NORTHEAST ASIA
JAPAN

OCCUPATION AND CONTROL OF JAPAN

894.00B/1–349: Telegram

The Acting Political Adviser in Japan (Sebald) to the Acting Secretary of State

CONFIDENTIAL

Tokyo, January 3, 1949.

2. For Lovett. Complying with instructions contained in Department's telegram December 31, I have discussed the matter in reference with General MacArthur who has authorized me to transmit to you his general views as follows:

"From a political standpoint, I do not regard the immediately potential Communist threat to Japan as much more than a nuisance factor. The Communist representation in the National Diet must increase many fold before its voice in legislative affairs becomes politically effective, an increase not likely at least in the foreseeable future. Traditionally, the Japanese are conservative and they have long held the Russian in dislike and the Chinese in contempt, and are not likely voluntarily to follow the ideological leadership of either. In addition, from a sociological standpoint, the threat of the spread of Communism through the farm masses, once hinging upon the feudalistic system of farm tenancy, has now been effectively removed through the land reforms which have elevated the individual farmer families to the dignity of proprietary ownership and worked out an effective system of farm cooperatives, leaving no fertile ground for the Communists to work upon in this large and powerful rural area of Japanese society comprising approximately one-half of the population. Other areas, save that of industrial labor, are similarly fortified against Communist invasion, either through natural and traditional conservatism or through advantages now held which stand up against anything which the Communists offer. With industrial labor, the situation is different. Its very immaturity in organized reform renders it easy prey to leadership which offers a wealth-sharing panacea to existing impoverishment, however unsound the promise. The potential danger to every other segment of Japanese society from a Communist-

2 Robert A. Lovett, Under Secretary of State, was Acting Secretary in the absence of Secretary George C. Marshall, who resigned January 3.
3 Not printed.
4 General of the Army Douglas MacArthur, Supreme Commander, Allied Powers, Japan, at Tokyo.
controlled labor movement would be very real and immediate. This is well known to the Communist Party which, as a result, has devoted almost its entire effort to its infiltration to a dominant position of labor leadership. The numerical weakness of the Communist membership does not permit even this effort to extend over a broad labor front, and as a consequence its tactic has been to concentrate upon those segments of labor most vital to political and economic stability. It thus sought to seize control of the two great government unions, communications and transportation, which would have permitted it almost at will to paralyze those vital arteries to Japanese life. This move was effectively blocked by action to place the public service on more stable ground through the enactment of laws prohibiting the strike and sharply restricting the right of collective bargaining. More recently, with the receipt here of the United States interim directive on rehabilitation of the Japanese economy, existing labor strife, then concentrated in the vital area of private industry covering coal and electrical energy production, was brought under control through the moral appeal to support the general welfare with, of course, the dominant influence which an occupation requirement and leadership exercises upon all phases of indigenous activity.

"I do not view with concern talk of a 'popular front' in Japan. So far such talk has been entirely confined to the Communist Party and its affiliates. A splinter group from the left wing of the Social Democratic Party may possibly join with the Communists in the course of or immediately following the coming election, as there is already great similarity in political philosophy and tactic, but the resulting coalition would be of little political consequence. On the other hand, such a move would leave the Social Democratic Party, cleansed of its most unruly and troublesome element, in an infinitely stronger position to contribute objectively to the country's need, either as an opposition party or segment of a government coalition. This party should more properly be named as the 'Labor Party', as organized and led by outstanding labor leaders and finding most of its support in the ranks of labor, its advocacy of Socialism is at most a long range advocacy and its immediate purpose is to support legislation of direct labor interest. Apart from its radical left wing mentioned, it is fundamentally more conservative than conventional Socialism and is openly opposed to the extreme of either the right or the left.

"The greatest boost for the spread of Communism in Japan lies in the ammunition which from time to time is supplied its local leadership through thoughtless and irresponsible press statements emanating largely from Washington correspondents which instill doubt in the Japanese mind that Washington official opinion is in harmony with occupation objectives and action. Such statements, usually ascribed to anonymous official sources frequently give real encouragement to the local Communist leaders and bewilder the Japanese masses. Intentionally or not, they are not infrequently timed and phrased to checkmate local efforts to ensure the vigorous implementation by the Japanese of American policy and almost invariably lend aid to the Communist propaganda effort. I am only now bringing a glaring example of this condition to the attention of the Department of the Army by radio C-66781 of January 3. In addition, such items of manifest discrimination as the area restrictions placed upon Japa-
nese deep sea fishing in the Pacific, in contravention of the explicit provisions of the Potsdam declaration, well known to the Japanese, with respect to access to raw materials and the fact that approximately four times as much per capita aid is being given to the German people than to the Japanese provides the Communist Party with the ammunition it needs to support the racial solidarity concept it advocates to gain adherents within Japan.

"There is little that should be done [not] now being done here to check the advance of Communism, but should the threat in future become greatly aggravated or should such a common front become a threatening reality, I should, of course, search for a legal means to apply direct pressure which I have heretofore avoided as inadvisable and unnecessary. In final analysis, were injudicious statements in Washington, oft-times made to woo American pressure groups avoided and a more positive show of support given the occupation, overwhelming of the Communist movement in Japan through its complete repudiation by the Japanese people would be rendered infinitely easier."

Information to Department of Army.

SEBALD

711.94/1-449

Memorandum by the Director of the Office of Far Eastern Affairs (Butterworth) to the Acting Secretary of State

TOP SECRET

[WASHINGTON,] January 4, 1949.

NEW INSTRUCTIONS FOR GENERAL McCLOY

DISCUSSION

There is attached a letter from you to General McCoy containing new instructions for his guidance as U.S. Representative on the Far Eastern Commission.

The reasons why new instructions are thought necessary are set forth in the letter. It is my understanding that the instructions under which General McCoy is now serving were given him orally by President Truman and Secretary Byrnes when the Far Eastern Commission was first set up in early 1946, and were in general to the effect that he should endeavor as Chairman and U.S. Member to make the Far Eastern Commission work in a spirit of international harmony and accord. It has seemed to me increasingly, however, that these instructions are less well adapted to the current international situation and

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1 A copy misdated January 4, 1948 is in 740.00119 FEAC/1-448.
2 The letter (not printed) was not sent to Maj. Gen. Frank R. McCoy, U.S. representative on the Far Eastern Commission and its chairman; he was instead approached orally.
to this Government's policy of resistance to Soviet expansion throughout the world than they were to the more hopeful situation prevailing when they were issued. The Soviet Representative on the Far Eastern Commission has adopted a steadily more aggressive attitude in Commission meetings, has abused the generally accepted privacy of the meetings, and has submitted a number of policy proposals which have had little or no connection with the FEC's proper policy-making functions and have appeared to be solely designed to embarrass this Government. The first new instruction to General McCoy, accordingly, is that he should wherever necessary subordinate the objective of harmony in FEC meetings to effective opposition to Soviet aggressive propaganda tactics, meeting Soviet attacks on U.S. policies and actions immediately and with force.

A basic element of the recently approved National Security Council policy paper for Japan 4 is that SCAP's mission should as rapidly as possible be reduced to one of general supervisory observation of the activities of the Japanese Government, permitting the Japanese to assume a steadily increasing measure of responsibility for the conduct of their own affairs. A necessary corollary of this decision is that FEC policy-making activity affecting Japanese internal affairs should be restricted proportionately with the restriction of SCAP functions and the transfer of responsibility to the Japanese. Paragraph 9 of the NSC paper 5 enclosed with the letter to General McCoy provides in this connection that the United States position in the Far Eastern Commission should be based upon the fact that the commission's broad policy-making functions have been substantially carried out. General McCoy's second instruction, therefore, is that he endeavor to impress upon the Commission on appropriate occasions the desirability of its confining further policy directives to those required, generally, in settlement of Allied property questions in Japan and for the removal, to the largest practicable extent, of existing obstacles to Japan's re-entry into normal cultural and commercial relations with the rest of the world.

It is stated in the letter that you have discussed these matters with Mr. Saltzman, 6 who you are confident will be able to answer any questions General McCoy may have, but that you will be glad to discuss them with General McCoy personally if he should feel it desirable.

RECOMMENDATION

It is recommended that you sign the attached letter.

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5 See revised draft of paragraph 9 sent to the National Security Council, October 28, 1948, ibid., p. 880.
6 Brig. Gen. Charles E. Saltzman, Assistant Secretary of State for Occupied Areas.
CONCURRENCES

The proposed letter to General McCoy is concurred in by Mr. Saltzman, Mr. Tate and Mr. Thorp.

* Jack B. Tate, Deputy Legal Adviser.
* Willard L. Thorp, Assistant Secretary of State for Economic Affairs.

894.00/1-449

The Acting Political Adviser in Japan (Sebald) to the Acting Secretary of State

SECRET Tokyo, January 4, 1949.
No. 4 [Received January 26.]

Sir: I have the honor to refer to this Mission’s despatch No. 813 of December 29, 1948 concerning left wing political realignments in Japan, and to transmit herewith a memorandum of conversation between an officer of this Mission and Mr. Ichimada Hisato, Governor of the Bank of Japan, and Mr. Ishikawa Ichiro, President of the Japan Economic Federation.

Mr. Ichimada expressed considerable concern over what he believes is unnecessary intervention in Japanese politics by General Headquarters during the third and fourth sessions of the National Diet. Mr. Ichimada said that he is fully aware of the right of General Headquarters to intervene at any length in Japanese affairs under the terms of the Instrument of Surrender, but he expressed the belief that the manner in which intervention has been carried out in recent months has been ill-advised and tends to slow down the desirable development of democratic processes in Japan.

Mr. Ichimada referred particularly to General Headquarters intervention in connection with the wage bill, where apparently Headquarters support of the Cabinet’s proposed 5,300 yen base wage was suddenly withdrawn near the end of the last session of the Diet in favor of a 6,300 yen base advocated by the opposition parties and favored by the National Personnel Authority. This action, according to Mr. Ichimada, was taken without warning and left Prime Minister Yoshida in a most untenable position in which he was compelled to reconsider at the last moment complicated budget estimates in order to meet the demands of the higher base wage. Mr. Ichimada cited other examples in which he feels the Cabinet’s position has been adversely affected by intervention in connection with the drafting and passage of the National Public Service Law, and the question of the dissolution of the Diet and the holding of a general election.

* Not printed.
* Dated December 21, 1948; not printed.
In Mr. Ichimada's opinion, democratic, parliamentary government cannot develop satisfactorily in Japan if parliamentary processes are frequently subject to outside interference. If it is necessary to take such extreme measures because of critical or emergency conditions, Mr. Ichimada expressed the belief that it might be better in the long run and certainly more efficient to suspend temporarily parliamentary processes of government and govern Japan solely through General Headquarters directives. Not only does outside intervention retard democratic development, but Mr. Ichimada also pointed out that such action tends to discourage able and responsible men from participation in political activity. Mr. Ichimada stated that he is convinced that recent acts of intervention were deliberately intended to weaken Prime Minister Yoshida's position because of his unpopularity with some sections of General Headquarters and his allegedly reactionary views.

Mr. Ichimada expressed himself with unusual frankness for an official in his position, which is believed indicative of the degree to which he has become concerned over this matter. Mr. Ishikawa fully shares Mr. Ichimada's views, and it is believed that most responsible Japanese leaders in government, finance, and business are equally concerned over this question. The role of a political force operating outside the constitutional framework of the government is not new to Japan. The Japanese are thoroughly familiar with the operation of extraneous political pressures, and one of the fundamental lessons the Occupation has attempted to teach the Japanese is the serious extent to which such outside pressure jeopardizes the growth of real democracy. While there can be no denial of the supreme position of General Headquarters under the terms of surrender, it would seem desirable that the exercise of this supreme power be directed in a manner best calculated to promote democratic government rather than in a manner which appears to many Japanese to be identical with the undesirable extra-constitutional pressures experienced before the surrender. As Mr. Ichimada emphasized, the situation may be critical enough to warrant direct intervention, but if this is necessary, an effort should be made to clarify the need for such intervention, to regularize its application so as to avoid the confusion which has been occasioned by different sections of General Headquarters making conflicting demands, and to avoid giving the impression that we merely desire the form of democratic government without its actual substance.

It is also believed that another serious aspect of this question is the manner in which outside intervention has tended to discredit and undermine the position of the present government. It appears more than coincidental that the frequency of such intervention has increased during the tenure of the Yoshida Cabinet, for there is little doubt of Mr. Yoshida's unpopularity among some sections of General Head-
quarters. The Prime Minister’s conservative attitude, his refusal to participate in a coalition government with the Social Democratic Party in 1947, his insistent demands for an election, and his general effort to resist advice and pressure from General Headquarters have made Mr. Yoshida unpopular and the subject of criticism. Intervention, however, not only undermines Mr. Yoshida’s position, but in the present political situation primarily benefits the extreme left. As discussed at length in this Mission’s despatch No. 813, the broad socialist middle group, from which we believe it would be desirable for a genuine labor party to emerge, is at present disintegrating. Much of this disintegration is represented by an increasingly large movement of left-wing socialists into the communist party. The extreme left wing in Japanese politics is therefore gaining strength at the expense of the more stabilizing middle element, while the conservative forces are being undermined by the intervention of General Headquarters.

While discounting certain of the points reflected in Mr. Ichimada’s comments, this Mission does wish to emphasize its concurrence in the view that Headquarters’ action vis-à-vis the Yoshida Government in a number of instances may well work to our long-term disadvantage. It is our belief that the most desirable and practicable pattern for democratic development in Japanese political life rests in a change of governments between a conservative party and a labor party as their majorities fluctuate in the National Diet, with the communist groupings at the extreme left remaining always a small minority. At the present stage of Japanese political development, however, there appears a tendency toward alignment between the extreme right and the extreme left. The more conservative elements are endeavoring to form a single conservative party, while the communists are exerting formidable leadership to organize an extreme leftist group. The important middle political area, from which a future labor party should develop, is unfortunately in a state of disorganization and disintegration.

In these circumstances, the intrusions by General Headquarters into Japanese politics can cause a particularly undesirable effect. Without the presence of a strong, sound labor party to serve as a political balance wheel to the conservative forces now represented by the Democratic-Liberal Party and the Democratic Party, we should avoid weakening the conservative position at a time when the only element which can profit by this action is the extreme left under communist leadership. Such intervention therefore is thus far having the effect of building up a communist-organized left as the only effective counterweight to the conservative right.

Respectfully yours,

W. J. Sebald
Memorandum by the Chief of the Division of Northeast Asian Affairs (Bishop) to the Director of the Office of Far Eastern Affairs (Butterworth)

TOP SECRET

[WASHINGTON,] January 6, 1949.

With reference to our conversation this morning I am attaching a memorandum on Japanese reparations. I regret its length but feel that the subject merits rather exhaustive treatment.

Personally I remain convinced that the position recommended by General MacArthur in his last telegram on this subject (C-68288, December 14) is the position which the United States can best defend, which will in the long run cause the least bitter disappointment to friendly countries, which is in the best interest of the United States, which will be most acceptable to Congress and to the American people, and which, for all of these reasons, we should adopt. As General MacArthur has pointed out, economic stabilization has now formally become a basic and primary "Allied objective" in the occupation of Japan. As far as United States policy toward Japan is concerned, economic recovery is second only to United States security interests. I believe that we can make, and should make, at the earliest practical moment through the diplomatic channel, a strong case for our position. We can defend it not only on the grounds of practicality and political realities, but also on the grounds of the moral and political commitments we have assumed. Without in the least detracting from our commitment that there shall be reparations from Japan, we can in good conscience point out that there have been reparations. Claimant countries have already appropriated, on reparations account, from the Japanese economy large amounts of overseas assets.

I believe, as is pointed out in the underlying memorandum, that we could emphasize with great effect that, in considering the total amount of reparations to be exacted from Japan, we have always restricted that total to the amount which would allow a decent livelihood for the Japanese; that the Japanese economy has been a drain on the United States since the day of surrender; that the United States must examine carefully present worldwide demands on its resources and weigh each demand in the light of ability to meet it; that to abandon Japan at this juncture would be to undo the recent costly victory in the Pacific; and that we have no intention of so abandoning Japan.

With regard to the bitter disappointment which claimant nations will feel no matter what settlement we propose, I believe that we have a stronger case, legally and morally, and a more palatable proposition, if we base our position on the fact that the reparations which can be

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1 Not printed.
2 Not printed, but see memorandum on this subject in Foreign Relations, 1948, vol. vi, p. 1064.
taken from the Japanese without impairment of their ability to make a decent livelihood have already been taken, than we do if we attempt to agree that the Japanese can afford to give up only, say, a hypothetical 100,000 machine tools whereas Australia or some other country argues that the Japanese can give up 200,000 machine tools plus 2 locomotives. The consequent debate upon details would deprive us of a strong, unequivocal position and in the long run, because of the necessity of compromise and the end result of almost nothing, would bring more enduring bitterness than would a debate on the defensible principle that no further reparations removals are possible.

