

GENERAL HEADQUARTERS
SUPREME COMMANDER
FOR THE ALLIED POWERS

SUMMATION № 1

Non-Military Activities IN JAPAN AND KOREA

FOR THE MONTHS OF
SEPTEMBER - OCTOBER 1945

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WASHINGTON



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15 Feb 46

MEMORANDUM FOR COL SCHMAHL:

Subject: SCAP Publication

Inclosed herewith is one (1) copy of "Summation of Non-Military Activities in Japan and Korea, No 2" dated Nov 45 from SCAP.

W. H. Van Dine

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Col, QMC
Dep Exec, C&GS Sch, In

cc: Col Schroeder

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SUMMATION NO. 1

SEPTEMBER - OCTOBER 1945

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

SUMMATION
of
NON-MILITARY ACTIVITIES
in
JAPAN and KOREA

Number 1.

September - October 1945

PART I

GENERAL

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SECTION 1

ORGANIZATION UNDER SCAP

C O N T E N T S

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INITIAL ACTIONS

1. General of the Army Douglas MacArthur, Supreme Commander for the Allied Powers (SCAP), landed at Atsugi Airfield on 30 August 1945 and established his headquarters at Yokohama.

On 2 September 1945 the Instrument of Surrender was signed aboard the USS Missouri in Tokyo Bay.

On the same date Directive Number 1 GHQ AFPAC which provided for the surrender and disarmament of all Japanese forces wherever located was issued.

On 3 September 1945 Directive Number 2 GHQ AFPAC which provided for the prompt and orderly establishment of the Occupation Forces in designated areas and established controls over the disarmament and demobilization of the Japanese armed forces was issued.

During the initial two-week period numerous memoranda primarily concerning the military phases of the occupation, the release of prisoners of war and related matters were issued.

In order to establish early and adequate control over Japanese civilian economy the Economic and Scientific Section was created by General Orders No. 170 GHQ AFPAC dated 15 September 1945.

2. GHQ AFPAC moved to Tokyo on 17 September 1945.

3. On 22 September 1945 Directive Number 3 providing for the establishment of wage and price controls and the stimulation of production of essential commodities was issued.

On the same date General Orders No. 183 GHQ AFPAC activated the Civil Information and Education Section to effectuate control over Japanese education, religion and media of expression.

4. During the latter part of September numerous memoranda directed the Japanese Government to furnish information on commodity prices, production of various essentials, governmental controls over industry and similar activities.

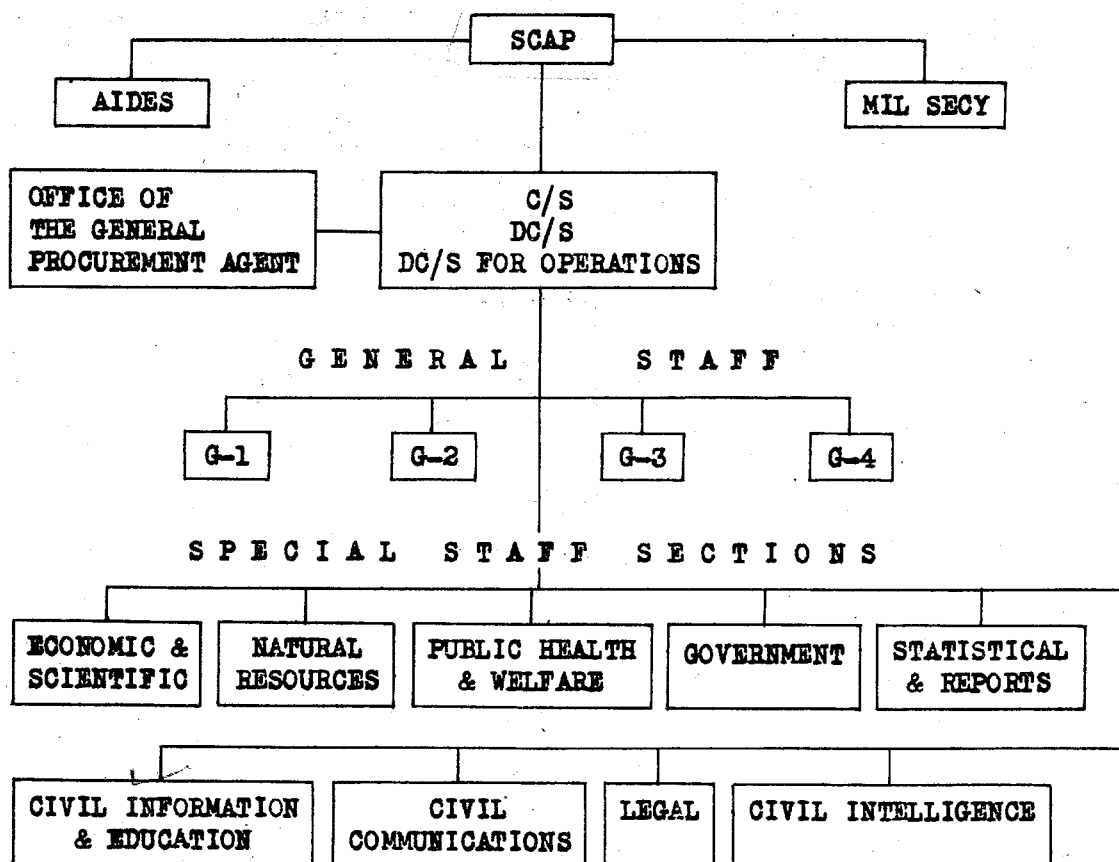
ORGANIZATION OF GHQ SCAP

5. General Headquarters of the Supreme Commander for the Allied Powers was established, and the General and Special Staff Officers were announced in General Orders No. 1 and 2 GHQ SCAP dated 2 October 1945.

6. General Orders, listed below, activated nine Special Staff Sections to advise the Supreme Commander on policies for the non-military activities in Japan and Korea with major responsibilities as indicated.

- No. 3. Economic and Scientific: Economic, industrial, financial and scientific affairs.
- No. 4. Civil Information and Education: Public information, including press, radio, motion pictures and theater; also, education, religion, fine arts and monuments.
- No. 6. Natural Resources: Agriculture, forestry, fishing and mining (including geology and hydrology).
- No. 7. Public Health and Welfare.
- No. 8. Government: Military Government in Korea and the internal structure of civil government in Japan.
- No. 10. Legal: General legal matters and the prosecution of war criminals.
- No. 11. Civil Communications: Rehabilitation of signal communications in Japan and Korea.
- No. 12. Statistical and Reports: Assemble, edit and prepare statistical data and reports.
- No. 13. Civil Intelligence: Civil public safety and investigation of compliance with instructions to the Japanese Government.

STAFF FUNCTIONS OF SCAP (AG OMITTED)



General Orders No. 5 dated 2 October 1945 established the Office of General Procurement Agent to coordinate, control and issue regulations governing the procurement of supplies, equipment, materials, services, real property and facilities by the forces of the Allied Powers in the occupied areas of Japan and Korea.

On the same date General Orders No. 9 designated the Assistant Chief of Staff G-2 to coordinate and supervise the exploitation of military intelligence targets in Japan and Korea.

MEDIUM OF CONTROL OVER JAPAN

7. The Supreme Commander transmits his instructions through directives and memoranda to the Japanese Government. Army and Corps Commanders conduct investigations and make reports, and in cases of non-compliance by the Japanese Government take appropriate action, as directed by this Headquarters.

8. Directives and memoranda are transmitted through the Liaison Officer, G-2, to the Central Liaison Office (CLO) of the Japanese Government. The latter directs the proper course of the instructions to the appropriate ministries for compliance. Close liaison and expedition is provided for through frequent informal conferences between Special Staff Sections of this Headquarters and the appropriate bureaus within the Japanese Ministries.

9. On the prefectural and local levels the SIXTH and EIGHTH Armies perform such military government activities as directed by SCAP. Annex No. 8 to Operations Memorandum No. 4 GHQ AFPAC 28 August 1945 delegates to Armies and Corps the following responsibilities in addition to those of a strictly military character; (1) the procurement of labor, and (2) the procurement of supplies, equipment and facilities.

10. Military Government officers and units are assigned to Armies, Corps and Divisions. Liaison Officers of the SIXTH and EIGHTH Armies and XXIV Corps are stationed with GHQ SCAP.

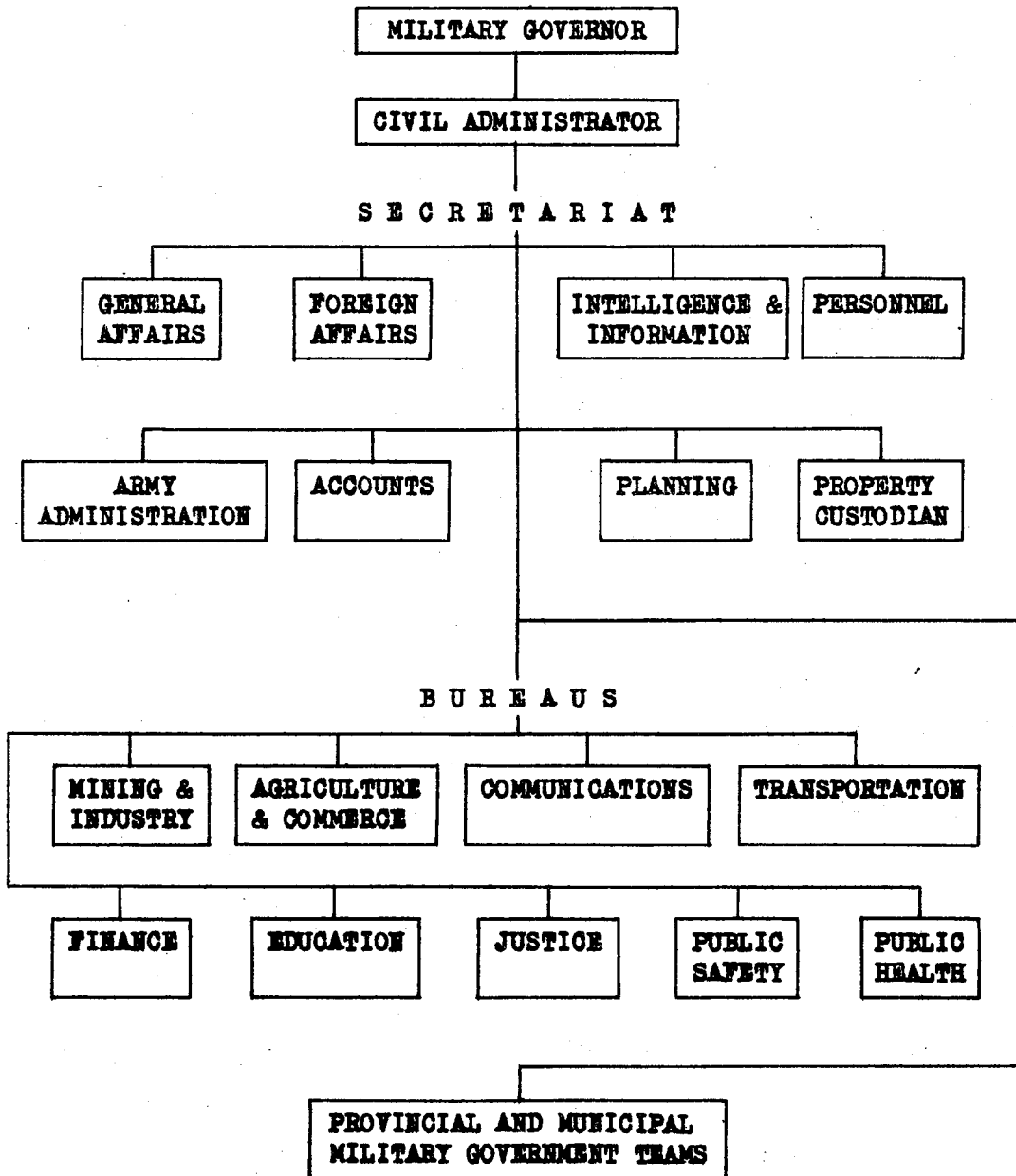
ADMINISTRATION OF CIVIL AFFAIRS IN KOREA

11. Military Government at the top level is organized to correspond to the existing central government organization in Korea which is called the Government General. The Military Governor is acting Governor General and commands all Military Government detachments and teams not attached to tactical units. To assist the Military Governor there is a Civil Administrator to coordinate activities of the Secretariat and the Bureaus.

12. Eight sections make up the Secretariat which constitutes the staff of the Governor General. The Directors of the nine bureaus and the Civil Administrator constitute the cabinet of the Governor General. Policy questions are submitted by the various bureaus to the appropriate sections of the Secretariat for final study before being placed in the hands of the Civil Administrator.

13. Liaison between the Government General and Military Government teams attached to tactical units is through the Secretariat. As the occupation develops, it is anticipated that the Military Government teams will be removed from the command of tactical units and will operate directly under the Military Governor.

ORGANIZATION OF MILITARY GOVERNMENT IN KOREA



SECTION 2

POLITICAL AND SOCIAL ACTIVITIES IN JAPAN

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1. The policy of the Supreme Commander for the Allied Powers is to use, not support, the existing government in Japan, and to permit and favor changes in the form of government initiated by the Japanese people or government in the direction of modifying its feudal and authoritarian tendencies.

GOVERNMENTAL CHANGES

2. On 13 September, pursuant to SCAP directives No. 1 and 2, the Japanese Imperial General Headquarters was disbanded and superseded by the Japanese War Department. It is anticipated that this Department and the Navy Ministry, which are now engaged in demobilization, will be abolished about 1 December 1945 and replaced by the First and Second Demobilization Ministries, respectively, operating as civilian agencies to complete demobilization of Japanese armed forces overseas.

3. An initial reform required in the Japanese Government was the abolition of the Greater East Asia Ministry, once one of the most powerful political forces in Japan. This ministry was created as the general agency "for conducting administrative work concerning the field of politics, economy and culture within the Greater East Asia Sphere, except Japan Proper, Chosen, Taiwan and Karafuto."

4. Approval was granted the Japanese Government to establish Regional Administrative Affairs Bureaus in the place of the abolished Regional Administrative Districts. Although the Bureaus are under direct supervision of the Ministry of Home Affairs, directions are received from the Prime Minister and the Cabinet. Within each respective region these Bureaus will coordinate and adjust all the industrial, economic and other peacetime aspects of local administration.

5. On 9 September 1945 the Ministry of Education abolished the nationalistic Students' Mobilization Bureau and added the Scientific Education Bureau, the General Affairs Bureau and the Physical Training Bureau.

6. The Board of Information has been divested of its powers of censorship and other wartime duties. It will be reorganized on 1 November 1945 to investigate national policies and public opinion,

and to provide services to the press and radio, to motion pictures and to theatrical and other cultural enterprises.

7. The Ministry of Home Affairs, long the most powerful body in domestic matters, was stripped of much of its authority by a directive of 4 October, referred to as the "Bill of Rights". Provisions of this directive removed the Minister and eliminated activities pertaining to peace preservation, foreign affairs and censorship. On the day following the issuance of the directive, the Higashikuni Cabinet resigned en bloc and on 9 October the Shidehara Cabinet was formed.

8. On 27 October there was a sweeping reorganization in prefectural government which affected some 32 governors and 130 department chiefs. As a result 13 governors were dismissed, six transferred to other prefectures, and four new governors appointed from private life. The remaining changes involved personnel shifts between governorships and other government departmental positions.

9. Agencies within the Ministry of Justice administering "thought ideology" activities were abolished. This included the Protection and Surveillance Commission and the Protection and Surveillance Stations whose officials were removed from office.

10. The "Bill of Rights" directive resulted in a drastic shake-up in the police organization through the abolition of secret police organs, police departments charged with censorship and other police agencies concerned with control of thought, speech, religion and assembly. Pursuant to this directive requiring the removal of secret police and top-ranking police officials, 4,800 members of the police system including approximately 100 senior police officials were removed.

An application for an increase in the strength and armament of the police force was denied by SCAP on 11 October.

11. In ordering the removal of the Minister of Home Affairs, the Chief of the Bureau of Police in the Ministry of Home Affairs, Special Higher Police on all levels, and Guiding and Protecting officials, the "Bill of Rights" provided that these persons be thereafter excluded from public office and from any other position of public or substantial private responsibility.

A directive of 24 October requiring the removal of certain school officials likewise provided that none of these officials be employed in any public or private educational or religious institution.

CONSTITUTIONAL CHANGES

12. Prime Minister Shidehara in his first meeting with the Supreme Commander on 11 October 1945 was pointedly advised that the reforms which Japan must undertake "will unquestionably involve a liberalization of the constitution". These reforms are so fundamental in character that they cannot be effected by statutory legislation alone but necessitate inclusion in the constitution in order to assure their permanency.

13. On 31 October the Japanese Government surrendered its diplomatic property and records abroad and recalled all Japanese diplomatic and consular representatives. Initial steps were taken toward the discontinuance by the Japanese Government of official relations with the governments represented in Japan, except as may be authorized.

14. SCAP directive of 21 October charged the Japanese Government with responsibility for caring for Allied and Neutral diplomatic staffs in accordance with international custom and on the standard scale established by the Japanese Government for this class of personnel. Fujiya Hotel at Miyano-shita was set aside for diplomatic personnel desiring residence there; the government was directed to provide suitable quarters for personnel desiring residence in Tokyo.

ESTABLISHMENT OF CIVIL LIBERTIES

15. The "Bill of Rights" directive forbade the government to abridge freedom of thought, religion, assembly and speech, and further permitted unrestricted discussion of the Emperor and Government.

In addition to specifically enumerated laws, all other laws which operated unequally in favor of or against any person by reason of race, nationality, creed or political opinion were ordered abrogated. All organizations and agencies charged with the enforcement of these restrictions were ordered abolished.

In compliance with the directive, the Japanese Government announced on 12 October that the Peace Preservation Act would be revoked. Later it was announced that the temporary law controlling seditious publications and 11 other laws relating to the control of speech, press and assembly were scheduled for repeal.

A second provision of the "Bill of Rights" directed the release by 10 October of all persons confined on political grounds and the filing of a complete report indicating in detail the present and past status of all such persons. An October report showed the release of 507 political prisoners and the discontinuance of surveillance over 2,026.

Abolition of Nationalistic Societies

16. Despite the various stated purposes of Japan's many pre-war organizations, the different labels attached to them, and the varying nature of their membership, each had only one purpose, that of furthering the militaristic aims of the government. Organizations labelled as church, school, political and women's groups were engaged solely in the prosecution of the war effort.

A national pseudo-religion known as Shinto, with elaborate ritual and ceremony, was used to sanctify all group activities and thus make support of the government a sacred obligation of all citizens. Those failing to comply were subjected to severe methods of coercion. Steps are under way to separate Shintoism from the State and to eliminate it from the schools.

Consideration is being given to the dissolving of ultra-nationalistic, secret and other societies and organizations whose existence might be inimical to the fulfillment of the terms of surrender. Studies include the following points: (1) listing of the societies whose aims are known to be ultra-nationalistic, militaristic or subversive; (2) definition of terms; (3) means of prohibiting the future formation of similar societies; (4) methods of requiring all existing societies to file a list of purpose and membership for public record; and (5) possible exemption in the case of labor unions.

Other affirmative action taken includes abolition of the Religious Bureau in the Ministry of Education, removal of thought restriction from the media of expression by abolition of government

controlled agencies, dissolution of the Greater Japan Political Association and disbanding of the wartime Student Youth Corps.

End of Government Domination over Media of Expression

17. The "Bill of Rights" lifted all former restrictions on the collection and dissemination of information. The press, radio, cinema and theater are now free to express themselves even to the extent of discussing the Imperial institution. Government subsidies for propaganda agencies are abolished.

Domei News Agency, which had exercised a monopoly of news services and was controlled by the government, was a powerful agent of militarism and propaganda. This agency was suspended on 14 September and immediately thereafter the Board of Directors voted its dissolution.

Although the radio, cinema and theatrical organizations have taken full advantage of their opportunities for unlimited self-expression, the newspapers have not shown the same initiative. Instruction and guidance have been furnished to the newspapers concerning the duties, opportunities and responsibilities of a free press.

Recent analysis of the daily papers reveals better coverage of foreign news and explanations of the significance of current domestic activities and trends.

EDUCATIONAL REFORMS

18. At the time of surrender education was virtually at a standstill. Eighteen million students were idle, 4,000 schools had been destroyed, only twenty percent of necessary textbooks were available and teachers were permeated with nationalistic militarism.

Between the time of Japanese capitulation and the establishment of SCAP, the Japanese voluntarily conducted a rough school survey, initiated textbook censorship, reorganized the Ministry of Education and reopened the schools. The laws, orders and regulations which had been the basis of authority for militaristic and ultra-nationalistic indoctrination in the schools were abrogated.

Since the establishment of SCAP military schools have been closed, objectionable subjects eliminated from curricula and a beginning made on the censoring of textbooks. Religious education is again permitted in private schools. The radio is used to reorient both teacher and student and a start has been made on the production and distribution of educational films to supplement textbooks.

Pending the completion of a plan for the screening of all teachers, known objectionable teachers have been removed and demobilized military personnel barred from teaching until thoroughly investigated. Plans are nearing completion for the equitable admission of ex-military personnel and ex-war-workers as students, and for bringing an educational mission to Japan to advise in the rehabilitation of the school system.

POLITICAL PARTIES

19. The formation of democratic political parties in Japan is encouraged. There is evidence that because of their many years of party limitation, the meanings of democracy and the dignity of the individual are quite vague to most Japanese. The participation of

the people in politics is being hampered by their anxieties over the problems of daily living.

A trend toward an increase in political activity is evident which is encouraging in view of the many years of rigorous suppression by the police.

The "Bill of Rights" furnished the needed impetus to liberal political organizations. At present there are more than 20 political parties. Party lines are blurred and many parties will merge or disappear, but in general they fall into four main groups.

Extreme Right Wing

Parties in this category are bound together by personalities as much as by political principles. No formal party programs have been announced, but main policies are apparently the retention of the present powers of the Emperor and the opposition to communism.

Conservatives

The Japan Liberal Party is the strongest in this category. Its partially formulated platform calls for supreme power for the Diet, respect for human rights and criticism of the China policy. No stand on the Imperial institution has been stated but reliable sources indicate that the party will favor reducing its prerogatives.

Socialist

This group shades from communist to conservative. Although members are agreed on a common program of land reform, social legislation and revision of the constitution, party unity seems impossible with the various factions now represented. Party leaders are generally agreed that the prerogatives of the Emperor should be reduced but many differences exist in regard to his ultimate status.

Radical

Although not formally reconstituted the Communist Party carries on a vigorous program. Published statements indicate a desire to break the hold of the financial oligarchy and to establish a democratic Japan through abolition of the Imperial institution. Further indications point to a modification of this stand to provide a basis for united action with other factions.

TREATMENT OF NON-JAPANESE NATIONALS

20. A complete survey of the location and condition of all Koreans in Japan is being made and the Japanese plan for repatriation is under close surveillance. The Japanese Government estimated that on 15 August 1945 there were about 2,000,000 Koreans in Japan, including 350,000 contract (requisitioned) laborers and that through 31 October approximately 160,000 had been repatriated to Fusan in Korea.

Instructions were given the Japanese Government requiring adequate provision of food, clothing, shelter and medical care for Koreans awaiting repatriation. Japanese shipping used in returning Japanese nationals from Fusan to the Shimonoseki area is employed on the return trip to transport Koreans from Japan.

21. Repatriation of the Chinese groups has been started by the Japanese Government. Approximately 30,000 Formosan-Chinese, 30,000 Chinese and 6,000 other foreign nationals were resident in Japan at the time of surrender. Most Western nationals desire to remain in Japan.

Monetary relief to foreign nationals has not been required but it has been found necessary to supplement their diet and bring it above the normal Japanese standard in order to prevent malnutrition. As an interim measure the International Red Cross was utilized to distribute excess POW supplies to United Nations nationals and certain neutrals in need of assistance.

22. The activities of foreign nationals living in Japan, especially Nazis, are the subject of close scrutiny. By directives of 13 and 19 September the Japanese Government was required to impound and report all property, books of account and records of the governments or nationals of Germany, Italy, Bulgaria, Finland, Thailand, Rumania and Hungary; it was also required to provide the name and latest known address of every foreign national living in Japan prior to surrender, with the exception of diplomatic personnel.

23. A directive of 22 September held the Japanese Government responsible for protection of all property in which nations friendly to the Allied Powers, or the nationals thereof, had rights or interest.

By the terms of a directive of 9 October the Japanese Government was prohibited from arresting members of the Occupation Forces; Japanese courts were deprived of jurisdiction of all cases against members of the Occupation Forces; and all cases instituted against or in favor of nationals of any of the United Nations were required to be reported for review by SCAP.

PROSECUTION OF WAR CRIMINALS

24. An important aspect of the initial phase of the occupation involved the identification and apprehension of war criminals. Special attention was given to atrocities occurring in POW camps and personnel accompanied Advance Recovery Teams to these camps for the purpose of obtaining evidence from liberated prisoners.

The prompt identification of Japanese suspects was facilitated through the establishment of interrogation centers at repatriation assembly areas in the Marianas and Philippines where returning liberated prisoners were further screened. The Japanese Government was required to furnish complete rosters of Japanese personnel on duty at all POW camps.

At an early date an order was issued for the arrest of some 40 persons including former Premier Hideki Tojo, members of Tojo's Pearl Harbor Cabinet and persons charged with atrocities in the Philippines. Many of the initial arrests were made by the Occupation Forces; subsequently this responsibility was delegated to the Japanese Government. The latest in the series of directives added 300 names to the lists of those to be arrested.

SECTION 3

ECONOMIC ACTIVITIES IN JAPAN

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DEMILITARIZATION AND CONTROLS OVER INDUSTRY

1. The destruction of the industrial basis of Japan's war-making power is one of the primary aims of this occupation. The measures taken during the first two months of the occupation together with the war-time destruction resulting from air raids and other attacks have already reduced Japan's war potential to an insignificant level. In addition the loss of colonial sources of raw materials and the controls imposed on foreign trade and shipping further curtailed Japan's economic power.

2. War industries were closed immediately after surrender. Directive Number 1 to the Japanese Government specified that the manufacture and distribution of all arms, ammunition and implements of war will cease forthwith. This ban was further elaborated in Directive Number 3 issued 22 September 1945 which prohibited the manufacture of arms, ammunition and implements of war, parts and components thereof, and combat naval vessels.

Heavy Industries

3. The heavy industries of war potential were listed in Directive Number 3 as follows: Iron and steel, chemicals, non-ferrous metals, aluminum, magnesium, synthetic rubber, synthetic oil, machine tools, radio and electrical equipment, automotive vehicles, merchant ships, and heavy machinery and important parts thereof. As the result of the disorganization of industry and the acute shortage of raw materials, production in all these industries will apparently be well below the level of minimum peacetime requirements for some time to come.

4. Under the provisions of Directive Number 3, the Japanese Government is required to safeguard the plants, equipment and records of all war and war potential industries. It is also required to submit as rapidly as possible detailed inventories of all significant plants in these industries, including condition and capacity of equipment and stocks of fuel, raw materials, finished and semi-finished goods.

Further information was requested under a memorandum to the Japanese Government dated 19 September 1945 requiring detailed reports of all industrial, manufacturing and mining companies which did more than ¥ 1,000,000 business in 1944. Many of these reports have already been received.

An inventory of the Japanese merchant marine has been received. On the basis of this detailed information it will be possible to fix the level of heavy industry to be allowed to Japan and also to determine the program of repatriations.

Conversion of War Plants

5. The conversion of war and war potential plants to the manufacture of essential consumer goods is permitted under Directive Number 3. The processing of individual applications for such conversion has been assigned to the SIXTH and EIGHTH Armies.

Research

6. All laboratories, research institutes and similar organizations are required to submit detailed monthly reports of their personnel and the projects on which they are engaged. Directive Number 3 prohibits all research in connection with uranium.

Inspection and Control

7. Plants converting from the manufacture of war materials must obtain individual permits before resuming production on essential civilian goods. These permits state the commodity and amount of production that has been authorized. Military Government personnel attached to tactical units stationed throughout Japan made spot checks to insure that these authorizations are not exceeded.

In order to verify the monthly reports submitted by research organizations, spot checks are made by tactical units and by special teams working on specific projects from this Headquarters.

DEMOCRATIZATION OF ECONOMIC LIFE

8. The elimination of war industries and the control of industries of war potential have been accompanied by the enforcement of policies designed to promote the democratization of Japan's economic life. The virtual monopoly of economic power which was formerly in the hands of a few leading families (Zaibatsu) is being broken up by a series of measures which involve the dissolution of the Zaibatsu holding companies, the encouragement of labor organization, the control of cartels and the relaxation of government controls.

The Zaibatsu

9. In anticipation of action by this Headquarters certain of the Zaibatsu have voluntarily taken steps to reform their organizations. In order to control this situation and to assure the adequacy of the proposed reforms, directives were issued to the Japanese Government requiring the prior approval of this Headquarters to any plan of reorganization of the Zaibatsu and prohibiting the sale or transfer of their securities. The 15 leading companies in this category have been directed to supply full details regarding their holdings and operations.

Removal of Key Personnel

10. All officers, directors and advisors of the 29 banks and development companies closed by SCAP directive have been removed. The primary purpose of these institutions was to aid in financing the war and in the exploitation of conquered territory.

It was made known that virtually all key Zaibatsu officials would be removed. As a result many directors and officers of Mitsubishi, Yasuda, Sumitomo, Mitsui, Nakajima, Nissan and other companies have already resigned. All directors, auditors and officers of the Zaibatsu holding companies will be removed as soon as the plan of this Headquarters for the dissolution of these companies is completed.

Cartels and Control Associations

11. During the war Japan's entire economy was organized into a system of control societies and control associations. So completely has Japan's economic life been bound up in these organizations that it has been found impracticable to change the system immediately. Full reports have been received on the operations of the various control associations and their legal basis is being examined.

Plans are in progress for the dissolution of the control organizations and the transfer of their necessary functions to voluntary associations of producers. The Japanese government was directed to dissolve the silk and newsprint associations and has withdrawn a number of war-time ordinances and regulations on economic matters.

