanese firms of their own choosing, and should have the opportunity to move freely in Japan subject only to availability of transport and accommodations. Any regulations pertaining to the participation of firms or government agencies, whether Japanese or foreign, in foreign trade should be non-discriminatory in character and confined to measures essential to achieving the principles and objectives set forth in this policy and should be based upon criteria established by and under the supervision of SCAP.

8. Foreign trade may be conducted by the Japanese Government or agency thereof to the extent deemed by the Supreme Commander for the Allied Powers to be necessary for the purpose of maximizing export proceeds or for other purposes, consistent with the principles and objectives stated in this policy.

9. An exchange rate for the yen should be established as soon as practicable.