As soon as a Departmental position can be agreed upon, NA will prepare drafts of the necessary procedures and documents to implement that position.

M[AX] W. B[ISHOP]

740.00119 PW/1-749

Memorandum by Mr. Paul H. Nitze, Deputy to the Assistant Secretary of State for Economic Affairs (Thorp)\(^1\)

TOP SECRET

[WASHINGTON,] 7 January 1949.

1. Progress towards solution of the Japanese reparations problem\(^2\) has reached another impasse in Washington largely due, this time, to SCAP's unfavorable reaction to the most recent State-Army proposals sent to him for his comment, but also due to the following factors. There is serious question whether a China, under or imminently under Communist domination, should now be awarded the hitherto proposed 30-40% share of reparations. There is a question whether the U.S. Congress and public would, at this hour, let pass without sharp challenge the award of any reparations whatever from Japan to the U.S.S.R. There is the more fundamental question of whether a defensible case, legally or politically, can be made for considering any reparations program as a "final settlement" unless that program be erected upon the basis of formal FEC action.

2. I am conscious that a review of our "legal" obligations, under Potsdam and previous U.S. commitments in the FEC, has been made in order to establish the framework within which a satisfactory reparations program might be worked out. I understand that there are a variety of possible programs under study ranging from asserting the U.S. "first charge" claim against all surplus capital in Japan, both fixed and liquid, and thereby washing out reparations for other claimants to working out some procedure for making available repara-

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\(^1\) Addressed to George F. Kennan, Director, Policy Planning Staff; General Saltsman; Mr. Butterworth; and the Legal Adviser (Gross).

\(^2\) For previous documentation on this subject, see Foreign Relations, 1948, vol. vi, pp. 943 ff.
tions from current production along lines developed in the Italian Peace Treaty. To my knowledge, all of the proposals seem to suffer two weaknesses. They are intended to be but cannot be “final.” Those that contemplate removals at all thus far provide no method for preventing deliveries to Communist recipients.

3. E has reached conclusions which it wishes to embody in the form of a positive recommendation. Prior to setting forth that recommendation I wish to make the following general observations.

We do not attach great importance to the security objective of industrial disarmament but we dislike having in Japan a large volume of industrial facilities heretofore used exclusively for military production, now idle, and unlikely to be put into economic operation. The possibility cannot be ruled out that they could become an embarrassment if not a security threat to U.S. interests in Asia. Under present circumstances and partly by reason of this “security” factor, reparations from Japan is primarily a political rather than an economic problem. From the economic standpoint it is obvious that paying any reparations imposes a greater economic burden on Japan than paying no reparations. From a political standpoint, it is clear that we could not now support any reparations proposal which would fully satisfy the just and proper claims of our Allies against Japan for the damage, destruction, disruption and suffering brought about by Japan’s military aggression. These axioms, simply understood, could be used to support a U.S. case for no reparations at all. However, political and economic considerations overlap if the position of the U.S. on reparations should provoke international reactions so hostile as to embarrass Japan’s trade prospects in the Far East.

The United States Government should, I believe, be guided by the following principles. It should support a reparations program:

a. Generally regarded by claimants as not being grossly in conflict with existing international agreements;
b. Which will minimize the dislocation of the Japanese economy;
c. Be simple to implement administratively; and
d. Provide some real economic benefit to claimant countries.

The criterion (a) above can be met, in my view, only by announcing that the program, authorized by the U.S. Government, is an interim program—a second stage in the Advance Transfer Program—and that, although the U.S. will oppose any other reparations in any form during the period of the occupation, the final settlement of Japan’s obligations, including reparations, will be worked out at the Japanese Peace Conference and not before. In view of the present feeling of utter hopelessness prevailing in the FEC over prospects of securing formal FEC action on any aspect of the Japanese reparations problem, announcement of such a program, as an interim measure, would be greeted with relief and gratitude. If presented with pretensions
of finality, such an announcement would invite the severest condemnation of both U.S. motives and U.S. manners.

4. Having made these observations the E recommendation follows: After appropriate diplomatic consultations with all friendly FEC countries and discussion in the FEC, an interim directive should be issued to SCAP by the U.S. Government providing that:

a. All primary war facilities as defined in the Report of the Overseas Consultants Incorporated\(^4\) should be made available immediately for claim as reparations;

b. The procedure to govern SCAP’s administration of the removals program of assets in (a) above should be those set forth in Part B of JCS Directive No. 75;\(^4\)

(Note: SCAP has declared his approval of these procedures. Advance Transfer claimant countries accept them. They provide for a two year cut off date for the removals program after allocations are completed.)

c. Part A of JCS Directive No. 75 should be rescinded at the time this directive is issued;

d. The following percentages should govern SCAP reparations allocations to FEC countries:

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>10(\frac{4}{5})%</td>
</tr>
<tr>
<td>Canada</td>
<td>2(\frac{1}{2})%</td>
</tr>
<tr>
<td>China</td>
<td>15</td>
</tr>
<tr>
<td>France</td>
<td>2</td>
</tr>
<tr>
<td>India</td>
<td>6(\frac{1}{2})%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4</td>
</tr>
<tr>
<td>New Zealand</td>
<td>2(\frac{1}{2})%</td>
</tr>
<tr>
<td>Philippines</td>
<td>10(\frac{1}{2})%</td>
</tr>
<tr>
<td>U.K.</td>
<td>16%</td>
</tr>
<tr>
<td>U.S.S.R.</td>
<td>0</td>
</tr>
<tr>
<td>U.S.</td>
<td>30</td>
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</tbody>
</table>

(Note: The figures in parentheses are the awards made by the U.S. in its previous offer to the FEC. They are supplied for information only and would not, of course, be made a part of the directive to SCAP.)

The above percentage shares may, from time to time, be augmented, out of its 30% share, by subsequent direction of the U.S. Government which, on its part, will remove no reparations whatever to the continental United States. It is contemplated, further, that on authority of a subsequent directive SCAP should destroy all primary war facilities which remain unclaimed under this program or which have not been temporarily designated for retention\(^5\) under the authority granted SCAP in paragraph 10 of FEC-084/21.

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5. We believe that the program recommended above will be regarded by SCAP as more acceptable than any hitherto submitted to him for his comment because:

a. The pool of assets available for removal is clearly and simply defined and by and large already inventoried and in custody. Hence, removals could commence at once.

b. The principle that machine tools in some primary war facilities should be substituted for machine tools in others has been deleted, thereby removing what SCAP has stated was an intolerable administrative complication and political embarrassment.

c. Individual assets in this pool are capable, by and large, of more simple handling, packaging, and transporting than any other category of industry previously considered for reparations removal.

d. On the basis of his knowledge, SCAP does not believe that more than 65-75% of the pool would actually be claimed, thereby enabling him to retain, without embarrassment, such facilities as are now in operation for occupation purposes.

6. This program, in addition to being generally acceptable to SCAP, would be more acceptable to claimants than any other that State-Army-SCAP could agree upon as basis for unilateral action for the following reasons:

a. (Same as 5(a) above.)
b. (Same as 5(c) above.)

c. FEC countries, partly under the prompting of the U.S.S.R. proposals in FEC-320, but mainly under the influence of U.S. arguments against any restriction on Japanese peace industry might now be, more or less, willing to accept, as an interim occupation program, a reparations removals restricted to clearly defined war capacity. However, availability for removal of anything less than all of Japan’s already defined and identified primary war facilities would produce alarm and sharp political opposition throughout the Far East.

7. The program set forth above has the virtue of being made up of components each of which is familiar to all FEC Delegations and their governments. However, this very fact will require justification, both in the course of the diplomatic talks and in FEC discussion, for the drastic changes which have been made in some of the percentage awards in paragraph 4(d) above. There follows an explanation of the changes made.

Because the U.K., Australia, Philippines, Canada, New Zealand, and India have indicated approval of the U.S. percentage share proposal, their percentages are adjusted upward as though they had participated on a pro rata basis in the previously proposed plan for re-allocation from the U.S.-Australian pool.

The French and Netherlands shares remain what they were in the original U.S. proposal. Neither country accepted our offer. Both present serious policy problems to the U.S. in the Far East.
The U.S.S.R. share has been reduced from 4% to 0% and the Chinese from 30% to 15% on the grounds (1) that it would be politically anomalous, at the present time, for the U.S. Government to take unilateral action on the reparations question in order to set in motion a program benefiting, in one case, a communist country, and in the other, a country about to fall within the Communist sphere; and, (2) that there is ample moral and practical justification for this treatment, since both of these countries are in possession of substantial amounts of Japanese external assets which were not taken into account fully in our previous proposal.

In the case of the U.S.S.R. the value of the war booty which it removed from Manchuria is clearly more than any conceivable Russian claim for reparations would justify. In the case of China, it is also in possession of large amounts of Japanese external assets but we believe the U.S. could not reasonably reduce China's share below 15% since world public opinion has come to believe that, on the basis of their war devastation and suffering, the Chinese "people" should properly be the principal recipient of reparations from Japan. Thus, we believe that the U.S. should not reduce its own previous 15% award to China under the U.S. advance transfer directive. (It might be pointed out here that even if some machine tools were to fall into Chinese Communist hands the security risk would be negligible. Not more than 1% of the total pool of Japanese machine tools available for reparations are of the sort which, in Europe, are included in our 1A list under the R procedure for East-West trade. Preclusive bidding by the U.S. or other friendly nations, plus SCAP's discretion in allocation could further reduce the number of such tools going to China.)

Other countries have received as reparations in the form of Japanese external assets nothing like the values already received by Russia and China. These factors were not taken into full account in our previous proposal on shares but now can be cited to justify the modifications made in the U.S. percentage schedule.

8. The U.S. record in attempting to facilitate achievement of international agreement on a final reparations settlement is good. In 1946 for "broad political" reasons which seemed valid at the time, the U.S. indicated willingness to spare Soviet feelings on the war booty and external assets issues, if so doing would help to achieve international agreement on reparations. However, the U.S.S.R., and only slightly less clearly, the Chinese, and several other countries, have obstructed attainment of the final and comprehensive international agreements which were hoped for.

Thus due to FEC failure a U.S. program will be put into effect unilaterally. It cannot have other than an interim character. The final settlement of Japan's obligations to the Allies must await the Peace Conference and at that time the extent to which Japan's external assets
in possession of the Allies contribute towards satisfying such obligations will necessarily be reviewed.

All primary war facilities received in the meantime, whether under individual country shares or out of the U.S. share, would be duly recorded by SCAP and would be credited to Japan as contributing towards the final settlement of all claims against Japan.

9. The reduction in the Chinese share increases the proportionate share which the U.S. will award itself. The undesirable implications of greed or self-interest which could and doubtless would be drawn from this fact, both domestically and abroad, can be mitigated if not entirely eliminated if it be announced clearly that none of the U.S. share will be delivered to continental U.S. That principle has been incorporated in the directive itself. The U.S. Government should, however, state, further, to FEC countries, in diplomatic talks, that its share is not being held for the Japanese economy but will be re-allocated, on instruction of the State Department to SCAP, to claimant countries which cannot satisfy their needs within their own authorized shares and can provide evidence that delivery of additional amounts would contribute to economic development of their countries and economic relief and rehabilitation throughout the Far East as a whole.

740.00119 Control (Japan)/1-749

The Acting Political Adviser in Japan (Sebold) to the Acting Secretary of State

No. 11 Tokyo, January 7, 1949.

[Received January 24.]

Sir: I have the honor to refer to this Mission's despatch no. 800 of December 22, 1948 and to previous correspondence in regard to meetings of the Allied Council for Japan, and to forward as enclosures five copies each of the Agenda and Corrected Verbatim Minutes of the seventy-seventh meeting of the Council held on January 5, 1949.

There was one item on the Agenda, "Regarding the Japanese Police Forces," submitted by the Soviet Member, Lieutenant General Kuzma N. Derevyanko.

The Soviet Member opened discussion by reading a prepared statement, the main points of which were that Japanese police forces now exceed the authorized limit of 125,000 men, that these police forces are being organized into military units with a central headquarters, and that secret police are now being extensively used in Japan.

Statistics, mostly based on press reports, were adduced to show that there are now a total of 141,206 police in Japan. Reference was also

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1 Not printed.
made to statements attributed in the press to Lieutenant General Eichelberger recommending an increase in the size of Japan’s police forces up to 275,000 men.

The Soviet Member then cited further press reports to show that the Japanese police were being formed into armed units by the director of the national police and that a centralized police administration had been established to control all Japan’s police.

Finally, he quoted labor union petitions and press reports to show the prevalence of “secret police” used to break strikes and interfere with civil rights.

The Soviet Member concluded by recommending to the Supreme Commander that Japanese police forces be limited to 125,000 men, that no revision of existing legislation be permitted which would increase the size or strengthen the armament of the police, and that secret police organizations be dissolved.

In reply, I described the actual size and organization of Japan’s police forces, noting their complete conformity with Allied policy requirements, and then took issue with several of the more egregious allegations of the Soviet statement.

I noted that the criteria for police reorganization as defined by the Supreme Commander were decentralization and establishment of the principle of local autonomy, adding that Japanese legislation embodied these standards and, as directed by the Supreme Commander, provided for a total police force of 125,000 men.

Proceeding to the body of the Soviet statement, I stressed that it was part of a coordinated Soviet campaign to undermine the policies of the Occupation, the Far Eastern Commission, and the United States Government, and I expressed concern that the Allied Council was again being used as a sounding board for Soviet propaganda. In order to refute specific charges, I pointed out that Japanese police carried only small arms or sticks, that the Maritime Safety Board had only 1,979 men with police authority rather than 10,000, that General Eichelberger is no longer a member of the Occupation, and that I had no knowledge of secret police in Japan.

I stated that I had no comment on the Soviet Member’s recommendations for the reason that they were too self-evident to require comment.

The British Commonwealth Member referred to the Basic Post-Surrender Policy for Japan approved by the Far Eastern Commission and stated that no contravention of this policy had been shown. He stressed that it was important that General Eichelberger did not speak as a member of the Occupation and added that it was necessary to remain vigilant lest the police become a breeding ground for principles that should be eradicated.

The Chinese Member commented on Chinese concern over the prog-
ress of the new Japanese police system and emphasized that General Headquarters must maintain close supervision.

As rebuttal, the Soviet Member alleged, with no amplification, that the facts which he had submitted had not been disproved and that he confirmed his recommendations.

In order that the true facts might be made clear, I invited the Members of the Council to make an inspection of police establishments, and I asked the Soviet Member if he would accept the invitation. No action was taken on this invitation, the Soviet Member stating that he would decide later.

Respectfully yours,

W. J. Sebald

740.00119 FEAC/1–1049: Telegram

The Acting Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, January 10, 1949—6 p.m.

8. Subject is Summary FEC Mtg, Dec 30, 1948.

Review of Jap Constitution (FEC–329/4)

Retained on agenda at request Sov Member.

Econ Stabilization in Japan (FEC–329/3)

US Member made fol statement:

"The Australian Member has requested that my Govt explain the relation between para ‘h’ of FEC–329/2, an interim directive sent by the US Govt to SCAP on 10 Dec 1948, and the level of industry problem now being considered by the Commission. Other members of the Comm have associated themselves with this question. Para ‘h’ directs SCAP to ‘increase production of all essential indigenous raw material and manufactured products.’ The level of industry discussions which have taken place in this Commission have been concerned with determination of that industrial capacity in Japan which should be considered available for removal as reparations, it having already been agreed by this Comm that industrial facilities (except those which have been destroyed by virtue of being specialized war-making facilities) required for the needs of a Japanese peace economy should not be removed as reparations. In SCAP’s reports on Japan’s econ development we see that the overall index of Japan’s manufacturing activity, with no adjustments made for population growth, etc., is no more than 65% of 1930–1934 levels. Needless to say, none of this manufacturing activity is of a military character. Raw material shortages and difficulties in finding markets for manufactured output will make it most difficult for Japan to exceed 1930–1934 levels even with maximum effort on the part of the Japanese. Yet, unless those production levels are reached and, even, in some cases surpassed, due to population, technological and trade pattern changes, Japan will not be self-supporting and its deficits will fall upon the US taxpayer. My Govt feels, therefore, that there is no conflict and, in fact, no practical relation between the consideration being given to the level of industry problem by the FEC and para ‘h’ of the directive which the US Govt has issued to SCAP."
Austral Member stated while his Govt has no real objection to substance of interim directive it was of opinion that FEC should not have been by-passed. He noted need to stabilize Jap economy had been recognized by the Commission and by the Allied Council early in 1947. He pointed that issuance of an interim directive should imply no inference that FEC and Allies generally had been unaware their responsibilities this connection. He felt one inference that might be drawn from issuance of an interim directive might well be that US had little confidence in FEC’s willingness or ability cooperate quickly an emergency situation. He added, however, US must bear considerable share of blame in paralyzing Commission in not submitting US positions on many important econ questions. That as result of issuance of interim directive it had been popularly assumed in Jap that objectives of this stabilization program are to be achieved, if necessary, at sacrifice of certain processes of democratization in Jap. He referred to relationship between wage stabilization program and development of healthy trade union movement and stated there was reason fear that possibly Jap Govt itself, under guise this economic stabilization program, might assume they have right go back to authoritarian and anti-labor practices to the subordination of democratic rights. He inquired of US member if it was intention of US Govt that this interim directive supersedes or is to be carried out at expense of democratic policies which have been passed by FEC. In reply to Sov inquiries US member replied the directive is broad statement of policy given to SCAP to work out with Jap Govt under the Constitution and democratic policies.