In response to a directive requiring full information on cartels and other international agreements, the Japanese Government reported only one such agreement covering the sale of potash. The existence of possible secret agreements is being investigated.

Labor

12. Significant improvements have taken place in the position of labor. Legal hindrances to the formation of labor unions have been removed and full freedom is now enjoyed in organizational activities. A number of former unions have reorganized and organizational campaigns are currently being conducted among other important labor groups.

The principal labor leaders have agreed to join forces and a single labor federation may result. In the political field labor leaders are among the principal sponsors of the new Social Democratic Party.

The two war-time "labor front" organizations have dissolved voluntarily. As an interim measure one has been allowed to continue as a semi-official agency for the procurement of labor for the Occupation Forces. Protective labor legislation that was suspended during the war has been reinstated.

PRESENT ECONOMIC SITUATION

13. In supervising Japan's peaceful economic activities the major considerations are: (1) maintaining a minimum peacetime economy, (2) controlling all foreign trade and (3) continuing such economic controls and rationing systems as are necessary to avoid acute economic distress and to assure a fair distribution of domestic and imported supplies.

14. Japan's economic situation is extremely poor. The industrial plant is unbalanced and run down and raw material stocks are being rapidly exhausted. Transportation is inadequate and the situation is being aggravated by disastrous decline in coal production. The food shortage is the most acute in many decades and the market is starved for consumer goods. Black markets therefore exist.

Production of Essential Goods

15. Directive Number 3 instructed the Japanese Government to stimulate the immediate maximum production of all commodities essential to the feeding, clothing and housing of the population, and of

producers goods necessary to the output of these commodities. The conversion of war plants to the manufacture of essential consumers goods was also authorized on application by each individual plant. This Headquarters has liberally authorized the diversion of suitable Japanese Army and Navy supplies for civilian use.

16. The resumption of Japanese industry, which had shut down almost completely at the time of surrender, has been slow and unsatisfactory. The government officials have been unable to act decisively or effectively. The individual industrialist subject to government control for a long period finds it difficult to plan and operate independently.

The larger concerns, whose operations involve long term plans and a considerable capital outlay, have held back in resuming production. This was due to fear of violating SCAP orders regarding heavy industry, anxiety over the program of dissolving the big combines, government failure to settle the question of payments to munitions companies and uncertainties arising from inflationary conditions.

Foreign Trade

17. The revival of essential industries and the provision of a minimum diet to avoid starvation and disease may demand certain imports. Directive of 9 October 1945 decreed that such imports will be permitted only when essential to the maintenance of a minimum standard of living; also that payment thereof must be covered by approved exports.

The Japanese Government has been directed to submit a detailed program for marshalling resources for export and for conserving such resources from use within Japan. In order to minimize the need for imports, all practicable measures will be taken to achieve the maximum utilization of Japanese resources. Such measures include the maximum production of foodstuffs, fertilizer, salt, fuel and petroleum.

18. Although the Japanese Government has made several general requests for imports, approval awaits the detailed plans for imports and exports as required by SCAP directives. Small shipments of coal to Korea have begun on a barter basis.

19. Because of the disorganized condition of Japan's economy, the supply of possible export goods is extremely limited. Raw silk and silk goods which were of outstanding importance in Japan's pre-war export trade offer the most immediate possibilities and have therefore been the subject of two SCAP directives.

The first, dated 25 September 1945, forbids the domestic use of raw silk or silk-mixed goods. The second, dated 13 October 1945, directed the Japanese Government to revoke the orders previously issued for the reduction of mulberry acreage. The resumption of silk exports on a moderate scale may be expected.

Rationing and Price Controls

20. The acute shortage of foodstuffs and all consumers goods made it necessary to continue the rationing system on staple foods, clothing and other staple commodities. Existing price controls also were continued. Because rationing and price controls are handled through control associations, certain of them have been permitted to continue their functions in the distribution of essential commodities.

FINANCIAL MEASURES AND CONTROLS

21. During the course of the war Japan's financial system had been made completely subservient to war purposes. A vast credit expansion was permitted, for the most part under Government guarantees. Currency circulation was allowed to soar and publicly held government debts to rise freely. The government guaranteed all property war damage and other insurance.

Owing to the paralysis of economic activity, government revenues are falling more slowly for although direct war expenditures have ceased, war claims remain to be liquidated and occupation costs have become a new factor.

Initial actions of SCAP have been concerned with eliminating the imperialistic and militaristic functions of Japan's financial system. The Japanese Government has been instructed to curtail expenditures and increase revenues by every possible means.

Financial Institutions

22. Japanese banking institutions have been permitted to function except certain national policy banks used exclusively for war purposes. The Bank of Japan has been required to furnish currency and banking facilities for the Occupation Forces. Security and commodity exchanges have not been allowed to reopen.

External Assets, Foreign Exchange and Alien Property

23. Foreign transactions by Japanese have been blocked and statistics on foreign assets were required from the Japanese Government. Gold, silver and platinum bullion were impounded as well as gold and silver coins and foreign exchange assets. Plates, paper and unissued stocks of currency and stamps for use outside Japan were seized.

Transactions in the properties of Axis nationals in Japan were prohibited and reports of such properties required. The Japanese Government was charged with the protection of the properties of allied nationals.

Insurance

24. Claims against Japanese insurance companies due to war damage were guaranteed by the Japanese Government. Unsettled claims are estimated at ¥ 14,000,000,000. Cash payments are restricted to ¥ 5,000 per claim, the balance being paid into blocked bank accounts. A special problem is the claims of Korean life insurance policy holders on Japanese insurance companies. A search is being made for Japanese assets in Korea which may be used to settle these claims.

Public Finance

25. The present financial position of the Japanese Government is unsatisfactory. For the fiscal year April 1945 to March 1946, the budget estimate of revenues is ¥ 18,000,000,000, but actual revenues may fall as low as ¥ 9,000,000,000. Exclusive of war costs made prior to September 1945, liquidation of war commitments and occupation costs, the ordinary expenditures are estimated at ¥ 22,000,000,000. The public debt had reached ¥ 118,000,000,000 on 31 October 1945.

Important financial policies such as the disposition of the many guarantees assumed during the war have not yet been determined by the Japanese Government. The net total of currency supplied to disbursing officers for occupation costs up to 31 October 1945 amounted to over ¥ 1,000,000,000.

SECTION 4

CIVIL ADMINISTRATION IN KOREA

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GENERAL

1. From annexation in 1910 until liberation in September 1945 Korea was kept in a state of abject subservience to Japan. All government posts of significance and all key positions in other branches of activity were held by Japanese. The police were completely Japanized and the Koreans were deprived of their legitimate right to agitate for freedom.

Upon liberation, the immediate reorganization of the governmental setup became necessary and appropriate steps to achieve that end were taken. This situation was complicated by the Korean expectation of immediate independence, by the collaborators, by the artificial division of the country along the 38th parallel and by the confused political situation produced by the multiplicity of parties.

The Occupying Forces are carrying out their immediate task of disarming and repatriating Japanese troops, separating Korea from Japan and paving the way for independent Korean governmental, economic and social institutions.

POLITICAL

Establishment of Military Government

2. A Military Government was established by proclamation on 7 September 1945 and the Commanding General, United States Army Forces in Korea, was appointed Military Governor. A functional Military Government staff was organized to parallel the Government General at Seoul, whose personnel being largely Japanese were for the most part dismissed. Military Government teams are operating in three principal cities and will be deployed in others.

In accordance with defined policy no Korean Government, provisional or otherwise, has been recognized. This has not received the approval of any major Korean political party nor has the extensive use of Korean Advisory Councils mollified those who hoped for immediate independence.

Interzone Activities

3. Since North and South Korea are mutually dependent, all phases of life in the country suffer from the arbitrary division at the 38th parallel. The solution to problems occasioned by this division can be solved only by active cooperation between the

governments of the United States and the Soviet Union.

Civil Administration

4. Objectionable Japanese-imposed laws have been repealed and a series of general orders and ordinances promulgated. The courts have continued to function. All Japanese judges and procurators of the Supreme Court, the Court of Appeals and certain district courts have been removed and replaced by Koreans.

A similar procedure has been adopted in the case of the police who have also been deprived of the former Japanese custom of exercising summary police punishment without trial.

It has been difficult to obtain satisfactory Korean personnel for police duties and a training program has been established.

Political Parties

5. By 24 October 1945 there were 54 political parties registered with the Military Government Headquarters. The chief parties are the Korean People's Republic (radical) and the Korean Democratic Party (conservative). Many of the other parties have only a few dozen followers. All are vigorously anti-Japanese and favor immediate independence--their only common ground. Their activities have not been curtailed except for restrictions effecting the publication and distribution of posters and handbills.

ECONOMIC

Transportation and Communications

6. The railway system of South Korea has thus far been able to meet the demands of troops, civilians and evacuees, but maintenance is behind schedule and lack of assured supply of coal threatens curtailed service. Rolling stock is good with about half the equipment in South Korea, except tank and refrigerator cars which are practically all in North Korea. There is a shortage of gondolas and locomotives. Resumption of rail traffic with North Korea is an urgent problem.

7. There are available about 140 ships averaging 20 tons each. These are particularly needed to move coal.

8. Of the 20,000 communications employees in Korea, 4,000 were Japanese holding key positions. Principal Japanese have been removed. The communications system is in good condition having suffered little war damage, but there is a shortage of some inside equipment. Efficiency of operation is now being stepped up. The radio telephone circuit to Tokyo and the eleven cable lines to Shimonoseki are in excellent condition.

Finance

9. Bank of Chosen notes and "Type A" supplemental Allied Military yen are the only authorized legal tender. Japanese notes of 10 yen or less are used because of the shortage of small denomination notes and coins.

All dealings in foreign exchange are strictly controlled and public funds have been frozen. All dealings with Japan are prohibited. Taxes are not being collected because of confusion and corruption in the old system. The formulation of a new simplified system is in progress.

Agriculture and Commerce

10. The Bureau of Agriculture and Commerce is being reorganized. A spot shortage of rice in October was remedied by seizing stocks and requisitioning transportation. A bumper rice crop for 1946 is estimated. Fertilizer from the Russian area is urgently needed.

The market in rice is free and plans are being made to place almost all other commodities on the same basis. The fishing industry which had collapsed during the war is being revived. Commerce is almost at a standstill for lack of raw materials. Intensified sericulture is being planned.

Fuel

11. The principal source of coal is North Korea. It is estimated that by 31 December 1945 coal production in South Korea will not exceed 62,500 tons per month against estimated requirements of 230,000 tons per month. At this rate a reserve of 800,000 tons in South Korea will be rapidly depleted and additional supply from North Korea will be urgently needed.

Labor

12. The immediate problem is to persuade Koreans who have left work because of easy money and the cessation of war production to return to work. Labor relations are under the jurisdiction of The Bureau of Mining and Industry.

SOCIAL

Repatriation

13. About 10 percent of the 700,000 Japanese civilians in Korea had been repatriated by 25 October 1945; 160,000 Koreans had been returned from Japan to Korea.

Education

14. The Bureau of Education has authority to reopen all previously existing schools above the secondary level; and to open new public primary schools and all new schools both public and private above the primary level. Each province has an educational office with authority to open new private primary schools and all previously existing schools at the secondary level.

Ordinance No. 6 provides for the opening of private schools on proper application if there is assurance of freedom from racial or religious discrimination, of the use of the Korean language and of the abolishment of subject matter inimical to Korean interests.

Japanese personnel have been eliminated wherever possible but the problem of replacements is acute. Japanese textbooks will be replaced by textbooks which have been rewritten in Korean in all elementary and high schools. Schools at the secondary level (middle schools) were opened 1 October.

Press and Radio

15. The Military Government is keeping the people informed through their newly freed press and radio which provide a variety of information services. It has sponsored a radio hour, two weekly news digests and a daily newspaper.

Public Health

16. Medical facilities are in general inadequate. Many common diseases are widespread. The system of reporting communicable diseases is unreliable. Epidemic louse-borne typhus is expected to be the greatest hazard during the coming winter. Chlorine for water purification is lacking and sanitary facilities are inadequate.

These conditions are gradually being improved by the requisition of supplies, construction of facilities, institution of surveys and instruction to Korean doctors. Steps are being taken to gear up local production of needed vaccines. Narcotics have been poorly supervised and controlled.

Welfare

17. Welfare activities have been mainly confined to caring for Korean repatriates from Japan and Japanese departing from Korea.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

SUMMATION
of
NON-MILITARY ACTIVITIES
in
JAPAN and KOREA

Number 1.

September - October 1945

PART II

POLITICAL - JAPAN

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SECTION 1

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1. The policy of the Supreme Commander has involved the utilization of the entire structure of the Japanese Government to the fullest extent necessary to effectuate the terms of surrender. Military control and authority have been imposed upon the government structure but with the exception of major changes on the political plane there has been minimum interference with the existing administration.

This policy attained the desired ends and avoided the use of hundreds of thousands of personnel which would have been required had the basic structure of the Japanese Government been reconstituted and replaced. Some necessary changes have been made by directives from this Headquarters, others have resulted from the independent action of the Japanese officials.

JAPANESE DIET

2. The Diet came into being in 1889 by virtue of the new Imperial Constitution which provides for a House of Peers and a House of Representatives. The present membership of the House of Peers is 422 and the House of Representatives 466. The latter are elected from 119 electoral districts, 3 to 5 members from each district. Each voter is permitted to vote for only one candidate for the lower chamber, which results in a form of proportional representation.

Powers and Functions

3. The Japanese Diet can scarcely be termed a representative body. All Peers owe their appointment to the Emperor. Those who are elected from districts and might be expected to represent a constituency are chosen by the fifteen largest taxpayers in each district from among their number. Thereafter they must be nominated (named) by the Emperor before they can qualify. The House of Peers has full authority along with the House of Representatives in all matters that come from the Diet.

The House of Representatives has no control over the government. It is convened and dissolved by the Emperor. On dissolution, a general election must be held to organize a new House of Representatives.

The Diet cannot initiate constitutional amendments. It has no real control over the national purse and cannot carry on investigations concerning public matters. It is little more than

an advisory body through which the Emperor may obtain information concerning public sentiment.

4. The Imperial Rescript of 24 August 1945 called for the convening of a two-day Extraordinary Session of the Diet on 4 September. Notable feature of the session was the appearance of the Emperor who stated that his relationship with all Japanese as one family had been preserved. He then called upon all Japanese to abide by the terms of surrender but avoided the use of that word.

The Prime Minister reported on circumstances leading to Japan's acceptance of the Potsdam Declaration, subsequent negotiations with the Allied Powers, the Emperor's Proclamation on Allied Occupation, the Instrument of Surrender and the Supreme Commander's General Order No. 1.

At a special meeting held in the House of Representatives on 14 September the Dai Nippon Seiji-kai (Great Japan Political Association), successor to the former Taisei Yokusan-kai (Imperial Rule Assistance Political Association), was formally dissolved.

After the Emperor's address the Prime Minister gave the government's report to the Diet on the termination of the war. In return a group of 34 members of the House of Representatives presented 14 interpellations for the government to answer. These were directed toward learning the causes of Japan's defeat. They also questioned whether there had not been shortcomings in such things as military and political leadership, bureaucratic control, home front activity and ideology, scientific research, utilization of human resources and the food supply policy.

TWO CABINETS

5. When the Suzuki Cabinet fell, Prince Higashikuni formed a new cabinet by Imperial command on 17 August. This cabinet was to effectuate the surrender and its formalities, conduct an election and demobilize the Army and Navy and munitions industries. Underlying the cabinet's formation was the inference that its duration would be only until such time as a general election could be held.

When the cabinet resigned en bloc on 5 October the first of the tasks had been completed but the latter two were only partly finished. A census was ordered to be completed by 23 November so that populational records would be available in time for the election to be held in January. The cabinet was criticized for the failure to formulate a program to speed up civilian reemployment. It lasted only one month and a half.

The reason given by the Japanese for the sudden resignation of the Higashikuni Cabinet was the SCAP Memorandum of 4 October 1945 entitled "Removal of Restrictions on Political, Civilian and Religious liberties".

6. On 9 October after a four-day interim Baron K. Shidehara, who had once served as Ambassador to the United States, formed his cabinet. In the coming winter months the Shidehara Cabinet faces such major problems as shortages in food, clothing, coal and housing, reconversion of industry, constitutional reform and conducting of the forthcoming general election.

GOVERNMENTAL CHANGES

Regional Affairs Bureaus

7. Approval was granted the Japanese Government 3 November

1945 to establish Regional Administrative Affairs Bureaus in place of the abolished Regional Administrative Districts which had constituted a new legal echelon in the governmental machinery. Important officials of this new Bureau System include a director-general and seven deputy-generals.

Although the affairs of the bureau are under the supervision of the Ministry of Home Affairs, the Prime Minister and Cabinet Ministers give directions to these officials. Supplanting the functions of a wartime organization the present bureaus are to coordinate and adjust within each respective region all the industrial, economic and all peacetime aspects of local administration.

Ministry of Education

8. The Ministry of Education as of 9 September abolished the Students' Mobilization Bureau which had been essentially vested with nationalistic functions. The educational system has been liberalized by demanding demilitarization of schools, dismissal of ultra-nationalist teachers and modification of curricula. The Bureau of Religions within the Ministry of Education has been abolished and the nationalistic Youth Corps dissolved.

Board of Information

9. The reorganization of the influential Board of Information was announced effective 1 November 1945. The Board's three functions now will be concerned with the investigation of national policies and public opinion; provision of services to the press and radio; and provisions of services to the motion picture, theatrical and other cultural enterprises.

The Board of Information has been divested of all its censorship powers and wartime duties which had made it so dominating and feared by the Japanese press.

Ministry of Home Affairs

10. The Ministry of Home Affairs has long been the most powerful department in domestic matters. Some of its authority was abolished by a directive from SCAP on 4 October 1945. On the national level, the sections of Peace Preservation, Foreign Affairs and Censorship were dispensed with. Below the national level, likewise eliminated, were Special Police, Censorship, and Foreign Affairs Sections all in the Metropolitan Police Board and Special Police and Foreign Affairs Sections in the prefectural governments.

Other Bureau Changes

11. An important cabinet change was the abolishment on 5 September of the Technological Board and the transfer of the Patents and Standards Bureau to the Ministry of Commerce and Industry and of the Research and Scientific Training Bureau to the Ministry of Education.

Prefectural Changes

12. The second level of civilian government in Japan is that of the prefecture. There are 47 prefectures in all. The structures of Tokyo, Kyoto, Osaka and Hokkaido differ from the rest, although their powers are approximately the same. Another exception is Okinawa Prefecture which does not at present come under Japanese Admin-

istration.

Appointment of prefectural governors is one of the powers belonging to the Minister of Home Affairs; confirmation is made by the Prime Minister. On 27 October a sweeping reshuffle was made involving 32 governors and 130 departmental chiefs. The changes in prefectural governorships involved the dismissal of 13 governors and the transfer of six to other prefectures.

Only four persons were chosen from private life and the remainder from among Japanese career officials. The cabinet approved the major changes and an announcement was made by the Emperor.

Electoral Changes

13. Extension of the franchise to women over 25 years of age was the major change in the election procedure tentatively agreed upon at an extraordinary cabinet meeting on 20 October 1945.

CONSTITUTIONAL REFORMS

Reforms Suggested by SCAP

14. Representatives of the Japanese Government have been informed that the fulfillment of the Potsdam Declaration requires liberalization of the Japanese Constitution. The weaknesses of their governmental structure, they were told, include the limited powers of the Diet and the subordinate position of the House of Representatives; the absence of a true Bill of Rights; the power of the extra-constitutional bodies; the direct responsibility of the cabinet to the Emperor; the special position of the War and Navy Ministers; the lack of a truly independent judiciary; and the inordinate powers of the Emperor.

A procedure has been established whereby this Headquarters will be kept currently informed on the progress of proposed legislation whether government or Diet-sponsored.

Japanese Government's Reaction

15. In an apparent effort to meet the problem of fulfilling the terms of the Potsdam Declaration, the Japanese Government on 13 October 1945 appointed Dr. Joji Matsumoto, Minister without Portfolio under Baron Shidehara, to head a group to conduct an investigation into the question of revising the Constitution. Prince Konoye, under Lord Keeper of the Privy Seal Marquis Kido, is in charge of a group conducting similar investigations on behalf of the Privy Council.

The Society for the study of Constitutional Revision, a civilian body, was reported to have been formed on 1 November 1945 by a number of prominent writers and scholars to conduct a study independently of both the cabinet group and the Office of the Lord Keeper of the Privy Seal. None of the groups has presented any concrete proposals.

There appears to be a tendency on the part of the government to minimize public discussion of constitutional reforms until it has had time to formulate a program. Some questions have received recurring attention in the press. The position of the Diet in the governmental structure, the abolition of the military command and the degree of Imperial prerogatives have been the most prominent.

The government has announced its intention of submitting to the next Extraordinary Session of the Diet, which is expected to meet in the first part of December, a bill for revising the Election Law. The government's plan has not yet reached the form of a draft bill, but among the points expected to be covered are: lowering the age limit for voting, granting the franchise to women, adoption of a new election district system and proportional representation.

Reforms in the mode of election to the House of Representatives and in the structure of the House of Peers are understood to be under consideration. The whole institution of the Peerage has been under strong criticism.

ACTION TAKEN BY SCAP

Foreign Affairs

16. Japanese foreign affairs have been placed under the control of SCAP. The Japanese Government was directed to surrender its diplomatic property and records abroad and to recall all Japanese diplomatic and consular representatives. The Japanese Government on 31 October complied with these orders. Directions will be issued requiring it to cease official relations with the representative foreign governments in Japan except as authorized by SCAP.

The State Department has been asked to advise neutral governments that they may designate representatives to maintain relations with this Headquarters in matters concerning Japan.

Imposed Reforms

17. Positive steps have been taken to lay the groundwork for a democratic structure in Japan. Through the issuance of directives, government restrictions on freedom of speech, press, assembly and religion have been lifted, and the Japanese people have been provided with a "Bill of Rights". All monopolistic government controlled agencies have been dissolved.

SCAP ordered the disestablishment of the secret "Thought" police system and the freeing of thousands of political prisoners, thereby precipitating the fall of the Higashikuni Cabinet. Closing the overseas development banks eliminated an important source of military strength.

The presence of thousands of American soldiers in the chief population centers of the four main islands may be a decisive factor in shaping the future of Japan. The conduct of United States troops has been exemplary. If democracy cannot yet be imposed directly it is at least being demonstrated.

POLITICAL TRENDS

18. The Japanese Government has suggested little during the two months of occupation pointing toward fundamental democratic reform. There is nothing as yet to indicate that the Shidehara Cabinet will propose genuine liberal changes. This is not surprising since democracy and reform are contrary to long established policies.

A number of measures are being currently discussed and considered by the press, public officials and emerging political parties or factions. The most popular topics concern the revision of the Constitution, democratization of economic institutions, general elections, woman suffrage, reorganization of government bureaus and pun-

ishment of high policy makers who engineered the war.

Many of the younger Japanese are awake to the reality that a new different Japan must emerge and as one university student has summed up in a direct question: "Which is better Democratism or Communism to rescue modern Japan?"

Political Outlook

19. Political activity is hampered by the concentration of the people on the paramount problems of food, clothing and shelter. Even if the essentials of life were adequate in Japan, it would be unrealistic to expect spontaneous and widespread participation of the people in politics. They would willingly punish the policy-makers and bureaucrats for losing the war but that is about all.

The people have had no experience with democracy. Dignity of the individual is completely foreign to their background of feudalism and totalitarianism. Millions of peasants and the women in general are politically ignorant. Add to this the fact that real leaders are afraid to speak out, not knowing how long United States troops will be here to protect them against the dreaded secret police and it will be readily understood why political developments in Japan are slow.

POLITICAL PARTIES

Socialist Democratic Party

20. The first of the political parties to be inaugurated formally was the Socialist Democratic Party of Japan (Nippon Shaito). The president of the party, Komakichi Matsuoka, has been the central figure in the Japanese Federation of Labor. The party has 15 members in the present Diet and may exert some influence in the coming election.

Communist Party

21. The Communist Party (though not yet inaugurated formally) under the leadership of Mr. Yoshio Shiga, made advances to the Socialists for a coalition, but was refused on the ground that the Communists have not yet determined their own platform.

The Communist and Socialists have platforms befitting their party labels but there is no evidence that their leadership is capable of forming a coalition of intellectuals, industrial workers, peasants, women and small business men.

Refusing to take a positive stand on the Imperial Institution (except for a small group of Communists who demand its abolition) the left wing elements favor, among other things, confiscation of industries, retirement of bureau heads, resignation of members of the House of Peers and investigation of war expenditures.

Japanese Liberal Party

22. The Japanese Liberal Party (Nippon Jiyuto), containing 50 members of the Diet, was inaugurated 9 November. Within this group there are some outstanding Japanese leaders; in particular, Ichiro Hatoyama, who has been a prominent member in the Diet; Shigeru Yoshida Foreign Minister in the Shidehara Cabinet, Hitoshi Ashida, the present Minister of Welfare and president of former "Japan Times" and Takao Saito, a former member of the Diet who some time before criticized the military in a long speech for which he was persecuted

during the war.

This new Liberal Party has a women's section and favors woman suffrage, lowering the voting age, and the reorganization of the House of Peers, the Privy Council and the educational system. Like all parties it would abolish bureaucracy. Foreign Minister Yoshida for the present has taken the stand that the Constitution is democratic, suggesting that the enormous powers of the Emperor and the insignificant powers of the Diet should remain unchanged.

People's Party

23. The People's Party, or the Central Political Party (Minpon-to), has made the announcement that its formal inauguration will take place on 16 November. This party is an amalgamation of the two old line parties existing before the war, Minseito and Seiyukai, with 240 seats in the present Diet. It enjoys a strong position for the coming election. Many of its members belonged to the wartime Imperial Rule Assistance Association and may constitute a reactionary influence. The leader of the party is Toshio Shimada.

SECTION 2

LEGAL, PUBLIC SAFETY AND INTELLIGENCE

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GENERAL

1. The occupation of key points in Japan by the American Forces proceeded swiftly but was marked by alertness since the reaction of the Japanese people was unpredictable. No incidents of resistance or action against the American Forces were reported.

Demobilization of the Japanese Army progressed smoothly. By 15 October 1945 Japan's Army had ceased to exist and her Navy was virtually dissolved. Directives of 16 September, 30 September and 23 October provided for the surrender of arms, certain exceptions being made for hunting arms, heirloom swords and explosives for legitimate business and industrial use.

2. The Japanese police have maintained satisfactory law and order. The termination of the war resulted in some increase in crime, especially juvenile delinquency in urban areas. Large-scale black market activities have not been in evidence.

3. Free thought and speech were completely suppressed by the special types of Japanese police. Ruthless methods prevented the emergence of authentic democratic groups. This situation was met with the issuance to the Japanese Government on 4 October of a four-point order referred to as the "Bill of Rights" directive.

One provision directed the removal of restrictions on political, civil and religious liberties. In compliance, the Japanese took prompt steps to abrogate the Peace Preservation Act and other enactments whose nullification had been directed.

Initial directives had already been issued by SCAP on 10 September and 27 September requiring the Japanese Government to discontinue restrictions on both press and communications. On 16 October the provisions of these directives were made applicable to the motion picture industry, and government restrictions were ordered lifted. These directives resulted in the removal of all important restrictions previously imposed by the Japanese Government on speech and press.

4. A second provision of the "Bill of Rights" required the release by 10 October of all persons confined on political grounds. The Japanese Government complied with instructions to render a full report on the status of all persons released and details of their confinement.

5. A third important provision involved the abolition of the secret police and allied agencies, the dismissal of the Home Minister in the Higashikuni Cabinet, and all top officials connected

with "thought control". Pursuant to this order, 4,800 members of the secret police and top officials on all levels of police administration lost their positions.

6. Application of the Japanese Government for an increase in the strength and armament of the civil police force was denied 11 October. The local press demanded the adoption of modern scientific methods of crime detection.

7. Recommended changes are being prepared for the administration of the Fire Department which is now under police control.

8. To uncover subversive activities, Counter Intelligence Corps Units are being installed in the capital of every prefecture. Special metropolitan teams provide coverage for the larger cities. In addition, Civil Censorship Units maintain widespread coverage of the press and radio.

9. The activities of foreign nationals living in Japan, especially Nazis, are the subject of close scrutiny. By two directives, of 13 September and 19 September, the Japanese Government was required to furnish needed information. These data have been provided and appropriate action is being taken.

LEGAL AND WAR CRIMES

Legal Advice

10. Numerous questions of a general legal nature presented for advice and opinions were accepted and acted upon by this Headquarters. Illustrations of the general questions are problems of domestic Japanese law, international law and requests for comment on and drafting of proposed directives.

War Crimes

11. The initial phases of occupation required the obtaining from liberated prisoners of war all evidence and information within their knowledge concerning the commission of war crimes and atrocities. Special emphasis was placed on war crimes and atrocities occurring during the periods of their confinement.

Under the terms of the Japanese surrender, all prisoners of war were gathered at central points and evacuated without undue delay. Personnel accompanied the Advanced Recovery Teams to the POW camps for the purpose of gathering evidence. Due to the rapid evacuation of a large number of prisoners of war, it was recognized that complete coverage by this method could not be ensured.

Interrogation centers were established in the Marianas and the Philippines where the repatriates were taken from Japan. Processing of those individuals who temporarily remained aboard hospital ships continued. These arrangements resulted in a thorough screening of almost every former prisoner of war. Hundreds of affidavits admissible before military commissions were secured and are being studied for trial use.

12. In response to demands upon the Japanese Government complete rosters of Japanese personnel on duty at the various POW camps were obtained. These lists, when compared with the evidence obtained from the liberated prisoners, provided several hundred names of potential war criminals.

The Japanese Government has lately been directed to apprehend and deliver into proper custody 300 persons against whom

there is sufficient evidence to constitute prima facie cases of guilt.