_Trial of Japanese War Criminals (FEC-314/4)_

Neth member stated he now shared views of Phil member that there should not be any target dates and any recommendation in view of fact his Govt now had definite proof there were at least six hundred Japs fighting in Indonesia. The Commission agreed to refer the paper back to the Working Committee.

_Labor Policy in Jap (FEC-318)_

USSR member called for vote on his proposal. Austral member requested postponement on grounds he would like to hear first US interpretation of applicability of FEC-045/5 to workers in Govt enterprises. Action postponed.

Under Other Business USSR member referred to reports in US press that Gen MacArthur had sent Wash a report in which it was suggested to re-establish Jap Army and question of re-arming Japan

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is raised. He added press reports link this plan of re-arming Jap with recent directive by Gen MacArthur to Jap Govt ordering development of a five-year plan for highway construction in Jap and stated his delegation considered it necessary that US member inform FEC on this matter.

Neth member asked for info as to news item which appeared in New York World Telegram that ninety-one Liberty ships are either chartered or are bought outright by Japanese.

LOVETT

740.00116 FW/1–1249

Memorandum by the Assistant Secretary of State for Occupied Areas (Saltzman) to the United States Member of the Far Eastern Commission (McCoy)

WASHINGTON, January 12, 1949.

Subject: Trial of Japanese War Criminals (FEC–314 Series)

If questions are raised as to whether SCAP has determined that there shall be no more international war crimes trials on Class A charges and whether he has proclaimed the termination of the International Military Tribunal for the Far East, you should call attention to MI–001/159, Section 2, Part I (Operations Report, Japan, 27 December 1948) and you should state that you are not informed of any formal announcement or proclamation by SCAP of the termination of the Tribunal.

If a move develops to withdraw the paper, you are instructed to oppose its withdrawal and to propose instead that, since the difficulty in respect to FEC–314/4 has arisen in respect to the second part thereof (“recommendations” in respect to B and C trials), the entire paper should be recast in the form of a policy decision, the second part being made applicable specifically only to Japan, as set forth in the following amendment.

“The Far Eastern Commission decides as a matter of policy that:

“No further trials of Japanese war criminals should be initiated in respect to offenses classified under paragraph 1a of the policy decision of the Far Eastern Commission entitled ‘Apprehension, Trial and Punishment of War Criminals in the Far East’ (FEC–007/3), passed by the Commission on 3 April 1946; and that if possible, investigations in Japan in connection with offenses falling under paragraphs 1b and 1c of the policy decision of the Far Eastern Commission entitled ‘Apprehension, Trial and Punishment of War Criminals in the Far East’ (FEC–007/3), passed by the Commission on 3 April 1946, including such offenses alleged to have been committed by persons suspected of offenses falling under paragraph 1a of the said policy decision, should

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1 See supra.
2 Department of State, Activities of the Far Eastern Commission, p. 97.
be completed before 31 March 1948, and all trials in Japan thereof should be concluded if possible before 30 September 1949."

If a question is raised again as to the jurisdiction of the Military Tribunals trying B and C offenses in Japan, you should restate the opinion of your Government along the lines set forth in the memorandum addressed to you on November 16, 1948.3

If a question is raised as to why SCAP made the decision referred to in MT-001/139 not to try the 17 released Class A suspects on A charges before an international tribunal, you may state that you are not informed but assume that this was done because the IPS had not recommended that they be indicted.

Charles E. Saltzman

740.00119 FRAC/1-1349 : Telegram

The Acting Secretary of State to the Acting Political Adviser in Japan (Sebold)

CONFIDENTIAL

WASHINGTON, January 13, 1949—7 p. m.


Econ Stabilization in Japan (FEC 329/3). In reply rptd Sov inquiries re nature program US member indicated objectives program expressed in directive and Comm would be kept informed developments.

Chi and Phil Members pointed out in their view fol statement incl US reply to Aust Member was not consistent with FEC policy on Determination Peaceful Needs of Japan.3

"Raw material shortages and difficulties in finding markets for manufactured output will make most difficult for Japan exceed 1930-34 levels even with maximum effort on part Japanese. Yet unless those production levels reached and even some cases surpassed due to population technological and trade pattern changes Japan will not be self supporting and deficits will fall upon US taxpayer."

US Member referred to last para policy decision which provides:

"Acceptance above policy should not be interpreted mean acceptance in advance of specific level for any particular industry."

Labor Policy in Japan (FEC 318/10). US Member indicated not yet in position give views his Govt on NZ inquiry. USSR Member insisted vote be taken on his proposal. Aust NZ Canad Indian Phil French Members indicated would vote against Sov proposal grounds it was inappropriate but their vote without prejudice to their views

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1 FEC-106, January 28, 1947, Department of State, Activities of the Far Eastern Commission, p. 86.
on long term legis recently passed by Diet. Chi Member stated would abstain grounds Sov proposal unnecessary. Sov proposal defeated vote 9 opposed 1 favor 1 abstention.

USSR member made statement effect countries opposing Sov proposal were supporting anti demo policies American milit auth in Japan and violating Potsdam Declaration and decisions on democratization of Japan adopted by FEC.

NZ Phil Aust Members pointed out Sov statement contrary facts and should be issued to press Comm also should issue statement.

Comm agreed despite disapproval Sov proposal subj of Labor Policy in Japan should be kept on agenda.

Reparations Removals: Accessory Facilities Buildings Technical Data (FEC 299/5).

Phil Member raised question of “buildings” pointing out buildings such design available only for specific purposes and conversion of which impossible should be made available as reparations. He noted critical shortage steel for buildings in Phil and need such buildings adding he could support Chi amendment para 2.

LOVETT

740.00119 FEAC/1-1949: Telegram

The Acting Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, January 19, 1949—2 p. m.

18. Subj is Summary FEC meeting, Jan 13, 1949.


Economic Stabilization in Japan (FEC 329/3). Re inquiries Chi and Philippine mems concerning phrase “in some cases surpassed” in US statement of Dec 30, 1949 [1948],1 US memb stated that he would “like to reassure them that there was no implication whatever in this phrase that SCAP or US Govt contemplated any compromise of principles set forth in the FEC decision dealing with determination of peaceful needs of Japan. They will note that that policy deals with problems of Japan’s consumption needs or, in other words, standard of living of Japanese people. That policy was explicit in dissociating standard of living concept from any arbitrary prescription for pattern of Japanese industry. In other words, paras 2 and 3 of that policy make clear that nature and size of a Japanese industrial structure capable of satisfying Japan’s peaceful needs will be affected by population growth and various other factors and that 1930-34 standard

1 See telegram 8, January 10, p. 616.
should not be interpreted to imply any specific level for any particular industry."


New Zealand memb on personal basis interpreted US statement as replying "no" to first question and "yes" to second and stated that such interpretation was not in consonance with FEC policy decision.

USSR memb stated that FEC, and not US Govt should interpret policy decisions passed by FEC. He inquired what was basis of decision by SCAP to deprive govt workers of right to strike.

US memb replied that there was no attempt on part of US to interpret Comm policies and that he hoped membs of Comm would view US statement in light of conditions in Japan.

*Level of Economic Life in Japan: Policy Towards Japanese Industry (FEC 242/32); Policy Toward Shipbuilding and Shipping (FEC 297/10).* UK memb urged that US position be presented in near future as this was most important question under consideration by FEC. New Zealand, Australia, and Netherlands associated themselves with UK views.

*Policy Towards Patents, Utility Models and Designs in Japan (FEC 284/10).* In order to meet Soviet objection to para 5, US memb proposed deletion in second line para 5 of words "which is a memb of Union for Protection of Industrial Property" and substitution therefor of words "at war with Japan." UK memb considered deletion of above phrase adequate without substitution of further wording.

In view of USSR, US and UK amendments and prospect of submission of Netherlands amendments, paper referred to working comite.

*Recommendations Regarding Japanese-Owned Patents, Utility Models and Designs in Territories of Countries at War with Japan (FEC 311/2).* Also referred to working comite.

In reply to Netherlands inquiry of Dec 30, 1948 re charter on purchase of 91 Liberty ships by Japanese, US memb replied there was no foundation to this report.

On adjourning FEC meeting Gen McCoy called together reps of memb govts of FEC authorized to discuss applications of Pakistan and Burma to FEC and informed them that in view of inconclusive nature of discussions held by them on this subj, US intends to take up this question directly through diplomatic channels with other memb govts of FEC, but that US does not feel that direct approach to other

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govts would require termination of discussions among reps of memb
govts of FEC.³

² Identical notes were sent on January 19 and February 9 to ten FEC govern-
ments in regard to Pakistan and Burma, respectively.

894.00/1-2449

The Acting Political Adviser in Japan (Sebald) to the Secretary
of State

RESTRICTED

Tokyo, January 24, 1949. [Received January 31.]

No. 50

Sir: I have the honor to refer to the Department’s A–184 of Decem-
ber 31, 1948,² requesting the text of an exclusive interview given by
Premier Shigeru Yoshida to the United Press on December 27, 1948,
and to transmit herewith the only record of that interview, written by
Miles W. Vaughn, United Press General Manager for Asia.²

The Department will observe that Mr. Vaughn quoted Premier
Yoshida as being enthusiastic about General MacArthur’s recom-
mendations for economic reconstruction. In that connection he is
quoted as stating that his Government is planning the formation of a
committee to review “the cases of a number of top-flight industrialists
who were purged, possibly unjustly”.

This story was not distributed by the United Press to its clients in
Japan.

In subsequent public statements on the same subject Premier
Yoshida has emphasized the need to reconsider the purge of village
and town headmen and allowed the reconsideration of purged indus-
trialists to appear as incidental (this Mission’s despatch no. 22 of
January 14, 1949 ³).

Major Napier, head of the Public Administration Division, Govern-
ment Section, General Headquarters, SCAP, denied in the English
language Nippon Times of January 12, 1949 that an amnesty from the
purge was being considered by SCAP.

Apparently undeterred by the warning from Government Section,
the Japanese Government is reported proceeding with its plans for a
purge review committee. Mainichi on January 17 reported that Justice
Minister Ueda has finished drafting a plan for the establishment of
such a committee. It states also that the projected system “will liberate
purgees only in those cases where the purge is recognized to be clearly
unjustifiable”, and that “nobody who should be purged on formal as

¹ Not printed.
² Enclosures not printed.
well as substantial grounds will be cleared”. A translation in full of this Mainichi report is enclosed.

In an editorial on January 12, 1949, Mainichi (in the only editorial on the subject which has recently come to the attention of the Mission), adopts in effect the position taken by General Headquarters, i.e., that abandoning the categories of purges for substantive charges opens the way to clearance of many persons who ought not to be cleared. Mainichi considered that, should the ban be lifted, “it would be difficult to find a yardstick by which to determine the men of high character and those who are not”. It found that “the public’s estimation of a man’s ability has changed during the past few years” but it believed that “men who can work should be permitted to do so”. This newspaper continued: “In political circles there is a big vacuum. In other fields, new men have filled the vacancies created by the purge. The only difference is that the new men lack experience and are less known. But in the political field, it is disheartening to find fledglings who, because they have been returned to the Diet once or twice, are being considered as competent candidates for cabinet posts. Should the purged politicians return, much activity can be expected, but we would rather see new men come up in the coming general election.” A full translation of this editorial is enclosed.

Respectfully yours,

W. J. Serald

740.00119 Control (Japan)/1-2549

Memorandum by the Chief of the Division of Northeast Asian Affairs (Bishop) to the Deputy Director of the Office of Far Eastern Affairs (Allison)


In the first of the attached two reports,1 received from O for comment, Mr. Walter R. Hutchinson, member of the Deconcentration Review Board on TDY in Washington, summarizes the activities of the DRB and the deconcentration program in general (pages 1–13), further summarizes the same material in nine Conclusions (pages 12 and 13), and offers a number of rather important Recommendations (pages 14 and 15). The DRB’s “Basic Interpretation of Authority” (final terms of reference) are enclosed as Exhibit 3.

Mr. Hutchinson makes substantially the same points in his general summary that he did at the meeting in Mr. Saltzman’s office a month or so ago:

(a) That the DRB on its arrival found that concerns were being automatically and arbitrarily designated excessive concentrations if their organizational structure was held to violate one or more of a set

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1 January 3, 1949 and November 26, 1948, not printed.
of standards drawn up by the Anti-Trust Division, irrespective of
whether the concern could be shown actually to be impairing com-
petition or not and without opportunity for it to present evidence that
it was not an excessive concentration within the terms of the law.

(b) That for this and other reasons "the Board found that the im-
plementation and enforcement of the deconcentration law was being
carried out without complete compliance with the intent of Allied and
Occupation Policy. . . ." 2

(c) That after enunciation of the Board's "four principles" liberal-
izing deconcentration procedures and criteria, the Holding Company
Liquidation Commission found it impossible to apply the four prin-
ciples objectively to individual cases because of its decisions being
"overruled" by the Anti-Trust Division, whose views the HCLC
still felt itself bound to respect. The DRB succeeded in getting General
Marquat 3 to order the Anti-Trust Division to cease this interference.

(d) That the Board, having been requested by SCAP to give its
opinion in the matter, recommended that the five largest commercial
banks in Japan "not be broken up, but that they be remanded to the
Fair Trade Commission for effective application of the Japanese Anti-
Trust Law."

Mr. Hutchinson's recommendations are, briefly:

1. That the Anti-Trust Division be restricted "to implementing and
administering policy as announced or interpreted by the higher ap-
propriate echelon," and that it "be instructed to implement and ex-
pedite, without any delay, the decisions of the DRB as approved by
SCAP" 3.

2. That companies released from designation under the Excessive
Concentrations Law be immediately processed to conclusion under
other applicable laws.

3. That a competent Anti-Trust lawyer from the U.S. be assigned
to the Chief of ESS with full authority to review and recommend any
necessary amendments to the "Law Relating to the Prohibition of
Private Monopolies and Methods for Preserving Fair Trade". Mr.
Hutchinson explains in his second report, dealing specifically
with this problem, that the DRB's experience with the application of
this law indicated that certain provisions and language in it "go
far beyond a reasonable program for the elimination and prohibition
of monopolies and combinations in restraint of trade. . . ." 4

4. That establishment of a new Japanese Corporation Law and
Reorganization (bankruptcy) Law be completed, with the benefit of
the advice of the above-mentioned lawyer.

5. That "all necessary steps be immediately taken to reestablish and
reopen a properly controlled and regulated stock exchange."

6. That an immediate survey be made of all securities and their
amounts held by Japanese governmental agencies and that "as early
action as possible, consistent with sound economic recovery, be taken
to complete their liquidation and distribution into the hands of the
public."

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2 Omission as indicated in the source text.
3 Maj. Gen. William F. Marquat, Chief, Economic and Scientific Section, SCAP
   Headquarters, Tokyo.
4 Omission as indicated in the source text.
It is understood that Mr. Draper\(^5\) has already cabled General MacArthur for his views on the proposal to have a U.S. lawyer review the Monopoly and Fair Trade Law, and that General MacArthur has replied that he has “no objection”. If you approve NA will prepare and submit to O for coordination with other interested Offices a letter from Mr. Saltzman to Mr. Draper expressing the Department’s support for Mr. Hutchinson’s recommendations.\(^6\)

M[AX] W. B[ISHOP]

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\(^5\)William H. Draper, Jr., Under Secretary of the Army.

\(^6\)Marginal notation by Mr. Allison: “OK please do JMA”.

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740.00119-P.W./1-2549

Memorandum by the Chief of the Division of Northeast Asian Affairs (Bishop) to the Director of the Office of Far Eastern Affairs (Butterworth)

SECRET


Subject: SCAP’s Latest Reparations Wire.

There follows a summary-analysis of SCAP’s C 67249, January 21, replying to the list of questions in War’s 82448, January 7, sent by Colonel Lincoln.\(^1\) Copies of the two wires are attached.\(^2\)

A (1) Of the total quantity of primary war facilities in Japan, valued by OCI at 1,470,000,000 1939 yen or 370 million dollars (rate of 4 to 1), SCAP states that approximately 22 per cent, valued at 80 million dollars, is now engaged in production. The various types of production (for the occupation forces, for export and for domestic consumption) are indicated in the first sizeable paragraph in his wire.

(2) SCAP states that approximately 44 per cent of the primary war facilities in Japan can be expected to be in production by 1953. Presumably the remaining 56 per cent would be idle.

(3) SCAP reiterates his view that removal of any further reparations, except facilities presently being processed for removal under the Advance Transfer Program, would seriously affect the stabilization program.

B (1) SCAP states it would cost 33.8 billion present day yen (125 million dollars) to remove all primary war facilities for reparations. This is about one-third of the value of the facilities (370 million dollars). He says it would take 18 months to complete the operation.

(2) The cost of completing removal of reparations presently being processed would be about 850,000 dollars, over a 5-month period.

C (1) SCAP states that the weight of all primary war facilities, packed and crated, would be 1,203,834 metric tons. The weight of facilities presently being processed would be 7782 metric tons. The figures in long tons of shipping are, respectively, 1,182,890 and 7,664.

\(^1\)Col. George A. Lincoln, Executive Assistant to the Under Secretary of the Army (Draper).

\(^2\)Neither printed.
SCAP reiterates in strongest terms his previously stated position that no further reparations should be removed from Japan. The data which he presents contain nothing which would invalidate this position, but E may be expected to emphasize his statement that 56 per cent of the primary war facilities in Japan will still be idle in 1953. Nothing in this wire detracts from, but rather actually strongly supports our expressed views.

M[AX] W. B[ISHOP]

740.00119 FEAC/1-1349
The Assistant Secretary of State for Occupied Areas (Saltzman) to the United States Representative on the Far Eastern Commission (McCoy)


DEAR GENERAL MCCOY: With your letter of January 13, 1949 to the Secretary of State, you forwarded a request by the Far Eastern Commission for consultation with the Supreme Commander for the Allied Powers relative to the review of the Japanese Constitution. This request was transmitted to the Supreme Commander who has now replied. I enclose copies of his reply for the information of the Commission.

Sincerely yours,

CHARLES E. SALTZMAN

General of the Army Douglas MacArthur to the Department of the Army

CONFIDENTIAL

TOKYO, 22 January 1949.

Pass to JCOS, C-67291. Reference W-83044—for transmittal to Far Eastern Commission.

I appreciate most sincerely your thoughtful courtesy in referring for my comment the review of the Japanese Constitution. With you, I have long realized that the emergence of a constitution which not only satisfied the requirements of the Potsdam terms but the well-being of a peaceful Japanese society as well, was the keystone to the arch of Japan’s successful reorientation in accordance with Allied policy objectives. Upon receipt of FEC 081/41, I formally communicated the same to the Japanese Government and since then numerous conferences have been held between this Headquarters and Japanese Executive and Legislative officials on the procedure to be followed in such a review. We urged that a joint committee of the Diet be appointed to

1 Not printed.
study the matter. Despite this, however, the Japanese have shown a strong disinclination seriously to consider modifications at this time, holding firmly to the view that a much longer period should elapse before subjecting the document to the test of mandatory Japanese review.

In general, the provisions of the constitution have worked well. Copies have been distributed in every Japanese home and much has been done by the Japanese themselves to educate the people as to its content and meaning and the document is increasingly becoming a source of native pride. Japanese officials of all three branches of government are more and more turning to the constitution for guidance. Many healthy debates have been held both in the legislative chambers and in the public press over the proper interpretation of various of its provisions and recognition of the Supreme Court as the final judge of such interpretation is becoming firmly established, as the constitutionality of laws is challenged before that tribunal. It is now universally accepted as an indigenous product with little or no thought or expression given to Allied assistance in its composition. There is, indeed no slightest question but that the Japanese people with practical unanimity would vote to preserve the document unaltered were the matter referred for popular action. Nor is there, in my opinion, any question but that the constitution conforms meticulously with the spirit and intent of the Potsdam Declaration and other policy considerations controlling upon the occupation.

While there is no doubt but that improvement toward a greater degree of perfection is possible in various of its provisions, it is my belief that any Allied intervention to such end would only result in altering the accepted character of the instrument, now off to such a favorable start, to a disadvantageous degree. This conforms to the view which has informally been given me by the heads of every Allied Mission in Tokyo who have discussed the matter with me at all.

If my recommendation were desired, it would be that no action should be taken by the Allied Powers at this time to force upon the Japanese people a review of their constitution with the view to its modification. Nothing could be lost thereby as under its provisions the document is subject to revision by the Japanese at any time. They have fully accepted it, appear devoted to its high principles, and are working well within its framework.

With renewed thanks to the members of the Commission for their thoughtful reference and cordial expressions of my high regard.

[MACARTHUR]

1. Population: According to the ration [national?] census announced on 1 August 1948, the population of Japan was as follows: Male 39,365,452, female 40,851,444, total 80,216,896.

2. Voting age: The voting age figures (20 years and over) were given as follows: Male 21,046,624, female 22,941,823, total 43,988,447.

3. Registered voters: According to figures of the national election management commission, the registered voters in Japan on 23 January 1949 totalled 42,090,916, divided as follows: male 20,054,142, female 22,036,774, total 42,090,916.


5. Total votes cast: At 1800 hours on 23 January 1949, when the polls closed, a total of 31,168,625 votes had been cast in the general election for members of the House of Representatives. This represented a turn-out of 74.1 percent of the total 42,090,916 registered voters.

6. Election results: Tabulated according to political parties, the results of the general election were as follows: Party—total valid votes—number elected—percent. Democratic Liberal 13,381,610; 264; 43.8. Democrat 4,835,504; 68; 15.8. Social Democrat 4,129,724; 49; 13.5. Communist 2,984,583; 35; 9.6. Peoples Cooperative 1,042,123; 14; 3.4. Labor–Farmer 606,744; 7; 2.0. Social Renovation 387,214; 5; 1.3. New Liberal 187,208; 2; 0.6. Japan Farmer 232,833; 1; 0.8. Minor parties 795,308; 9; 2.6. Independent 2,007,328; 12; 6.6. Totals 30,590,179, plus invalid votes 578,446, total 31,168,625; 466; 100.0.

7. New faces in the Diet: 192 of the members of the House of Representatives are “new faces” elected for the first time; 243 were re-elected, and 31 were members of former Diets. Following is tabulation by party: party; new; re-elected; former; total. Democratic Liberal 121; 125; 18; 264. Democrat 23; 39; 6; 68. Social Democrat 6; 40; 3; 49. Communist 28; 4; 3; 35. Peoples Cooperative 0; 14; 0; 14. Labor–Farmer 0; 7; 0; 7. Social Renovation 1; 4; 0; 5. New Liberal 0; 2;
8. Women in the election: A total of 44 women candidates ran for seats in the House of Representatives, of these 12 women were successful.

A. Women candidates according to political parties: Democratic Liberals 5; Democrat 8; Social Democrat 9; Peoples Cooperative 1; Social Renovation 1; New Liberal 0; Japan Farmer 0; Labor–Farmer 1; Communist 3; Independent 14; minor parties 2; total 44.

B. Women elected according to parties: Party; number. Democratic Liberals 2; Social Democrat 5; Social Renovation 1; Communist 3; Labor–Farmer 1, total 12.

9. Eminent political personalities who failed in the election: Sadayoshi Hitotsumatsu, Democrat (former welfare minister); Tetsu Katayama, Social Democrat (former Prime Minister); Kanju Kato, Social Democrat (former labor minister); Shizue Kato, Social Democrat (feminist leader); Tetsuo Kudo, Democratic Liberal (former state minister); Kasuo Nagae, Social Democrat (former agriculture and forestry minister); Suehior Nishio, Social Democrat (former state minister); Kazuo Nomizo, Social Democrat (former agriculture and forestry minister); Wataru Narahashi, Democrat (former chief cabinet secretary); Giichi Takeda, Democrat (former welfare minister); Eiji Tomiyoshi, Democrat (former communications minister); Haruye Yamashite, Democrat (involved in “Izumiyama incident”).

Analysis of election: The election was a smashing conservative victory. It gave practical assurance that the government would remain unchanged for the next four years, with a decisive mandate to one political party controlling a safe majority of the Diet seats. The most impressive result of the election was the gain of 112 seats by the Democratic-Liberal Party—to a lesser degree the sharp reduction in the Socialist strength from 143 seats in the 1947 election to 49 seats resulting from the present election, and the Communist gain of 31 seats. Although even with such gain the Communist Party, in a strong one-party government, has not even a legislative bargaining position.

The Democratic-Liberals drew their increased strength from the Democrats, the Peoples Cooperatives and probably to some extent from other smaller groups with conservative leanings, while the Communists drew theirs almost entirely from the left-wing Socialists, a development long anticipated. The extent of Communist gains from this source is largely reflected in the reduction of 28 in the Socialist left-wing representation from its pre-election strength. Both the Democratic-Liberal and Communist parties garnered strength from the disrepute into which the center parties had fallen as a result of the scandal investigations, which each vigorously exploited.
The Democratic-Liberal Party campaigned effectively, urging voters to support a strong single party qualified to lead the nation during the period of economic rehabilitation ahead, stressing the weaknesses resulting from past ineffectual coalitions. The Party pledged itself to eliminate unnecessary economic controls, to reduce government personnel, to eliminate the sales tax, and to adopt measures which would stimulate the introduction of foreign capital.

The Communist Party was benefited by external circumstances peculiarly advantageous to the party. Developments in China, for example, were exploited by the party, which insisted that only a Communist Japan could live profitably in harmony with a Communist China. Chiang Kai-Shek’s sudden retirement on the eve of the election gave dramatic support to the Communist campaign propaganda. Communists also won support by their promises to ease food collection requirements and eliminate taxes of lower income groups as well as their attacks upon the economic stabilization program of the government. The Radical elements in the ranks of labor gave strong support to Communist candidates not because of ideological preference but by way of protest against the ineffectual labor support of the Socialist Party and fear of suppressive measures affected by the influence of the hundreds of thousands of Japanese servicemen intensively trained in Soviet indoctrination centers prior to their repatriation.

In assessing the extent of the Conservative victory, it is necessary to take account of the support accorded the slightly more moderate but essentially conservative Democratic Party and the smaller conservative groups and individuals with conservative tendencies, all of which add up to over 75 percent of the total number of seats in the House of Representatives. Four successful independents have already formally announced their intention to join the Democratic Liberal Party.

The Communist gain, under existing extraordinarily favorable conditions, should reflect the high water mark of its political support, unless conditions alter even more in its favor. The danger should not be discounted, however, from the unrealistic and undue over-emphasis which will undoubtedly be given the Communist political strength through ill-conceived propaganda efforts to be expected from Moscow and elements of American journalism or individuals either irresponsibly inclined or directly within the orbit of Communist sympathy. Such propaganda, especially any from seemingly reliable and responsible quarters, may be expected to be fully exploited by the local Communist Party in the uncensored Japanese press.

General MacArthur’s comment on the election:

The Supreme Commander issued the following statement on 24 January:
“Peoples of the free world everywhere can take satisfaction in this enthusiastic and orderly Japanese election which at a critical moment in Asiatic history has given so clear and decisive a mandate for the conservative philosophy of government.”

Sebald

Memorandum by the Acting Legal Adviser (Tate) to the Secretary of State

TOP SECRET [WASHINGTON,] January 27, 1949. Subject: U.S. Legal Commitments as to Japanese Reparations

1. The Legal Adviser's Office is not charged with the difficult economic, political and military aspects of the Japanese reparations problem, but is concerned only that the United States make no move in the premises in consequence of which she can stand accused of breaching legal international commitments.

2. At Potsdam on July 26, 1945, the President of the United States agreed with the executive heads of China and Great Britain (with subsequent adherence of the Union of Soviet Socialist Republics) that Japan should not be permitted to maintain industries "which would enable her to rearm for war." (Par. 10, Potsdam Proclamation.) On June 19, 1947, the United States joined with the ten other nations in the Far Eastern Commission in the formulation of a Basic Post-Surrender Policy for Japan, which provided, inter alia, that reparations should be exacted from Japan through the transfer of Japanese capital equipment and facilities "in the interests of destruction of the Japanese war potential in those industries which could lead to Japan's rearmament for waging war". (FEC 014/9, Par IV, par. 4.) On August 18, 1947, the United States joined with those same nations in the Far Eastern Commission in the formulation of a policy for the "Reduction of Japanese Industrial War Potential", one provision of which was that all special-purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products should be destroyed, but that "all other industrial machinery and equipment in primary war industries" should be made available for claim as reparations, and that "during the period of the occupation a prohibition should be maintained against the reestablishment of primary war industries". (FEC 084/21, par. 1.)

2 Department of State, Activities of the Far Eastern Commission, pp. 49, 56.
3 For FEC decision of August 14, 1947, see Department of State, Far Eastern Series No. 29: The Far Eastern Commission, pp. 25-30.
provided that after selection had been made for delivery to claimant countries, any residual capacity "should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition" (par. 6). "Primary war facilities" were defined as those "primarily engaged in the development, manufacture, assembly, testing, repair, maintenance or storage of combat equipment end-products and civil aircraft, and . . . building merchant vessels above a size to be determined by the Far Eastern Commission" (par. 2).

3. From the point of view of the Legal Adviser’s Office it is unthinkable that the United States Government, in view of the commitments entered into as above stated, should now propose a program to leave primary war facilities in Japan. It seems to the Legal Adviser to be peculiarly unfortunate that this proposed breach of our international commitment to destroy the Japanese war potential should be based solely on the pecuniary interests of the United States. In spite of this demeaning defense of our action, we shall, of course, be accused of an intent to thwart a basic tenet of the Potsdam Agreement, and of a purpose to enable Japan to rearm for war.

4. The United States Government also stands committed, by other provisions of the same documents, to distribution as reparations of such industrial facilities in other industries, denominated "war-supporting industries", as may be in excess of the peaceful needs of the Japanese economy." These "peaceful needs" have been defined in a series of policy decisions of the Far Eastern Commission known as the program for "Interim Reparations Removals". In view of the fact, however, that the program is based on an estimate of the "peaceful needs of the Japanese economy" which passage of time has shown to be faulty, no stigma should be attached to a statement by the United States at the present time that it has changed its mind about the further distribution as reparations of "war-supporting industries". No such defense is available, however, for a breach of the United States commitment to a 100 percent destruction or removal of primary war facilities.

It is, of course, appreciated that the whole reparations program has been held up, through no fault of the United States, by the failure of the Far Eastern Commission to agree on the division of the reparations into shares. While the Legal Adviser's Office would favor a resolution of the impasse, by means of a U.S. interim directive, for the purpose of distributing the primary war facilities among the claimants, provided that military considerations do not negative the advisability of such action, this is by no means the only way out. If the United States does nothing more than withdraw certain offers which she has made with respect to her own shares, in an effort to end the impasse, the

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4 Omission as indicated in the source memorandum.
stalemate will undoubtedly continue until the peace-settlement; when the whole reparations problem will have to be settled any way. No base motives could be imputed to the United States if it takes no further steps to resolve the dispute.

740.00119 PW/1–2749

Memorandum by the Director of the Office of Far Eastern Affairs (Butterworth)¹ to the Secretary of State

TOP SECRET

[WASHINGTON,] January 27, 1949.

Problem

To determine United States policy with respect to Japanese reparations.

Discussion

The Japanese reparations problem has a long history, the essential elements of which are:

(1) U.S. concurrence during the latter half of 1946 in a series of Interim Reparations Removals policy decisions of the Far Eastern Commission making available for reparations claim designated quantities of industrial facilities considered at that time to be clearly surplus to Japan’s peaceful needs; ²

(2) Issuance by the United States in April 1947 of a unilateral interim directive to General MacArthur ³ instructing him to effect immediate delivery to China, the Philippines, the Netherlands and the United Kingdom of 30% of the facilities made available by the Interim Removals decisions. Some 14,000 machine tools and a few other miscellaneous items have been delivered under the directive;

(3) Submission by the United States, also in April 1947, to the Far Eastern Commission of a proposal that there be made available for claim in satisfaction of Japan’s final industrial reparations obligations all facilities in excess of certain stated “levels of industry.” ⁴ These levels have achieved a large measure of acceptance within the Commission;

(4) Submission by the United States in November 1947 of a proposal designed to break the stalemate of a year’s duration on reparation shares so that a final reparations program might be instituted without further delay, ⁵ such proposal including division of the bulk of the United States share among those nations which would accept its proposed schedule. This proposal has not yet been accepted by France, India and the Netherlands and has been flatly rejected by the

² Together with Paul H. Nitze, Deputy to Assistant Secretary of State for Economic Affairs Thorp.
³ See Department of State, Activities of the Far Eastern Series, pp. 68–76.
⁵ See memorandum of April 7, 1947, ibid., p. 382.
⁶ See memorandum of October 29, ibid., p. 556, and subsequent documents.
Soviets, effectively preventing the institution of a final reparations program on the basis of FEC agreement even if the levels question were agreed:

(5) Submission in March 1948 of a report by Overseas Consultants, Incorporated, a group of United States engineers sent to Japan by the Army, in which it was maintained that Japan could provide far smaller quantities of capital reparations without impairment of its essential peace time capacity than had previously been thought; and

(6) Submission in May 1948 of the Johnston-Hoffman report taking an even more limited view of Japan's reparations paying capacity.