Shortly after initial landings an order had been issued directing the arrest of 40 persons, the most notorious of whom was the former Premier Hideki Tojo. Also included in the order were all 10 members of Tojo's Pearl Harbor Cabinet, eight prison guards charged with maltreatment and five officers and government officials known to have committed atrocities in the Philippines.

The responsibility for arrests has now been delegated to the Japanese Government. Satisfactory cooperation is being obtained.

PUBLIC SAFETY

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LAW AND ORDER

13. The Supreme Commander characterized the initial landing as the greatest gamble which had been taken in history. Balanced against a well-armed Army, the secret police, terrorist and nationalist societies and other potential forces of possible resistance was the assurance that the United States possessed the use of the most important and powerful single instrument of authority in Japan--the Emperor.

The power of the Emperor to facilitate absolute surrender and to aid in the establishment of complete control by the American Army was gambled. It was hoped that few, if any, would dare disobey the Imperial Rescript on capitulation.

The gamble proved justified as control of the civilian population did not manifest itself as a problem. Since the majority of the Japanese people were found to be passive and, in many cases, anxious to assist the American Forces, the occupation was orderly and devoid of casualties.

Demobilization

14. Smooth and uneventful progress was made in demobilizing the Japanese Army and Navy. On 1 September 1945 the combined strength of the home Army and Navy totaled 4,000,000 while 3,400,000 more Army and Navy personnel were deployed throughout Japanese occupied territories. By 15 October 1945 the Army had ceased to exist and the Navy was virtually dissolved.

It was learned that the Japanese Government had not taken satisfactory steps to complete the dissolution of the Japanese military police. The result was the issuance on 17 October of an order requiring the prompt demobilization of the military police in strict accordance with the General Army Demobilization Plan previously announced, and directing the assumption by the Japanese civil police of the remaining duties previously performed by the military police.

By 17 October the Imperial Guards, in response to an

order previously issued, had changed from the tan-colored military uniform to the blue of the civilian police.

Surrender of Civilian Arms

15. A memorandum of 16 September 1945 outlined the procedure whereby the Japanese Government was to collect all civilian arms and surrender them to the Occupation Forces. It was modified 30 September to permit the retention and licensing of hunting guns and knives. A directive of 23 October extended the excepted arms to include heirloom swords and permitted the Japanese government to license the use of explosives by legitimate business and industrial organizations.

Crime Status

16. Despite numerous changes in the existing police organization and the dismissal of certain top personnel, the police have been able to maintain a satisfactory degree of law and order. Preliminary reports indicate some increase in crime. Seven murders were reported in Tokyo City from the first of the year until August.

In September and October, 11 murder cases were reported, seven of which were solved. Robberies reported do not show a substantial increase. The termination of the war has accelerated the pace of juvenile delinquency, particularly in urban areas where food supplies are more limited. In Tokyo the Chief of the Metropolitan Police Board has issued specific instructions to cope with this situation.

17. Black market operations involving the Japanese are under the jurisdiction of their own police. The Occupation Forces do not intervene except in operations involving American goods and occupation personnel.

Several factors exist which hinder prompt crime detection. Police communications and transportation facilities which had been partially paralyzed have not been restored to normalcy. The general disruption of the civilian population has impeded the location of persons whose evidence was sought.

18. In two reported instances the Japanese Government has taken stern measures to preserve the authority of justice over its own officials. One procurator was dismissed and a judge disciplined for illegal distribution among the court staff of large amounts of sugar which had been held as evidence in an embezzlement case.

The Japanese Naval authorities have directed court-martial inquiries involving some 2,500 officers, sailors and civil service officials who allegedly appropriated large amounts of government goods to their own use.

FREEDOM OF SPEECH

19. Free thought and free expression have been practically unknown in Japan. The police have occupied a dominant role in the government and have exercised almost complete control over all phases of Japanese life. In addition to the regular police employed in maintaining law and order, Japan had an extensive network of secret police (Kempei-tai) and "thought police".

The former possessed Army authority and the latter authority of the Peace Preservation Act of 1941 and similar enactments on "thought control". Together they had been given unlimited power to deal with any signs of unrest or dissatisfaction. Thus the emergence

of democratic groups was subjected immediately to ruthless terrorization and brutality. The press and radio have served as the mouthpiece of government policy.

Bill of Rights Directive

20. One of the most drastic house-cleaning measures was the Bill of Rights directive of 4 October 1945. Among other things, this order required the Japanese Government to remove restrictions on political, civil and religious liberties, and discrimination on grounds of race, nationality, creed or political opinion.

The list of laws to be abrogated included, but were not limited to, 15 specifically enumerated enactments. The more important enactments were the Peace Preservation Law, the Protection and Surveillance Law for Thought Offense and the Precautionary Detention Procedure Order. Further directed was the abolition of all organizations or agencies created to carry out the provisions of these enactments.

In compliance with the directive it was announced, after a regular meeting of the Japanese Cabinet on 12 October, that the Peace Preservation Law would be abolished. Later it was announced that the temporary law controlling seditious publications and 11 other laws relating to the control of speech, press and assembly had been included for abolition.

Removal of Other Restrictions

21. An initial directive of 10 September ordered the Japanese Government to discontinue dissemination of untrue or biased statements and to take immediate steps to remove all existing restrictions on freedom of speech. On 24 September a directive further defined government-created barriers to dissemination of news and ordered it to discontinue controls over the press and news agencies. Preferential treatment to any press agency was forbidden.

On 27 September a directive entitled "Further Steps Toward Freedom of Speech and Press" required the Japanese Government to discontinue restrictions on both press and communications and cancel imposition of fines and other punitive actions against the press. Future restrictions were to be controlled entirely by the Supreme Commander. Voluntary writers' and publishers' organizations were to supersede former organizations which were compulsory.

On 16 October a directive was issued stipulating that all previous directives on freedom of speech would be made applicable to the motion picture industry, that laws imposing restrictions on motion pictures would be immediately suspended pending appeal, and that punitive action against persons in the motion picture industry for exercising lawful freedom of speech be forbidden. Seventeen laws were listed for prompt suspension including those pertaining to police control over the industry and its personnel.

POLITICAL PRISONERS

22. The "Bill of Rights" directive ordered the release by 10 October of all persons unjustly confined by the Japanese Government on political grounds. The directive included all persons who were detained, imprisoned, under "protection and surveillance" or whose freedom had been restricted in any manner under the Peace Preservation Law and related enactments.

The Japanese Government was further directed to submit not later than 15 October, a report giving full information concerning the persons released, including their names, nationality,

race, occupation, specification of charge, place from which released or controlled, date of release and contemplated address after release.

The Japanese Government has submitted the required data which is now in the process of translation. Five hundred seven political prisoners have been released and "surveillance" over 2,026 prisoners has been discontinued. Prisoners still held on secondary charges number 37, but it is expected that some of these will be ordered released.

POLICE

Departmental Changes

23. As a result of the Bill of Rights directive a drastic shake-up occurred in the police organization. Ordered abolished were: all secret police organs; all police departments charged with censorship or supervision of publications, public meetings and motion pictures; and all departments concerned with the control of thought, speech, religion or assembly.

Ordered removed from office were: (1) the Minister of Home Affairs; (2) the chiefs of the metropolitan police boards, the Chief of Police of the Territorial Administration of Hokkaido, and the chiefs of each prefectural police department; (3) all personnel of the Special Higher Police of all metropolitan, territorial and prefectural police departments; and (4) all "guiding and protection" officials and other personnel of the Protection and Surveillance Commission and of the Protection and Surveillance Stations.

It was further directed that none of these persons be re-appointed to any position under the Ministry of Home Affairs, the Ministry of Justice or any police organ in Japan.

24. Pursuant to the directive 4,800 members of the secret police throughout Japan were suspended. Senior officials who lost their positions as a result of the shake-up numbered approximately 100 including two officials of the Chokunin rank (appointed by the Emperor), 49 senior officials including chiefs of sections of the Home Office and chiefs of the prefectural police, and 55 chiefs of the prefectural secret police.

The prefectural governments have announced suspension lists including much larger number of Hannin rank officials of the prefectural secret police. As a temporary measure, vacancies which occurred in the positions of the chiefs of prefectural police are to be filled by chiefs of internal affairs of the prefecture concerned, who will handle police affairs in addition to their usual duties.

25. On the day following the publication of the directive the Japanese Government made an application for an increase in the strength and armament of the civil police force, for the establishment of a mobile force and for the augmentation of the water police. The SCAP reply of 11 October was brief: "There shall be no increase in the strength, organization or armament of the civil police at this time."

Substitution of New Methods

26. The local press demanded a thorough renovation of many police methods and a substitution of new methods to replace some which had already been banned. As a substitution for torture previously used in obtaining evidence, the introduction of modern

scientific methods of crime detection of the type employed by the FBI in the United States was urged.

Fire

27. General administration of the fire department in Japan is under police control. This matter is being studied in connection with police problems.

Prisons

28. The Bill of Rights directive required the Japanese Government to submit not later than 15 October a comprehensive report on the organization and personnel of the prison system.

INTELLIGENCE

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SCOPE

29. Counter intelligence activities in Japan are under the operational control of a Special Staff Section. Special metropolitan teams provide complete coverage of all large cities and CIC units are being established in the capital of every prefecture. In addition to independent investigations these units inquire into matters reported by the Japanese pertaining to abuses of the local police, racketeers, black-market activities, the unauthorized possession of weapons and other violations of SCAP directives.

Through this procedure the legitimate interests of the Japanese people are protected and valuable information, voluntarily given, is accumulated for intelligence use. Released political prisoners have been a primary source for the collection of such data.

Civil censorship units maintain widespread coverage of the press, radio and mail.

30. An excellent example of the success of intelligence was illustrated when it was disclosed that St. Paul's University and Middle School, founded as a religious institution by funds from the Episcopal Church in the United States, was being used for improper purposes. The Christian faculty had been removed from office. Christian teachings and services had been abolished.

After investigation a directive was issued 24 October with the following instructions: that certain officials be dismissed and denied further employment in any public or private educational or religious institution, that the school be completely reorganized, that a complete survey be made of all Japanese educational institutions founded or maintained by missions or contributions of Christians and that a detailed report of all findings be submitted to SCAP by 15 November.

FOREIGN NATIONALS

31. The activities of a large number of foreign nationals living in Japan at the time of capitulation was a matter of concern. Numerous active Nazi officials were directly connected with

business firms. It was known for some time that many of these were serving as agents for spreading the Nazi doctrine and culture.

A directive was issued 13 September ordering the Japanese Government to impound at once and report within 15 days "all property and other assets, books of account and other records owned or controlled, in whole or in part, directly or indirectly, by the governments or any nationals, within or without Japan, of Germany, Italy, Bulgaria, Finland, Thailand, Rumania and Hungary."

Simultaneously it was directed that all such property or books owned or controlled by the governments or nationals of any of the United Nations on 7 December 1941 be preserved in good condition and reported to SCAP.

32. For the purpose of investigating individual foreign nationals, this Headquarters issued a directive 19 September, requiring that the Japanese Government furnish the name and latest known address of every foreign national living in Japan prior to surrender, with the exception of diplomatic personnel. This list has been received.

CENSORSHIP

Press Censorship

33. As early as 18 September the "Asahi Shimbun" was suspended for two days for publishing an article considered to be in violation of the previously announced policy. The following day a similar order was issued suspending the "Nippon Times" for one day.

A directive of this same date supplied a code of censorship for newspapers and periodicals. Its main provisions forbade untruthful statements, destructive criticism of the Allied Powers inviting mistrust and resentment against the Occupation Forces, unauthorized discussion of Allied Troop movements and the development of any propaganda line.

34. Pre-censorship of the Tokyo daily newspapers as well as national news agencies began 8 October. At present all major Tokyo newspapers and magazines are pre-censored, and pre-censorship of publications in Osaka and Fukuoka will commence shortly.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

SUMMATION
of
NON-MILITARY ACTIVITIES
in
JAPAN and KOREA

Number 1.

September - October 1945

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ECONOMIC - JAPAN

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SECTION 1

NATURAL RESOURCES

C O N T E N T S

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GENERAL

1. The breakdown of Japanese war economy caused the operations of the natural resources industries to disintegrate upon cessation of hostilities.

2. Agriculture is producing less than normal amounts of foodstuffs and supplies for 1946 may be insufficient without some imports. To an extent this is due to typhoon and flood damage to the current rice crop.

Japan does not produce sufficient commercial chemical fertilizer for its domestic needs and during the war years the soil had not received sufficient plant nutrients for maximum yields. In an effort to counteract the resulting poorer crop yields, a considerable acreage formerly devoted to industrial crops such as tea, mulberry and pyrethrum was planted to food crops. The result was of slight temporary benefit to food crop production, but today Japan finds itself without these industrial crops which now could be used in export trade to pay for imports.

3. The Allied military activity prevented the Japanese deep sea and coastal fishing fleets from operating on their customary scale. At the cessation of hostilities fishing facilities in the South Seas, Formosa, North China, Manchuria, Korea, Russian Maritime Provinces and the Kuriles all passed out of Japanese control. In addition needed labor had been absorbed by the military forces.

At the time of surrender, according to Japanese estimates, the output of the marine industry had dropped 40 percent below the prewar level. Since then the areas in which fishing is permitted have been fixed. To rehabilitate the industry so it can supply domestic requirements, essential petroleum products must be furnished, damaged equipment repaired or new equipment constructed, the black market must be controlled and the distribution of fish returned to normal channels of trade.

4. Forests constitute one half of the total area of the home islands of Japan. The nation's economy is intimately related to forest products. Some of the most pressing problems that have arisen are the charcoal needs in the Tokyo-Yokohama area, the shipment of mine timbers to China and the needs of the Occupation Forces for lumber.

5. Mineral production and processing in Japan have declined from approximately double the prewar level to a level from 20 to

50 percent of the prewar figure. Coal is the most important mineral commodity, and the current monthly production is only about 20 percent of 1935.

AGRICULTURE

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FOOD POSITION

6. The food situation in Japan proper promises to be critical in 1946 if the 20 September estimates of the Japanese Ministry of Agriculture and Forestry prove to be a correct appraisal.

Japanese officials have estimated the total amount of foodstuffs available for consumption from 1945 production at 30,289,000 metric tons, of which 26,692,300 metric tons are available for food after the deduction of non-food uses, such as seed and industrial uses. The food available for intake in Japan after the deduction of waste is computed at 833 grams, consisting of 1,782 calories and 58.4 grams of protein per capita per day.

Destruction of foodstuffs by air raids was a negligible factor in 1945. Ministry officials estimated that a total of approximately 170,789 metric tons were destroyed, or about 0.6 percent of the amount available for food.

7. The principal factor in the food situation in Japan is the rice crop, which normally furnishes about 60 percent of the calories in the average diet. The production of rice for 1945 was estimated as 8,389,500 metric tons on 31 August 1945. However, the current rice crop was severely damaged by typhoons which swept across Southeast Japan on 17 and 18 September. Based on the latest reports from the Agriculture and Forestry Ministry, the loss to the present rice crop is now estimated at 1,200,000 metric tons, which leaves an estimated crop for the year of 7,189,500 metric tons.

8. A food position report for Japan proper was prepared as of 20 September by the Japanese Government by taking into account the typhoon losses. The estimate indicates an expected total production of 26,610,800 metric tons of foodstuffs in 1946, of which 24,355,700 metric tons would be available for food. This would furnish an estimated average food intake of approximately 719.5 grams, consisting of 1,375 calories and 41.1 grams of protein, per capita per day during 1946.

9. The minimum caloric and protein intake requirement per capita per day for the average Japanese is stated by the Ministry to be 2,160 calories and 76 grams of protein. In 1942 the Japanese received an average food intake of 1,872 calories and 49 grams of protein per person per day. There is no evidence that the average food intake ever reached 2,160 calories for any year during the war.

10. Since the 20 September food position report for 1946 was prepared an additional loss to the rice crop of 357,000 metric tons has been reported by the Ministry because of flood damage on 9 and 10 October. This reduces the estimated crop from 7,189,500 metric tons to 6,832,500 metric tons.

FERTILIZERS

11. The scarcity of chemical commercial fertilizers will undoubtedly be a contributing factor to the critical food shortage in Japan proper in 1946. It is common knowledge that Japanese agriculture in prewar years was dependent upon commercial fertilizers to supplement plant food supply of the inferior type soils prevalent in Japan.

12. According to information furnished by officials of the Fertilizer Section of the Ministry of Agriculture and Forestry, consumption of the chemical commercial fertilizers was greatly curtailed during the war because of an inadequate supply of these materials. Consumption of the most important fertilizer, ammonium sulphate, which averaged 1,143,000 metric tons annually from 1937 to 1940, had decreased to less than 300,000 metric tons in 1945 due to war damage to plants and lack of raw materials.

Superphosphate plants suffered no war damage, but on account of reduction of imports of phosphate rock from abroad they were forced to reduce production. Consumption in 1945 had dropped below 50,000 metric tons, as against an average annual consumption from 1937 to 1940 of approximately 1,169,000 metric tons. Consumption of other fertilizers had been reduced in approximately the same ratios from 1940 to 1945. Consequently large areas of crop lands have received little or no chemical fertilizers for from one to three years. The residual effects in the soil of most of these chemically supplied plant foods have been exhausted to such an extent that crop production will be greatly affected unless the application of these fertilizers is resumed in reasonable amounts in 1946.

13. According to data furnished by the Ministry of Agriculture and Forestry on experiments in the use of basic fertilizers materials on certain major crops, important increases in yields have resulted from their applications.

Where nitrogen in the form of ammonium sulphate was applied to the soil rice yield increases averaged 43 percent, wheat and barley increases averaged 100 percent and potato increases averaged 45 percent over the yields from plots where no nitrogen was applied.

By the application of phosphorus in the form of superphosphate, rice yields were increased by 5 percent, wheat and barley by 50 percent and potatoes by 29 percent.

By the application of potash in the form of potassium salts or muriate of potash, rice yields were increased by 8 percent, wheat and barley by 85 percent and potatoes by 30 percent.

Such increases by the addition of those basic chemical fertilizer materials clearly demonstrate the important potential of these elements on food crops of Japan in 1946.

14. Based on the present outlook, Japanese officials estimate the chemical production of nitrogenous fertilizers in 1946 to be approximately 600,000 metric tons; phosphatic fertilizers, 600,000 metric tons; and potassic fertilizers, 20,000 metric tons.

The average annual consumption of organic fertilizers in the period 1930-35 was given as 940,000 metric tons of soya bean and other oil cake, 198,000 metric tons of fish products and 60,000 metric tons of bone meal. The officials of the Ministry of Agriculture furnished the following estimates of production of

organic fertilizers in 1946; 15,250 metric tons of soy bean and other oil cake, 10,500 metric tons of fish products and 550 metric tons of bone meal. Such low levels of production of organic fertilizers in 1946 indicate a greater shortage of chemical fertilizers for application to the 1946 crops.

15. The Japanese estimates of 31 October 1945 for current stocks of fertilizer on hand (expressed in equivalents of ammonium sulphate, superphosphate and muriate of potash) are respectively by type: 11,000 metric tons of nitrogenous, 4,200 metric tons of phosphatic and 400 metric tons of potassic fertilizers.

Besides the near exhaustion of the supply of fertilizers on the eve of the new year, there exist several problems in 1946 production, such as obtaining large quantities of phosphate rock from abroad, repairing nitrogenous plants and providing anthracite, high grade coal and coke for calcium cyanamid production. The facilities for producing potassic fertilizers in Japan are very limited and if minimum requirements are obtained for use in 1946 most will have to be purchased and imported from other countries.

POTENTIAL SOURCES OF EXPORTS

16. Industrial crops furnish Japan's chief source of agricultural exports. Of these grown in Japan only silk, pyrethrum and tea are produced in sufficient quantities to be of any export importance.

Silk

17. Mulberry acreage has been decreased progressively from 1,749,000 acres in 1930 to 524,000 acres in 1945, and the production of raw silk has decreased during the same period from 710,314 bales to an estimated 100,000 bales in 1945. An additional decrease in mulberry acreage in the autumn of 1945 was planned by the Japanese Government, but was halted by an order from GHQ. Thus the acreage for the year 1946 will be approximately the same as for 1945.

The Bureau of Sericulture, Ministry of Agriculture and Forestry, has estimated the minimum annual domestic consumer needs of Japan for raw silk at 35,000 bales. With present mulberry acreage the Sericulture Bureau estimates an output in 1946 of 170,000 bales, of which a possible 135,000 bales would be available for export.

Pyrethrum

18. The pyrethrum plant, a member of the chrysanthemum family, is the source of an important insecticide used in the form of extracts or liquid sprays. Prior to the war it was one of Japan's important exports but, as has been true with mulberry, its acreage has decreased considerably. At present the production is hardly enough for domestic consumption and consequently it cannot be considered as an export commodity in the immediate future. If acreage could be expanded to the 1935 figure, the annual exportable surplus of pyrethrum would possibly reach 10,000,000 pounds.

Tea

19. Tea production has also been curtailed to a very great extent as a result of the war. Production reached a peak of 137,000,000 pounds in 1941 but has decreased continually until in 1945 the production is estimated to be approximately 54,000,000 pounds.

Normal consumption during the 1930's averaged about 63,000,000 pounds but due to reduced acreage and production during the war it will be only about 50,000,000 pounds in 1945. At present there are 1,884,000 pounds of tea available for export and an expected 1,700,000 pounds more will become available by 31 December 1945.

Production prospects for 1946 are not bright in view of pressing need for foodstuffs production. Tea acreage will increase as soon as the food situation eases, particularly when a considerable amount of land that is hilly and relatively unsuited to the production of food crops is reconverted to tea production.

Export Outlook

20. The outlook for silk appears brighter than it did two months ago and instead of preparing for a decrease in raw silk production the silk industry is planning to repair and replace some of its worn machinery and to increase its production some 70,000 bales over this year's output. The outlook for pyrethrum and tea has not changed appreciably during the past two months, and it can be expected to remain relatively unaltered at least until the food situation has become less critical.

FISHERIES

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GENERAL

21. As the result of Allied armed superiority the Japanese fishing fleet was completely swept from the high seas and communication with fishing bases in the far flung Empire practically ceased to exist. Even in coastal waters fishing activities were seriously hampered by the harassing attacks of American air and naval craft.

22. The elaborate fishing establishments, including ships, docks, processing plants, repair yards and similar equipment in the South Seas, Formosa, North China, Manchuria, Korea, Russian Maritime Provinces and the Kuriles, have all passed out of the control of the Japanese. In addition to the effects of direct military action, the disintegration of the Japanese fishing industry was brought about by the shortage of materials for the operation, building and repair of fishing craft and for the manufacture and repair of equipment; the withdrawal of needed labor into military activities and finally, with peace, the lassitude that followed upon the heels of uncertainty and the sudden disappearance of plans in a highly disciplined society. When peace was restored there were no fisheries activities in Japan.

At the time of surrender the Japanese authorities estimated that the production output of Japan's marine industry, as compared with that before the outbreak of the war, had dropped 40 percent.

23. Fishing areas were established soon after the occupation became a fact. At first fishing activities were allowed in a narrow band along the coast, but were soon enlarged to permit much broader fisheries operations. With freedom of movement over a much

wider area larger numbers of fishing boats put out to sea. As a result greatly increased landings of fish were reported by the Japanese Government for most areas, according to the statistics available at this early date. These increased landings were made in spite of the fact that only very limited supplies of fuel oil were available for the fishing fleet. Other factors have contributed to the early resumption of fishing within the permitted zone. Not the least of these is the time-honored compulsion of habit occasioned by the beginning of the winter fishing season.

24. In order to resuscitate the fisheries industry to the extent of meeting domestic requirements of marine products many things must yet be done. The problem of the supply of essential petroleum products must be solved. Repair of damaged and operationally disabled equipment must be accomplished in spite of a drastic shortage of repair materials. Where such action conforms to the pattern for Japanese fisheries established by the Occupation Forces, new equipment must be built to replace that lost during the course of the war. Cotton for nets, line and sails, salt, abaca for rope and other materials must be secured where no substitutes can be found. The black market must be controlled and the distribution of fish returned to normal channels of trade.

FISHING AREAS

Consumer Needs for Fish

25. Estimates vary on the normal consumer needs for aquatic foods in Japan. The most recurrent figure is that of 65 pounds of fish per capita per year. On this basis a population of about 78,000,000 in the four main islands (as of 31 August 1945) would require about 2,200,000 metric tons annually.

It is believed that the figure of 65 pounds per capita is based on the weight of the edible dressed fish. This weight is roughly equal to two-thirds of the weight of the raw whole fish. On this basis the consumption of fishery products for food would approximate 3,300,000 metric tons annually.

Establishment

26. Under requirements for Allied entry into Japan, Japanese fishing vessels of 100 gross tons and over were to undertake no movement beyond voyages in progress pending instructions from the Supreme Commander. On 12 September this restriction was eased somewhat and Japanese wooden vessels (auxiliary sailing vessels) were permitted to operate in Japanese coastal waters provided: (1) these vessels operate within 12 miles of the Japanese coast, except where special permission is obtained; (2) these vessels keep clear of areas designated by the U. S. Naval Authorities as restricted or operating areas (as for example the restricted areas in Tokyo Bay); and (3) these vessels obey instructions and orders from the U. S. or Allied Naval Authorities.

27. These military exigencies precluded any but the most limited fishing activities within the first few weeks of the occupation. By 27 September the situation was well enough under control so that fishing could be authorized in a wider area throughout Japan proper. The following boundaries then were decided upon:

"From NOSAPPU MIZAKI to 41-30 North 150 East, south to 30 North 150 East, west along 30th parallel to 130 East, south to 29 North 130 East, west to 29 North 126 East, south to 26 North 126 East, west to 26 North 123 East, northeast to southern tip TSUSHIMA.

From northern tip TSUSHIMA to 40 North 135 East to 45-30 North 140 East to 45-30 North 145 East, south along 145th meridian to HOKKAIDO".

Within this area fishing operations may be conducted on an unrestricted basis except that: (1) all vessels are subject to search by Allied craft at any time; (2) vessels must obey all instructions or future regulations established for their control from any Allied source; (3) all craft over 100 gross tons must, before they leave port for the first time, be listed via Japanese channels with the U. S. Naval Authorities.

28. The annual catch of Japan proper (the area in which fishing operations are now permitted) in prewar years amounted to 3,000,000 metric tons. About 1,500,000 people were engaged in making the catch, many of whom were farmers who devoted only part-time to fishing. Aquatic foods supplied the major source of animal protein in the Japanese diet. The fisheries also supplied large quantities of fertilizer, fish meal and oil.

The fishing fleet consisted in 1936 of some 366,000 boats and vessels, of which about 62,000 were propelled by engines. The value of the exports from Japan to all areas during the period 1932-38 averaged about 92,000,000 yen annually. A large proportion of these exports was produced outside Japan proper.

Readjustments

29. Readjustments in the boundaries of the area in which Japanese fishing craft are permitted to operate will be made as proved need arises. One such case has already arisen and the boundary has been altered in a small but fundamental fashion.

Japanese fishing vessels under the restriction of 27 September had been for security reasons completely denied the use of the straits between Hokkaido and Karafuto and Hokkaido and Nemuro (the most westerly of the Chishima Archipelago). Since this prohibition prevented the use of the major fishing port of Wakkanai by boats to the east of Cape Soya and seriously interfered with all coast fishing in the Hokkaido area by breaking the coast regions of the island into three separate areas with no permitted movement of fishing vessels from one area to another, and since security will not be jeopardized, a Japanese request for a readjustment was granted. Use of Wakkanai by boats from East Hokkaido is now possible and movements of fishing vessels completely around the island within the three-mile limit is now permitted.

The very important fishing grounds around Hokkaido may now be more completely utilized, and it is expected that returns of fish from that area will slowly but steadily increase. This readjustment may be considered the pattern for future similar actions.

FISHERY INDUSTRY

Fishing craft

30. In an effort to make up for the loss of fishing craft due to the war, a number of Japanese military craft has been transferred to fishing activities. At Niigata 80 amphibious landing craft formerly used by the Japanese in landing operations were turned over to the prefectural authorities for use in fishing thus easing a serious local situation for food.

Textile Fishing Equipment

31. The situation with reference to stocks of fishing nets in

Japan is very serious. As of 1 October there were reported to be sufficient nets to supply the industry for three months. Major repairs and replacements are normally required at the end of the winter fishing season. Reports are being prepared now by the Japanese Government which should furnish a basis for evaluating the needs of the fisheries industry for nets and the requirements of the net manufacturers for the next year.

The requirements of line for fishing activities and the stocks of materials on hand are approximately in the same condition as the nets mentioned above. Together these two items absorb, according to Japanese figures, over 15,000 metric tons of cotton per year. This figure seems unusually high. In addition the manufacture of canvas for sails takes over 700 metric tons of cotton per year.

Petroleum

32. Methods have been worked out for the more equable distribution of the meager supply of fuel oil to the fishing fleet. Still there is a long way to go before the larger fishing craft operating at considerable distances from shore will be able to secure sufficient fuel oil. According to the Japanese Government 506,000 kiloliters of petroleum are required by the fishing industry annually.

Salt

33. During normal times large quantities of fish are salted in Japan. Now, due to the shortage of salt, difficulty is being experienced in handling catches in some areas and some fish may be going to waste. Efforts are in progress to secure salt from abroad for fish-curing operations. Meanwhile the Japanese Government is encouraging the home production of salt from sea water. The estimated annual salt requirement for the fishing industry is 143,000 metric tons.

Black Market in Fish

34. Large quantities of fish have been finding their way into the black market where they bring three or more times the official price. Efforts are being made to cope with this problem through the Japanese Government and the fish distributors. Already the central distributors of Tokyo, Yokohama, Nagoya, Kyoto, Osaka and Kobe, who form the membership of the "Six Cities Market Control Association", have met together of their own volition to discuss means of combating the black market by re-establishing some degree of order in the distribution of fish in all parts of the country. Factors in their favor are the greater abundance of fish with the coming of the winter fishing season and the return of more normal conditions of life.

Aquiculture

35. Prior to the war aquiculture was practiced in Japan on a scale unequalled anywhere else in the world. Carp and eels were the principal species raised in fresh-water ponds, while various species of shellfish such as oysters and clams were cultivated in the brackish shallow waters of bays and estuaries.