Since submission of the Johnston-Hoffman report, the United States Government has been unable to reply to repeated inquiries by FEC countries as to the position of the United States on the reparations problem. Extended discussions have been held during this period between the State and Army Departments in an effort to determine a final United States position. These discussions failed to produce agreement, with the result that an Army proposal based on the very limited Johnston-Hoffman reparations program, and a State proposal providing for a somewhat more generous reparations program, were sent to General MacArthur by the National Security Council in June, 1948, for comment. General MacArthur preferred the Army proposal. The State Department subsequently modified its position in the direction desired by the Army, and a new tentatively agreed State-Army proposal was sent to General MacArthur in November 1948, for comment. General MacArthur's reply, received in mid-December, was that his recently received interim directive from the United States Government calling for the institution of a comprehensive stabilization program rendered impracticable and undesirable the removal of any further reparations from Japan. He has strongly reaffirmed that position in a wire received January 22.

The Economic Offices of the Department and the Office of Far Eastern Affairs have, during the past three weeks, been considering two principal alternative proposals in light of General MacArthur's position:

(1) That we terminate the present Advance Transfer program and institute another smaller program restricted to the removal of primary war facilities but upon which all FEC countries except the USSR could draw, at the same time announcing our opposition to any further industrial reparations from Japan.

(2) That we accept General MacArthur's proposal that we terminate the Advance Transfer program and permit no further reparations whatsoever.

The following arguments are advanced by E in support of the first proposal, for a program of industrial removals limited to primary war facilities:

* See letter of June 18, 1948, ibid., p. 978.
(1) It would meet our commitments in the Far Eastern Commission that Japanese primary war facilities should be made available for reparations.

(2) It would provide claimant countries with significant quantities of the most desirable types of industrial facilities, mainly machine tools, and for that reason would be a much more acceptable proposal to other claimant countries than denial of any further reparations at all.

(3) It would constitute an easily implemented program since inventorizing of primary war facilities is substantially complete.

(4) It would not involve the removal of facilities valuable for Japanese recovery because SCAP would have power, already recognized by the FEC, to except from removal, upon notification to the Allied Council, for the period of the occupation (in fact probably indefinitely) all facilities needed for purposes of the occupation, which purposes prominently include economic revival.

(5) It would not on the basis of studies carried out in the Department, and supported by earlier estimates of SCAP himself, jeopardize or seriously affect the current stabilization program in Japan. According to these studies the cost of dismantling, packing and transporting to dockside of primary war facilities would add approximately 1 percent to the Japanese budget, the burden on Japan’s rail system would be increased .8 percent, and between 4 and 5 percent of Japan’s lumber production would be diverted to reparations uses during the 18 months period of the reparations program. These figures are based on 100 percent removals of available facilities, which would not be likely to occur.

(6) It would accomplish the removal of presently idle capacity in primary war industries in Japan, capacity which is a special cause of concern to neighboring countries which fear it may ultimately be put to military use by the Japanese with foreign aid.

(7) Distribution of Japanese industrial facilities to Far Eastern claimant countries would contribute to the U.S. policy objective of rebuilding the productive capacity and trade of the Far East.

The following arguments, on the other hand, are advanced by FE in support of the second proposal, that we terminate the Advance Transfer program and permit no further reparations whatsoever:

(1) The Japanese economy is, and according to all indications will for some time remain, a deficit economy. With the loss of its empire, and with a population 10 million greater than in 1941 and still growing rapidly, it seems clear that Japan will have need of all its present resources and more to attain a self-supporting status at decent standards of living.

(2) The United States taxpayer has for nearly four years been making up the heavy deficits in the Japanese economy, and is continuing to do so. Any reparations program, even one limited to primary war facilities, would necessitate diversion of Japanese lumber and transportation from productive purposes to the unproductive and inflationary tasks of packing and moving the reparations facilities, and would by that degree interfere with the recently directed Japanese stabilization program through which the United States hopes to reduce and finally eliminate this drain on its resources. In these circumstances
the cost of removal of any further reparations would in the last analysis be borne in major part directly or indirectly by the United States.

(3) Regarding the legal aspects of the problem, all actions taken by the United States on Japanese reparations have been based on the general assumptions that reparations would be taken only from facilities in excess of Japan’s own peaceful needs, and that there would be an agreed schedule of shares according to which reparations would be divided among the various claimants. It seems clear that in the absence of an agreed shares schedule, or United States unilateral action providing SCAP with such a schedule, the FEC Interim Removals policy decisions of late 1946 are meaningless and impossible to implement, and that with the failure of the FEC to adopt an agreed schedule after two years’ negotiations, the United States and other FEC countries need no longer consider themselves bound by these decisions. Any other interpretation could find us still bound by these decisions ten years hence if the FEC had not yet adopted an agreed schedule. Although the commitment to remove primary war facilities for reparations is unqualified by reference to Japanese peaceful needs, it too depends for its effectiveness on SCAP’s being provided with a directive embodying a shares schedule. The United States would therefore seem entirely within its legal rights in determining at this time in the light of the best technical information available that Japan cannot spare, and should not be required to pay, any further industrial reparations, and in consequence could refuse to participate in any action on shares.

(4) Japanese primary war facilities include some 225,000 out of a total of 700,000 machine tools in Japan. The Johnston–Hoffman mission emphasized that among all its existing industrial facilities Japan in future will most need its machine tools and machine tool manufacturing capacity. While SCAP would be able under the proposal to exempt from removal many or all of the 22% of the 225,000 machine tools and other primary war facilities now in productive use in Japan, or the 44% which SCAP estimates will be in production by 1953, such sweeping use of his authority would place him in an embarrassing position before the claimant countries and would rob the proposal of whatever attractiveness it possessed for those countries.

(5) It would be difficult to explain, to Congress for example, why we should be supporting the removal of “primary war facilities” from Japan for delivery to the Chinese Communists (even though those facilities are in fact of no more military value than any other heavy industrial facilities).

(6) In the event of war with the Soviet Union we might have cause to regret the removal of these facilities from Japan. Present military thinking is that we can and must hold Japan in case of war with the Soviets, and that Japanese industrial facilities would consequently be of value to us rather than to the Soviets in such a war.

(7) It is believed that, due to developments in China, the NEI and elsewhere in the Far East, the United States need feel far less concern whether the reparations claims of other FEC nations are satisfied than was the case some months ago. China is no longer an effective claimant, and our interest in affording it reparations has largely disappeared. The same applies in large degree to Burma and French Indochina. The Netherlands has just disregarded United States views in the NEI and is in no position to protest our reparations decisions. We do not wish the Soviets to have any further reparations. Australia,
New Zealand, Canada and India have never evidenced particular interest in the subject. This leaves, substantially, the remaining British Colonies and the Philippines, and the British have made it clear that their interests lie much less in reparations than in restricting the capacity levels of certain Japanese industries to reduce future Japanese commercial competition.

An important factor in assessing the two proposals is the essentially political-psychological question of which proposal would be least unacceptable to the claimant countries and hence likely to arouse the least resentment, to the possible injury of Japanese trade. It is the Economic Offices' view that the claimant nations would resent a program limited to removal of primary war facilities less than they would the denial of any further reparations whatsoever. It is FE's view, however, that a U.S. position based on the simple principle that Japan will require all its existing industrial resources and more for its future peaceful needs, and that the cost of removal of any further reparations from Japan would in the last analysis be borne by the United States, would be more convincing and would therefore arouse less resentment than a program under which we attempted to maintain that Japan could spare X amount of equipment but no more.

FE is also inclined to take a less serious view than is E of the consequences for Japan's export trade of Allied resentment over our reparations policies, believing that the trade of Far Eastern countries with Japan will continue to be determined essentially by commercial factors. It is FE's view, also, that most claimant nations have already come to expect a drastic revision of United States reparations policies, and that announcement that we oppose any further reparations would occasion less surprise and indignation than has been commonly supposed.

E's concern over the FE proposal, on the other hand, derives essentially from the three following disadvantages to which it is believed by E to be subject:

(a) It is believed that world opinion would interpret the retention in Japan of primary war facilities as confirmation of the widely held fear that the United States intends to develop Japan as a military base;

(FE doubts whether such retention would materially augment the fears which already exist on this score. It can be effectively demonstrated that all special purpose equipment functionally limited to the production of combat end-products has been destroyed, and that, as earlier stated, the so-called "primary war facilities" are of no greater military significance than any other industrial equipment.)

(b) World public opinion would conclude that the United States does not intend to make good on its declared intention to assist in the technological and industrial development of under-developed areas
of the world, since this purpose would be well served by the removal to Far Eastern countries of Japanese primary war facilities;

(FE doubts whether world expectations aroused by the President’s statement on this point have yet reached the point where this factor need be accorded particular weight as regards Jap. rep.)

(c) FEC countries would fear that a United States announcement that it will oppose further industrial reparations from Japan despite United States approval of previous international agreements on this subject might foreshadow repudiation of other and more serious international agreements, thus shaking their confidence in the integrity of the United States Government.

(FE does not consider its proposed position in violation of existing United States commitments, due to the inability of the FEC to agree on a shares schedule giving these commitments meaning and practical effect. FE also believes that we must to the limit of our legal rights effect the changes in the occupation necessitated by the prolongation of the occupation following the indefinite postponement of a peace settlement.)

E recognizes, of course, that removal of further industrial reparations from Japan would impose a greater burden upon Japan than the removal of no further industrial reparations. It believes, however, that the magnitude of that burden has been greatly exaggerated, particularly when converted into terms of U.S. dollars. It considers it improbable that the direct cost to the United States of its proposed program would in fact exceed 4 to 5 million dollars, or that the indirect costs due to the efforts of the program on the Japanese stabilization program would total more than 30 million dollars. FE believes, as mentioned before, that all resources within Japan are demonstrably necessary for Japan’s peaceful economy and that any action tending to delay the execution of, or otherwise interfere with, the Japanese stabilization and recovery programs would be directly in conflict with United States policy and interests.

The question of which of the two proposals should be preferred is essentially a question of political judgment, in which numerous questions of United States interest—the consequences for the newly instituted Japanese stabilization program, the reactions of other FEC nations, the conflicting demands on United States resources, security, etc.—must be evaluated and weighed against each other. Since prolonged consideration of the relevant factors leads E and FE on balance to differing conclusions, it is necessary to refer the matter to you for decision.

There is attached at Tab A a proposed statement on Japanese reparations to be made by the United States Member of the Far

*Annexes not attached to file copy.
Eastern Commission prepared by E and embodying the E position. Enclosed with this statement is a “United States Policy Proposal Regarding Japanese Reparations from Industrial Facilities in Japan” which would be presented to the Commission and which would subsequently form the basis of an FEC or United States interim directive to SCAP. Attached at Tab B is a proposed statement for reading by General McCoy to the Far Eastern Commission prepared by FE and embodying the FE position. Enclosed with this statement is the text of a proposed United States interim directive to SCAP which would be issued immediately following reading of the statement to the FEC. It is contemplated under both proposals that the United States position would be discussed with friendly FEC governments before presentation to the FEC. Whichever statement is read to the FEC would upon delivery by General McCoy be released to the press.

Attached at Tab C is a memorandum by the Office of the Legal Adviser expressing its views on the legal aspects of the problem.²

Recommendation

It is recommended that you approve either Tab A or Tab B as the position of the United States Government on the Japanese reparations problem, and that you so advise Secretary Royall,³ if possible before his departure for Japan tomorrow.

W. W[ALTON] B[UTTERWORTH]

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1 January 27, p. 631.
2 Kenneth C. Royall, Secretary of the Army.

740.00119 PW/1-2749

Memorandum by the Assistant Secretary of State for Occupied Areas (Saltzman) to the Secretary of State

TOP SECRET [WASHINGTON,] January 27, 1949.

With reference to the memorandum of this date submitted to you by Mr. Nitze and Mr. Butterworth,¹ I recommend: (1) that if you find it possible to make a decision on this matter today, you adopt Mr. Nitze’s proposal; (2) that if you do not find it possible to make a decision today, you inform Mr. Royall before his departure that you entertain very serious doubts that this Government can justify the retention in Japan of primary war facilities.

My reasons for these recommendations are as follows:

(1) As indicated in the memorandum from Mr. Tate,² attached to Mr. Nitze’s and Mr. Butterworth’s memorandum, there appears to be no escape from the legal obligations which the United States has en-

¹ Supra.
² Of January 27, p. 631.
tered into in the Far Eastern Commission for the destruction or removal of primary war facilities, except those which SCAP may retain for the needs of the occupation pursuant to FEC policy;

(2) It is not evident that primary war facilities in excess of those which SCAP may in any case retain under FEC policy are needed for the Japanese peacetime economy. All previous studies indicate that, primary war facilities apart, there is considerable surplus in the industries involved above any possible production in Japan in the foreseeable future. On the other hand, the machine tools in question can undoubtedly be put to use elsewhere in the Far East and can assist the economic programs of the countries receiving reparations. In addition, such recovery in other countries of the Far East will be helpful in promoting Japanese recovery for both economic and psychological reasons;

(3) I cannot agree with the suggestion that the denial of any reparations program other than primary war facilities will produce as bad a political reaction as the denial of the reparations program altogether. It seems to me that the latter, in view especially of our legal commitments, will not only be unwelcome to the other interested countries but would also tend to show a complete disregard of their views and interests.

740.00119 PW/2-149

Memorandum by the Secretary of State

[WASHINGTON,] February 1, 1949.

JAPANESE REPARATIONS

I have studied the papers forwarded to me with the memorandum by Mr. Nitze and Mr. Butterworth dated January 27, 1949, including the memorandum of Mr. Saltzman of the same date. Although I have not examined the primary papers on which these documents are founded, as I understand it, the situation briefly is as follows:

The legal obligations of the United States flow first from an agreement in the Potsdam Conference that Japan should not be permitted to maintain industries “which would enable her to rearm for war.” The FEC agreement of June 19, 1945 [1947] provides that reparations should be exacted from Japan through the transfer of Japanese capital equipment and facilities “in the interest of destruction of the Japanese war potential in those industries which could lead to Japanese rearmament for waging war.” In the FEC document of August 18, 1947 it was required that all special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products should be destroyed. This, I understand, has been done. The same document provides “that all other industrial machinery and equipment in primary war industries” should be made available for claim as reparations. Primary war facilities are those which were “primarily engaged in the development,
manufacture, assembly, testing, repair, maintenance or storage of combat equipment end-products and civil aircraft and . . . building merchant vessels above a size to be determined by the FEC.” Apparently in other decisions of the FEC additional industrial equipment was to be made available for reparations, although I do not have citations to the language or the documents.

The machine tools which fall under the description of primary war facilities are general purpose tools. They constitute 225,000 out of a total of 700,000 machine tools in Japan. They are said to be the newest and best in Japan. Already some 14,000 of these tools have been delivered as reparations.

I also understand, and this is important, that there is an overriding provision that such equipment as SCAP determines is necessary for the purposes of the occupation shall be withheld from delivery. I am told that SCAP is presently using 22 percent of the machine tools classified as primary war facilities in the Japanese economy and believes that it could use 44 percent in the near future.

While agreement has been reached in the FEC as indicated above, it has been impossible to reach agreement on the shares which could go to the various claimants. Therefore the United States has put deliveries into effect by itself determining certain shares through an interim directive and in order to facilitate agreement, has offered to waive a large portion of its share in favor of other claimants.

Since the above interim directives were given, the Japanese economic situation has become increasingly serious and the United States has issued a new interim directive directing certain actions looking toward stabilization of the currency, increased production, and other steps to hasten Japanese recovery and self-support. In the meantime, the deficit in the Japanese economy is being borne by the United States.

I understand also that in a telegram of January 22 SCAP believes that he cannot carry out the interim directive on reparations and at the same time successfully achieve the purposes covered by the interim directive on recovery. He, therefore, wishes to cease deliveries. SCAP’s view of the matter seems to be strengthened by the Johnston-Hoffman report which, as I understand it, indicates a belief that more of these tools can and should be used than had been previously estimated and that in many cases these newer tools should be substituted for older ones in other plants.

Under these circumstances, and if I am right in the analysis above, it would seem to me in accordance with obligations undertaken and wise and proper for the United States to withdraw the interim directive on reparations and its offer of shares. The United States should

^Omission as indicated in the source memorandum.
not repudiate the agreements previously made in FEC. It can properly insist that both SCAP’s duty and the interests of the United States as the nation which makes up the deficit, as well as of all the nations parties to FEC, call for the speedy recovery of Japan and the placing of that country on a self-supporting basis. If SCAP and others who have investigated the situation believe that the continued delivery of these tools as reparations interferes with the purposes of the occupation, and in particular the purpose stated in the recovery directive, then I believe that we are warranted in ceasing deliveries and initiating a proposal that the reparations problem be considered at a later date when the full needs arising from the purposes of the occupation can be stated more accurately.