36. Because of the exigencies of war aquiculture operations were seriously retarded and in some cases entirely abandoned. The seed-oyster industry was so badly neglected that no stocks will be available for export in the spring of 1946. There are not even sufficient transplants for normal oyster cultivation in Japan.

The cultured pearl industry has been inoperative since 1942 and the earliest possible date of resumption of culture operations is the spring of 1946. The first crop of any size from these operations will be available in the spring of 1948. The stocks of gem pearls now on hand will likely be used for making necklaces or other souvenirs for the Occupation Troops.

Whaling and Sealing

37. Within the area in which the Japanese are permitted to fish there are valuable whale and fur seal resources. In 1911 Japan became a party to the Fur Seal Treaty along with the United States, Great Britain and Russia. This was terminated in October 1941 upon notice from Japan on the ground that Japan's herds were endangering her fisheries.

Since the occupation it was found that Japanese vessels were conducting pelagic sealing operations within the fishing area. This method of hunting seals was not permitted under the treaty of 1911. In order to correct this situation the Japanese Government was instructed to carry on no sealing operations prohibited by the original Fur Seal Treaty of 1911.

38. There are a number of agreements in effect regarding the conservation of whales to which the United States is a party. Japan participated in the conferences preparing the conventions, but failed to ratify. Since Japanese nationals are now conducting whaling operations in the waters to which they are permitted access, the Japanese Government has been instructed to conduct her whaling industry in strict conformity to the terms of the International Conventions regarding whaling except where directives from this Headquarters are in conflict. The Japanese Government was directed to make complete utilization of the carcass of each whale taken by the Japanese whaling industry and insofar as possible to market the meat of the whales as food.

Scientific and Educational Activities

39. Investigations have been made of the buildings, equipment and program of the Imperial Fisheries Institute and the Fisheries Experimental Laboratory in Tokyo. Both of these institutions are under the direction of the Bureau of Fisheries of the Ministry of Agriculture and Forestry. Neither was damaged by military action. Both institutions are carrying on programs at present similar to their prewar activities.

The Marine Institute is a school in which students are taught, during a normal four-year course, to be fishermen capable of utilizing the latest developments in the trade. The "Deep Sea" class takes five years to graduate. Also a two-year post-graduate course is offered for those who desire additional work in the biology of fishing.

40. The Fisheries Experimental Laboratory is a well-equipped technical laboratory comparable in equipment and personnel to similar practical research laboratories found anywhere else in the world. Its primary function is the improvement of Japanese fisheries equipment and techniques, not the training of personnel. Its buildings house equipment for testing nets and hull designs under conditions simulating use, employing for this purpose a very elaborate model ship basin. Excellent facilities are available for the testing of all types of fisheries supplies and for studying aquiculture and all methods of fish processing.

FORESTRY

41. One half of the area of Japan's four main islands is classed as forest land. Japan carefully manages its forests and is dependent upon them for many of its essential commodities. Since surrender some of the most urgent problems that have arisen are the charcoal need in the Tokyo-Yokohama area, the shipment of mine timbers and the use of Japanese lumber for the Occupation Forces.

Charcoal

42. One of the first problems brought out in discussion with the Japanese Bureau of Forestry was the urgent need by people in the Tokyo-Yokohama area for charcoal. About 200,000 tons of charcoal are consumed annually in this area. This commodity cannot be completely supplanted by either fuelwood or coal for use in heating Japanese homes because usually the only facilities available are open charcoal braziers. Transportation was the main deterrent and to some extent this has been overcome by the release of military-impounded Japanese trucks.

Mine Timbers for China

43. Chinese coal mining companies in the Peiping area are in need of mine timbers and props which they formerly obtained from Japan at the rate of about 300,000 pieces monthly. The flow of these materials, which ceased with the embargo and lack of shipping, may be resumed as soon as a current estimate of the situation is completed.

Lumber for Occupation Forces

44. During World War II Japan manufactured about 5,000,000,000 board feet of lumber annually. If lumber can be furnished by the Japanese, there will be no need to import it from the United States except possibly for filling immediate needs of the Occupation Forces. A study is being made of Japanese forests, sawmills and lumber stockpiles to determine what Japan can supply for occupation needs and reparations as well as essential civilian needs. In cooperation with the Bureau of Forestry and the Development Bureau, steps have already been taken to make available to the Occupation Forces some of Hokkaido's vast timber resources.

MINING AND GEOLOGY

45. Since the cessation of hostilities mineral production and processing in Japan have declined from the wartime peak of approximately double the prewar level of production to a low point of between 20 and 50 percent of the prewar level depending on the mineral concerned. Coal, of which production at the present time is critically low, is the most important mineral commodity in Japan both from the standpoint of supplying needs of the Occupation Forces and of maintaining essential Japanese industry.

Condition of Mineral Industry

46. The mineral industry of Japan was heavily subsidized during the war, and for the greater part of the war period production of minerals was almost double the normal peacetime tonnage. During the latter phase of the war a production decline began and upon cessation of hostilities the industry collapsed.

Production of major mineral commodities is now 20 to 50 percent of the prewar level. Coal production is among the lowest

of the major mineral commodities. It is at present about 20 percent of the prewar average. For example, the Japanese coal industry produced 3,400,000 metric tons of coal in June 1945, and produced less than 600,000 tons in October 1945.

47. The major factors contributing to the decline of mineral production follow:

- (1) Cessation of government subsidies.
- (2) Bombing of factories which upset the market of the mineral industry and seriously affected its sources of explosives, and equipment.
- (3) Shortage of workers due to liberation of Chinese and Koreans.
- (4) Food ration insufficient for heavy labor.
- (5) Shortage of explosives due to closing of explosive manufacturing plants.
- (6) Shortages and breakdown of equipment (notably wire rope).
- (7) Inefficient bureaucratic control of the industry.

48. Remedies for these problems have so far been forthcoming mainly through the efforts of the EIGHTH Army, which has taken steps to stabilize the labor situation and to provide supplies from seized military stocks. The Japanese Government is considering an increase in the food allowance to miners.

Coal

49. Coal production at the present time is approximately 20 percent of the prewar production level. The monthly deficit of coal is more than 80 percent of requirements. Before the war Japan imported several hundred thousand tons of high grade coal monthly. Now in addition to the loss of imported coal Japan must provide monthly 75,000 tons for the Occupation Forces, 70,000 tons for Korea and 18,000 tons for the British Forces. Needs of the Occupation Forces can be supplied, but the essential industries and the civil population will suffer in the coming winter.

Approximate production figures for the home islands of Japan given as monthly averages follow:

<u>Fiscal Year</u>	<u>Metric Tons per Month</u>
1935	3,150,000
1936	3,600,000
1937	3,750,000
1938	4,000,000
1939	4,300,000
1940	4,750,000
1941	4,600,000

<u>Fiscal Year</u>	<u>Metric Tons per Month</u>
1942	5,500,000
1943	4,600,000
1944	4,600,000

Monthly production of coal in 1945 is as follows:

<u>Month</u>	<u>Metric Tons</u>
April	3,400,000
May	3,500,000
June	3,400,000
July	2,600,000
August	1,600,000
September	900,000
October (est)	600,000

50. A serious labor shortage exists in the coal industry. Approximately 40 percent of the coal miners in the home islands were Korean and Chinese forced laborers who have been liberated and are in a state of serious unrest.

Petroleum

51. Most facilities for crude oil production in Japan proper were operative at the time of occupation and are producing under near normal conditions with 4,526 wells producing approximately 3,700 U. S. barrels per day. The domestic production of crude oil is inadequate in both quantity and quality; annual production supplies only about 15 percent of normal civilian requirements.

The probability of any appreciable increase in production from oil horizons being tapped at the present time is questionable. A field survey is being initiated to investigate the possibilities of increasing production from fields by use of improved production methods and proper handling of the existing facilities.

Cessation of government subsidies for drilling has resulted in a decrease in drilling activities. Only 40 wells are drilling at the present time.

52. The report of crude oil production in Japan, exclusive of Formosa, as submitted by the Fuels Bureau of the Japanese Ministry of Commerce and Industry indicates production for the year 1 April 1944 to 31 March 1945 as 258,687 kiloliters, or 1,629,728 U. S. barrels; and production for the period 1 April 1945 to 1 August 1945 as 106,391 kiloliters or 670,263 U. S. barrels.

53. All statistics used in this report are Japanese figures many of which have not been verified.

SECTION 2

INDUSTRY

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GENERAL

1. With the announcement of Japan's surrender production in Japanese industry ceased almost completely and employees fled from the urban industrial areas. Although the production of all materials to fill civilian needs has been authorized by SCAP, factories and workshops have been slow to resume operations.

There are a number of reasons for the failure of industry to revive despite the urgent need for all consumers goods. The reconversion of war factories has been held back by fears of possible violation of SCAP orders prohibiting war production. The government has not stepped in energetically to direct production for civilian use.

Government control over production was so complete that its loosening left industry floundering for lack of direction. The average Japanese industrialist seems unable to plan a production program without having an outline given him by the government or a quasi-governmental control association.

In many cases the labor supply is inadequate because shortages of food, clothing and housing have made working conditions in urban areas unfavorable.

2. Due to the inflationary character of the present economy many industrialists seem to be devoting their major efforts to converting liquid assets into any type of machinery, raw material or finished goods available. There is continuous pressure to release

machinery and equipment owned by the Japanese Army and Navy for purchase by private individuals.

3. General policies governing the operation of Japanese industry were announced in Directive No. 3 issued 22 September 1945. It provides for the maximum production of essential consumers goods and permits the conversion of war plants to such production on the individual application of each plant. Specified types of war production are prohibited. The directive also provides for the safeguarding of the plants and records of the war and war-potential industries and requires the submission of detailed reports on plants of a significant size.

4. Initial efforts have been concentrated on stimulating the maximum production of essential consumers goods in order to alleviate critical shortages now existing or impending. The Japanese Government control associations and individual firms have been told to put all industries except war goods into maximum production as rapidly as possible. As a result many plants have been reopened.

MACHINERY INDUSTRIES

Production Machinery

5. Based on 1940-1942 average production of ¥ 857,000,000, it is estimated that 73 percent of this industry's production capacity remains. There is a considerable variation between the different branches of the industry as a result of wartime policy.

Major deficiencies exist in machinery for textiles, printing, food processing and elevators because a substantial part of such machinery was scrapped for metal. A surplus exists in chemical, steel processing and civil engineering machinery because the munitions program emphasized these lines.

Power Producing Machinery

6. Present capacity is approximately 28 percent of the 1940-42 average of production, amounting to ¥ 203,000,000. The reduction is due partly to air-raid damage and partly to the conversion of factories to the manufacture of munitions. Despite this large decline, present capacity is considered adequate to meet the requirements of the Japanese mainland, with about 15 percent of present capacity available for other uses.

An excess of capacity exists in producer gas units and in steam boilers; that of internal combustion engines is about equal to the expected demand. Any shortages in the production of power machinery that may develop in the next three or four months will be caused by inadequate supplies of coal or steel or of the inability of factories to secure sufficient labor.

Precision Machines

7. This industry emerged from the war with 88 percent of its wartime capacity intact. While air raids destroyed important plants in the Tokyo area, shortages of raw materials were a more effective factor in curtailing production. Output in the fiscal year ending 31 March 1945 and estimated capacity in October 1945 are as follows:

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

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

TRANSPORTATION EQUIPMENT

Automotive Equipment

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

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

Motor car production during the war years was as follows:

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

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

	<u>1943</u>	<u>1944</u>	<u>April - Aug 1945</u>
Trucks for civilian use	2,901	1,965	459
Midget cars for civilian use	1,032	700	not given
Sold to the military	20,388	18,037	1,588

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

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

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

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

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

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

Railroad Rolling Stock

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

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

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

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

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

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

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

Shipbuilding

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

	<u>1935</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>April-June 1945</u>
No. of yards	25	41	47	48	56	56	50
No. of ways	78	126	126	130	133	133	126
No. steel ships completed <u>a/</u>	96	79	79	172	424	665	61

Tonnage b/ 132.4 482.6 231.3 424.8 1,126.0 1,579.6 168.7

a/ over 100 gross tons each.

b/ 1,000 gross tons.

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

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

MINERAL INDUSTRIES

Iron and Steel

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

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

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

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

(metric tons)	
Mill production	270,000
Army and navy stocks	400,000
Steel in stock	<u>110,000</u>
Total	780,000

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

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

	(metric tons)	
	<u>1926/29 Average</u>	<u>1940/44 Average</u>
Pig Iron	971,000	3,722,000
Ingot steel	1,848,000	6,890,000
Finished steel	1,606,000	4,966,000

RATED PLANT CAPACITY
(1,000 metric tons)

Pig iron	<u>1944</u>	<u>1945</u>
Hokkaido	1,185	1,137
Honshu	2,954	2,121
Kyushu	<u>2,446</u>	<u>2,356</u>
Total	6,585	5,614

Electric furnance steel

Hokkaido	37	37
Honshu	2,962	2,613
Kyushu	<u>336</u>	<u>240</u>
Total	3,335	2,890

Open hearth

Hokkaido	1,000	880
Honshu	6,960	5,500
Kyushu	<u>2,673</u>	<u>2,504</u>
Total	10,633	8,804

Rolled steel	<u>1944</u>	<u>1945</u>
Total Japan	8,702	7,722

SUPPLY OF RAW MATERIALS
(1,000 metric tons)

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

Aluminum

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

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

PETROLEUM REFINING

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

(kiloliters)

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

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

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

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

(kiloliters)

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

CHEMICALS

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

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

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

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

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

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

	<u>Estimated Requirements in 1946 (metric tons)</u>	<u>Capacity 31 Oct 45 (metric tons)</u>
Nitric acid	22,000	66,000
Sulphuric acid	2,700,000	2,500,000
Soda ash	183,000	150,000
Caustic soda	275,000	200,000
Ammonium sulphate	1,600,000	300,000
Calcium cyanamide	465,000	258,000
Calcium carbide	502,000	348,000
Benzol	24,170	20,520
Toluol	5,750	4,900
Ethyl alcohol (in kiloliters)	100,000	80,000
Dyestuffs	14,000	8,000
Industrial explosive	28,000	32,960
Glycerol	10,080	9,930
Oils and fats	445,000	996,000
Soap	154,000	89,620
Celluloid	4,200	4,800
Drugs (in 1,000 Kg)	75,962	98,906

TEXTILES

General

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

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

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

Silk

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

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

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

Cotton

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

COTTON TEXTILE INDUSTRY 31 October 1945

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

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

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

Rayon & Staple Fiber

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

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

MISCELLANEOUS MANUFACTURING

Electrical Manufacturing

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

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

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

Pulp and Paper

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

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

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

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

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

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

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

Lumber

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

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

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

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

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

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

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

Rubber

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

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

Cement

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

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

Handicrafts

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

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

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

FOOD PROCESSING INDUSTRIES

Canned Goods

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

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

Flour Milling

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

Sugar Refining

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

Soy Sauce and Miso

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

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

Other Foodstuffs

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

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

Statistics

50. Statistics on processed foods follow:

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

a/ cases.

ELECTRIC POWER

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

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

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

CARTELS

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

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

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

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

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

CONTROL ASSOCIATIONS

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

Legal Basis

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

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

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

Operation

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

- (1) The Organic Chemistry Section of the Industry Bureau of the Commerce and Industry Ministry, which is charged with administrative supervision.
- (2) The Rubber Control Association, which cooperates in planning raw material requirements, allocation of raw materials to manufacturers and production schedules.
- (3) The Rubber Materials Control Company, which purchases all new materials, sells allocated quantities to manufacturers, receives a percentage commission on all sales and receives a subsidy from the government to compensate for the difference between the cost of

materials and final sales price.

- (4) The Rubber Goods Control Company, which purchases all rubber goods other than those sold to the military, allocates goods to unions for distribution in each consuming area, sells goods to distributors and receives a percentage on all goods handled.
- (5) A rubber goods union which allocates available stocks to dealers exists for each type of rubber goods.
- (6) The rubber goods dealers sell to consumers. They are members in one rubber goods union for each type of goods sold, and in one or more chambers of commerce and industry, depending on the number of areas in which they operate.

Dissolution

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

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

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

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

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

SCIENTIFIC ACTIVITIES

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

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

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

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

SECTION 3
TRANSPORTATION

C O N T E N T S

	Paragraph
Railway Transportation.	4
Motor Transportation.	8
Shipping.	10

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

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

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

RAILWAY TRANSPORTATION

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

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

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

War Damage

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

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

Present Facilities

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

Steam Locomotives	5,360
Electric Locomotives	1,438
Passenger cars	9,118
Freight cars	110,632

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

Condition of Plant

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

MOTOR TRANSPORTATION

Vehicles

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

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

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

Roads

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

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

SHIPPING

Control

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

Tonnage

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

Allocation

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

Requirements

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

Shipbuilding and Repair

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

Docks

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

Shipping Statistics

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

(1) Japanese Coast - Active

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

(2) Japanese Coast - Under Repair

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

(3) Other Areas - Status Unknown

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

(4) Under construction

Cargo	95	269,800
Tankers	15	76,900
Passenger-Transport	1	9,000
Miscellaneous	<u>11</u>	<u>16,900</u>
Total	122	372,600

Grand Totals	968	1,899,600
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17. Status of Japanese wooden ships.

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

18. Steel shipping tonnages from 1941 - 1945.

Japanese Steel Shipping Over 100 Gross Tons, 1941-1945

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

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

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

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

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

TONNAGE SHIPPED FROM JAPANESE PORTS TO JAPANESE PORTS

1 Sept to 30 Sept 1945
(long tons)

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

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

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

SECTION 4

IMPORTS AND EXPORTS

C O N T E N T S

	Paragraph
Wartime Trade	4
Control	9.
Exports.	12
Imports.	14
Miscellaneous	18

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

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

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

WARTIME TRADE

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

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

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

Import Items

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

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

Export Items

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

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

Nature of Operations

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

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

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

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

CONTROL

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

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

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

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

Japanese Government Agencies

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

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

EXPORTS

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

40,000 bales raw silk

5,000,000 yards Habutai

30 tons raw ivory tusks

400 tons cigarette paper

Handicraft Goods—cloisonne, pearls,
lacquer ware and pottery

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

10,000 tons leather

4,200 tons tin

1,000 tons antimony

10,000 tons rubber

Requests for Japanese Goods

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

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

Action taken on above requests as follows:

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

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

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

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

IMPORTS

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

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

Payment for Imports

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

Estimated Requirements

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

Supply in Adjacent Areas

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

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

MISCELLANEOUS

Excess Supplies of United States Armed Forces

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

38,000 bbls of oil

20,000 bbls of kerosene

200 tons dynamite

Terms of Sale

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

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

Customs

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

Licensing

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

Records

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

SECTION 5

LABOR

C O N T E N T S

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GENERAL

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

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

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

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

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

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

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

LABOR SUPPLY

Occupational Census

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

Skilled Labor

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

Unemployed

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

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

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

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

LABOR PROCUREMENT

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

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

WAGES

Rates

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

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

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

Control

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

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

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

LABOR LEGISLATION

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

(1) Modification or abrogation of all wartime labor legislation designed to suppress and regiment labor.

(2) Enactment of legislation conferring legal status on trade unions and providing recognition of collective bargaining principles.

(3) Elimination of wartime regulations that relaxed protective standards of the Factory Act and the Mining Act.

(4) Revision of the Labor Disputes Adjustment Act of 1926 to make it a workable instrument for the arbitration and mediation of labor disputes.

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

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

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

LABOR UNIONS

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

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

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

New Labor Organizations

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

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

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

Political Action

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

LABOR DISPUTES

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

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

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

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

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

SECTION 6

COMMUNICATIONS

C O N T E N T S

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GENERAL

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

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

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

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

WIRE COMMUNICATIONS

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

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

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

Radio Network

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

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

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

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

Signal Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Local Telephone System

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

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

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

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

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

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

Administration

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

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

Rehabilitation

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

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

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

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

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

- (1) Place two 14 pair non-loaded cables between Honshu and Hokkaido;
- (2) Expedite the cable construction between Tokyo and Sendai;
- (3) Expedite the repairs in the Hiroshima area;
- (4) Give high priority to the repairs of the open wire and cable on Kyushu and the laying of submarine cable between Tanonwa and Sumoto so that this section will be completed by the time the Matsuyama-Oita route is finished;
- (5) Initiate a training program for all outside plant construction and maintenance personnel to teach them improved and correct methods of construction and maintenance and replacing of tubes and making of transmission tests;
- (6) Initiate a training program to teach the use of instruments in the location of wire troubles;
- (7) Revise the present operating practices to make them more efficient and more in keeping with modern methods;
- (8) Initiate a building maintenance program to improve maintenance inside central offices.

RADIO COMMUNICATIONS

General

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

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

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

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

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

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

Radio Broadcasting

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

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

31. Financially the Corporation is in good position. Its original capitalization was ¥ 1,356,800 but its capital assets currently amount to nearly ¥ 50,000,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Radio Communications System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REDISTRIBUTION OF WAR SUPPLIES

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

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

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

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

Plan of Operation

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

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

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

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

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

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

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

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

SIGNAL COMMUNICATIONS MANUFACTURING INDUSTRY

General

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

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

Main Companies

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

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

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

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

War Damage

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

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

61. Both war damage and the diversion of critical materials to more pressing needs may explain the drop of production of civilian radio receivers from 1,178,322 sets of all types in 1941, to 1,060,866 sets in 1942, 565,000 sets in 1945, and 72,864 sets in 1944.

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

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

Government Control

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

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

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

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

Postwar Outlook

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

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

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

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

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

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

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

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

Research

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

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

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

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

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

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

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

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

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

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

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

SECTION 7

RATIONING AND PRICE CONTROL

C O N T E N T S

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GENERAL

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

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

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

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

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

RATIONING

Food

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

The reluctance of farmers and fishermen to sell their

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

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

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

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

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

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

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

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

Clothing

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

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

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

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

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

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

Fuel

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

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

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

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

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

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

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

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

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

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

Monopoly Commodities

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

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

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

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

Paper

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

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

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

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

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

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

Miscellaneous Commodities

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

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

PRICE CONTROLS

Control Organizations

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

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

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

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

Price Movements

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

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

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

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

Black Markets

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

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

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

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

<u>Commodity</u>	<u>Unit</u>	Highest	Official	Percentage
		Black Market Price (Yen)	Price (Yen)	of Increase
Sugar	1 kan	1,000.00	3.75	26,666.7
Toilet soap	1 piece	20.00	.10	20,000.0
Refined rice	1 sho	70.00	.53	13,207.5
Boiled sweet potatoes	100 momme	10.00	.08	12,500.0
Millet-jelly	1 kan	400.00	3.40	11,764.7
Kneaded rice-ball	1 ball	8.00	.10	8,000.0
Cotton socks	1 pair	40.00	.50	8,000.0
Rear car tire	1	150.00	20.00	7,500.0
Rape seed oil	1 to	2,000.00	26.80	7,462.7
Cotton yarn	1 bundle	22.00	.30	7,333.3
Raw mackerel	100 momme	20.00	.34	5,882.4
Ration bread to RR passengers	1 loaf	10.00	.20	5,000.0
Soy	2 liters	60.00	1.32	4,545.5
Second grade sake	shot	350.00	8.00	4,375.0

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

SOURCE: Metropolitan Police Board, October 1945.

MISCELLANEOUS

Cost of Living Statistics

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

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

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

Internal Trade

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

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

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

Procurement

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

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

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

SECTION 8

FINANCE

C O N T E N T S

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GENERAL

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

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

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

Currency and Budget

2. Bank of Japan notes, state notes and currency, and military yen "Type B" have been declared the only legal tender, and the circulation of all other currencies was prohibited. As arrangements have been made for the use of Bank of Japan notes by the Occupation Forces except in case of emergency, "Type B" notes are being retired by the Bank of Japan.

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

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

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

Control Measures

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

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

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

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

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

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

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

BANKS AND CURRENCY

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

The note issue of the Bank of Japan increased from ¥ 17,700,000,000 at the end of 1944 to ¥ 28,400,000,000 on 31 July

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

Bank of Japan

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

(millions of yen)

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

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

Private Banking Institutions

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

(millions of yen)

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

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

Savings Banks

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

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

a/ As of 31 December 1944.

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

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

NATIONAL POLICY BANKS AND COMPANIES

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

Liquidation of Closed Banks

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

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

INSURANCE

Private Insurance Companies

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

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

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

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

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

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

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

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

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

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

Overseas Business

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

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

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

Government Bureau Insurance

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

SECURITY AND COMMODITY EXCHANGES

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

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

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

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

PUBLIC FINANCE

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

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

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

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

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

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

Budget

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

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

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

<u>General Account</u>	<u>Revenue</u>
Tax	13,661,443
Stamp duties	279,889
Profit of monopoly	2,118,021
Miscellaneous	1,569,892
Receipts from loans	<u>11,321,782</u>
Total General Account	28,951,027

<u>Special War Expenditure Account</u>	
Receipts from public loans	35,298,577
Receipts from special accounts (net) <u>a/</u>	1,556,628
Other ordinary receipts	7,894,747
Advances by banks	<u>30,136,463</u>
Total War Expenditure Account	<u>74,886,415</u>
Total revenues	103,837,442

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

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

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

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

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

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

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

The revised proposals for the General Account are summarized below:

PROPOSED EXPENDITURES ^{a/} (yen)			
<u>Ministry</u>	<u>For Work Completed Prior to 1 Sep 45 b/</u>	<u>For Period 1 Sep 45 to 31 Mar 46 b/</u>	<u>Total Proposed Expenditures</u>
Imperial Household	---	2,000,000	2,000,000
Foreign Affairs ^{c/}	88,313,396	42,277,037	130,590,433
Home Affairs	584,059,309	1,293,883,116	1,877,942,425
Finance	10,176,855,944	5,479,679,123	15,656,535,067
Justice	6,588	36,737,712	36,744,300
Education	161,837,857	255,524,063	417,361,920
Welfare	672,158,922	165,201,654	837,360,576
Agriculture and Forestry	145,406,235	1,354,129,733	1,500,136,058
Commerce and Industry ^{d/}	1,268,493,306	207,815,426	1,476,308,732
Transportation	<u>41,087,924</u>	<u>48,795,332</u>	<u>89,883,256</u>
Total	13,138,219,571	8,886,643,196	22,024,862,767

^{a/} General Account only.

^{b/} The breakdown of total proposed expenditures is a rough estimate according to the Japanese Bureau of Budget.

^{c/} Includes Greater East Asia.

^{d/} In 1945-46 Japanese Budget as approved by the Diet this item was termed "munitions".

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

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

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

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

Revenues

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

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

Expenditures

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

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

Public Debt

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

(millions of yen)

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

a/ Not retained by the Bank of Japan.

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

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

PROPERTY CONTROL

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

Estimates supplied primarily by the Japanese Government are as follows:

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

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

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

ENEMY NATIONALS HOLDING PROPERTY IN JAPAN

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

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

FOREIGN EXCHANGE

Major Controls

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

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

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

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

Significant Problems

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

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

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

Data Requested from Japanese Government

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

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

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

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

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

OCCUPATION COSTS

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

REQUISITIONED FUNDS

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

TYPE "B" YEN

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

ZAIBATSU

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

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

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

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

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

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

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

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

SUMMATION
of
NON-MILITARY ACTIVITIES
in
JAPAN and KOREA

Number 1.

September - October 1945

PART IV
SOCIAL - JAPAN

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SECTION 1

PUBLIC HEALTH AND WELFARE

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GENERAL

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

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

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

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

Actions Taken

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

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

and used as indications of requirements.

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

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

PUBLIC WELFARE

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

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

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

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

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

Relief

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

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

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

Social Insurance

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

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

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

Private Agencies

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

Japanese Red Cross

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

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

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

Repatriation of Koreans

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

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

Care of Foreign Nationals

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

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

ADMINISTRATION OF HOSPITALS

Japanese Army and Navy Hospitals

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

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

Japanese Civilian Hospitals

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

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

Hospitals in Japan, including Army and Navy facilities now available for civilian use, total approximately 3,335 with 356,143 beds. On 15 September 1945 an estimated 248,126 Army, Navy and civilian patients were hospitalized.

Hospitals in Japan during September 1945 were operating at approximately two-thirds of total capacity. The Japanese hospital capacity is adequate and their professional personnel is ample at present. Weekly hospital strength reports show little change in the number of persons hospitalized.

VETERINARY AFFAIRS

15. A survey of animal disease control and meat and dairy inspection in Japan, conducted immediately after surrender, revealed the fact that the war had curtailed such activities almost to the point where they were nearly non-existent in many parts of the country. There are four government veterinary laboratories where sera, vaccines and biologicals were manufactured for all types of animals.

Governmental Organization

16. Veterinary affairs in Japan are administered by two ministries. The Ministry of Agriculture and Forestry through the Animal Husbandry Section administers animal disease control, port quarantine and licensing of veterinarians and through the Veterinary Laboratory Section has administrative control of experimentation, manufacture of biologicals and diagnosis.

The Ministry of Health and Welfare contains the Preventive Medicine Division. The Veterinary Hygiene Section of this Division is responsible for meat and dairy inspection.

Animal Industry

17. The Ministry of Agriculture and Forestry reports the number of animals (1944 census) to the nearest thousand:

Horses	1,191,000
Cattle	2,403,000
Swine	310,000
Sheep	181,000
Goats	252,000
Rabbits	3,227,000
Poultry	22,879,000

Animal Disease Control

18. The Japanese Government has been directed to establish measures for the control of animal diseases; preserve all statistical records on animal diseases; and submit an immediate report of each initial case of anthrax, black leg, and foot and mouth disease. It will submit a monthly statistical report of all animal diseases by prefecture; an annual report on the results of examination for bovine tuberculosis; and an annual report on the preparation and distribution of veterinary sera, vaccines and biologicals.

The Ministry of Agriculture and Forestry reports communicable diseases for the period of 1 January to 31 October 1945 as follows:

<u>Disease</u>	<u>Outbreaks</u>	<u>Cases</u>
Blackleg	3	5
Anthrax	11	25
Texas Fever	3	61
Swine Cholera	9	519
Swine Erysipelas	3	25
Swine Plague	9	352
Scabies	2	9
Bovine Inf. Abortion	17	937
Fowl Pest	1	685
White Diarrhea, chicks	19	13,109

Tuberculosis eradication in dairy cattle showed 3 percent affected in 1942, date of last report.

Meat and Dairy Inspection

19. The Japanese Government has been directed to inaugurate or reestablish measures for the inspection of meat, meat food or dairy products; preserve all statistical records on meat, meat food or dairy inspection; and submit a monthly milk and meat inspection report by prefecture. The Ministry of Health and Welfare reports as follows (1941 figures):

Slaughter Houses	712
Cattle slaughtered	382,340
Calves slaughtered	35,817
Sheep slaughtered	5,317
Goats slaughtered	12,035
Swine slaughtered	603,180
Horses slaughtered	36,415

Number cattle condemned	
Ante Mortem	51
Post Mortem	
Total carcasses	147
Partial carcass	4,702
Viscera only	73,667

Number swine condemned	
Ante Mortem	127
Post Mortem	
Total carcasses	249
Partial carcass	3,274
Viscera only	203,673

Number horses condemned	
Ante Mortem	42
Post Mortem	
Total carcasses	52
Partial carcass	2,550
Viscera only	4,720

Statistics are being brought up to date as the disrupted veterinary service is reestablished in the various prefectures. At present animal slaughter is about 10 percent of normal because animals are not available. The quality and condition of slaughtered animals are comparatively low. Meat inspection methods in general parallel those in the United States with the exception of sanitary

requirements. Veterinary inspectors appear to be efficient and interested in their jobs but their methods leave much to be desired.

Dairy production is almost at a standstill except in Hokkaido. Sanitation in all establishments visited was found to be substandard. Pasteurization of milk is hampered by faulty temperature control devices. Many establishments contain modern dairy equipment not in use because of shortages of personnel, power, spare parts or milk supply. The 1941 reports on milk consumption indicate that approximately 2,840,000 liters of pasteurized and 242,890,000 liters of raw milk were consumed.

The normal routine functioning of the two ministries administering the veterinary service in Japan has been interfered with by the war to such an extent that the reestablishment of pre-war standards is going to be slow and difficult.

DENTAL AFFAIRS

20. All phases of dentistry in Japan were impaired during the war. Dental hygiene programs were curtailed, practitioners were burned out, manufacturing was devastated and dental education handicapped. Records were incomplete and the general dental health of the people was on a rapid decline. Dental educators and the Education Ministry have agreed on a plan for raising the standards of dental education.

Dental Administration

21. Industrial dental hygiene is controlled by the Sanitary Bureau of the Ministry of Public Health and Welfare. This service was impaired during the war but plans are under way for its rejuvenation.

Dental licensure comes under this bureau but examinations are conducted only for foreigners and self-educated applicants. Graduates of recognized schools are permitted to practice without examination. Dental health insurance is incorporated in the health insurance programs which are controlled by the Insurance Bureau. School dental hygiene is under the jurisdiction of the Department of Education which also controls the dental colleges.

The Departments of Army and Navy until two years ago provided dental care by attaching civilian dentists to military organizations. From then until surrender service was rendered by a corps of approximately 400 dentists plus attached civilians.

Dental Supplies and Equipment

22. Manufacture of supplies and equipment is estimated to be at 50 percent of the required capacity, with normal capacity expected within a year. Supplies are rationed and prices controlled through the Dental Materials Control Company whose president is appointed by the Ministry of Public Health and Welfare.

Sales from October 1942 to March 1943	¥ 3,627,319
Sales from October 1944 to March 1945	1,854,927
Proposed production for 1946	34,000,000

Accurate figures for dental health are difficult to obtain but it is safe to say that 75 percent of the pre-adolescent children are dental cripples. Malnutrition, low flourine content of the water, a disrupted dental service and high prices are contributing factors.

Practitioners

23. There are approximately 23,000 dentists in Japan. About 3,600 were in the Army as soldiers and an additional 400 in a professional status. Of the nearly 7,000 displaced from the larger cities by the air raids an estimated 30 percent can be rehabilitated in the near future.

Most dentists practice in their own homes under adverse conditions. They believe it is economically unsound to practice in large office buildings. Some traveling dentists are giving service to rural areas where evacuees have augmented the population.

NURSING AFFAIRS

24. Nursing had reached its lowest point about the time of the termination of the war. Before the war there had been a trend toward standardization of training and practice but during war years standards had gradually been lowered by reducing the age requirements for entrance to training schools, shortening courses from two years to one and absorbing approximately 34,000 nurses into the Army and Navy. Standards of education, registration and organization varied greatly.

Nursing Education

25. In spite of specific regulations, nursing education was found to be far below the standard. Nurses with no practical experience in one or two of the major services of medicine or surgery were able to get licenses. Public health or clinical nurses may take the examination for midwife without specific training for it. Since "accredited schools" do not require a prefectural examination a nurse may practice midwifery simply by making an application for a license.

Licenses for medical personnel in each of the prefectures are issued by a board composed of lawyers, officials of cities, politicians and a few doctors. There are no nursing representatives on the boards.

At the present time there are approximately 166,300 graduates of the 605 training schools. Of these graduates 93,270 are classified as clinical nurses, 13,070 are in public health and approximately 60,000 are midwives.

The 13,071 public health graduate nurses are employed as follows: official work 536; health centers 4,423; school nurses 1,036; industries 1,098; health insurance 5,907; and miscellaneous 71.

Nurses in training number 39,727 and are classified as: clinical 19,011; public health 7,745; midwives 3,695; and Red Cross hospital students 8,376.

Nursing Associations

26. Japanese nurses have no control over their training, licensing or practice. The Nurses Association representatives, Public Health Association members and prefectural heads of nurses are all men. Full power is placed in the hands of the presidents and first vice-presidents of boards, composed of lawyers, politicians and "health officers" of the lower level.

Midwifery

27. The standards of the midwifery program always low have

been reduced even further during the war. After six months of training a girl may take a prefectural examination and if she is successful she receives a license on payment of ¥ 0.50. She practices without supervision or inspection.

MEDICAL SUPPLY

28. During September and October extensive studies were made concerning the requirements of medical, dental and veterinary supplies for Japan and Korea with a view to determining whether stocks and manufacturing facilities were adequate.

Surveys have been made of medical supply manufacturing installations in the Tokyo area and Japanese officials have submitted reports and statistics showing stocks on hand, previous consumption and amounts required to maintain normal standards of medical care and treatment.

Supply Operation

29. Under the initial supply plan a reserve of medical and sanitary supplies was set up for shipment to Japan. This was to be used to supplement Japanese stocks if necessary. Shipment of that reserve was cancelled when a policy was established that no civilian relief supplies would be imported. Further study of the subject at the time indicated the possibility of a need for importation of certain medical supplies as a protection to the health of the Occupation Forces and to alleviate acute suffering and distress among the civilian population. Accordingly limited requirements have been reestablished.

Typhus control equipment and supplies have been shipped and additional quantities have been requisitioned for shipment to Japan for use in the event of emergency. Recommendations have been submitted for establishment in U. S. depots of a reserve of basic medical, sanitary, dental and veterinary civilian relief supplies which would be available for immediate shipment upon call.

Upon movement of the Occupation Forces to Japan the SIXTH and EIGHTH Armies, XXIV Corps and the V Amphibious Corps were each issued limited quantities of medical and sanitary supplies. Practically none of these supplies have been used. Instructions prohibit the issue of any such supplies for civilian relief without authority of this Headquarters.

Two shipments of civilian relief supplies consisting of approximately 4,000 boxes of medical supplies have been received by the EIGHTH Army and are now stored in Yokohama. These shipments were originally destined for the Philippines but were diverted en route due to the fact that the vessels contained considerable amounts of military supplies urgently required by the Occupation Forces.

On 6 September approximately 12 tons of medical supplies were dispatched to the International Red Cross Delegate at Hiroshima for use in the relief of Japanese persons injured in that area. Distribution of the supplies was under direction of the International Red Cross and that agency submitted a detailed report to this Headquarters showing disposition made of individual items.

Under date of 24 September the Japanese Government was directed to initiate necessary action to inventory, receive and distribute for civilian use stocks of medical supplies held by the Japanese Armed Forces.

The Home Ministry has been designated to perform this mission for all classes of material including medical. The procedure

as set up requires the responsible Japanese officials to submit an inventory to Occupation Force Commanders who are authorized to accept the inventory, if considered accurate. A physical transfer is then made to the Home Ministry.

The distribution for civilian use represents a considerable task. Locations of all sources of supply are not known and records are incomplete in that respect. Distribution has to be determined according to needs in the various prefectures and accurate figures of need do not appear to be available.

Manufacture

30. The manufacture of medical, dental and veterinary supplies is practically at a standstill. All plants visited in the Tokyo-Yokohama area have suffered extensive damage and no comprehensive plan of rehabilitation has been inaugurated. Extensive reports have been received covering requirements of medical supplies but it has been very difficult to determine just what is necessary to reestablish the industry and the extent of manufacturing required to maintain normal standards of medical care and treatment.

The Japanese had a very complex system of control over both production and distribution but the Army and Navy, which were the largest consumers during the war, were not required to secure materials through the established control agencies.

Narcotics

31. A directive to the Japanese Government of 12 October 1945 prohibited the planting, cultivation or growth of narcotic seeds or plants and the exportation of narcotics. Importation also was prohibited except as authorized by SCAP.

All stocks of crude, semi-processed or smoking opium, crude or semi-processed cocaine, heroin and marijuana have been frozen and the removal, destruction, use or sale thereof or of any books or records are prohibited. All stocks of crude or semi-processed narcotics will be transferred to the custody of Occupation Forces.

Finished products now in normal channels of distribution except heroin and marijuana will be left in the hands of the Japanese for medicinal use unless the inventory which is submitted discloses amounts in excess of any normal requirement. Heroin and marijuana are being turned over to Occupation Forces for destruction. Studies are being made of Japanese laws and regulations pertaining to the handling of narcotics with a view to determine whether present controls are adequate.

LEGAL

32. Examination was made of existing Japanese laws, ordinances and regulations concerning public health, welfare and sanitation and recommendations made for supplementation and modification. Study is being made of the regulations for manufacture of sera and vaccines. It appears that no present legislation in Japan affords any assurance that the potency or strength of sera is as advertised.

Venereal Disease Control

33. Study of existing laws and ordinances relative to control of communicable diseases and venereal disease examinations indicated that they were inadequate to meet current needs and that enforcement was lax and inefficient.

A directive to the Japanese Government was issued placing venereal diseases in the same legal category as other communicable diseases with reference to periodical health examinations and other preventive measures. As a result a standard Venereal Disease Control Ordinance is being adopted in each prefecture specifying weekly medical examinations for all persons whose occupations are such as to make them potential transmitters of infection. The Japanese authorities are also enlarging the scope of treatments and initiating penicillin techniques for venereal disease patients.

Ministry of Health

34. A study is being made of the legal structure of the Ministry of Health with a view to encouraging wider use of professional men and qualified technicians in health activities and communicable disease control. Civil service regulations which favor general administrative personnel in technical positions are receiving particular attention.

Associations

35. Study is being made of the corporate structures of the Japanese Nurses Association and various professional and medical manufacturers associations to ascertain the degree of governmental control present therein.

PREVENTIVE MEDICINE

36. Observation of current activities and organization and the study of current and past reports indicate that the Japanese public health service does not measure up to functional standards reported in the past.

The public health program is seriously handicapped by the so-called "civil service" system which protects a small group of legally trained administrators who are the only eligibles for major administrative positions in the ministry despite their lack of experience and training in medical and related fields.

The present staff contains a few well-trained professional men and others with some ability. However, the staff is too small, the pay too little and the opportunity for advancement too slight under current conditions to encourage many competent men to seek public health work as a career.

Despite the apparent desire to cooperate and carry out suggestions made, the enormity of the problems, the limited personnel and material resources, and the lack of public information on preventive medicine make a none too bright picture for the near future.

Major problems aside from personnel and financial needs include: (1) Control of such acute communicable diseases as diphtheria, venereal diseases, typhoid fever and other filth-borne diseases; (2) Control of tuberculosis; (3) Environmental sanitation matters; (4) Clinical and sub-clinical nutritional conditions; and (5) Lack of basic health education program.

Communicable disease reporting has been incomplete and inaccurate in the past. The current reporting system does not include all communicable diseases that constitute major public health problems for which there are effective and specific preventives. Current Japanese knowledge and practice in public health fields are outmoded. Too much time is devoted to research on relatively unimportant problems to the neglect of major problems for which specific preventive measures are available.

Communicable Diseases - General

37. The reporting of communicable diseases in Japan has been ineffective since 1942. Data prior to that time are subject to question. Control measures appear to have been largely hypothetical except in cases of epidemics when national, prefectural and local resources were pooled to control the situation. Cholera, diphtheria, plague, dysentery, epidemic cerebro-spinal meningitis, para-typhoid fever, smallpox, typhoid fever, epidemic louse-borne typhus fever and scarlet fever are reportable under current Japanese laws. Communicable diseases reported in 1945:

SUMMARY REPORT OF NOTIFIABLE DISEASES IN 1945 (Includes all reports through 13 October 1945)

Disease	Jan-Jun (Inc)	Jul	Aug	Sep	1 Oct to 13 Oct	Total
Diphtheria	41,263	2,847	2,539	2,324	1,904	50,877
Dysentery	15,947	7,849	18,520	10,778	4,617	57,729
Meningitis (Spith, C-S)	3,363	126	45	72	18	3,624
Para-typhoid	2,417	739	971	1,247	581	5,955
Scarlet fever	1,268	146	135	142	46	1,737
Smallpox	791	139	343	30	15	1,318
Typhoid	10,993	3,822	5,094	5,742	3,136	28,787
Typhus fever	1,457	238	71	122	12	1,900

No cases of cholera or plague were reported. All data are subject to question as to accuracy but positive data are significant in that they indicate local or area trends.

Venereal Diseases

38. Venereal diseases are not reported under previous Japanese law. The Japanese Government has recently received a directive requiring the inclusion of venereal diseases (syphilis, gonorrhea and chancroid) in the list of reportable diseases.

Surveys of licensed and unlicensed prostitute groups show infection rates of at least the following: syphilis in excess of 50 percent, gonorrhea in excess of 20 percent and chancroid in excess of 8 percent. There is every reason to believe that correspondingly high rates exist in other groups not classed as prostitutes but equally as promiscuous.

Legal measures for the control of venereal diseases have been vague and not subject to enforcement. Recent regulations formulated as result of a directive for more effective control of known cases of venereal disease bridge the gaps used to dodge halfhearted enforcement measures in the past.

Typhus Fever and Port Quarantine

39. Epidemic louse-borne typhus fever was prevalent in epidemic proportions in Hokkaido, Kyushu, North Honshu and Korea early in 1945. Sporadic cases are currently reported in all these areas. Special and energetic measures including delousing and selective vaccination are required at the earliest possible time. DDT powder and equipment in adequate quantities to meet anticipated needs are in transit. The major problems reported are among the mining and labor camp groups, largely Koreans, who were "invited" to Japan when special labor groups were needed.

A Port Quarantine Officer is responsible for technical directions to the Japanese officials carrying out required quarantine procedure for non-Japanese returning to their homelands and Japanese repatriates returning from the Pacific and other areas.

The U. S. Typhus Commission staff is responsible for all technical instructions to Japanese officials regarding typhus control measures. The typhus situation in Korea is potentially more serious than in the Japanese Home Islands. Similar steps for clearance of repatriates and handling of endemic conditions are being formulated on a basis more intensive than is anticipated for foci areas in Japan.

Sanitary Engineering

40. The Japanese report that water supply and waste disposal plants are functioning more or less at prewar standards except in such heavily bombed areas as Hiroshima and Nagasaki. Stocks of water treatment material are inadequate throughout the islands. It is estimated that Japanese industries are in a position to meet domestic demands for water treatment materials on basis of Japanese prewar standards, provided raw materials are available.

While reports state there has been continuous chlorination of certain public water supplies in the past, current information indicates that many were chlorinated only during epidemics of enteric disease. There is also evidence that the dosage of chlorine was inadequate to meet American standards. Dosage was at source of supply with little or no attention being paid to chlorine residual of the tap water.

All public water supplies are considered unsafe for military use. Data are not available on the special treatment procedures for night soil prior to use as fertilizer. No reports have been received indicating any special problems due to rodents or insects except for typhus fever.

Laboratories

41. Despite encouraging reports from the Japanese on biologicals production and surplus stocks, steps have been taken to appraise more thoroughly the current stock situation and production potential for the future. The extremely high incidence of certain diseases indicates that ineffective and inadequate measures are employed for the control of diseases for which active immunization materials are available.

Diagnostic techniques for venereal diseases require special attention. It is anticipated that special measures in process of development in Tokyo may be used as the "proving ground" for more effective programs elsewhere in Japan.

Nutrition

42. Consideration has been given to types of foodstuffs and per capita caloric requirements. Current estimates indicate that 1,550-1,600 calories per capita per day can be provided in 1946 with very limited importation of foodstuffs. The current ration in Tokyo is estimated at nearly 1,500 calories per day with the rice issued supplying approximately 50 percent of the caloric intake.

It is believed that an average diet of 1,800 calories per person per day will be adequate to the extent that health will be maintained and that sub-clinical evidences of malnutrition will not develop if a balanced diet of that caloric value is provided.

The possibility of a special supplement for heavy workers and selected persons including nursing mothers are the only exceptions considered likely at this time. Little or no new data of consequence have been procured from special groups of the Ministry of Health and Welfare, National Nutrition Laboratory, Tokyo Municipal Hygiene Laboratory and various groups of researchers. There is no concrete evidence of malnutrition to date.

SECTION 2

EDUCATION, RELIGION AND MEDIA OF EXPRESSION

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GENERAL

1. All media of information dissemination in Japan including education and religion had been mobilized for purposes of national defense during the war period. To that end the government propaganda machine utilized the psychological motivations of patriotism, religion, Emperor worship and tradition. In the hands of the militarists it produced a social unity beneficial to the continuance of the war. The propaganda machine was controlled by a highly centralized administration operating in Tokyo, an administration that affected all shades of expression by direct or indirect intervention.

2. Radio was controlled by two governmental agencies; the Board of Information which determined broadcast programming, flow of propaganda and "controlled" news; and the Bureau of Communications which exercised a rigid censorship to prevent the real facts from disturbing "normal tranquility".

The press fed by a semi-official news agency was controlled by governmental censorship and by government allocation of newsprint stocks. A sameness marked the appearance of all newspapers and little opportunity for even the simplest expression of a free press existed.

The motion picture industry was controlled by three major producers cooperating with the government. Film stocks were tightly rationed and the pictures produced were propaganda vehicles designed to maintain and restrain public morals. Newsreels were largely exhortations to live a Spartan life and contained little news. Educational films were sheer propaganda and had no relations to the teaching process.

The Japanese theater was in a condition of stagnation. Expression of new ideas was not permitted and plays were either propagandistic or escapist in nature. Troupes touring the country presented nothing but obviously official materials.

3. Education had been mobilized for prosecution of the war. Most schools failed to reopen in the spring of 1945 because a great majority of students were conscripted for the fighting services, munitions plants or food production. Textbooks had been rewritten and carefully edited to serve the purposes of the military. Teachers were trained and directed to function as mouthpieces of the government.

4. Religion was closely supervised and the Religious Bodies Law strengthened governmental control. The practices of State Shintoism were greatly emphasized and efforts were made to turn

the religious sentiment more strongly to the service of the state.

EDUCATION

General

5. Surrender Day found the Japanese educational system at a virtual standstill with 18,000,000 students idle, 4,000 schools destroyed, 20 percent of the necessary textbooks available, military officers occupying responsible educational positions, textbooks permeated with militaristic propaganda, teachers dispersed, the Ministry of Education a tool of the militarists and liberal educators in hiding from the Thought Police.

Between the time of Japanese capitulation and establishment of Allied General Headquarters in Tokyo the Japanese voluntarily undertook many reforms. They conducted a rough school survey, initiated censorship of the existing official textbooks, reorganized the Ministry of Education and reopened the schools. They abrogated the laws, orders and regulations which had been the basis of authority for militaristic and ultra-nationalistic indoctrination in the schools.

6. During September and October the Japanese under SCAP guidance closed the military schools, provided for the transfer of displaced students who had previously been in military academies, war industry or evacuation areas and disposed of school military supplies and weapons. They issued directions for the guidance of teachers in using existing textbooks until they could be censored and dissolved the Youth Corps which had been a tool of militaristic propaganda.

On 22 October a SCAP directive was issued to serve as a charter for future educational reform and a supplementary directive on 30 October directed the investigation, screening and certification of teachers. An effective method of procedure embodying unofficial SCAP technical advice has been evolved. It is to insure that when the Japanese plans are officially submitted they will be in a form that can be approved.

7. Positive progress has been made in implementing the 10 basic policies enunciated in the Basic Directive on Administration of the Educational System of Japan. All militaristic orders have been revoked, military schools have been closed, weapons have been impounded and certain objectionable subjects have been eliminated from the curricula.

A beginning has been made on censoring the textbooks, the radio is being used both to teach and to reorient the teachers, a start has been made on the production and distribution of educational films to supplement the textbooks and some objectionable teaching personnel have been eliminated.

All demobilized military personnel are barred from teaching until investigated and a plan is in progress for the screening of all teachers. Religious education is again permitted in private schools. A plan for the equitable absorption of ex-military students and war-work students is nearing completion and plans are under way for the bringing to Japan of an educational mission to advise on the rehabilitation of the system.

Student strikes, transfer of ex-military students and resignation of former militaristic leaders occupy primary attention in the press.

Background and Voluntary Reform

8. The Japanese educational system at the beginning of the war provided the ideal instrument for the diffusion of militaristic indoctrination. It included 16,000,000 students, 400,000 teachers, 50,000 schools and an estimated budget of ¥ 600,000,000. Noteworthy is the fact that until 1932 the education budget was larger than that of the Army and Navy combined. Thirty-seven percent of the population was included in the elementary school and pre-school age level and 99.6 percent adult literacy was claimed by the Japanese Government.

The highly centralized educational system emanating from the Education Ministry facilitated the speedy introduction of uniform propaganda. The adoption of the National School Plan in April 1941 marked the first swing toward wartime militarism with an intensification of ultra-nationalism.

9. The period of the war brought a complete revision of all textbooks in use in the elementary and secondary schools with the insertion of a positive and inflammatory militaristic word campaign in the 1942 and 1943 editions. The 1944 editions indicate a recognition of the inevitability of defeat by supply lines and superior science. On 13 July 1945 revision of educational policy designed to prepare the schools for the approaching homeland battle was announced by the Ministry.

Virtually all schools above the elementary level had been closed to divert the students to productive war labor. Military officers who had been distributed among the schools as instructors were made members of the school staffs on 17 July 1945.

10. Prior to the establishment of SCAP in Tokyo the Japanese conducted a survey which indicated that 4,059 schools had been destroyed by bombing and that approximately 39,053 were usable. They initiated a censorship of the existing official textbooks, reorganized the Education Ministry, reopened the schools and abrogated many of the laws, orders and regulations which had been the basis of authority for militaristic and ultra-nationalistic indoctrination. These changes coincided with the outbreak of strikes by students demanding full recognition of their rights.

Directives and Results

11. For the purpose of patterning Japanese thought and education in conformity with standards considered essential to develop democracy, a basic directive was issued in the form of a charter for future educational reform. A supplement directed the investigation, screening and certification of teachers.

12. Under SCAP direction the Ministry of Education has issued orders providing for the return of all categories of displaced primary and secondary students to schools, closing down of military schools, education of war orphans and inauguration of democratized youth organizations in place of the dissolved Youth Corps. They further provided for intensification of education in food production and in reconstruction of devastated areas and deletion of undesirable material from textbooks.

13. In pursuance of directives the Japanese Government abrogated all wartime regulations concerning military, naval and aviation training; closed the military academies; eliminated military affairs training from schools; impounded school arsenals; reoriented teachers training; inaugurated radio education for the 21,770 schools

which had radio receivers; and reinstated liberal educators who had been removed from service.

Discrimination against any student, educator or groups for race, nationality, or creed was prohibited. It was ordered that known militaristic and ultra-nationalistic teachers be removed from their posts. Censoring of textbooks was undertaken and official school texts were translated and checked to eliminate objectionable portions. Other texts are now under examination. The Education Ministry has completed its censorship of existing textbooks.

14. Orders have been issued to give utmost encouragement to the inculcation of concepts and establishment of practices in harmony with representative government, international peace, the dignity of the individual, and such fundamental human rights as the freedom of assembly, speech and religion.

Procedures Used

15. Two distinct procedures have been used in reopening schools and encouraging Japanese education. The first consists of technical guidance and suggestion to the Japanese educational authorities. The second consists of directives which have the force of law and is accordingly reserved for fundamental issues. An amalgamation of the two processes has proven effective and will probably be used extensively in the future.

The Japanese authorities, non-governmental as well as governmental, wherever possible are informally briefed on the general character of contemplated directives and any practical suggestions they have to offer are taken into consideration. When the formal announcement of a directive is made, the governmental authorities have had time to complete such of the preliminary work necessary to carry it out satisfactorily. They are then given technical advice and their plans for carrying out the provisions of the directive are evaluated.

By this procedure it is possible to ensure that the finished plan when officially submitted will be in approved form. The long period of isolation from democratic procedures and western knowledge has made it inevitable that all officials, however willing, will fail through ignorance unless given technical assistance. This method of guidance maintains their effectiveness by avoiding their public humiliation.

RELIGION

General

16. Throughout the war period the Japanese people regardless of the faiths they professed were committed to an acceptance of State Shintoism. Though the government had repeatedly declared that it was not a religion, anyone so bold as to express doubt of the validity of the official mythology was in danger of persecution for "dangerous thoughts". Religions other than State Shintoism were closely supervised by the Education Ministry under authority of the Religious Bodies Law of 1939.

17. Soon after occupation all restrictions of freedom of religion were rescinded in a directive to the Japanese Government. Such restrictions were the result of political rather than religious causes, and they aimed at binding the Japanese people into a single unit.

Among the laws specifically ordered abrogated was the Religious Bodies Law. Apparently the Japanese Government has followed

the spirit as well as the letter of the directive. There is no evidence of discrimination or pressure of any kind on the part of the government against any person because of his religious beliefs. Press and public reactions to the new freedom have been uniformly favorable. Plans are in preparation for the elimination of Shintoism from schools and for the separation of Shintoism from the state.

State Shintoism

18. The officially sponsored State Shintoism required every Japanese to believe: Japan is a land divinely created; in a family of emperors descended in unbroken line from the Sun Goddess Amaterasu Omikami; and in a people descended from gods collateral with the ancestors of the Imperial family. Anyone openly expressing disbelief was liable to prosecution as a "dangerous thinker".

19. It was the Japanese official view however that State Shintoism was not a religion but a civic institution for instilling patriotism. It was held that it was no violation of religious freedom to teach it in the schools while excluding other religions or to compel people to observe it by visiting shrines. In 1936 the Catholic Church despite a long period of opposition formally accepted the official definition. The Protestant groups had already acceded in practice. No religious group could do otherwise and continue to exist.

Religious Bodies Law

20. In April 1940 when the Religious Bodies Law of 1939 was put into effect, further restriction was placed upon the freedom of religion. The Ministry of Education declared that no sect would be recognized as a religious group with the privileges of a juridical body unless it could claim at least 50 churches and 5,000 adherents. This interpretation was the beginning of official pressure for the consolidation of the Christian sects into one religious body.

21. At the time of occupation all Christian groups except the Roman Catholics, about two-thirds of the Anglican Churches and a few small independent churches had been joined together as the Church of Christ in Japan. Those Protestant sects which did not join were not recognized as religious bodies and as a result had to pay taxes and were subject to police control although all other religious denominations (except State Shintoism) were under the supervision of the Ministry of Education.

Accomplishments

22. On 4 October 1945 the directive on "Removal of Restrictions on Political, Civil and Religious Liberties" was issued to the Japanese Government ordering the abrogation and immediate suspension of all laws, decrees, ordinances and regulations which establish restriction on freedom of religion. Specifically named for suspension and abrogation was the Religious Bodies Law. Prior to the issuance of the directive a conference was held with prominent Japanese Christians to discuss the question of religious freedom in general and the Religious Bodies Law in particular.

23. A study of State Shintoism has been prepared for the purpose of determining how a separation of Shintoism from the state can be effected without interfering with Shintoism as a religion or philosophy of individuals. Authorities from the leading universities have been consulted.

24. By order of 16 October the Ministry of Education instructed

prefectural and local officials to permit private schools to give instruction in religion. This action superseded the Japanese order of 1899 forbidding the teaching of religion.

25. The Religious Bureau in the Ministry of Education has been abolished. A new Religious Affairs Section has been created in the Bureau of Social Education of the Ministry of Education. It acts largely as a records section and has no regulating power over religion. Requirements of SCAP have been complied with and the Japanese Government has shown a spirit of cooperation. No oppressive action against religion has been taken since the start of the occupation.

Shrine and Sect Shintoism

26. Shintoism is divided into two major branches, State or Shrine Shintoism and Sect Shintoism. The former claims to perpetuate the authentic and traditional rituals and beliefs of the Japanese race and declares that it has developed "spontaneously" in the national life without aid of individual historical founders.

The latter which centers largely on the faith itself was originated in the modern period by the historical founders. All Shinto sects were, before occupation, under the Religious Bureau of the Ministry of Education. Shinto shrines are still supervised by the Bureau of Shrines of the Home Ministry. There are 221 state rank and 110 prefectural and village rank Shinto Shrines.

27. The income of Imperial and National Shrines in 1942 was:

Imperial Household	¥	45,755.00
National Treasury		824,000.00
Public Contributions		7,543,206.00
Revenue from properties		<u>2,490,093.00</u>
Total	¥	10,903,054.00

The revenue of the Ise Shrine amounted to ¥ 988,324.00 in 1943. Offerings from the public accounted for about two-thirds of the total.