You will see that this memorandum does not fully accord with any of the suggestions made to me. It may be that I have overlooked some factor or that there is some error in the statement. I shall be glad to have the views of the gentlemen who participated in the preparation and also the views of those who are now concerned with the negotiations attempting to settle a similar question in Germany. Does what I have suggested fit in with those talks?2

D[ean] A[cheson]

2 In separate memoranda dated February 2, forwarding Mr. Acheson’s memorandum to Messrs. Butterworth, Nitze, and Saltzman, the Director of the Executive Secretariat, Office of the Secretary, stated: “It is Mr. Acheson’s view that you not take his memorandum as a directive or as an indication of a course of action to be pursued. On the contrary, he wants his views studied carefully and commented on by FE, O and E on an urgent basis. You should agree among yourselves as to who should take the responsibility for coordinating these views.” (740.00119 PW/2–249)

740.00119 FEAC/2–249

Memorandum by the Assistant Secretary of State for Occupied Areas (Saltzman) to the United States Representative on the Far Eastern Commission (McCoy)

CONFIDENTIAL  
WASHINGTON, February 3, 1949.


1. At the January 27th meeting of the Far Eastern Commission Ambassador Panyushkin made a statement to the Commission, the three essential points of which seem to be:

a. That issuance of the United States interim directive of December 10th1 unilaterally modified the regime of control in Japan;

b. That this action was in violation of the terms of reference of the Far Eastern Commission; and

c. That the United States directive, by virtue of making no mention of the democratization of Japan, constituted an abandonment by the United States of that objective.

2. You are authorized to make the following statement at the next meeting of the Far Eastern Commission:

“At the January 27th meeting of the Far Eastern Commission the Soviet Member made a statement on the interim directive issued by the United States Government on December 10, 1948 regarding the economic stabilization of Japan.

“On behalf of my Government, I wish to comment on several points which the Soviet Ambassador made. It was suggested that by issuing the 10 December directive the U.S. Government modified unilaterally the regime of control in Japan. In our view the directive in no way affects the regime of control for Japan which consists of the authority in Japan of SCAP, the chain of command to SCAP, and the policy-making authority in Washington, Far Eastern Commission and the United States Government operating within the terms of reference in the Far Eastern Commission. Far from violating in any way the regime of control, the United States Government exercised its authority, clearly recognized by the terms of reference of the Far Eastern Commission, to take unilateral action on matters of urgency.

“It was suggested further that because the 10 December directive did not mention specifically the democratization program for Japan, the United States Government had ceased to be concerned in that objective. My Government was fully aware that policy decisions previously adopted by the Far Eastern Commission on the democratization of Japan were in existence. Since they are controlling, it was considered that there was no need to refer to them in this directive. In this connection, it seemed to go without saying that the major objective of an economic stabilization program for Japan is to create an economic environment in which genuine democratization can take place.

“My Government regrets that the Soviet Ambassador failed to understand the purposes of the recent directive to SCAP on economic stabilization for Japan and regrets particularly that the Soviet Ambassador’s mistaken understanding of the directive was made public before it could be corrected.”

3. In addition to the above statement for the record, it would be appropriate for you to indicate once more that the United States Government will make available to the Far Eastern Commission full reports from SCAP on the economic situation developing there and on steps being taken to achieve the objectives set forth in the interim directive of 10 December.

CHARLES E. SALITZMAN

*This statement was made at the FEC on February 3 and quoted in the Department’s press release of February 17; Department of State Bulletin, February 27, 1949, p. 271.*
Memorandum of Conversation, by Mr. Robert A. Fearey, of the Division of Northeast Asian Affairs

WASHINGTON, February 4, 1949.

In accordance with Mr. Allison's and Mr. Bond's instructions I called Colonel Milner today to inform him that the Department had decided in light of the considerations advanced in General Eberle's memorandum of January 27 to Mr. Draper that it would not press its proposal for rescission of the pre-FEC "U.S. Initial Post-Surrender Policy for Japan" (JCS Serial No. 10) and "Basic Initial Post-Surrender Directive" (JCS Serial No. 18). I stated that it was our view, however, that it should be made unmistakably clear in future instructions to General MacArthur that the instructions are to be controlling in any respects in which they may be at variance or in conflict with these early directives.

Colonel Milner thanked me for the information and said that he would inform Mr. Draper.

1 Niles W. Bond, Assistant Chief of the Division of Northeast Asian Affairs.
2 Col. W. W. Milner, P & O (Plans and Operations), Department of the Army.
3 Brig. Gen. George L. Eberle, Department of the Army; memorandum not attached to file copy.
4 September 22, 1945; see Foreign Relations, 1945, vol. vi, p. 720.
5 November 8, 1945; for text, see ibid., p. 816.

The Secretary of State to the Acting Political Adviser in Japan (Sebald)

WASHINGTON, February 7, 1949—6 p.m.

43. Subject is summary FEC meeting, Jan 27, 1949.

Labor Policy in Japan (FEC-045/5)

No discussion.

Economic Stabilization in Japan (FEC-329/3)

Text Soviet statement to effect US interim directive on economic stabilization in direct contradiction with FEC policies and therefore constitutes change in regime control in Japan being transmitted by Army, Jan 28, 1949.

State same day released to press statement US directive not inconsistent with FEC policy decisions.

1 See memorandum of February 3, p. 642.
Level of Economic Life in Japan (FEC-242/32; FEC-297/10)

In compliance request UK rep US member convey to his Govt expression of anxiety that views US Govt be placed before Commission in reasonably short time, US member replied he had called to attn his Govt statement UK rep and fact that number of reps of other member govts associated themselves with views he expressed. He added as follows: “My Govt has asked me to state that the views of these members of the Commission have been noted by my Govt, and that this matter continues to receive its most urgent attention. I am confident that my Govt’s views will be presented at the earliest possible moment, but it may be some additional time before this can be done.”

Reparations Removals: Accessory Facilities, Buildings, Technical Data (FEC-299/5)

Neth member called to attn Commission his proposal of Oct 29, 1948 (FEC-299/8) to approve paper without para 2 and discuss para 2 further. Chi member also pointed out Commission had failed discuss his amendment of Nov 11, 1948 (FEC-299/9). US member indicated he could not agree to approval paper without para 2 pending new instructions. Item retained on agenda.

Under other business Chairman read to Commission SCAP’s reply to consultative message on review Japanese Constitution. Reply referred to Committee III for consideration.

ACHESON

740.00119 Control (Japan)/2-849: Telegram

The Secretary of State to the Acting Political Adviser in Japan

(Sebold)

CONFIDENTIAL

WASHINGTON, February 8, 1949—7 p.m.

Replacement Lost Cultural Objects (SC-272/12). In reply to query of Indian member re use cultural objects by SCAP for purpose democratization in Japan, US member stated his Govt understood SCAP has used and is currently using selected cultural objects for purpose democratization and education Jap people.

Sov member requested consideration his amendment be postponed until all members had instructions. Item retained on agenda.

Removal of Aircraft and Private Munitions Plants from Japan (SC-312). Retained on agenda.

Labor Policy in Japan (FEC-045/5). No discussion.
Economic Stabilization in Japan (FEC-329/3). Sov member referred to SCAP and State Dept replies to his statement of Jan 27,
1949, that directive to SCAP involved change in regime of control in Japan and reiterated view that directive to Gen MacArthur was contrary to decisions adopted by FEC. Also referred to SCAP's Circular No. 2, Jan 14, 1949, on Foreign Business and Investment Activities in Japan and press release on same subj and inquired if "investments made by Amer investors and the businessmen from Wall Street would foster the Japanese national independence." Felt such rights given to businessmen by this circular would on the contrary endanger natl independence of Japan, and that this was in contradiction with FEC policy decisions. Also alleged that circular was not in accordance with Para 3 of FEC policy decision on Conduct of Trade with Japan. Concluded as follows:

"In connection with the carrying on of the program for the economic stabilization of Japan, on January 14, 1949, the Supreme Commander for the Allied Powers issued to the Japanese Government a circular and a directive which required unlimited expansion of the field of activity for foreigners in Japan, allow free investment of foreign capital, and permit the acquisition of property by foreigners. The directive requires the Japanese Government to remove limitations existing in the Japanese legislation in respect to foreign enterprises. New regulations which are being introduced on the basis of the circular and the directive put foreign nationals, with the exception of transactions in respect to immovable property, on the same footing with persons of Japanese nationality and Japanese firms.

"The circular and the directives issued by General MacArthur also lead to substantial changes in the regime of control over Japan and consequently should be discussed by the Far Eastern Commission."

US member pointed out that as Chairman he had made great effort to try to obtain international cooperation in FEC, but that Sov Amb did not seem desire to cooperate in that he tilted at every windmill that came out in newspapers. Added, however, that Sov member had right to call attention of Comm to any act of SCAP inconsistent with FEC policies and that he would try to give reasonable replies to the many charges of Amb which were usually made with sinister implications.

In reply to Sov statement made at last mtg, US member read formal statement ¹—text of which was transmitted by Army Dept on Feb 3, 1949.

Sov member categorically rejected statement of US member that he, Sov representative, did not want to cooperate, adding that everything done by Sov representative had objective of democratization and demilitarization of Japan and strict fulfillment of FEC policy decisions. Reserved his right to answer statement of US member at later mtg.

¹ See memorandum of February 3, p. 642.
US member replied he would try to keep Comm informed of developments in economic situation in Japan and would bring Sov statements to attention of his Govt. Also indicated that Sov member was within his rights, under FEC policy on press, to release his statements to the press without waiting for a reply if he felt such action met his responsibilities to other members of Comm without giving them opportunity to consider statement or hear a reply.

Policy Toward Patents, Utility Models and Designs in Japan (FEC-284/14). This paper represents Comite revision of FEC-284/10 which was referred to Comite 1 on July 14, 1948. Chairman of Comite 1 indicated Sov amendments to paras 4 and 5 and Neth amendments (C1-284/13) had been defeated and that in place of either US or UK amendment to para 5 a compromise wording of para 5 had been agreed upon as follows: "Nationals of countries at war with Japan who had duly filed in any country the first application for a patent not earlier than twelve months..." 2. Positions of Chi, Indian and Sov members reserved on this para.

No action taken on Comm level.

ACHESON

2 Omission as indicated in the original telegram.

894.50/1-1749

Memorandum by the Assistant Secretary of State for Occupied Areas (Saltzman) to the United States Representative on the Far Eastern Commission (McCoy)

CONFIDENTIAL

WASHINGTON, February 8, 1949.

In accordance with previous oral instructions, and pursuant to the U.S. position set forth in the final two paragraphs of your statement of December 9, 1948, regarding “Excessive Concentration of Economic Power in Japan”, it is requested that the U.S. Delegation oppose C 2-230/4, “Policy on Excessive Concentration of Economic Power”, and attempt to dissuade FEC Members from giving further consideration to this or any other proposal which would have as its purpose the development of additional policy on the subject of excessive concentration of economic power in Japan. Should C 2-230/4 or a similar proposal be sent forward to the Commission, you should prevent its adoption by the Commission.

CHARLES E. SALTZMAN

A-35. It has come to my attention that Secretary of the Army Kenneth C. Royall held an off-the-record press conference at the American Embassy on February 6, 1949. In response to questions by American news correspondents, Mr. Royall advanced and developed the thesis that in case of war with the Soviet Union, or even during the period of the so-called cold war, Japan is, in fact, a liability, and that it might be more profitable from the viewpoint of United States policy to pull out all troops from Japan. He is further said to have discussed the greater strategic advantages of Europe in comparison with that of the Pacific in so far as a possible Soviet-United States war is concerned.

One statement attributed to Mr. Royall in this conference reads to the effect that the United States has no moral obligation towards Japan, that we are not in Japan at our request, and that even though it was our duty to disarm Japan it is not our responsibility if someone else cuts Japan's throat as a result.

Surprisingly, at a press conference on February 7, the morning following the previous press conference, Mr. Royall was quoted as having said that there is no difference of opinion between his views and Washington on the one hand, and General MacArthur on the other.

From personal knowledge, I know that General MacArthur does not share the views voiced by Mr. Royall at his off-the-record conference. His statement of agreement of views between himself and General MacArthur would therefore appear to be a deliberate attempt to mollify rumors of disagreement, or an effort to align General MacArthur with his own views. General MacArthur, upon several occasions, has told me of his concern over certain views apparently held by responsible officers of the three Services in Washington. He has repeatedly stated that the concept of concentrating American military power in the Mediterranean area is strategically unsound and that its implementation might well lead to disaster for the United States. Conversely, he feels strongly that the Pacific island chain from Kamchatka southward, to and including the Philippines, must by all means be held as the westernmost line of defense of the United States. He feels that any breach of this island barrier by a hostile power would result in the front line of United States defense being swept back to our west coast.
The Royall statements at his off-the-record conference are all the more remarkable in view of the conditional release, "not for attribution" and "not to be released prior to February 12, 1949".

It is my opinion that Mr. Royall's off-the-record press conference and the resultant plethora of speculative press articles based thereon will strike a heavy blow to America's prestige in Japan and possibly in the Far East generally. It would appear that no remarks could have been better designed to revive Japanese interest in the possibility or desirability of an orientation towards the Soviets, particularly in the light of recent events on the continent of Asia.

[Sebald]

740.00119 FBAC/2-1549: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, February 15, 1949—4 p.m.

55. Meeting Steering Com Feb 8 cancelled.
Summary FEC meeting Feb 10 follows:

Economic Stabilization Japan (FEC-329/3)

NZ member informed Comm his Govt entirely adopted views he expressed Steering Com Dec 21, 1948. He added his Govt regrets course action taken in matter and hopes Comm will discuss terms directive issued, as Comm entitled to. He concluded his Govt entirely concurs with point of view expressed by Mr. Bullock behalf Australia Dec 30, 1948 in which, amongst other things, he expressed an apprehension lest this attempt—this very proper attempt—at stabilization might preclude some of objectives which Comm has been aiming at in past.

French member called attn Comm to three fundamental conditions according to which, in conformity with Art 11 of Potsdam Declaration, Jap economy shld be rehabilitated: a) fixation of levels for econ life; b) suppression war industries; c) exactation of reparations. Altho Fr del was aware importance helping Japan become capable satisfying its own needs as soon as possible, it felt obliged emphasize fact that interests must [not] take precedence over those of nations which not so long ago were victims Japanese aggression and must not set aside right to reparations of countries which until now have recd no compensation. Fr del attached particular interest to FEC-242/32 which however imperfect had merit to determine for number of categories of essential industries, activity of Japanese econ life consistent with security safeguards which Allied Powers must impose on Japan. By authorizing only number of peaceful industries on one hand (FEC

1See telegram 8, January 10, 6 p.m., p. 616; H. W. Bullock, 2d Secretary of the Australian Embassy, represented Australia.
242/32) and by suppressing war industries on other, Comm would have to certain extent complied with first two aforesaid conditions for restoration Jap economy in conformity with Potsdam Declaration.

Furthermore, it was view Fr del that levels econ life cannot be rationally and definitely estab without final div shares for reparations among legitimate beneficiaries. In mind of Fr Govt determination of levels econ life in Japan and settlement of reparations claims were obviously linked. Neither questions had recd any settlement in FEC debates. Besides, it also seemed clear Jap industrialists and traders were anxious learn how both questions were going to be solved and in absence of any such settlement general uneasiness prevailed in several fields of Jap economy.

On consideration of above Fr Delegation emphasizes necessity of review of whole problem:

"a) by a careful study of measures taken or to be taken by SCAP in conformity with directive FEC 329/2 issued by the US Govt on Dec 10 1948, with reference to the economic stabilization in Japan, as compared with the proposed levels for economic life included in document FEC 242/32;

b) by drafting simultaneously a final division of the reparations shares to be distributed among the countries members of the Far Eastern Commission."

UK member referred para 3 FEC 329/2 and inquired of US member when program was initiated.

Policy Toward Patents, Utility Models and Designs (FEC 284/14)

Indian member stated he still had no instrs. Chi member proposed deletion fol phrase in first sentence: "as he would have been entitled to under arrangements existing with Japan immediately prior to the outbreak of hostilities." Australian member was of view meaning of sentence would disappear if reference to pre-war priority were omitted.

Further discussion postponed.

ACHESON

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Memorandum Prepared for the Secretary of State

TOP SECRET

[WASHINGTON,] February 15, 1949.

We have studied your memorandum of February 1 on the Japanese reparations problem in accordance with your request. Our respective views are set forth below.

I

Your summing up of the problem is believed to be correct, although it may not have been made clear that the beneficiaries of the Advance

\footnote{Initialed by Messrs. Saltzman (O), Nitze (E), and Butterworth (FE).}
Transfer Program are limited to China, the Philippines, the Netherlands and the United Kingdom. There have been no reparations deliveries from Japanese internal resources to other FEC nations. There is attached (Tab A), a supplementary memorandum dated February 4 by the Legal Adviser, annexing a complete summary dated December 27, 1948 of the various FEC agreements, and setting forth the terms under which SCAP may retain equipment for needs of the occupation.

Since you last considered this matter, cables have been received from Mr. Dodge, Financial Adviser to General MacArthur (Tab B), and from Mr. Royall (Tab C), emphasizing the need for a speedy decision in the interest of Japanese recovery.