The prefectural governments, municipalities, town or village offices make offerings ranging from ¥ 20 to ¥ 100 to shrines within the area under their jurisdiction. The bulk of the revenue comes from private contributions.

The Thirteen Sects of Kyoha (Sect or Church) Shinto

<u>Sect</u>	<u>No. of Adherents</u>
Fuso-kyo	648,000
Konko-kyo	1,120,000
Misogi-kyo	343,000
Shinshu-kyo	775,000
Shinto-kyo	1,272,000
Taisei-kyo	728,000
Tenri-kyo	4,385,000
Jikko-kyo	436,000
Kurozumi-kyo	566,000
Ontake-kyo	2,048,000
Shinri-kyo	1,489,000
Shusei-kyo	430,000
Taisha-kyo	<u>3,373,000</u>
Total	17,613,000

ARTS AND MONUMENTS

28. Measures of protection have been taken to protect Japanese works of art and antiquity, cultural treasures, religious buildings and articles, museums, libraries, archives, and historical monuments. The protective measures which became effective at the start of the occupation have prevented vandalism.

Total destruction of arts and monuments in areas subject to severe air raids has been estimated at more than 50 percent and partial destruction at more than 90 percent. A file of information on monuments and sites is being maintained and a record of estimated damage is made as the information is obtained.

Conditions at Surrender

29. The Japanese Government estimates that there are 85,000 art works, monuments and related holdings under its supervision. Of these, some 8,000 are considered to be of national importance. Movable objects of art in the leading public collections had been removed to places of safety. The following table based upon 148 installations and sites damaged by war indicates extent of loss:

Totally destroyed	78 percent
Partially destroyed	19 "
Extent of damage not stated	3 "

A report at the time of surrender in the area of the EIGHTH Army indicates the following damage:

Totally destroyed	43 percent
Partially damaged	51 "
Not damaged	6 "

These figures represent damage in areas of intensive bombing and cannot be considered as indicative of the nation as a whole.

Measures for Protection

30. From the start of occupation the commands have been charged

with the protection of arts and monuments. On 28 August 1945 instructions were given that Commanding Generals of Armies were responsible for seeing that historical, cultural and religious objects and installations were carefully preserved and that Imperial palaces and all shrines be given special protection. On 26 September Commanders of Armies and Fleets were directed that religious and educational institutions and properties occupied by members of the Imperial Family would not be requisitioned or occupied except with express approval of SCAP.

Available information on monuments and sites has been arranged for filing and maintenance as a working record. Military Police guards have been posted at the most important shrines, temples, and Imperial properties. There has been no evidence of vandalism.

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PRESS

31. At the time of occupation the Japanese press was closely controlled by the government. Early in the occupation liaison was established with the Japanese press and the policies to be put into effect by the Allied Forces were explained. It was emphasized that freedom of the press would be established and maintained.

The first move toward establishing press freedom came with the issue of a directive on 4 October, subject "Removal of Restrictions on Political, Civil and Religious Liberties". This lifted the controls the Japanese Government had been exerting over all freedoms. The liberalizing of the press was further stimulated on 24 October when the editors of the Tokyo dailies were called to SCAP and told to carry out their obligations to establish a free press. A further though indirect result of the SCAP policy was a spontaneous movement toward reorganization within the Japanese press.

Reorganization of one leading Tokyo daily has been effected and preparations for similar reorganizations in three other Tokyo dailies are under way. Japanese newspapermen have begun discussion of formation of a newspaper guild. Domei, the government monopoly news agency, has been dissolved. Two independent news agencies have been established.

32. An immediate problem upon occupation and one which was a potential means of press control was that of paper supply. Paper had been distributed through private organizations of publishers which could refuse paper to non-members or to those whom it wished

to suppress. Control was also exercised by the government over the distributors as it rationed the paper. A directive issued on 26 October removed paper rationing from the hands of private groups and placed it under a Japanese Government commission with SCAP supervision.

Newspapers at Time of Occupation

33. During the war the newspapers of Japan had been reduced to the use of a single sheet printed on both sides because of the paper shortage. Their content was directly government controlled and they were used as propaganda media up to the time of surrender. Control over content was exercised by the forced use of government press releases and pre-publication censorship.

The Domei agency was a "cannery" of news. It was a monopoly under strict governmental supervision and control. Throughout the country many of the smaller newspapers had suspended publication because of the paper shortage.

Reaction to Surrender

34. Even after surrender the newspapers continued to be under governmental control but in the general confusion it was not enforced. At the beginning of the occupation, stories of "incidents" appeared only as minor news items. There was a tendency to handle occupation news cautiously as bare news. A need for a limited amount of censorship also became obvious.

Censorship

35. A directive of 19 September entitled "Press Code of Japan" set forth a 10-point program of censorship requiring all news to adhere strictly to truth, forbidding criticism of the Allied Powers and penalizing the distortion of news for propaganda purposes. In addition, the security of troop movements was maintained.

Political, Civil and Religious Freedom

36. On 4 October a directive was issued which abrogated all laws, orders, decrees, ordinances and regulations restricting freedom of thought, religion, right of assembly and speech. It permitted unrestricted discussion of the Emperor, the Imperial Institution and the Japanese Government. All restrictions on the collection and dissemination of information were ordered lifted except the Press Code promulgated 19 September.

Laws which discriminated against persons because of race, nationality, creed or political opinion were revoked. The Japanese Thought Police and other similar restrictive agencies were discontinued. All those detained or imprisoned under "protection or surveillance" or otherwise restricted in freedom under these laws or charged under pretext with minor offenses or held without charge were ordered released. By this measure the officials primarily responsible for control of speech and press were ousted and any apparent direct governmental restriction of the press and speech ceased to exist.

Dissolution of Domei

37. The Domei News Agency had exercised a monopoly so powerful that no paper could exist without its services. It was government controlled and was a powerful weapon of the militarists during the war. On 14 September Domei was placed under censorship and immediately suspended. The following day it was reopened as a purely

domestic news agency under strict censorship. The statement of occupation aims made Domei's position appear precarious and on 30 September its Board of Directors voted dissolution of the agency. The dissolution became effective 31 October.

Kyodo, a news agency, began functioning 1 November replacing Domei. It now supplies news to 60 Japanese newspapers and to Radio Tokyo. It has a contract with AP and is negotiating with UP and Reuters.

The Jiji agency publishes a home news service.

Laxity in News Treatment

38. On 24 October, after many informal discussions, leading editors and publishers were summoned to this Headquarters. They were told of their failure to establish a free and independent press. Many important developments were cited that had practically been ignored by them. Directives of far reaching significance were printed without comment.

It was pointed out that the responsibility of the press and radio was to explain and interpret these directives to the people. The press had indirectly attempted to justify the thought control laws by leaving the impression that they had been aimed at the suppression of "communism".

39. Attention was called to the lack of full and frank discussion of war criminals and Japan's wartime leaders. Foreign news was not being adequately reported and discussion of the Imperial household avoided.

Demand was made that press and radio report domestic and foreign news fully and truthfully, that they permit and encourage free discussion of all issues which have a bearing on the welfare of the Japanese people and that they provide all segments of responsible public opinion with equal access to channels of public expression. The result of the conference became apparent a few days later. Analysis of the daily Japanese newspapers revealed better coverage of foreign news and efforts to explain the significance of events which had taken place under the occupation.

Newspaper Circulation

40. The total circulation of daily newspapers in Japan is approximately 9,500,000. Circulation figures for the ten leading newspapers are as follows:

NEWSPAPERS WITH LARGEST CIRCULATION IN JAPAN

Mainichi Shimbun (Tokyo-Osaka)	2,412,663
Asahi Shimbun (Tokyo-Okura)	1,572,444
Yomiuri-Hochi (Tokyo)	1,456,322
Chubu-Nippon Shimbun (Nagoya)	641,595
Hokkaido Shimbun (Sapporo)	587,642
Osaka Shimbun (Osaka)	393,400
Nippon Sangyo Keizai (Tokyo)	162,854
Sangyo Keizai Shimbun (Osaka)	155,182
Kobe Shimbun (Tsu)	111,169
Niigata Nippo (Niigata)	100,584

The remaining circulation is divided among 52 other dailies distributed throughout the main islands.

Magazines

41. Before the war, 1,200 magazines were published in Japan. At the beginning of the occupation, only 32 were still in existence. Now 306 children's, women's, technical, educational, agricultural, fiction, political and news magazines are being published.

Conferences have been held with magazine editors to explain to them how they would be affected by the Allied occupation policies. Freedom of expression was encouraged. Difficulties about fair rationing of newsprint were solved when the rationing of paper was transferred from the Japanese Publishing Association to the Japanese Government.

RADIO

Broadcasting Corporation

42. From its inception in 1926 until surrender the Broadcasting Corporation of Japan, organized as a public utility organization, served as a propaganda medium for the government. Since the cessation of hostilities the broadcast facilities consisting of three networks totaling 120 stations have been closely supervised by SCAP for the purpose of expediting the occupation mission.

43. Two networks are now in use to insure public understanding of all directives, policies and plans for the political, economic and social rehabilitation of Japan. This is being accomplished by broadcasting complete news coverage and explanations of all directives, by giving voice to sound Japanese political and reconstruction thought and by taking steps to minimize government control of radio, thereby establishing it as a reliable and trustworthy source of news, information, education and entertainment for the Japanese people. SCAP program control of Japanese broadcasting includes the censoring of scripts and monitoring of all broadcasts.

Organizational Structure

44. Under provisions of the Wireless Telegraph Law all officers, financial matters and operational plans of the Broadcasting Corporation must be approved by the Japanese Government. Revenue of the Corporation which amounted to approximately ¥ 45,500,000 for 1945 is derived by payment of an original license fee of 50 sen and a listening fee of 12 yen per year from every radio set owner in Japan.

Facilities

45. The Broadcasting Corporation operates three networks. Number one network of 100 stations covering the entire nation broadcasts 15 hours daily. Number two network of seven stations covering the major metropolitan areas of Tokyo, Osaka, Nagoya, Kumamoto, Sendai, Hiroshima and Sapporo broadcasts four evening hours a day. Number three network of seven stations, now being used exclusively by Armed Forces Radio Service for the information and entertainment of American troops, broadcasts 16 hours a day. This network is supplemented by nine Army installed stations completing radio coverage of all occupational areas.

46. The Japanese Government estimates that there are 5,000,000 radio receivers at present in operation. Radio manufacturers have been instructed to expedite production of tubes, parts and new sets to satisfy the heavy demand for receiver equipment. The Corporation is increasing the power of its major stations thereby extending coverage and improving reception.

Programming

47. SCAP has stimulated the initiation of new programs to carry out the occupational mission. Among these are:

(1) "The Man on the Street" is a fifteen minute program three days per week. Recorded on the streets of Tokyo and pre-censored by SCAP, these broadcasts give the average citizen an opportunity to express his opinion on current problems and demonstrate to the listening audience the fact that Japan at last has freedom of thought and speech on the air.

(2) "The Voice of the People" is a ten minute program twice daily. This broadcast of letters from the people in which they discuss problems of public interest has a large following and indicates public reaction to SCAP operations.

(3) "The Woman's Hour" is a half hour program twice daily. Dealing primarily with the feminine point of view, these broadcasts feature music, news and talks aimed at developing social and political consciousness and responsibility in the women of Japan.

(4) "Freedom of Thought" is a quarter hour program daily. It brings to the microphone Japanese professional and political leaders presenting their ideas and opinions as to what should be done in the reconstruction of Japan.

(5) "The Farm Hour" is a full hour program once a week. This program is designed to tell the farmer what is going on in the agricultural world and to impress him with his personal responsibility in rehabilitating Japan.

MOTION PICTURES

48. During the war and at the time of occupation the motion picture industry was under strict governmental control. This control has now been removed and a trend toward liberal themes and films dealing with the problems facing Japan has been stimulated. Old propaganda films have been withdrawn from circulation. Newsreel production, at a low ebb both in quality and quantity during the war, is reviving and is being supplemented by the importance of American newsreel footage. Educational films which were devoted entirely to the Japanese war effort are being assembled and destroyed. New films are being prepared.

Effective cooperation under SCAP supervision of this medium of information and entertainment can be expected during the next few months. Many producers and exhibitors are already planning rehabilitation and reconstruction of war damaged properties and three new companies have been organized following repeal by directive of the oppressive motion picture laws.

Condition at Occupation

49. From a peak of 2,548 motion picture theaters in 1943 the number decreased to 845 in operation on 1 September. The principal cause of this decrease was loss by bombing and fire, although high taxes closed many picture houses and put small producers out of business. It is expected that 100 more motion picture theaters will be opened during the early part of 1946.

50. Production and distribution of Japanese moving pictures from January to March 1945 included: features 12, documentary films 13, newsreels 8 and educational 16. Table of motion picture theaters in Japan from 1937 to March 1945 follows:

<u>YEAR</u>	<u>TOKYO</u>	<u>OUTSIDE TOKYO</u>	<u>TOTAL</u>
1937	267	1,482	1,749
1938	296	1,579	1,875
1939	303	1,715	2,018
1940	316	2,047	2,363
1941	327	2,145	2,472
1942	319	2,011	2,330
1943	300	2,248	2,548
1944	271	2,135	2,406
1945 (to March)	234	942	1,176

Production Capacity

51. Before the war Japanese motion picture companies had produced nearly 500 features per year but due to shortage of film this decreased during the war to less than 100. Although every motion picture company in Japan did produce propaganda films, there were many in the industry who rebelled against the government policy. Anticipating peace as early as July 1945, two studios began preparing scenarios of innocuous musicals with "western" music as their theme.

After the industry-wide conference held in September all studios submitted motion picture scenarios to this Headquarters. At that time three major "feature" producers stated that they planned to complete a total of six features per month. To date this figure has not been achieved. The present rate of production has reached four and a half per month and by January, seven pictures per month are anticipated.

Action Taken to Free Motion Picture Industry

52. SCAP on 16 October issued a directive to the Japanese Government which ordered it to eliminate government control of the motion picture industry. The provisions for freedom of speech which were contained in the SCAP directive of 27 September and those of the directive titled "Removal of Restrictions on Political, Civil and Religious Liberties" were extended to apply to motion pictures. Procedures for the enforcement of restriction on freedom of expression were ordered inoperative.

The Japanese Government was further ordered to take no punitive action against the industry or any firm or individual in it for exercising lawful freedom of expression. Some 17 specifically mentioned laws were ordered abrogated and the government was ordered to take steps to repeal them. All instructions to enforcement agencies were ordered cancelled.

53. Government subsidies to Eiga Kosha, the only distributor of motion pictures in Japan, and the Nippon Newsreel Company, the only newsreel company in Japan, were discontinued.

54. To insure removal of propagandistic, anti-American and highly nationalistic films from motion picture channels it was necessary to check nearly 300 feature length films. Half of these were removed from circulation and all prints and negatives are

being assembled for destruction. Still to be checked are more than 2,000 negatives in order to make certain that no undemocratic propaganda films remain in Japan.

55. By 1 December 1945 it is anticipated that producers of features will establish their own distribution facilities and Eiga Kosha, the company founded by governmental decree, will go out of business. It is also anticipated that Asahi Newspaper Company will take over Nippon Newsreel Company and with its established news service will be able to get greater coverage.

56. Recently the industry submitted a draft of a proposed plan for a Motion Picture Producer's Association. Although this was free of any hint of government control, the stated aim of this association was to establish a monopoly which would limit production of films to its original membership. Since competition in Japan is necessary for some time to come and in order to encourage new writers and producers, this proposal was disapproved.

Motion Picture Industry Guide

57. The following production guide has been given to the motion picture industry: abolition of Japanese militarism and military nationalism themes and encouragement of liberal tendencies and processes in Japan including the basic freedoms of religion, speech and right of assembly.

Some of the ways in which the film industry can assist these objectives are by producing pictures which:

- (1) Show Japanese in all walks of life cooperating to build a peaceful nation.
- (2) Deal with the resettlement of Japanese soldiers into civilian life.
- (3) Show Japanese prisoners of war formerly in our hands being restored to favor in the community.
- (4) Demonstrate individual initiative and enterprise solving the post-war problems of Japan in industry, agriculture and all phases of the national life.
- (5) Encourage the peaceful and constructive organization of labor unions.
- (6) Develop political consciousness and responsibility among the people.
- (7) Approve free discussion of political issues.
- (8) Encourage respect for the rights of men as individuals.
- (9) Promote tolerance and respect among all races and classes.
- (10) Dramatize figures in Japanese history who have stood for freedom and representative government.

THEATER

58. The Japanese theater was under strict external control of the government and was further strangled by the internal control of the "big three" producers. It was solely a militarist propaganda medium. All liberal theater people kept silent or were jailed.

Since the occupation, government control has been removed although some laws which tend to restrict theater freedom still remain. The production of plays dealing with the new problems facing Japan are being contemplated and encouraged.

Occupation and Present Situation

59. At the time of the occupation the Japanese theater had been reduced from a peacetime norm of approximately 500 major productions a month to 50. Bombing, taxes and government pressure to close down expensive amusement centers were responsible for the reduction. Characteristic of the industry at that time was iron-clad government control exercised through the Home Ministry. All but the cheapest escapism and propaganda was discouraged among the new writers, and great emphasis was laid on "historical" plays such as Kabuki "classics". No new plays of merit were written and the modern theater was completely emasculated.

60. The following table gives information about the Japanese theater in general:

Major legitimate theaters in Japan before bombing	50
Major theaters wrecked by bombing	10
Tokyo October production	28
Percentage of liberal plays in October	0
Estimated Tokyo November productions	33
Estimated percentage of liberal plays in November	10

("Liberal means saying something, however little, against war or for democracy." No truly liberal scripts have appeared yet.)

Theater tax	200 percent
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Percentage of population attending legitimate theaters	20 percent
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Current Activities

61. Conferences have been held with the Producer's Association, the Drama Association, the Theater Arts Committee and the Writer's Association. The position of SCAP has been clearly explained: that an increasing number of plays dealing with the problems of the new Japan and the expression of new liberal ideas are sought. Producers have been given liberal themes from which new educational plays can be drawn. At the request of Japanese producers, plans are being made to make appropriate American plays available in Japan.

Production Schedules

62. Arrangements have been made with the producers to furnish synopses of all current plays and all plays to be produced. Bi-weekly reports are to be submitted showing the schedule of each producer. With this report will come a synopsis of each play to be produced, a copy of the script in Japanese and a copy of an English translation of the script.

SPECIAL PROJECTS

63. Problems of information and public relations require comprehensive planning and the use of all media. The aim of the occupation that the Japanese people should know the facts about the war and the guilt of their war-leaders and war criminals is being met by furnishing all media factual evidence which can be disseminated. A factual series of articles on the war with Japan will be released shortly by press and radio.

64. The introduction of new freedom in Japan required that a coordinated campaign of information be developed to guide the activities of the press, radio and other media. Keystone of this program is the task of explaining the meaning and implications of the 4 October memorandum on the "Removal of Restrictions on Political, Civil and Religious Liberties."

65. The attempts of the Japanese Government to claim that food would have to be imported by the Allied Powers were countered by a campaign to present the facts to the people of Japan. Evidence was made available to all media to show that Japan was in a position to feed herself and that importation of food was not necessary.

66. Japan's returning soldiers from overseas needed a program of information to prepare them for their return home. A tabloid weekly newspaper has been started and is receiving distribution in Korea and the Philippines.

War Guilt Campaign

67. When the Occupation Forces entered Tokyo there was little if any consciousness of war guilt among the Japanese people. They did not know the steps which led Japan to war, the causes of her defeat, or the atrocities committed by her soldiers and there was little feeling of moral culpability. There was widespread belief that Japan's defeat was due solely to industrial and scientific inferiority and to the atomic bomb. The Imperial Rescript announcing the cessation of hostilities was chiefly a reaffirmation of Japan's war aims, and if allowed to stand unchallenged would have provided the Japanese people with moral justification for a future war of aggression.

68. An extensive information and education program has been undertaken to bring the true facts before the people. Documentary material on Japanese atrocities in the Philippines has been released to the press and radio. This includes photostats of Japanese army orders and diaries, photographs of atrocities and articles. There are numerous indications that the truth of these is now being accepted.

69. A series of twenty articles on the war in the Pacific has been prepared and is being distributed to newspapers, magazines and radio. The articles show in detail the steps which led Japan to war and the reasons for her military defeat. These articles have been designated a "must" for all newspapers in Japan. This material will be presented also in motion pictures and on the radio.

70. With notable exceptions Japanese papers during the first six weeks ignored the subject of war criminals despite widespread public discussion. Leading Japanese press and radio executives were therefore summoned to SCAP on 24 October for a conference on the subject. There has been fuller and franker discussion since that time.

71. A series of radio broadcasts by prominent Japanese liberals has been devoted to war criminals. This problem has also been treated on other programs. Japanese film companies are being stimulated to produce a series of documentary and feature films stressing the war guilt program.

72. Cultural, economic, professional and other groups have been encouraged to hold discussions of the subject and many have passed resolutions calling for punishment of war criminals. A labor advisory group set up by SCAP and consisting of four nationally known labor leaders has instituted a series of talks on the subject of war leaders in local unions. A Committee for the Total Abolition of Oppressive Laws, consisting of representatives of numerous organizations, was formed with the assistance of SCAP. One of its objectives is to explain the importance of punishing war criminals.

73. A poll of prominent Japanese leaders taken at the end of October shows that there is growing consciousness of Japan's war guilt. Conservative, liberal and radical leaders questioned on the subject stated that Japan should bear responsibility for the war and the following groups should be prosecuted as war criminals:

- Members of the Tojo cabinet
- Certain members of succeeding cabinets
- Members of secret societies
- Financial backers of militarists
- War profiteers
- Political leaders who advocated aggression
- High ranking military leaders
- Those who committed crimes against the Japanese people (such as suppressing civil liberties)
- Those who committed atrocities against Allied prisoners of war and subject peoples.

"Freedom of Thought" Information Program

74. In the course of 20 years, Japanese militarists had constructed effective machinery for controlling the speech, thoughts and movements of the people. This was accomplished through legislation, the police, censorship regulations, centralized control over newsprint and ownership of radio broadcasting facilities.

75. On 4 October the first major step was taken to sever Japan from the practices of the past when a memorandum was issued to the Japanese Government ordering it to "abrogate and immediately suspend the operation of all laws, decrees, orders, ordinances and regulations" which restricted "political, civil and religious liberties".

76. The memorandum called for unrestricted discussion of the Emperor, the Imperial Institution and the Japanese Government. Restrictions on the collection and dissemination of information were eliminated and all laws which "by their terms or their application operate unequally in favor of or against any person by reason of race, nationality, creed or political opinion" were ordered repealed. Freeing of all political prisoners was ordered. The Thought Police was abolished and the Home Ministry and high police officials were dismissed from office.

An immediate aftermath of the directive was the resignation of the Higashikuni cabinet. The document also gave new impetus to the liberal movement. Japanese press comment in no way reflected popular reaction to the document.

After it became obvious that no change was forthcoming, lead-

ing newspaper and radio executives were summoned to this Headquarters on 24 October and told to explain the meaning of the directive to the people. At the same time newspaper employees began to express open dissatisfaction with the policies of their papers. They asked for "clarification of the management's war guilt" and for "democratization" of newspaper policies, and called upon the publishers to turn over direction of the editorial policies to employee committees. This movement was undoubtedly related to the activities of this Command on behalf of a free press.

77. The dispute in the newspaper industry demonstrated sharply the need for an interim labor policy. This Headquarters and the Welfare Ministry have worked out a formula for labor arbitration which is acceptable to both the government and the organized labor movement.

Radio programs, including talks by prominent Japanese liberals and a series of broadcasts by released political prisoners on the radio to explain the Allied directive were initiated. Arrangements were made with a studio for the production of a feature entitled "Now You Can Speak".

78. Work was also initiated with organizations. The Committee for the Total Abolition of Oppressive Laws was formed to "wipe out feudalistic and bureaucratic influences and pave the way for democratic evolution". A program has been announced to carry out propaganda for the masses through lectures at organization meetings, radio and liberal newspapers, and use of motion pictures and theatrical activities for public entertainment. A public rally in Tokyo's largest auditorium, which will be broadcast over a national hook-up, is scheduled. A series of talks will be given to trade union members on the rise and fall of the thought control laws.

79. Freedom of the press was advanced with the elimination of the big publisher and the government control over the paper supply. Previously paper had been allocated to publishers on basis of 70 percent of their pre-war circulation. There was no provision in this procedure for starting of new publications.

In a memorandum dated 26 October the Japanese Government was directed to assume responsibility for distributing newsprint and foreign-type paper by 1 November or as soon thereafter as practicable. This function was removed from the control of the Japan Newspaper League and the Japan Publishers Association.

The government was directed to set up paper rationing sections composed of government officials, representatives of large and small publishers and at least three well-known disinterested individuals. Thus it is hoped that all publishers will get fair and equal access to the available paper supply.

80. After an initial period of apathy following the surrender the Japanese people are beginning to cast aside old fears and are awakening to the possibilities for self-expression afforded them by the occupation. The movement to utilize the newly found rights has gained increasing momentum. All types of discussion groups are being formed. Trade unions are organizing. Formerly "taboo" subjects such as the future of the Imperial Institution are being discussed openly on the street, at public meetings and in the various information media.

"Food" Information Program

81. Very soon after the Occupation Forces arrived in Japan it

became evident that the single most pressing problem facing the Japanese people was the critical shortage of food. More space has been devoted to this question in the newspapers than to any other.

82. A singular similarity in approach by all of the newspapers indicated that a pattern for the treatment of the food problem had been set. The newspapers were content to indulge in aimless castigation of inefficient bureaucrats and exhortations to the people to "improve their lot". In addition, with increasing frequency, releases were prepared by the Japanese press giving heavy play to the severity of the food shortage. Stories on anticipated starvation totals were given prominent space. A survey of the newspaper treatment of the food problem was made and the following conclusions were reached:

The Japanese Ministry of Agriculture and Forestry had published reports showing the food position as of 31 August 1945. These reports indicated that there was going to be a critical shortage of food in Japan during 1946 and consequently the Japanese pleaded for 4,616,000 m/tons of imported rice and 500,000 m/tons of fodder to guarantee an average diet of 2,123 calories per person per day.

An analysis prepared by this Headquarters showed that there was in fact enough food in Japan for 1945, and that by importing 2,144,000 m/tons of rice or its equivalent in 1946, a per capita consumption of 1,800 calories per day per person could be achieved with equitable distribution. Statistics provided for release by the Ministry of Agriculture and Forestry showed that all shortages were computed on the basis of 2,160 daily caloric intake. However, an examination of the diet record for the years 1931 to date revealed that the diet of the average Japanese in Tokyo in June 1945 was far beneath this figure.

There was a marked absence in the Japanese press of explanations for the critical food shortage. The newspapers devoted much space to the aggravated conditions arising from the shortages, but not one newspaper went into the underlying causes of the situation. In some especially notable cases there was inference that the presence of the Occupational Forces contributed to the trouble.

83. It was felt that as hardships accumulate this winter, the people's unrest might be directed against the Occupation Forces. It became imperative that the Japanese people, and particularly the government, recognize the food problem as one of their own making and one which would require their own efforts for correction and relief. This Headquarters undertook a program of information on the following themes:

Releases on the true caloric needs of the Japanese, tying in with the theme of the present food problems of the Allies and the United States' first obligations to these Allies. Prominent Japanese dietary experts were reached and statements have been secured from them for publication that 1,800 caloric intake is a liberal minimum subsistence diet.

Japanese editorials were asked to supply easily understood stories on the underlying reasons for the food shortage. The Ministry of Agriculture and Forestry was asked to circulate information on actual crop estimates with an unbiased analysis.

Releases are being made through Japanese newspapers encouraging the Japanese people to report hidden food dumps created from former military and naval supplies and stored by the Jap-

anese officers and men during the initial days of demobilization. It is pointed out that recovered food will be returned to the people.

The amount of newspaper space devoted to the food problem has increased. There is currently however an attempt to get at the core of the problem. Farm-peasant unions, agriculturists and dietary experts are all contributing "letters-to-the-editor", and other material for publication. Radio forums on the food problem have also been arranged.

84. While the Japanese masses may remain indifferent to political affairs, this is not true in regard to their nation's economy. Poorly paid and overworked peasants who for many years entertained a vague hostility to the forces of oppression are beginning to come forward. It is quite possible that the pressing problem of food will speed the awakening of the Japanese people to their political and economic consciousness.

Japanese "POW" Information Program

85. When the war with Japan ended on 15 August there were more than 4,000,000 Japanese prisoners of war and civilian internees outside the limits of the Japanese homeland. The large majority of these were in China, Korea, Formosa and the Philippines.

It was recognized that this group would present an important problem in the reconstruction of the country. Removed from communication with their families and homeland, they would require considerable mental reconditioning before returning to Japan.

86. For this purpose a tabloid weekly newspaper was especially designed for the orientation and information of prisoners of war. On 5 October at the suggestion of SCAP the three leading Japanese newspapers, Mainichi, Yomi Iuri and Asahi, agreed to publish such a weekly newspaper with the following aims:

- (1) To inform demobilized troops overseas on present conditions in Japan as a defeated nation.
- (2) To show the steps that led Japan to war.
- (3) To show the progress of the occupation regarding food, elections, revision of the Constitution, labor unions, women's suffrage and democratization of the country.
- (4) To show reasons for delay in returning Japanese troops.
- (5) To report on the interest of the people at home in troops overseas.
- (6) To report on world news in order to acquaint the troops with the progress toward a secure world.
- (7) To demonstrate that militarism is ended and that Japan is turning to ways of peace into which demobilized troops must fit in order to live useful and productive lives.

87. Three issues of each of the tabloids have been published to date. Forty thousand weekly copies each are being sent by courier plane to the Philippines and Korea for distribution through the Commanding Generals of these areas. The newspapers are distributed

on the basis of one copy for each 10 POW's.

Since the request for POW's reaction on this operation has not yet been answered, it is too early to evaluate the effectiveness of this program. If reactions are favorable, suggestions will be made to the Commanding General of the China Theater to distribute these papers among the POW's in that area.

ORGANIZATIONS

88. There were no independent organizations in Japan when the American Forces entered the country. Political, social and economic groups were used primarily as vehicles for propaganda. There was no organized liberal movement. Most liberal leaders were either in jail or had faded into obscurity during the war years. Some of the former liberal leaders had yielded to the pressure of the militaristic regime and had become vigorous proponents of the "new order".

The arrival of the American Army brought no immediate change. Pre-war leaders dazed by 15 years of suppression were unsure of themselves and after being subject to years of jingoist and racial propaganda were even unsure of the Allies. Their forces were scattered. The great mass of people were still harrassed by fear of the police and thought control laws.

89. On 4 October the budding liberal movement was given impetus by SCAP through the issuance of the "Magna Charta" directive ordering the removal of all restrictions on civil, religious and political liberties and the freeing of political prisoners. Since that time, organizational activities have developed with ever increasing vigor. SCAP has not attempted to influence the new political groups in any way but steps have been taken to insure that they are given the opportunity to express themselves freely.

90. Although no "political" time has been allocated on the radio, leaders of various political groups have been allowed to go on the air to explain their views on current problems. Newspaper and radio have been instructed to permit and encourage free discussion of all issues which have a bearing on the welfare of the Japanese people, and provide all segments of responsible public opinion with equal access to the channels of public expression. Press and radio have been warned to stop repressing the discussion of the Imperial Institution.

Political Parties

91. At the close of the war the political scene was dominated entirely by the Greater Japan Political Association, a party which was formed along characteristically totalitarian lines. The prewar political parties were dead. The old leaders who were not in jail had been absorbed in the GJPA. New leaders had not yet emerged. Unlike the other Axis countries where at least a spark of democratic resistance to militarism had been kept alive, all opposition to the militarist regime in Japan had been crushed. There was not even the semblance of an underground opposition. The secret police had done its work effectively.

92. For the liberal movement the first month of occupation was mostly a matter of getting people together and becoming oriented to a new, unfamiliar situation. The Socialist Party, the first major political group to make its appearance, held its preliminary organizing conference on 22 September. Other political groups made their debut soon afterward.

93. At the present time there are more than 20 political and quasi-political groups crowding the political scene. The Greater Japan Political Association is now completely inactive although many of its members have reappeared with new party labels. The majority of the new political groups have yet to announce their platforms and since there has not been a free election for many years it is difficult to assess their following. Many of them will undoubtedly merge or disappear altogether as soon as the political situation begins to define itself.

A number of well-known wartime leaders have formed new groups. In view of the resentment against the militarist regime this may turn out to be more of a handicap than an asset. Party lines are blurred and it is difficult to make a sharp distinction between political parties at this time. It appears that the majority of the parties fall into four main groups.

Extreme Right Wing

94. The parties in this group are bound together by personalities as much as by political principles. Virtually all of them are led by men who were prominently identified with the militarist regime. None of them has formally announced a party program but it is apparent that they will seek to salvage as much as possible of the old regime. Judging by their published statements they will probably wage their campaigns chiefly around two issues: preservation of the present powers of the Emperor and opposition to "communism".

The main parties in this group are the Japan National Party, the Proletarian Party and one other party as yet unnamed which is being formed by former leaders of the GJPA. It is doubtful if much can be expected of these groups in the way of vigorous democratic reforms.

Conservatives

95. The Japan Liberal Party is the strongest of the conservative parties. It includes a number of prewar politicians as well as a number of men who were in the Diet during the war but claim that they were only "passive". Although the party has no known connection with the Mitsui-Mitsubishi group, it is generally regarded as the voice of the upper middle class.

Only a portion of the Party's program has been announced thus far. It calls for placing the supreme power in the hands of the Diet and "respect" for human rights. Japan's policy in China is criticized. The Party's stand on the Imperial Institution has not yet been announced. According to reliable sources party leaders favor reducing the prerogatives of the Emperor but would leave him with nominally absolute veto power.

Socialist Party

96. The Socialist Party will emerge as a formidable factor in the coming election if it can maintain unity. There are at least three different factions in the Party, all of them with widely divergent views. The minority left wing is close to the Communist in ideology but the right is extremely conservative and would hardly be regarded as "socialist" by United States standards. Although agreed on a common platform, the differences between them are still very real. Whether their unity can stand the test of a bitter election campaign remains to be seen.

The party program calls for extensive land reforms, development of cooperatives, enactment of wage and hour laws, official recognition of labor unions, establishment of health and unemployment insurance and other special legislation, separation of church and state, abolition of the peerage system and "democratization of Constitution according to the will of the people". Party leaders are believed to differ on the future status of the Emperor and the party has not yet announced its stand on the question.

Radical

97. The Communist Party has not yet formally reconstituted itself, although it has carried on a vigorous program of activity and its presence has been keenly felt on the political scene. Published statements by party leaders indicate that they will carry on a "Popular Front" program approaching that of the Socialist Party in many respects. They have stated that the Japanese people are not ready for socialism.

The main objective of the Party will be to break the hold of the "financial oligarchy". They seek to establish a "democratic Japan" in accordance with the Potsdam Declaration. They have announced that they would leave medium and small industries in the hands of the capitalists.

The Communists have been the only group to call for the total abolition of the Imperial Institution, but there are some indications that this stand may be modified with the arrival of the Japanese Communist group at present staying at the headquarters of the Chinese Communist Party in Yenan. This group, according to newspaper reports, does not regard the Emperor question as a burning issue and is willing to compromise on the point to provide a basis for unity with other factions.

Labor and Farm Organizations

98. The labor and farm organizations have been assisted in securing adequate representation in the various information media, particularly on the radio. Farm and labor leaders have been given the opportunity to go on the air. Portions of the national convention of the Farmers Union were broadcast. There has been no complaint from farm or labor leaders that the news of farm and labor organizations has been distorted or reported untruthfully.

Youth

99. There was no vestige of an independent youth movement when the Occupation Forces entered the country. The liberal student movement of the early 1930's had been completely crushed. Its leaders were either in jail or had matured and lost interest in the movement. The youth of the country were organized in a National Youth Corps, a strongly nationalistic group which was entrenched in all the schools and was used chiefly to mobilize the youth for war. This Youth Corps has been disbanded and no independent youth movement of a forceful nature has yet arisen.

Women

100. From time immemorial the great mass of Japanese women has been restricted both by custom and legislation from any form of activity which would make them appear as equal of men. Bound to the home, their sole role has been to serve as housekeeper and mother in the family. Only a few women, through contact with western culture, became vitally concerned with lifting women from their

feudal status but they made little progress except among the intellectuals.

101. Beginning with the conflict in Manchuria, the government began to show active interest in women's organizations and after a number of reorganizations two nationwide groups were established. They were the Aikoku Fujinkai, comprising the upper and upper middle classes, with a membership of about 1,000,000 and the Kokugo Fujinkai, with members from the lower and lower middle classes, totaling 1,000,000. As the war progressed, these two organizations were merged into the Dai Nippon Fujinkai.

102. Officers of this organization were "elected" in name only. Generally they were government appointed. Funds were secured through donations. The Empress contributed a gift of 1,000,000 yen. The program was largely concerned with home aspects of the war effort such as welfare for the soldiers, aid to their families and promotion of scrap and bond drives. Women at rallies were expected to do what they were told. There was no freedom of discussion and no chance to decide on their own program of activities. Attendance was compulsory.

Despite the dictatorial character of the Dai Nippon Fujinkai it had one value. For the first time in their lives, women throughout Japan had an excuse to leave their homes and become a part of an organized group.

103. With the announcement that they now had the right to vote, the prewar liberal women were encouraged to use their new rights. The following steps have been taken: (1) a list of laws restricting the rights of women has been compiled; (2) nationally known women leaders have been given the opportunity to appear on the radio; (3) a "Women's Hour" has been established; (4) officers of women's organizations have been advised on methods of organization; (5) a library of information on women's organizations in other countries is being brought from the United States and (6) a number of films on the subject of women's place in life are in production.

104. The films in process of production extol the life of famous Japanese liberal women who before the war were heroines to many Japanese women. They emphasize self-reliance, the new place of Japanese women in life and equality between men and women. These include "The Life of Hideko Kageyama" which will be released in February, "Half Her Life" a film based on the need for emancipation of women and "Design for Marriage" a documentary film on voting which stresses self-reliance on the part of women.

105. The following groups now have a membership of less than 1,000 but their membership includes capable women who are planning nationwide branches. (1) Reactionary groups. One of these which is being observed by this Headquarters is headed by women active in prewar government sponsored groups. (2) A large number of small unorganized groups which have infinite possibilities despite lack of experienced leadership. These groups, which are in an amorphous state and are being given help as they are discovered, include, among others, women's press association and college alumnae groups. (3) Union groups such as the Nihon Joshi Remmei, which includes in its program the organization of technical schools, education on women suffrage, the enactment of child labor laws and safety and sanitation laws for women.

106. While new developments in the status of Japanese women have not yet reached the masses, women leaders are in general intelligent and progressive. They are aware of the shortcomings of the movement and are undoubtedly capable of correcting them.

They are eager for help from such American organizations as the League of Women Voters and business and professional women's clubs.

ANALYSIS AND RESEARCH

107. Daily analysis of the Japanese press is made and trends noted. At first the press failed to report news fully and accurately even after this Headquarters removed government restrictions, but under constant advisory direction press coverage and treatment now show definite improvement. Public opinion polls are being planned and personnel secured to measure public reactions to the progress of occupation. A reference library of American materials will be set up in Tokyo to furnish the Japanese public, editors, educators and writers with facts about America, international affairs and the war.

108. The vernacular Japanese press is being scanned daily. It was discovered shortly after the beginning of occupation that the press was restricted from, or perhaps had no intention of, voluntarily explaining the objectives of the Potsdam Declaration or the aims, policies or directives of the Supreme Commander.

Following the issuance of the directive of 4 October 1945 which called for the immediate abrogation of all Japanese Government restrictions on information dissemination agencies, analysis showed that certain subjects continued to be systematically ignored by press and radio while other subjects were distorted or grossly underplayed.

109. Analysis to date shows that the press is responding slowly but surely. First noticeable reaction occurred in the handling of foreign items. More space was devoted to world news and there was more information per news item. The next improvement was noted in articles which encourage social thinking, the activities of political parties, strikes in protest of wrongs, government attention or inattention to social difficulties and a growing discussion of war crimes and criminals.

110. There remains much to be desired in an adequate and independent press explanation of the aims and activities of the Occupation Forces but here too improvement has been noted. Especially significant was the first open discussion of the future status of the Emperor in the Japanese press when "Asahi" featured a roundup of representative world opinion on the subject. Press discussions heretofore had been limited chiefly to delicately worded comments on the extent of the possible revision of the Emperor's powers without reference to the possibility of the total abolition of the Imperial Institution.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

SUMMATION
of
NON-MILITARY ACTIVITIES
in
JAPAN and KOREA

Number 1.

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PART V
KOREA

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SECTION 1

POLITICAL ACTIVITIES IN KOREA

C O N T E N T S

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GENERAL

Occupation

1. The occupation of South Korea came so rapidly that preparations for civil affairs activities in the area were far from complete, both in terms of policy directives and personnel. The United States Forces suddenly found themselves charged with the occupation of an area of approximately 36,700 square miles populated by about 17 million people. They were to treat this area as a liberated country and to foster conditions which would bring about the establishment of a free and independent nation capable of taking its place as a responsible and peaceful member of the United Nations.

Japanese Influence

2. Since formal annexation of Korea to Japan in 1910, the Japanese have made every effort to deprive Korea of the ability to stand alone as an independent country. Korean industry has been controlled by the Japanese and the trade and commerce of the country have been made subservient to Japan.

3. The Japanese have exercised absolute and autocratic power with no pretense of self-government. All except subordinate government positions have been filled by Japanese. The police, both civil and military, have been thoroughly Japanized and efficiently utilized as an instrument of tyranny.

Complicating Factors

4. Conditions at the time of surrender were complicated by the presence of large numbers of Japanese soldiers and Korean collaborators, who are intensely hated by the Koreans; by the strong expectation of the Korean people of immediate independence and complete sweeping out of the Japanese and liquidation of their holdings; by the artificial division of Korea along the 38th parallel, which split the industrial north from the agricultural south and divided the country between occupying forces; and by the confused political situation involving dozens of parties with widely conflicting views and a broad split between radical and conservative elements.

Occupation Problems

5. Besides fulfilling the normal obligations of maintaining law and order and carrying out the immediate task of disarming and repatriating the Japanese, the United States Forces have set about their longer-term job of separating Korea from Japan and paving the way for independent Korean governmental, economic, and social institutions.

6. The lack of qualified Korean administrators untainted by Japanese collaboration and the absence of any political party truly representative of the people made necessary either the continuance of the Japanese administration or the establishment of some measure of direct Military Government. The latter alternative has been followed.

7. A proclamation of General MacArthur of 7 September 1945 announced the establishment of control and the assumption of all governmental authority in South Korea; a United States Military Governor has been appointed; a Military Government has been organized to parallel the Government General at Seoul. Military Government teams are operating in the three principal cities occupied by United States Forces (Seoul, Fusan and Jinsen) and are being deployed to other provincial and local centers as they arrive in Korea.

CIVIL ADMINISTRATION

Military Government Organization

8. Military Government at the top level (Government General) is organized to correspond to the existing central government organization in Korea. The United States Military Governor is acting Governor General of the Korean Government General and also commands all Military Government personnel not attached to tactical units.

The Military Governor is assisted by a Civil Administrator who coordinates the activities of the Secretariat and the various Bureaus with the staff of the Military Governor. The Secretariat is composed of the following sections: General Affairs, Foreign Affairs, Intelligence and Information, Personnel (Korean Civil Service), Army Administration, Property Custodian, Planning and Accounts.

The nine bureaus are: Finance, Mining and Industry, Agriculture and Commerce, Public Safety, Public Health, Education, Justice, Communications, and Transportation. These bureaus (staffed with Military Government officers and Korean officials), are the operating agencies of the central government. The Directors of the Bureaus and the Civil Administrator constitute the Cabinet of the Governor General.

Policy questions must be submitted by the various bureaus to the appropriate section of the Secretariat for final study before being placed in the hands of the Civil Administrator.

Below the level of the central government, Military Government teams are attached to tactical units and are under the command of such units. Liaison between the Government General and the teams is maintained through the Secretariat. As the problems of the occupation become more complicated and more civilian in nature it is expected that the provincial and municipal teams will be removed from command of tactical units and placed directly under the Military Governor.

Military Government teams have been operating at Seoul, Jinsen and Fusan and will operate in other areas as they become available. It has been impossible to spread permanent occupation

forces over very large areas. Small detachments have been sent to important points throughout South Korea to carry the United States flag, to observe activities of the disarmed Japanese Forces and to report conditions to higher headquarters.

Establishment of Military Control

9. United States policy prohibits official recognition or utilization for political purposes of any so-called Korean provisional government or other political organization by the United States Forces and requires the prompt removal of Japanese and pro-Japanese Koreans from civil administration. Because there were no authorities then available to administer the country, the establishment of full-scale, direct Military Government has been necessary.

The substitution of American Military Government for the Japanese Government has not met with complete approval and many Korean elements desire immediate and complete independence. They interpret the "in due course" language of the Cairo Declaration to mean "in a few days".

Removal of Japanese Officials

10. The Koreans have been insistent upon the removal of Japanese officials and any attempts to utilize their services by Military Government have been unfavorably received. The Koreans feel that they have been liberated and will not obey Japanese officials.

All important Japanese officials in the Government General at Seoul have been removed. In some cases Japanese officials, although relieved of authority, have been requisitioned to do essential work. These will be relieved as soon as substitutes are found.

11. The Koreans do not have qualified personnel except for the low-level positions and have very few skilled technicians for essential public utilities and services. Qualified Koreans who held responsible positions are generally thought to be collaborators. Removal and replacement of officials in provincial and local governments is undertaken as soon as it is possible to assign Military Government teams to the areas.

Korean Advisory Councils

12. In order to provide for a greater share in the government by Koreans, Military Government has made use of advisory councils of Koreans; the members have been appointed to represent various shades of political opinion, but with no commitment to the organizations to which they may belong.

An advisory council of 11 Koreans (educators, lawyers, business men, radical and conservative political leaders) was appointed to advise the Government General at Seoul on 5 October. The reception of the advisory councils has been somewhat lukewarm by those Koreans who want immediate independence.

Civil Service

13. The Military Government expects to make no basic change in the Civil Service System established by the Japanese except to eliminate regulations which discriminate on the basis of race, nationality or politics. An order was issued by the Military Governor on 5 October which provided that the temporary appointment of officials of the first (Shokunin) and second (Sonin) ranks will only be made by the Military Government.

The appointment and dismissal of the third (Hannin) rank officials will not require the approval of the Military Government.

14. Most of the records and pension funds of the Korean Civil Service are kept in Tokyo by the Japanese civil service administration. Arrangements are being made to transfer necessary records and funds to Korea. The Japanese Government has been prohibited from promoting or otherwise exercising direct control over civil servants in Korea.

Foreign Affairs

15. Russian consular officials are stationed in Seoul. A reciprocal privilege does not exist in the North.

16. All connections between the Japanese Government in Tokyo and the diplomatic and consular officials of the former Japanese created government in Peking and elsewhere in China have been severed. Such officials in China will henceforth receive any necessary orders from the American Military Government of Korea.

Repatriation

17. Korea cannot attain final stability until the Japanese Forces have been repatriated. This is being done rapidly and without unusual incident. As of 25 October a total of 110,000 Japanese soldiers and sailors had been returned to Japan. It is estimated that by 20 November all Japanese Army and Navy personnel will have been evacuated from Korea except for certain Army personnel retained at Fusan to aid in repatriation of Japanese civilians.

The number of civilian Japanese living in Korea was some 700,000; by 25 October 71,000 of these had been transferred to Japan and in return 160,000 Koreans in Japan had been brought back to Korea.

POLITICAL PARTIES

18. At a recent meeting of political leaders called by the Military Governor, 1200 Koreans appeared. As of 24 October, 54 parties were registered with Military Government Headquarters. Their principal officers have been catalogued and from most of them statements of platforms have been obtained. The aims of these parties are in many cases vague and obscure and some of them have only a few dozen followers.

Some of the ideas they have in common are: seizure of Japanese property, expulsion of Japanese persons from Korea and immediate independence and self-rule. The love of Koreans for political factions, the lengthy suppression of political activity by the Japanese and the difficulty of underground operations have combined to cause a wide split in political trends.

19. All political parties agree that unification of the various groups is a necessary preliminary to political maturity. The chief contenders in the struggle to control the unification movement are the Korean People's Republic (radical) and the Korean Democratic Party (conservative). Both sides claim Kim Koo and Syngman Rhee, in an attempt to capitalize on the popularity of these two leading figures.

20. The Korean People's Republic is the most active and articulate party. Its platform calls for changes in land ownership, a

more rapid ousting of Japanese and Pro-Japanese Koreans from high places, higher wages and stable prices. The conservative program is cautious and full of vague generalities.

21. On 10 October a preliminary meeting of representatives of 43 parties was held to discuss unification. An action committee, "Unification Committee for Political Party Activities" composed of a Communist, a Nationalist and a Radical, was appointed on 14 October to lay the groundwork for unification. This effort has met with little success as 33 of the member parties have left the organization. The Korean Democratic Party refused to attend any meetings, claiming the presence of the People's Republic of Korea made it impossible.

22. Military Government has thus far placed two requirements on the parties.

(1) That each form suitable committees for drafting a proposed framework of government which is consistent with the needs and traditions of Korea.

(2) That these committees submit this proposal together with a plan for substituting the proposed new government for Military Government in a way that will result in the minimum disruption of industry, commerce, law and order. (To date this assignment has been given only to two parties: The Korean Democratic Party and the Women's Nationalist Party.)

23. Numerous posters and pamphlets have appeared, most of which are distributed by the People's Republic of Korea. They claim that the party represents the people and should be recognized as the government, that Military Government is being advised by Japanese "traitors", that reports of Russian lawlessness in the North are false, that Russian policies of equal land distribution and abolition of land taxes should be adopted in the South, and that the People's Republic of Korea represents a unified government of all Korea, regardless of the dividing line.

The radical propaganda campaign singles out the Korean Democratic Party as a tool of the capitalists, landowners and collaborators. All problems are simplified by blaming the Military Government and its advisers, the members of the Korean Democratic Party.

On 13 October a pamphlet entitled "The Traitors and the Patriots" appeared. It was sponsored by the "Government of the People of Korea". It attacks the statement of the press (10 October) of the Military Governor that Military Government is the only government in South Korea and calls on the people to stop pronouncements of irresponsible political groups.

The pamphlet claims that the People's Republic of Korea is the legal government of Korea by virtue of an assembly which met in Seoul on 6 October before the arrival of the American Forces. This pamphlet denounces certain Korean advisers to Military Government and other Koreans appointed to leading positions in civilian administration.

A sampling of public opinion indicates that the radical propaganda has been partially successful. The handbills and pamphlets of the conservatives have been inept and offer no concrete program or specific action. Military Government recently prohibited the further publishing or distribution of posters and handbills.

24. The Korean Communist Party has shown little direct political activity aside from a handbill ("A Manifesto") found in Seoul on 20 October. This party has been publicized as a supporter of the

Korean "People's Republic". A meeting of communist sympathizers was held on 25 September to form a solid front.

25. The return of Dr. Syngman Rhee, long-time representative of the Korean Provisional Government in the United States, has been hailed by all factions and the press. At a welcoming held in Seoul on 18 October Dr. Rhee urged patience, cooperation with Military Government and personal self-sacrifice.

At an unscheduled liberation-day speech before 50,000 Koreans in Seoul on 20 October, Dr. Rhee stated Korea's opposition to the division along the 38th parallel. "We remained unconquered and undivided under Japanese oppression, and we shall fight to remain so at the cost of our very lives." He advised the people that the answer to the question of whether Korea was to remain divided would be easier if the Koreans cooperated and if they showed they were able to control their people, act together and work with the United States Government and Occupation Forces.

26. On 23 October, a meeting of 200 persons (representatives of all prominent parties) was held with Dr. Rhee. A central Committee for Korean Independence to unify all existing parties was proposed and will probably be organized shortly. The presence of Dr. Rhee and the desire of all parties for independence are strong influences towards the consolidation of political parties.

27. Kim Koo, President of the Korean "Provisional Government", has been invited to return to Korea from Chungking. It is expected that he will cooperate with Dr. Rhee in the move to consolidate Korean political parties. Officials of the Korean "Provisional Government" and Kim Kyusik (leader of the Revolutionary Party, the more radical group supporting the "Provisional Government" in China) are expected later.

28. All persons returning to Korea are informed that they return in the capacity of private citizens and that there is no implication that the United States will recognize them as constituting a provisional government or having powers over and above those exerted through personal leadership.

29. On 25 October the conservative Korean Democratic Party joined with the Korean Communist Party and the middle-of-the-road Nationalist Party in a resolution which gave support to the "Provisional Government" in Chungking and urged its immediate recall.

30. The newspaper Mai-Il Shin Bo on 28 October analyzed the central political problem as reconciliation of the supporters of the "Provisional Government" in Chungking with the People's Republic of Korea and its adherents. It hoped that Dr. Rhee might accomplish this objective.

31. The Korean People's Republic is going ahead with a program of self-expansion. On 29 October it announced elaborate plans for the second "conference representing all the people" to be held in Seoul on 1 March 1946.

Elections of representatives for this conference will be held -- one representative for each 30,000 inhabitants. Candidates may nominate themselves and campaign freely. Suffrage will be offered to every Korean above the age of 18, regardless of sex, occupation, wealth, religion, or social status. All Japanese, as well as Koreans who worked with the Japanese for anything more than a salary, are denied voting privileges.

32. "Trusteeship" has met with wide disapproval in Korea. The Communist Party, the Nationalist Party, the Korean People's Republic and the Korean Democratic Party unite in denouncing it. Even the latter party has called it "a great insult to Korea" and has announced that as a concrete demonstration against it everyone is willing to stop cooperating with the Military Government.

The press has carried out a loud and continuous clamor against trusteeship. Each issue of every paper contains adverse comments. The Koreans feel that they are capable of establishing an independent government immediately.

INTERZONE ACTIVITIES

33. The present division of Korea into Russian-controlled North and American-controlled South presents many problems of policy and operation. The Korean people are greatly concerned with the artificial division of their country.

34. South Korea is the hub of the communications system. It also has the principal cereal crops. On the other hand it is dependent on North Korea for coal and electric power. Coal which is not yet obtainable from North Korea must now be imported from Kyushu or shipped half way around the peninsula from a small coal port on the eastern shore south of 38 degrees. The amount and duration of electrical supply is controlled by North Korea without consultation with consumers south of the line. Neither section of the country is self-sufficient.

35. The following commodities reported to be available in the Russian zone are needed in the American zone: coal, soy beans, wheat, salt, steel pig iron, aluminum, ferro-molybdenum, ferro-tungsten, fertilizer, super phosphate, ammonium sulphate, calcium cyanide, apatite ore, pyrite ore, borax, copper sulphate, caustic soda, liquid chlorine, nitric acid, hydrochloric acid, ammonia, sulphuric acid, rails and coupling parts, coal tar and barley.

36. Commodities available in the American zone which may be surplus for exchange are: rice, and when production is resumed, molybdenum concentrates, graphite mineral, asbestos mineral, zinc metallic, lead metallic, copper metallic, fluorite mineral, manganese ore and mining machinery.

LEGAL AND JUDICIAL AFFAIRS

37. The judicial system of Korea has followed basically that of Japan. It was headed by a Bureau of Justice in the Government General which included under its jurisdiction one Supreme Court in Seoul, three Courts of Appeal (at Seoul and P'yongyang in the American zone and at Taegu in the Russian zone), and a number of district courts with branches and sub-branches.

Japanese occupied all important positions in the Bureau and the courts. In 1939 there were only eight Koreans among 120 procurators and only 46 among 235 judges. As in Japan the Bureau supervised penal institutions.

Bureau of Justice

38. When the Military Government entered Seoul on 8 September 1945 a preliminary investigation of the Bureau of Justice was begun. It revealed that high officials had illegally destroyed important official documents, including part of the fingerprint records and had embezzled government funds. The director was immediately put under arrest.

Conferences held with the officials of the National Bar Association resulted in recommendations for the temporary appointment of Koreans in the Bureau.

Further investigation was pursued and by 15 October 1945 approximately four million yen of embezzled funds had been recovered. Some of the destroyed records were restored from fractional documents available in other bureaus. The arrested director was formally removed from office and a Military Government officer was appointed to fill the vacancy.

Koreans were selected for all other important positions replacing the Japanese officials. Young Korean employees already holding minor positions in the Bureau were in general retained and some Japanese temporarily retained for essential work.

The Bureau was reorganized and now contains the following departments: General Affairs, Civil, Criminal, Penal, Bar Associations and Admissions. The office of the Supervisor of Provincial and City Administration of Justice is under these departments. In addition there are the following officers which report directly to the director: Director of Korean Code Drafting, Secretary of Special Criminal Investigation Committee, Secretary of Advisory Council on Administration of Justice and, by a pending order, Supervisor of Special Property Courts.

Courts

39. All Japanese judges and procurators have been removed from the Supreme Court, the Court of Appeals at Seoul, the Juvenile Court at Seoul and the district courts at Seoul and Fusan and have been replaced by Koreans. District court branches at Songdo and Chuun Chu were abolished and replaced by district courts with Korean judges.

The Japanese judges and procurators on Saishu-To (Qualpart Island) having fled their posts, a Korean judge and procurator were appointed and the court reopened. Replacement eventually extended to all district courts and courts of appeal in the American zone.

40. The former Japanese method of exercising summary police punishment without trial has been abolished and in all districts a procedure is being introduced requiring the police to report promptly all arrests to the district courts on a special delivery form to the procurator for the custody of arrested persons.

41. After 15 August 1945 when the Japanese officials learned of the acceptance of the surrender terms they embarked on a systematic and extensive looting of government funds. In order to provide prompt and adequate investigation and punishment of these criminal acts without putting an impossible burden on the existing court system, a new organization and procedure was developed.

42. On 11 October the Military Governor appointed a Special Criminal Investigation Committee consisting of nine judges, three each from the Supreme Court at Seoul and the District Court at Seoul. A Secretary and certain other officials were also named. This committee was directed to hold hearings on such matters as might be referred to it by the director of the Bureau of Justice.

43. To prevent clogging of the district courts with the many judicial problems arising from the blocking of transfers of Japanese and other enemy property, the investigation and settling of fraudulent transfers, the determination of real ownership of property, and similar questions, Special Property Courts are being established as

independent branches of the district courts. These will be under the control of a Supervisor of Special Property Courts in the Bureau of Justice.

Penal Institutions

44. In the reorganization of the Bureau of Justice the supervision of penal institutions was made a separate department instead of merely a subsection as formerly and all Japanese officials have been removed and replaced by Koreans.

45. Investigation revealed that all the Japanese officials of the prisons in Seoul, namely the old Seoul Prison and the modern Westgate Prison, were involved in illegally destroying prison records, distributing prison funds and selling prison goods and pocketing the proceeds. All were arrested and imprisoned promptly and replaced by Koreans. The two prisons were merged into one, Westgate Prison, to which all prisoners were transferred. The old Seoul Prison is now undergoing repair and rehabilitation.

Immediate investigation and reorganization of all other penal institutions in the American zone is planned.

Legal Division

46. The Legal Division is in the General Affairs Section of the Secretariat of the Government General and is under the supervision of the General Counsel. The Director of the Bureau of Justice serves concurrently as Secretary of the General Affairs Section and General Counsel.

The work of the General Counsel and Legal Division includes Legal advice to the Military Government and its Bureaus and Sections, drafting Military Government orders issued by the Military Governor and by Bureaus and Sections in his name and approving all Military Government instruments as to form and legal effectiveness.

In the future the Legal Division will be required to draft or pass upon numerous corporate charters and other corporate and financial instruments, contracts, leases and licenses, and orders and technical instructions to accomplish reorganization of the industrial and commercial economy of Korea away from Japanese domination and towards private enterprise and free economy.