In reply to your question, there is attached a memorandum (Tab D) on the relation of the German and Japanese reparations policies. Both policies have had the same basic approach—to remove capital equipment constituting war potential in excess of peace-time needs—and our evaluation of the peace-time needs of both countries has undergone change. The German program was undertaken much earlier in the occupation than the Japanese, and we have less freedom of action in Germany because the occupation is shared with the United Kingdom and France. These differences are such that the two policies are believed to have little appreciable effect on one another, although it should be noted that we propose to carry out the bulk of the removals which had been agreed for Germany, that review of the German program has been in the interest of European recovery, that we have not suggested the retention of any primary war facilities in Germany, and that we acknowledge that revision of the program requires British and French agreement.

II

FE's comments on your suggested course are as follows:

The advantage of your proposal over that previously advanced by FE is that its legality cannot be questioned. On the other hand it would have the disadvantage of failing to afford Japanese businessmen as complete assurance as the FE proposal might do that no further reparations removals will ever take place, and that therefore they may safely proceed with the rehabilitation of their plants. Such assurance, it is believed, is vitally necessary if the Japanese are to get back into production on a scale sufficient to bring about the desired ends of the recently inaugurated economic stabilization program. This point is strongly emphasized by Mr. Joseph Dodge in the second paragraph of his attached telegram received on February 7 (Tab B). No proposal can fully meet all desiderata, however, and it may be that the implications of our actions under your proposal would be almost as effective.

*Annexes not attached to file copy.*
in providing the necessary assurance as would the more categorical statements under the FE proposal.

It should be pointed out that the only basis for not proceeding with implementation of the previously adopted series of FEC reparations directives is that the FEC has not been able to agree to a division of reparations shares. Once a shares directive has been issued by this Government or by the FEC applicable to any portion of previous reparations directives, it would, in the opinion of FE, be difficult logically to refuse to apply such shares directive to all previous reparations directives. Because of this FE is opposed to the E proposal outlined below advocating the issuance of a shares directive applicable to primary war facilities.

FE wishes to concur in your general conclusions as providing, all things considered, the most practical means of dealing with this problem. It wishes to suggest two amendments to your proposal, however, as follows:

1. It is recommended that before we rescind the Advance Transfer directive and withdraw our shares proposal an officer of the Department call in the representatives of the friendly FEC countries and explain to them the reasons behind this step in the light of our overall Japan policies for the coming period, set forth in NSC 13/2. It is believed that chances of the FEC Governments accepting our position with reasonably good grace would be markedly improved if prior discussions of this type are held.

2. It is suggested, secondly, that instead of proposing that the reparations problem be considered at a later date when the full needs of the occupation can be more accurately assessed, we simply state when we rescind the Advance Transfer directive that we do not propose to take any further unilateral action to solve the reparations problem. We would by this procedure, it is believed, stand a better chance of permanently laying the reparations issue to rest.

III

E concurs with the above proposal that before we rescind the Advance Transfer directive discussions take place with representatives of the friendly FEC countries. We believe that, however, in such discussions we should indicate that if, in the light of the serious economic conditions with which Japan is now faced, they would be willing to state in good faith that they regard the distribution of primary war facilities as being a substantial fulfillment of Japan’s obligations for reparations payments in the form of capital equipment we would be prepared to break the shares stalemate by issuing an Interim directive.

E believes that this proposal possesses the following advantages: If accepted, (a) The Japanese community would be given greater security as to the present and future status of their industrial plant;

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having received significant reparations on this basis, claimant countries would have less grounds for asserting claims for reparations in the future from Japanese plant and equipment; (c) substantial amounts of industrial equipment in primary war facilities which E is certain will remain idle in Japan would be put to productive use outside Japan; (d) and, finally, the removing of primary war facilities from Japan could be made an effective argument to answer the contention of Far Eastern peoples that the U.S. intends to create a military base in Japan. If not accepted we would at least have avoided being put in the position with friendly governments of having brushed off their reparations claims without an indication of a willingness on our part to consider some sort of constructive action.

This action would require a prior decision on the part of the U.S. Government that if a majority of the friendly FEC countries do agree to the proposal a U.S. Interim Directive would be issued to SCAP.

If a majority of the FEC Governments do not give appropriate assurances the U.S. Government should withdraw its outstanding shares proposal and rescind its Advance Transfer Directive, but should not issue an Interim Directive. In that event, however, there should be released to the press a statement of our efforts to arrive at a mutually satisfactory reparations program, and our view that with the failure of these efforts no further industrial reparations should be required from Japan. We would thus at least obtain the advantages (a) of giving practical assurances to the Japanese people that the U.S. Government will, on its part, oppose further industrial removals as reparations, and (b) of demonstrating to Far Eastern peoples our desire to remove from Japan its primary war facilities.

There is attached for your information a memorandum (Tab E) containing data supporting E's belief that SCAP has greatly exaggerated the impact of the removal of primary war facilities upon Japanese economic recovery. These data indicate the very much lower level of retentions which we have heretofore considered adequate for Japan's peace-time needs.

IV

O concurs generally with the E recommendation, but is of the opinion that, while it would be desirable before issuing a unilateral directive to seek assurances from friendly FEC countries that they will not insist on further capital removals and that they will accept our decision on shares as being in their interest, nevertheless we should issue the directive even if the assurances on further claims fall short of those desired, unless the objections to the proposed shares indicate a net loss of good will through the plan.

This conclusion is based upon the following reasoning. The U.S. is expressly committed by FEC agreement to the removal as reparations of all primary war facilities except equipment destroyed or retained
temporarily for the needs of the occupation. (See memorandum of the Legal Adviser dated January 27, previously submitted, and Tab A hereto.) If the U.S. is to abide by this agreement, it must see that the equipment is either removed now, or held available for later removal. The latter course appears to be implied in your suggestion that we observe our commitments but simply defer action. To hold the equipment available indefinitely will not give the Japanese the assurances they require (Tab B) and will impose an unnecessarily heavy burden on the Japanese economy (Tab C). To make the full assurances we desire from FEC countries a condition of our action would be regarded by them as requiring them to buy the same horse twice, namely, our agreement to remove this equipment. For these reasons, as well as for the sake of the general recovery of the Far Eastern countries and the good will of their peoples toward the United States and Japan, it appears better to make immediate removal possible by unilateral U.S. directive.

There is some logical—but not legal—difficulty in applying a shares decision to any quantity less than that covered by the interim decisions. It will be much easier, however, to persuade the FEC countries of the logic of this procedure, which makes available to them a substantial quantity of reparations, than to persuade them of the logic of making no equipment available because we cannot agree to make all available.

It is also recommended, in view of our repeated promise in the FEC to state our position on reparations removals, that our proposal should be formally submitted to the FEC before a unilateral directive is issued.

The Legal Adviser concurs in the legal conclusions stated in this section.

V

RECOMMENDATION

That you adopt as the decision of this Government one of the following three courses of action:

1. That after explaining to friendly FEC countries the reasons behind our position we (a) rescind the Advance Transfer directive, (b) withdraw our shares proposal, and (c) announce that the U.S. does not propose to take any further unilateral action to solve the reparations problem.

2. Same as No. 1 through (b), but instead of (c), that we attempt by diplomatic means to secure from FEC countries assurances that if the U.S. Government breaks the shares stalemate by issuing an interim directive applicable to primary war facilities (Tab A Memorandum of January 27), they, on their part, will regard these reparations as being in substantial fulfillment of what Japan should be required to pay as reparations in the form of capital equipment.

3. Same as No. 2, except that this Government issue the interim directive, even if the assurances with respect to future reparations
claims fall short of those desired, unless the objections to the proposed shares indicate a net loss of good will through the plan.

You may wish to obtain Mr. Royall’s views and through him Mr. Dodge’s, arrived at in light of their examinations on the ground, before reaching your final decision on this matter.

740.00110 Control (Japan)/2-1949

*Memorandum of Conversation, by the Chief of the Division of Northeast Asian Affairs (Bishop)*

**TOP SECRET**

[WASHINGTON,] February 16, 1949.

Participants:  General of the Army Douglas MacArthur
              William J. Sebald, Acting U.S. Political Adviser for Japan
              Max W. Bishop, Chief, Division of Northeast Asian Affairs

Mr. Sebald, the Acting Political Adviser in Tokyo, arranged an appointment for me to see General MacArthur at 12:30 P. M. on Thursday, February 3, 1949. The General greeted me with warmest cordiality as an old friend and after some reminiscing and discussion of general world affairs turned to the situation in the Far East and particularly Japan. He said that conditions in Japan had developed in a completely satisfactory manner much as was to be expected. He indicated that he was satisfied with present conditions and accomplishments. He pointed out that the situation in the Far East at present made it impossible to conclude a peace treaty much as we would have wished to have had one by this time. I gathered that General MacArthur felt that it is impossible or undesirable to attempt to foresee a date when a peace treaty can be concluded.

At the first suitable opportunity I took occasion to point out to General MacArthur that the Department of State had attached great importance to the rapid development of Okinawa as a strong base—Army, Navy and Air—envisaged by the appropriate paragraph of NSC 13/2; that the Department of State had been eager to work out any suitable wording of the pertinent paragraph of that paper which would be realistic and at the same time satisfy the requirements of the Army’s Comptroller; and that the Department of State had shown its willingness to support in every feasible way the military development of our position in Okinawa. I said that I had wanted to make clear to him the attitude which the Department of State had taken toward Okinawa because there had been some indication in the reports of his talk with Mr. Flexer¹ that he (General MacArthur) was under

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¹Fayette J. Flexer, Counselor of Embassy in the Philippines until February 10 when he was transferred to the Department.
the misapprehension that the Department of State had not been in full support of the military development of Okinawa. The General replied immediately and emphatically that on the contrary he understood and appreciated the support which the Department of State had given this matter; that it was the Army and the other Departments of the National Military Establishment which he felt were not sufficiently impressed with the need for the development of Okinawa and were not giving it adequate support. He went on at some length to describe the transfer of naval forces from the Pacific to the Atlantic, the reduction of air forces in his theater and in the general Pacific area, and what he described as the policy of the military to "scuttle the Pacific". He pointed out that most of the military leaders of the United States were confirmed in the belief that the Pacific was only of extremely minor significance and importance to the United States as compared with Europe and the Atlantic. As an example he pointed out that General George Marshall, whom he had known intimately for a great many years, had always held that the Far East and Asia were vastly inferior to Europe in relative importance to the United States. General MacArthur disagreed with these military concepts and felt that Asia and the Pacific areas were being given, as they had been in the past, far too little consideration. I gathered that he has put forward these views and his arguments in support of them to the National Military Establishment. (I learned later that the JCS have under consideration a new policy for disposition of forces in the Pacific and that decision in that connection is to be expected not later than early this spring. A military decision of this sort has far-reaching political implications and I assume that the Department of State will, either directly or through the National Security Council, participate in the final decision.)

While discussing the military situation I asked General MacArthur whether, in the light of the historic and deeply rooted xenophobia of the Chinese, their reluctance to allow foreign interference in their own affairs and the obvious possibility, if not actual probability, that the Russians would not have a free hand in operating within or from China, he would consider vital the loss of Formosa to the Chinese Communists providing no separatist or resistance movement developed and were successful in Formosa and they caved in along with the rest of China. The General's reaction was immediate and vehement. He said that if Formosa went to the Chinese Communists our whole defensive position in the Far East was definitely lost; that it could only result eventually in putting our defensive line back to the west coast of the continental United States. He said that he felt there could be no question but that if Formosa were in the hands of the Chinese Communists it would be available to the USSR as a base at any time the latter desired. He pointed out that Formosa was astride the line
of communications between Okinawa and the Philippines, that it out-
flanked our position on Okinawa and, in the hands of the Chinese
Communists, broke through the island wall which we must have along
the Asiatic "littorals" in order to maintain in a strategic sense a de-
fense line in the western Pacific. Speaking of the strategy in the west-
ern Pacific General MacArthur emphasized that we could be secure
easily with the maintenance of superior naval and air forces based
on the islands lying off Asia. He said that it would be a great mistake
if we were to consider the re-arming of the Japanese as an ally; that
undoubtedly the Japanese could be of great assistance to us in any
future war; that after a war should break out we might even, before
the war were over, have Japanese fighting on our side; but it would
be a grave error as well as an injustice, prior to the outbreak of hostili-
ties to put Japan in any position except that of a militarily neutralized
area. Referring again to the vital importance of Formosa and to the
fatal consequences of its loss, General MacArthur emphasized that as
long as we had superior air and naval forces in that part of the world
we could prevent a launching from Asia of an attack on the United
States, but that without holding solidly this Asiatic fringe of islands,
with Japan as a neutralized area, our defense position would be forced
back to the west coast of the continental United States.

The third question which I had in mind to ask General MacArthur
was where he felt it desirable for Admiral Badger 2 and his forces to
go in the event they were forced to leave the China coast. General
MacArthur said that the present directives for the Far East Command
required that Admiral Badger's forces, in the event of an emergency,
would come under CINCPAC's (General MacArthur's) Command;
that if Admiral Badger were forced to leave the China coast it might
be well to consider that there had been created those emergency con-
ditions and that Admiral Badger's forces should be assigned to Gen-
eral MacArthur. He indicated that he believed that Admiral Badger
would not be averse to such an arrangement; that the ships under
Admiral Badger's Command could operate in and out of Yokosuka
naval base in Japan; that while everyone should be aware of the
political implications involved and such action should not be taken
without due consideration to those political implications, Admiral
Badger might send occasionally forces to operate off the China coast.
In conclusion General MacArthur reiterated his belief that these naval
forces if required to withdraw from the coast of China should come
under his Command and be based in whole or in major part at
Yokosuka.

Almost at the end of the conversation, which lasted nearly two
hours, General MacArthur remarked that he was glad that Mr. Ache-

2 Adm. Oscar C. Badger, Commander, U.S. Naval Forces, Western Pacific.
son had taken over the Department of State; that while he might not have always agreed fully with some of the State Department policies in the past he had felt that the Far East in general and Japan in particular had been given a full hearing when Mr. Acheson was Under Secretary of State; and that he welcomed Mr. Acheson's appointment as Secretary because he felt once again Japan would receive its full measure of attention.

As we were leaving General MacArthur made a passing reference to the question of reparations from Japan and said that in the light of the great quantities of resources which had been taken away and were no longer available to the Japanese future livelihood, resources which he said were far in excess of anything that had been taken from any nation in modern times, it was inequitable and contrary to our best interests to attempt to remove further resources from Japan.

740.00119 FW/2-1849

Memorandum by the Assistant Secretary of State for Occupied Areas (Saltzman) to the United States Representative on the Far Eastern Commission (McCoy)

WASHINGTON,] February 18, 1949.

Subject: Trial of Japanese War Criminals (FEC-314 Series)

In further reference to my memorandum of January 12, 1949 on the above subject, you are now requested to withdraw the U.S. suggestion authorized therein, and formally proposed by the U.S. Representative at the meeting of Committee #5 on the same day, to the effect that the entire paper FEC-314/4 be recast in the form of a policy decision. You are hereby authorized to support the Indian suggestion made at the same meeting, that the first half of the paper only be adopted as a policy decision, the second half to be left on the agenda of Committee #5 for future consideration at the request of any government.

You should continue to oppose the complete withdrawal of the paper.

If a question is raised again as to the nature of the Eighth Army tribunals in Japan, you should reply that, since your Government has withdrawn its support for the inclusion of Part 2 of the paper in the policy decision, you are without final instructions as to your Government's position in the matter.

In reply to the questions raised by the New Zealand member of Committee #5 on January 12, you are authorized to make the following statement:

"As of February 4, 1949 Class A trials have been terminated, there being no other Class A suspects in custody, nor any whose apprehension is contemplated. The release of the former A suspects in December
was unconditional. The IMTFE has not been formally dissolved. The action of SCAP in releasing the A suspects does not of course preclude the theoretical possibility of initiating future trials if further evidence is uncovered."

If the question is raised again as to whether a policy decision terminating B and C trials in Japan would bar requests for the extradition of B and C war criminals, you may state the view of your Government that it would not have such an effect.

You may state, if the occasion arises, that SCAP has practically completed investigation activity in respect to war criminals, and that it is anticipated that all trials in Japan will be terminated by April 30, 1949, except for the apprehension of some of the 18 B suspects still being sought.

CHARLES E. SALTZMAN

740.00119 Control (Japan)/2-1649
Memorandum by the Chief of the Division of Northeast Asian Affairs (Bishop) to the Director of the Office of Far Eastern Affairs (Butterworth)

TOP SECRET

[WASHINGTON,] February 18, 1949.
Subject: Initial Report of Impressions Gathered on my Brief Visit to Japan.

It is my intention to prepare and to forward to you as rapidly as possible more detailed reports and summaries of the conversations which I had and the documents which I collected while in Japan. Because of the importance of timeliness, however, I shall attempt to set forth in this memorandum important impressions which I believe I should present to you immediately. Elaboration of the details and some of the documents supporting these impressions will follow in subsequent memoranda now under preparation.