Legislation

47. Legislation now issued includes the following:

Proclamation by CINCAFPAC

No. 1. General	7 Sep 45
2. Crimes and offenses	7 Sep 45
3. Currency	7 Sep 45

General Orders by Commanding General including

No. 2. Officer Appointments in Military Government	14 Sep 45
3. Removal of Certain Japanese Officials in Government General	17 Sep 45

Ordinances by Military Governor

No. 1.	Establishment of Bureau of Public Health	24 Sep 45
2.	Concerning Property Transfers	25 Sep 45
3.	Collection of Arms from Civilians (Swords and Knives)	26 Sep 45
4.	Concerning Japanese Military and Naval Property	28 Sep 45
5.	Disarming Civilians (Firearms)	29 Sep 45
6.	Reopening and Operation of Schools	29 Sep 45
7.	Abolishing Local Affairs Section in Secretariat and Transferring Functions to Planning Section	1 Oct 45
8.	Establishing Foreign Affairs and Property Control Sections in Secretariat	1 Oct 45
9.	Maximum Tenant Farmer's Rents	5 Oct 45
10.	Registration of Japanese Nationals	8 Oct 45
11.	Repeal of Laws	9 Oct 45
12.	Shifting of Certain Functions Between Bureaus	9 Oct 45
13.	Free Postage to Armed Forces	10 Oct 45
14.	Wages for Civilian Labor, other than Civil Service, and for Civil and Military Governments	10 Oct 45
15.	Change of Names of Certain Institutions	16 Oct 45

General Orders by Military Governor including

No. 8.	Prohibition of Business Dealings by Military Government Personnel in Korea	6 Oct 45
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Miscellaneous Forms

(1) General Licenses by Finance Bureau including:

No. 5.	Property Transfers (Reference Ordinance No 2)	25 Sep 45
No. 7.	Property Transfers (Reference Ordinance No 2)	25 Sep 45

(2) General Notices by Military Government including:

No. 1.	Establishing Free Market in Rice	5 Oct 45
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(3) Removals issued by Military Governor removing individuals from positions in government. Publications numbered consecutively.

(4) Appointments issued by Military Governor appointing individuals to positions in government. Publications numbered consecutively.

(5) Bureau Discharges issued by respective Directors of Bureaus but published in a single series and numbered consecutively.

Military Occupation Courts

48. Pursuant to authorization from Headquarters, Army Forces, Pacific, the Commanding General XXIV Corps delegated authority to appoint provost courts to the Commanding Generals of the 6th, 7th, and 40th Divisions and ASCOM 24. The appointing authorities exercise review and all records are forwarded to the Judge Advocate XXIV Corps.

49. As of 25 October 1945 a total of 110 cases were disposed of in these courts, a large proportion of which were larceny cases. The Commanding General XXIV Corps has not delegated authority to convene Military Commissions, there having been no occasion for the exercise of such jurisdiction.

PUBLIC SAFETY

Replacement of Undesirable Personnel

50. In general Koreans have accepted liberation quietly and there were no large outbreaks of any kind. The major problem in the field of public safety was the purging of the police of Japanese and pro-Japanese Korean elements and their replacement with suitable personnel.

The civilian police system was utilized by the Japanese as the chief means of controlling Korea. Besides the usual police functions, the Korean police had jurisdiction over the fields of politics, economic activity, education, religion, morals, health, public welfare and fire control. At the time of occupation at least 70 percent of the personnel were Japanese.

The first step was the removal of Governor General Abe and the Police Commissioner and a sweeping personnel revision of the police in Keijo District which was completed by 13 September. Subsequently police forces in the principal cities (Seoul, Jinsen, Fusan) were purged. Reorganization of the police in provincial and local centers is a primary step undertaken when Military Government teams enter such areas.

The Korean police replacements are often untrained (some ex-military personnel are used) and are not fully respected by the people. Some law enforcement must be done by the Military Police, and the Korean police in certain localities are inclined to rely too much on United States authority. In Jinsen the civilian police work side by side with the Military Police but in Seoul and Fusan the Military Police for the most part work alone.

Military Government Police

51. On 17 September control of the Government General Police Bureau passed to the Military Government. The Military Governor has established a Bureau of Police as one of the functional Bureaus in his office to parallel the Korean Government General. The Chief of the Bureau of Police is also the Provost Marshal General. The Bureau of Police has the following sections: Police Affairs, Economic Police, Public Peace, Publications and Defense. The Public Health function has been transferred to a separate bureau.

52. By 29 September the Military Government Police Section at Seoul had terminated all activities of "Peace Preservation" and had removed from office all personnel performing these activities. An investigation and report was made of the fire-defense services of the capital which were in bad condition. A total of 1,556 Korean police recruits were released to the Keiki Military Government Provincial Team.

53. A Police Academy class for the training of Korean recruits opened on 15 October and 17 Koreans were tentatively appointed on the training school staff. Some 450 students were recruited from Seoul and 50 from Fusan. In order to stimulate the esprit de corps of the police it is proposed to add insignia of rank to their uniforms. At the present time they wear the same uniform as that worn under Japanese control.

54. At Fusan 800 Koreans were needed to bring the police force up to strength. Beginning 8 October arrangements were made to train 125 men a week.

55. At Jinsen the former Korean police chief took over the department on 2 October. The following day 87 Japanese police were dismissed. As early as 10 October the authorized police strength in Jinsen was 204.

Law Enforcement

56. On 8 October Headquarters, United States Army Forces in Korea, promulgated Ordinance No. 10 which restricted travel of persons of Japanese nationality and required registration with their local block associations. This security measure is enforced by the civilian police.

57. A number of riots and disturbances were caused by irresponsible Korean elements and it was generally found that the civilian police are not fully capable of dealing with them. Examples are:

(1) On 3 October Korean laborers returning from Japan rioted in the Sung district because of the suspension of payment to them from the 5 million yen fund set aside by the Japanese for this purpose, pending investigation of the legality of the fund. The Provost Marshal was requested to post Military Police at eight district offices in the area.

(2) On 18 October it was reported that an organization called the "Independent Party" ordered the mayor of Changnyong to dismiss the police force on or before 16 October by which time the party would take over the city government. The police thereupon quit and refused to obey a United States order to return to duty.

(3) On 20 October 15 young Koreans (Members of the Korean Preparatory Army in training 10 miles east of Seoul) who had attempted to murder a Military Government interpreter were interrogated.

(4) On 25 October it was reported that a political party known as the "People's Republic of Korea" had taken over the town government of Hadong (70 miles west of Fusan) and refused to recognize the Military Government. Party officials stated that it would require force to remove them. United States troops were sent to arrest the officials and replace them with approved personnel.

58. It is necessary to control the private armies which have sprung up in Korea by diverting their energies to useful channels and by strengthening the police. The United States Army authorities in Korea are considering the establishment of a national constabulary to maintain order and to provide a nucleus from which a Korean military force can be developed.

SECTION 2

ECONOMIC ACTIVITIES IN KOREA

C O N T E N T S

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AGRICULTURE AND COMMERCE

1. The Bureau of Agriculture and Commerce of the Government General as of 17 October 1945 included 19 U.S. Army officers aided by 76 Koreans. In addition there were in the Bureau those Koreans who formerly worked under Japanese controlled regime in the Bureau. Of 198 Japanese formerly employed, 176 have been discharged and Koreans supplied by trusted agencies are being hired as replacements.

Food and Grain

2. A rice shortage in October as well as immediate absence of food at distribution points in large cities was solved by an immediate seizing of all warehouses, by quick inventories, by arranging for U. S. trucks and repaired Japanese trucks to furnish necessary transportation, by forbidding food exports from any ports, and finally by taking over complete control of the Chosen Food Company, which was renamed the Korean Commodity Company and staffed by U. S. Army officers.

Inventories were made of other foods and a balanced ration based on the reduced amount of rice available was distributed. Shipment of grain and other foods between provinces was ordered to equalize available supplies and agents were deputized to travel in the province to stimulate the movement of vegetables into market and to make purchases for authorized agencies.

A bumper rice crop is indicated for 1946. About 400,000 tons of fertilizer are required annually. It can be produced in the northern (Russian) area, but unless pending negotiations between the two governments produce a satisfactory solution, the fertilizer shortage will be acute.

Available fertilizer is being distributed to retailers through the Chosen Farmers' Association. The present grain ration is 2 go, 5 shaku, (approximately 12½ ounces) with double this amount for laborers. Rationing appears to be proceeding on an orderly basis.

Price Control and Open Market

3. The former controlled economy required immediate adjustments of pegged prices which were so low that the black market was not only inevitable but necessary. A Price and Wage Board was formed to consolidate information and decide matters involving prices and wages.

A free market in rice was established and the quasi-governmental Korean Commodity Company, capable of handling nearly half the total crop, was allowed to remain active in the competitive field to insure reasonable prices and distribution. A similar solution is being formulated for nearly all other commodities except scarce government-controlled items such as sugar, salt, ginseng and possibly drugs.

Fisheries

4. The fishing industry practically collapsed during the war, especially after 15 August 1945. In the province of Kyonsang Namdo, 860 tons of fish were produced in July 1945 as against 8,510 tons in July 1944. No fish are being canned at present due to insufficient supply. Plants and equipment are reported to be in good condition. Oil is scarce and the present supply of nets and rope will be exhausted by 1 March 1946.

The fishing industry has revived in the Jinsen area largely because of the aggressive action taken by the United States Forces. Investigation is being made of the Korean Fisheries Exploitation Company, the Chosen Fisheries Corporation, and their subsidiaries, all Japanese owned and controlled. These will be taken over and operated by Military Government.

Reorganization of key associations is in progress and opening of coastal waters, accompanied by publicity, was initiated. Fishing cooperative members agreed to resume fishing at once.

Domestic Commerce

5. Trade is almost at a standstill but is expected to revive as soon as raw materials are available and general conditions improve. Advertising and publicity have produced a large number of small entrepreneurs who indicate a desire to enter the market. The Bureau of Agriculture and Commerce is encouraging the handicraft industry by making available raw materials and emphasizing Korean art.

Sericulture

6. Korean counsellors have strongly advised that the silk-worm industry be promoted to the extent of establishing a separate department of sericulture in the Bureau of Agriculture and Commerce. With the decline of the Japanese silk industry, the Koreans believe that this industry can become very important to their country.

Korea is 90 percent dependent on Japanese silkworm producers, and information that Japanese mulberry areas will be plowed for food crops led to a request for import of 150,000 sheets of eggs from Japan.

INDUSTRY, LABOR AND FUEL

7. The Bureau of Mining and Industry in the Government General supervises this field. By 20 October the Bureau had compiled lists of the most important factories with data as to ownership, employees and raw materials.

8. New factories to provide such items as boilers, grinding wheels, precision instruments, machinery, farm tools, chemicals, silk, clothing, shoes and paper are being opened. The public has been notified by broadcast that plants could be opened under Korean owners without waiting for transfer of title from former Japanese owners.

Labor

9. The Labor Section within the Bureau of Mining and Industry supervises labor relations. It will undertake arbitration in case of labor disputes and has submitted plans for labor legislation to a group of prominent Koreans.

10. The chief labor problem has been to persuade the Koreans to return to work. Liberation for many of them meant a prolonged holiday. The work-stoppage was aggravated by closing down of war plants and uncertainties as to ownership and control in Japanese industries.

Many workers objected to working for Japanese-owned industries. Returned Korean "slave laborers" from Japan have added to unrest and increased unemployment. A further factor in the prevailing unwillingness to work is easy money.

Just before surrender the Japanese in Korea are reported to have distributed large sums as bonuses to Koreans in their employ apparently with the dual motive of creating a belated good will for themselves and embarrassing the Americans by stimulating inflation. The Military Government is making efforts to re-engage Koreans in the work of rebuilding their country. This task is being stressed at every opportunity - in speeches by the Military Governor, in press releases, in radio broadcasts and in the distribution of leaflets.

Fuel

11. The fuel problem in Korea is a matter of shortage of coal which limits transportation and industrial production. The most recent reports indicate that South Korea faces a shortage of 150,000 tons of bituminous and 167,500 tons of anthracite coal a month.

By 31 December, local production of anthracite will not exceed 62,500 tons a month, compared with an estimated requirement of 230,000 tons a month. The coal problem is particularly irritating because the Russian zone normally provides for the whole country, but the lack of proper liaison with the Russians has meant that South Korea must look elsewhere for its coal.

Some coal has been shipped from Kyushu and arrangements are being made to ship anthracite from an 800,000 ton stock-pile at Sanchok (a small port on the East Coast just below 38°) to Fusan. If Manchurian soft coal can be made available, South Korea can provide railroad gondolas to move 90,000 tons a month and locomotives to handle it south of 38°. The delivery of coal from the Russian zone was put high on the list of subjects demanding urgent negotiation.

TRANSPORTATION

12. The Bureau of Transportation has under its jurisdiction railroads, navigation and shipping, civilian air lines and air fields, and the regulation and control of a group of truck units. It is also responsible for establishing rates, navigational aids, and the administration and repair of harbors and docks. A portion of the customs service is under the Bureau of Transportation and is operated in close coordination with the police.

The Bureau has started civilian air training schools for Koreans.

On 16 August there were 79,000 employees with the Bureau of Transportation of whom approximately 23,000 were Japanese.

Relatively few replacements in responsible positions were made with Koreans except in the main railway repair shops which are now staffed and operated by Koreans.

Railroads

13. Korea's railroads were built for strategic purposes rather than to meet the commercial needs of the peninsula. The railway system of South Korea has thus been able to meet the demands of troops civilians and evacuees in this transition period. For about six weeks after the cessation of hostilities, no maintenance of any kind was undertaken on the railroads.

It is estimated that the equipment amounts to 472 locomotive 3,600 box cars, 3,600 gondola cars, 250 flat cars and 12 tank cars, of which approximately 50 percent are serviceable. About an equal amount of rolling stock is in North Korea, except tank and refrigerator cars which are practically all in North Korea.

The gauge of the rails is 4 feet, 8 $\frac{1}{2}$ inches (the same as American Standard gauge) and there are about 2,400 kilometers of line. Most of the rails are 75-pound, with a few in the 110-pound class. The ballast is river-run rock. The rails and equipment are good, but the maintenance is poor, as the mechanical equipment is mostly Japanese and none has been shipped since 1941. Machine tools are in excellent condition.

Locomotives can be constructed in Korea but air brakes and locomotive tires must be imported. Most of the coal for locomotives came from Southern Manchuria. It is estimated that there is now on hand about 15 days' supply. Schools are now being started for training of Koreans as railway men.

Resumption of railroad traffic between the American zone and the Russian zone and an agreement providing for the pooling or interchange of rolling stock and its maintenance and repair is essential, as the best equipment, gondolas, refrigerator cars and locomotives are overtaxed. Points for crew and engine-changing and checking stations for inspection need to be agreed upon with the Russians. Resumption of commerce is dependent upon efficient rail transportation as other transportation facilities are totally inadequate.

Shipping

14. Under the control of the Bureau of Transportation there are some 140 ships averaging about 20 tons each, all in the sailing or semi-diesel class. There are 10 to 15 ships between 100 and 1,000 tons and one ship of the 1,500 ton class needing repair.

There are some ships of Korean registry now thought to be in Japanese waters which are to be returned to Korea. These ships are particularly needed to relieve the coal scarcity in the southern provinces and to move coal from Sanchok (on the East Coast, south of 38° parallel) to Fusan. The normal shipping of freight between the northern and southern half of Korea was stopped by the Russians after the occupation.

COMMUNICATIONS

15. The Bureau of Communications is an integral part of the Government General of Korea. It administers the government-owned telephone, telegraph, radio and postal services (the latter services includes postal savings). South of the 38th parallel the Bureau operated 42 first class post offices and 565 extraordinary post offices, each of which served as a telephone and telegraph center for its area.

16. The personnel of the Bureau numbered 20,000 employees. Of this total number the Japanese staff was 4,000. The Japanese group occupied 84 percent of the officer positions.

The Director has concluded that the Bureau can be operated by three-fourths of the pre-war personnel or 15,000 employees. By 20 October a reorganization was completed which reduced the subsections of the Bureau from 37 to 19.

In line with established policy of removing Japanese personnel from office, changes within this Bureau took place and included not only the Director, Ito, but also all section heads. Two section heads, Yoshida and Suzuki, were at once placed in jail on charges of misappropriation of funds in the amount of 7,500,000 yen which they forwarded to Japan. By 20 October, 1,237 Japanese were released from the Bureau. Classes of Korean replacements were started at the Technical Training School.

Telephone

17. The telephone system of Korea suffered no destruction of any kind as a direct result of war. The outside equipment of the plants was found to be generally in good condition, although the inside equipment shows shortage of cords, jacks, automatic switches and similar technical items.

The efficiency of the system after careful analysis is estimated to approximate 40 percent of that of the United States. This is due to the shortage of thoroughly trained personnel and the lack of equipment. Steps were taken to remedy the situation rapidly.

In one month's time the efficiency has been increased to better than the pre-war level. This has been accomplished not only by reducing the delay of long-distance telephoning from a four-to-seven hour period to three-to-four hour period, but also by the readjustment of the carrier bays so that Army traffic is handled expeditiously along with normal commercial volume. Monitoring is centralized at Seoul for all calls going to North Korea.

The rates and cost of services are at present the same as those existing before the war - fifty sen for local calls and eighteen to twenty yen maximum for any station within American jurisdiction. Because of probable rises in prices and wage scales the existing rates will doubtless increase.

The radio telephone circuit was opened between Seoul and Tokyo on 16 August 1945 and has handled a large volume of daily traffic. Other traffic is routed over the 11 cable lines (each of which is in excellent condition) running to Shimonoseki.

Postal Functions

18. The postal functions of the Bureau include mail dispatch, savings deposits, and insurance policies. With the exception of Army mail and Russian diplomatic mail, all mail to North Korea is censored at Seoul and that for South Korea at Fusan. Postal Savings deposits and postal insurance policies have played an important part in the life of the average Korean.

At present the deposits total ¥1,000,000,000, mostly lodged in Japan. The present face value of the insurance policies is 2,400,000,000 yen (300,000,000 yen are in Japan); the policies are held by 11,000,000 policy holders.

FINANCE

19. In finance the problem is to establish a sound, independent economy in place of a managed economy devoted to the support of Japan. Among the difficulties are 35 years of Japanese occupation; a ruggedly individualistic people demanding complete freedom from all foreign controls; the division of the country into two independent zones of occupation; and the usual incidents of military occupation such as a trend toward inflation, scarcity of consumer goods and food, some disorder and dislocation.

Currency

20. Bank of Chosen notes and type "A" supplemental Allied Military Yen are established as the only authorized legal tender. Only a limited amount of the supplemental yen was issued for circulation and this was subsequently withdrawn. Yen notes of the Bank of Taiwan and of the Bank of Japan are banned. Japanese state notes (50 sen) and Japanese 5 and 10 sen notes are permitted to be used because of the shortage of notes and coins of small denominations.

The rate of conversion for military purposes is 15 yen to one dollar.

Foreign Exchange

21. All dealings in foreign exchange are strictly controlled. All such dealings with Japan are prohibited. It is an established policy that foreign trade consistent with the best interest of Korean economy be continued in order to obtain industrial products from outside sources.

Where materials necessary for the carrying on of authorized Korean industrial activities are readily obtainable only in Japan, but the transaction cannot be completed because of the prohibition on foreign exchange transactions between Japan and Korea, it is necessary for the occupation authorities to grant special authorization and make proper arrangements for disposition of the proceeds of the transaction.

Public Finance

22. All public funds have been frozen. Taxes are not being collected. There are cases where Korean public officials and employees have not been paid. The entire tax system is being studied and a new and simplified system at variance with that of the Japanese is being devised. The present situation is confused both by the method by which taxes were paid, and the diversion and misappropriation that have taken place.

Property

23. There has been great public clamor to dispose of Japanese ownership of properties in Korea. Many Koreans are anxious to buy such properties. Property transfers between Japan and Korea involving the sale of Japanese-owned property in Korea are complicated and slowed up by provisions of Military Government requiring prior approval of the transaction and subsequent deposit of the purchase price in a designated bank to await possible payments.

Insurance

24. Japanese insurance companies have written over 1,100,000 life and war damage policies in Korea, aggregating over ¥ 2,750,000,000. The legal reserve on these contracts, which is the property of the insured, is held in Japan and at present no method is available either for the payment of premiums or the settlement of claims.

SECTION 3

SOCIAL ACTIVITIES IN KOREA

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EDUCATION

1. Education in Korea has been highly centralized and controlled in administration, teacher selections and training, and in textbooks. The system including both public and private schools is composed of a university, normal schools, technical, commercial, and primary schools.

Bureau of Education

2. The Bureau of Education of the Government-General exercises administration and supervision of the system through seven departments: "Schools", dealing with elementary and high schools, teacher's training, medical vocation, medical colleges, physical education, special training for adults, music, and science; "Standards", dealing with inspection and certification; "Business Management", dealing with budget and supplies; "Culture", dealing with religion, monuments, and arts; "Textbooks", dealing with subject matter materials; "Welfare", dealing with relief and social conditions for education; and "Meteorology", operating the observatories.

In all personnel matters the Bureau operated under Japanese civil service regulations. Among the three important civil service ranks (Chokunin, Sonin, and Hannin) the Bureau makes recommendations to the Military Governor for appointments in the first two classes and makes direct appointments in the third.

The Bureau has specific powers to open new public primary schools and all new schools, public or private, above the secondary level; to appoint principals and teachers of primary schools of Sonin rank upon recommendation of provincial educational offices; to appoint the superior inspectors in the provincial education office, and to appoint the head of the city education office if the rank is higher than Hannin.

3. Each province has an educational office which exercises authority to open new private schools at the primary level; to reopen all previously existing schools at the secondary level; to appoint teachers in the secondary schools except for Sonin rank upon recommendation of the principals; to appoint principals and teachers of primary schools of Hannin rank; to appoint inspectors in the provincial educational office (except superior grades); to appoint provincial resident inspectors in the city or county educational office if the rank is Hannin.

Education Ordinance of Military Government

4. As of 29 September 1945 the Military Governor of Korea issued instructions on education in Ordinance No.6. These provided

for the opening of private schools on proper application, freedom from racial or religious discrimination, the use of the Korean language in instruction, and abolishment of subject matter or practice inimical to Korean interests.

The secondary schools (middle schools) were opened on 1 October.

Replacement of Japanese Personnel

5. Since the arrival of XXIV Corps in Korea, eliminations of Japanese personnel have been accomplished whenever possible. Of the 56 Japanese formerly employed in the Bureau of Education, six remain. The main problem has been to secure Koreans for the duties of principals and teachers.

In order to prevent selection of pro-Japanese or otherwise unqualified Koreans, all appointments are first cleared through Army Intelligence. The problem of replacements has been given to the Korean Committee of Education. At present Mr. Kim Sung Soo by unanimous choice acts as advisor to the Director of Education without salary.

Textbooks and Curriculum

6. Japanese textbooks will be replaced by others which have been rewritten for teaching the Korean language in all elementary schools and high schools. Study and plans were made for a proper curriculum in all schools under the new conditions. Due attention is being given the problem of teacher shortages occasioned by the prevailing low salaries and the high cost of living.

Private Schools

7. Private schools which have been under the same centralized control as the public schools will be subject to adequate supervision.

Korean Advisory Council

8. A long-range program was undertaken by the Korean Advisory Council on Education which at present assists also in matters relating to personnel, financing and endowments.

PUBLIC INFORMATION

Press

9. Considerable efforts have been exerted to inform the people of Korea of the purposes and activities of the Military Government and of the responsibilities of Koreans. This was done by means of press, pamphlets and radio. In the country areas dissemination of information is difficult because many of the people cannot read and few of them have radios.

10. Daily distribution of mimeographed news releases in Korean and Japanese to the local press and radio stations began at Seoul on 24 September. Radio station JODK disseminates news and directives of Military Government. A radio program entitled "Your Military Government Hour" was started on 6 October. A weekly news digest, containing all important proclamations and announcements to the people of Korea, was also inaugurated on 6 October to take the place of numerous separate pamphlets. It is intended to publish 50,000 copies weekly.

11. Arrangements have been made to circulate 400,000 copies of the "Chukan Digest", a weekly paper with news items, editorials, a war-background column, and a narrative cartoon strip. During the week ending 20 October, 340,000 leaflets were distributed by plane drop.

12. At Jinsen a newspaper, "Popular Civilian Daily News", was sponsored by Military Government, the first edition appearing on 6 October. The newspaper has a circulation of 15,000, is published daily and is used to disseminate official notices.

Motion Pictures

13. Arrangements have been made to procure United States-made orientation films for release in Korea.

Censorship

14. Press and radio censorship in Korea is exercised on a voluntary basis in accordance with the policy of making Korea a free and independent nation. No serious violation of the voluntary code has been reported.

Public Opinion Surveys

15. The Intelligence and Information Section conducts public opinion surveys and maintains a research office to operate five mobile teams. These visit localities throughout the American zone to determine public opinion. In addition public opinion is sampled by the Office of Civilian Contact, Seoul, receiving about 300 people a day (provincial offices will be established as necessary); by review of Korean newspapers and magazines; and by review of questions submitted by the civilian population.

The public opinion surveys have revealed public concern over the following matters:

- (1) Retention of Japanese officials as advisers to Military Government.
- (2) Return of the Provisional Government in Chungking.
- (3) Establishment and enforcement of price control.
- (4) Absence of Military Government personnel in outlying areas.
- (5) Conditions in North Korea.
- (6) Distrust of interpreters working for Military Governments.
- (7) Distribution of Farm lands.

PUBLIC HEALTH AND WELFARE

16. The Public Health Section of the Bureau of Police had charge of public health administration before the occupation but other bureaus in the Government General controlled various activities that were really public health matters. The Bureau of Education was responsible for welfare functions.

The Bureau of Public Health was established by Ordinance No. 1 issued by the Military Governor on 24 September 1945. All

duties, functions, funds, records and property of the Public Health Section of the Police Bureau were transferred to it and that Section was abolished. Public health activities of other bureaus have been taken over by the new Bureau, and welfare functions have been transferred to it from the Bureau of Education.

A reorganization of the new Bureau is proceeding. Agencies from the Bureau of Education, Mining and Industry and Police are being integrated into the Welfare Branch of Public Health Bureau. Koreans are being appointed to important positions in the Bureau. Ten Korean doctors were selected by the Bureau and have left for a year's study in medical schools in the United States so that they may be instructed in the latest developments in medicine and surgery.

Health Conditions

17. Medical facilities in general have been inadequate. Among the common diseases are dysentery, typhoid, paratyphoid, enteritis, common diarrhea, diphtheria, cerebrospinal meningitis, malaria, scarlet fever and smallpox. Venereal disease has been widespread. Hospitals have been maintained under provincial, municipal, missionary and private agencies but have not been adequate. In Seoul there were reported to be 10 hospitals with a total capacity of 1,620 beds.

18. Nursing conditions in Korea were found to be inferior to those in Japan. There are only 181 hospitals, 3,381 physicians, 573 dentists, 1,163 graduate nurses, 943 midwives, 42 tuberculosis sanatoria (with 1,238 patients) and three leprosaria with 8,000 patients.

Training of nurses, prefectural examination systems and nurses associations were under the guidance of the Japanese authorities, and were similar to those described in the report on Japanese nursing. A report on one hospital (Severance Union Hospital, Seoul) indicates that training had continued during the war under direction of Korean personnel.

The buildings are inadequate and teaching material, books and clothing for nurses are lacking. The bed capacity is 200, and there are 120 patients. Personnel includes 13 graduates and 79 student nurses. The Japanese language had been made compulsory but is no longer required.

19. No abnormal occurrences of serious communicable diseases have been reported to Military Government but reports so far have been meager and are considered highly inaccurate since the reporting system has broken down in recent years. A more efficient system of reporting is planned and will be put in operation shortly.

Epidemic louse-borne typhus is expected to be the greatest health hazard to the civilian population in the coming winter. Since 1942 this disease has been on the increase. A survey of the problem is in process by the United States Army Typhus Commission and plans are being formulated to combat the disease.

20. Civilian water supplies are generally untreated due to the absence of the needed chemicals. Chlorine has been requisitioned for this purpose. Waterworks in Fusan are inadequate to care for the population increased by refugees and repatriates who are continually passing through. Construction of new headworks was started prior to the occupation, but is held up for lack of materials. The Seoul water system is badly in need of repair and use of water is being restricted in both Seoul and Fusan.

21. Sanitary facilities have been entirely inadequate. Toilets in schools in Fusan were found to be in deplorable condition; this is

being remedied. Public latrines have been constructed at railroad stations in Fusan and Seoul to care for refugees passing through.

Two thousand lepers have been reported in the province of Kyong-sang Namdo, including five hundred in its principal city, Fusan. Investigation is being made of the possible use of an island for a leper colony.

Medical Supplies

22. Supplies seized from Japanese troops have been made available through Military Government to hospitals and other civilian use. Additional drugs are needed. Twenty basic medical units have been requisitioned by the Bureau of Public Health for delivery every ten days, and if delivery is obtained within a reasonable time no critical shortage should develop.

23. Large amounts of vaccines are required for the extensive immunization program. Steps are being taken to inoculate Japanese repatriates at Fusan and Seoul for typhoid and smallpox. An immunization capacity of 10,000 per day at the two locations is planned for the present, but it is expected to reach 30,000 per day later. Inoculations for these and other diseases will be arranged as necessary for residents of Korea.

24. Laboratories at Fusan and Taegu are capable of producing 1,000,000 doses a year of typhoid or smallpox vaccine. The Public Health Bureau is testing the quality of these vaccines and introducing modern methods of vaccine production to improve the quality and increase the production.

25. Narcotics are found to have been poorly controlled and supervised in the past. The situation is being investigated.

Welfare

26. Welfare operating activities have been concerned mainly with the care of Koreans arriving from Japan and of Japanese departing from Korea at Fusan and Seoul. The "United Refugee Relief Service" was established at Fusan to coordinate the activities of participating agencies.

Military Government operating teams have assisted local authorities in obtaining needed clothing and other supplies for distribution. A critical shortage of winter clothing exists.