During my brief stay in Japan I visited only the Tokyo-Yokohama area. I found many evidences of material improvement. There had sprung up during the almost two-year lapse since I was last in Japan more factories, more houses, and there were in evidence more busses, trains and streetcars, and general activities on the part of the people. However, it was still obvious that transportation is woefully inadequate, that housing is a desperate need, and that industrial activity remains a pygmy compared to pre-war days. Although several Americans told me that the Japanese people were happy, the impression I gained from seeing their faces on the street was one of rather quiet seriousness, if not sadness. Perhaps because of the contrast of coming from the United States the Japanese seemed to be more shabby in dress than they were two years ago. I was assured by some American ob-
servers that actually the Japanese were noticeably better off than they had been.

I was gratified to find only a feeling, as best I can describe it, of tiredness of the occupation, rather than of bitterness. Nevertheless I could not avoid the impression that the Japanese psychologically were like a steel spring being wound tighter and tighter to recoil the more violently when released. Whereas at the beginning of the occupation the Americans came in, not without welcome, as conquering heroes, they now approach being regarded as perhaps benevolent oppressors with the benevolence wearing rather thin.

It is necessary that I should emphasize, before proceeding further, that while this memorandum will decidedly be critical of the situation in Japan I would not want anyone to gain the impression that I in any sense discount or minimize the astounding accomplishments of the occupation and of the Japanese under the occupation. Such criticism as I make, it is hoped, will be constructive and designed to preserve and protect those accomplishments and in no way to detract from them. Perhaps one of the greatest benefits from the occupation has been the development in the United States of large numbers of Americans who are familiar with and sympathetic to the problems of Japan accompanied by the development in Japan of large numbers of Japanese who have come to know and favorably regard ordinary Americans.

Practically all important Japanese of broad educational background with whom I talked voluntarily expressed what I considered to be genuine gratefulness for the economic assistance which the United States has given Japan and for the real attempt at benevolence on the part of the occupation. Nevertheless there was a strong undercurrent even among these thinking Japanese of irritation at occupation interference in the minutiae of daily life. All Japanese showed a great eagerness to shake loose the tentacles of both American and Japanese bureaucracy and to “get things going again”.

I gathered from both Japanese and Americans with whom I talked that the recent election was a protest vote—protest against the occupation. Mr. Yoshida has become a symbol of Japan’s ability to stand up to the occupation. The Communists openly and violently denounce “American imperialists” and the “imperialistic occupation”. Almost everyone seemed to sense that the present moment is the crisis. Except for SCAP officials, the Americans as well as the Japanese with whom I talked, all on their own initiative, expressed the greatest apprehension over the development of Communist power and influence in Japan. Japan will now either develop a desire for revenge or a sense of independence and willingness to cooperate with the United States. Its economy will either become stabilized, more productive and finally self-sufficient, or collapse into inflation, chaos and revolution. There
was an unmistakable feeling that the next few months will be of greatest importance in developing and directing future trends.

In the light of these circumstances I came away with the distinct impression that it is necessary, as you yourself have so aptly put it, for us rapidly to change the character of the occupation in order that we may be always at least one or two jumps ahead of developing Japanese psychology. If we wait until changes in the character of the occupation are forced upon us by world developments or by the actions of the Japanese themselves we shall once again be placed in that uncomfortable position of yielding from weakness and not from strength. We shall become ineffective in defensive maneuvers when we should be effective in leadership.

In the light of the foregoing impressions you will have no difficulty in imagining my amazement when I discovered a deep-rooted sense of complacency and of permanency on the part of American officials of the occupation. As one American newspaper observer who has been in Japan almost from the day of surrender said to me: “These occupation people have got a Philippine complex. They expect to be here for 40 years.” Another American put it that, whereas everyone in the occupation used to be filled with a sense of urgency and impermanency in his position, “five-year plans” are now being devised. I gathered that the lower echelons and working levels, particularly, in the SCAP organization felt almost a smug isolation from the troubled events of the outside world. It became apparent to me that it will require the strongest and most determined action possible on the part of highest officials in Washington to break up the entrenched bureaucracy both in Tokyo and in Washington which has a vested interest in the continuation of the present activities of the occupation. One of the Army members of our party, for example, told me that there are over 70 officials in the Economic, and Scientific Section of SCAP alone who are in the $9,000–$10,000 Civil Service grade. Another American representative of a large oil company in Japan told me that in the last week or so he had over 20 applications from SCAP officials to obtain permanent positions in Japan. He said none of these officials want to leave Japan and return to the United States. A clear indication of the liaison between the entrenched bureaucracy in Washington and in Tokyo was given me by General Marquat (Chief, Economic and Scientific Section of SCAP, and an old friend of mine) in reply to my jocular suggestion at dinner that he should “call off his dogs” and give the Japanese a chance to run their own business under the new principles which he had laid down. He replied that even the Department of State was as eager as ever that SCAP retain close control over all activities in Japan. He added the State Department is still 100 per cent behind FEC–230. When I expressed complete consternation and repeatedly pressed him for evidence of State Department support of
FEC-230 he finally said that he had not seen it in any official dispatches but that he had read it in letters from State Department officials to people on his own staff.

I had only a few conversations with the “bums”, as they are called by occupation personnel, or, as we know them, American businessmen, but I believe it is important to record immediately a remark which Mr. Dennis McEvoy, President of the American Chamber of Commerce in Tokyo, made to me. In the course of a rather long conversation he said: “Contrary to the British, Indians, French and other businessmen here in Japan, we Americans have no Mission to which we can appeal to have our cause placed before SCAP.” He pointed out that there was no American official organization there which could effectively present, from a biased point of view if you will, American desiderata. On the other hand the British case was being most effectively pleaded by the British Ambassador and his staff.

I gathered from conversations with General MacArthur and with General Whitehead (Commanding General of the Far Eastern Air Forces) that the United States does not require military occupation of Japan for its military security in the Far East, providing Japan is neutralized by stationing sufficient air and naval forces, particularly air, in adjacent areas.

In summary I believe that we are now definitely at a crossroads in the occupation of Japan; that it will require immediate, determined and forceful action by the highest authorities in Washington to bring about a change in the character of the occupation; that we must immediately realize the full implementation of NSC 13/2; that we must regard NSC 13/2 solely as an interim policy to enable us to push on to, and to accomplish within the next 12 to 18 months, the sort of relationship with Japan which will flow from a peace treaty, bilateral or multilateral, preferably the latter; that if we are unable to bring about immediate and obvious beginnings of a change in the character of the occupation, the Department of State would be well advised to bring this impasse to the attention of the President.

M[ax] W. B[ishop]

740.00119 Control (Japan)/2-1649

Memorandum by the Chief of the Division of Northeast Asian Affairs
(Bishop) to the Director of the Office of Far Eastern Affairs
(Butterworth)

TOP SECRET

[WASHINGTON,] February 18, 1949.

I am attaching a letter and a memorandum from Dr. Edwin Reischauer following his recent visit to Japan as a member of the

1Dr. Edwin O. Reischauer, Associate Professor of Far Eastern Languages, Harvard University; letter and memorandum of February 4, not printed.
Cultural and Social Science Mission. So penetrating and pertinent are Mr. Reischauer’s observations on the current Japanese scene that they are summarized below with the thought that you may wish to bring them to the Secretary’s attention.

Summary

Whereas several years ago the Japanese looked upon the occupation as a unified, all-powerful force, centering around an infallible leader, they have come to see it today as a conglomeration of persons having conflicting views and widely varying abilities. In fact, they have become overly cynical about intra-headquarters differences and overly prone to attempt to pit one American official against another. Even General MacArthur has lost his aura of sanctity.

The Japanese have not forgotten who won the war and they continue to be grateful for America’s generosity during the Occupation. This reservoir of goodwill is, however, being increasingly undermined by countless petty irritations inevitable in any occupation, notably, the contrast between lush Occupation and poverty-stricken Japanese living standards, as well as the usual number of atrocity stories involving occupation troops. This irritation with the occupation was significantly demonstrated by the returns of the recent election which resulted in a resounding defeat of those parties which were tainted with “collaboration” with General Headquarters.

The reasons for rapidly growing Communist sympathy in Japan are: (a) Communism’s clear-cut opposition to the Occupation, (b) the fact that any simple positive creed has special appeal for a people intellectually at sea, (c) our own mistaken information policy which has managed to preserve the “forbidden fruits” charm of Communism. These attitudes are warnings that we have failed to carry out a program of positive education on the fundamentals of modern democracy or to keep the Japanese in touch with intellectual and political currents of the outside world. They have been given no basic understanding of democratic philosophy, but merely a series of half-understood techniques associated with the democratic system in the U.S. The Japanese are “crying for information, but we have so reduced the flow that they have been forced to drink from the stream of Communist propaganda to attempt to quench their thirst”. Many Japanese intellectuals have swung over to Communism in the last few months.

To some extent the growing Japanese dissatisfaction with the occupation is a sign of the success of our first lesson in democracy, for an attitude of criticism is an inherent feature of any democracy, but it is essential that this developing critical attitude not be converted into outright hostility toward the occupation and its objectives.

Taking all these various factors into consideration, there seems to be indicated a cautious, gradual transformation of Japan to independent statehood, with the U.S. retaining certain military safeguards and perhaps advisory functions in the many fields where reforms are incomplete and with some sort of international control over Japan of a negative nature. The transition of Japan to an independent, democratic state will probably be easier and safer to make today than five or ten years later.
The Secretary of State to Certain Diplomatic Offices

WASHINGTON, February 19, 1949—2 a.m.

Reference recent sensational press reports from Tokyo alleging possible US withdrawal from Japan and statements by Secstate and Actg Sec Army denying any such policy change. If you consider desirable, pls inform orally appropriate officials of govt to which you are accredited of your Govt's views along fol lines:

"The US on behalf of the Allies accepted immediately following Japan's capitulation primary responsibility for the military occupation of Japan. The US continues to have important interest in a sound progressive transformation from conditions of war to conditions of peace and order in the Pacific. The US has no intention of relinquishing these military responsibilities or of shirking them in any degree. Neither has it any intention of abdicating the responsibility and leadership which it accepted from the outset for the relief and reform of Japan.

The inability of the Japanese economy to provide even a subsistence level of life for its people occasions yet another demand upon the resources of the US. It is of first importance in understanding US interest in Japanese recovery to bear in mind that unless the Japanese people are enabled to earn a decent livelihood, there can be no solid ground upon which a respectable and peace-loving Japanese society can develop and endure.

It must be remembered, however, that US resources are not unlimited and that in meeting the ever increasing demands on US resources from all over the world those demands must be evaluated in terms of their urgency and of their possible effective contribution to world stability and recovery. A basic factor in that evaluation is, of course, the degree to which the recipients, including the Japanese, exert every effort on their own behalf to regain a self-supporting status at the earliest possible moment and also to aid general world recovery and cooperation.

The US, expecting full measure of Jap self-reliance, has no intention while discharging its obligations under the occupation of allowing Japan to become victim to that type of insidious, concealed aggression and infiltration which thrives upon economic chaos. To abandon Japan in such a manner would be to undo our costly victory in the Pacific.

In the evolution of conditions from war to peace, it is to be expected that Japan will henceforth progress only if given every opportunity to obtain as many as possible of the attributes of a normal government and society with ever increasing responsibility for and initiative in the direct management of its own affairs, both domestic and foreign.

In brief, the US will maintain its leadership in the recovery and reform of Japan and in Japan's development into a self-reliant, responsible and peace-loving state. At the same time, the US will stand firm in the discharge of its military responsibilities."

ACHEBSON

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1 At Bangkok, Canberra, Karachi, London, Manila, Nanking, New Delhi, Ottawa, Paris, The Hague, and Wellington and repeated in telegram 63, February 21, 7 p.m., to Tokyo.
Memorandum by the Assistant Secretary of State for Occupied Areas (Saltzman) to the United States Representative on the Far Eastern Commission (McCoy)

CONFIDENTIAL

[WASHINGTON,] February 23, 1949.

Subject: Trial of Japanese War Criminals (314 Series)¹

This Government prefers that the first half only of FEC 314/7 be adopted as a policy decision. You should therefore support or introduce such a suggestion should opposition develop in respect to the present paper adopted by Committee 5, with the further suggestion that the second half be dropped completely or if this is impossible that it be placed on the agenda of Committee 5 for consideration at the request of any member.

However, if the majority of the members favor adopting the paper as a whole, as recommended by Committee 5, with the dates inserted by that Committee, you should vote in favor of so doing.

If the questions submitted by the Chinese Member of Committee 5 on February 18 are referred to or presented again at the Commission level,² you should state that your Government confirms the statements made by the U.S. Member of Committee 5 in reply thereto.

For your confidential information, it is desirable to avoid any discussion of the legal status of Eighth Army tribunals in Japan since this question may be at issue in future appeals from such courts to the Federal courts of this country and it is not wished to take any position at present before the FEC which will prejudice the position which the Departments of Justice, Army and State may agree upon later as that of the Government in arguments before the courts. For the same reason, it would be undesirable to have the other members of the FEC take a position in regard to the relation of these courts to the FEC. It was for this reason that your Government withdrew in its memorandum of February 18, 1949 the earlier suggestion made in the memorandum of January 12, 1949, that the FEC adopt a policy decision specifically applicable only to B and C trials in Japan.

CHARLES E. SALTZMAN

¹ See memorandum of February 18, p. 658.
² See telegram 73, March 2, 7 p. m., p. 678.
The Secretary of State to the Acting Political Adviser in Japan
(Sebald)

CONFIDENTIAL

WASHINGTON, February 24, 1949—7 p.m.

66. Steering Comite mtg on Feb 16 1949 cancelled. Fol summary
FEC mtg Feb 18, 1949:

Economic Stabilization in Japan (FEC-329/3).

US reply ¹ Soviet statement Feb 3 1949 transmitted to SCAP by
Dept Army Feb 17 1949. USSR member made lengthy statement in
which he reiterated charge US directive Dec 10 1948 changed regime
of control in Japan and that its issuance in evasion of FEC constituted
violation terms reference FEC. He referred to US refusal accept Soviet
proposals that no limitation be imposed on development peaceful
Japanese industry on grounds it served no useful purpose since Soviet
proposals in substance rptd FEC policy decisions. He alleged that US
attempt unilaterally and in evasion of FEC to force upon Japan its
own econ program was inconsistent with earlier position and in con-
tradiction FEC policy decisions. He stated such actions could be
explained by intention of US to subject Jap economy to interests Amer
monopolistic groups.

He further alleged that contrary stated US intent create econ
environment "in which democratization can take place" creation of
Governmental Comite on Revision of Labor Laws which is preparing
for forthcoming session Diet bills for revision of Labor Union Law
and Labor Relations Adjustment Law aimed at introducing compul-
sory arbitration for "peaceful" settlement labor disputes and carry-
ing out other measures, was clearly directed toward limitation
democratic rights of Jap working people. He added that Labor Dept
and Econ Stabilization Board were preparing establish strict control
over wages workers and employees and maximum wage level which
would clearly lead to further deterioration already very low standard
living of Jap working people. He also pointed out that it was reported
in Jap press that "rationalisation" Jap enterprises by US occupation
authorities and Jap Govt would be accompanied by mass discharges
of workers and would lead to great increase in unemployment. It was
also his view US is pursuing in Japan policy of its own, directed
towards preservation and strengthening large Jap concerns which
played great part in aggression carried out by Jap militarists, in sup-
port of which he cited measures to revise anti-trust law and refusal
US to discuss FEC-230.

He further noted that attempts Jap Govt stimulate development
export industry by means Govt subsidies had met with opposition on

¹ Quoted in memorandum of February 3, p. 642.
part US occupation authorities and cited this as evidence intention US to close outlet Jap goods to export market in order create privileged conditions for Amer monopolies and that as result Japan’s foreign trade indebtedness by June 1948 amounted to huge sum Seven Hundred Ninety Million dollars. SCAP’s circular Jan 14, 1949 is also cited as attempt US encroach on econ independence Japan. Soviet member concluded by (1) asking Comm to discuss problems set forth in directive, (2) pressing US provide FEC with comprehensive info concerning fulfillment by Gen MacArthur of policies FEC on econ questions—particularly regarding reduction Jap industrial war potential, (3) supporting proposals other members in respect necessity accelerating adoption by Comm of decisions on level of econ life.

Text of statement almost immed released to press.

*Level of Economic Life in Japan* (*FEC-242/32 and FEC 297/10*).

USSR member urged US present position in near future Policy Towards Patents, Utility Models and Designs (*FEC 284/14*).

Vote on Chi amendment postponed as USSR did not have instrs.

*Other Business.*

UK member called to attn Comm that problem review Jap constitution still before Comite III and that it was still duty Comm to see if constitution fulfilled terms Potsdam Declaration and FEC policy decisions. He suggested that attempt be made to point out defects but not to prescribe detailed remedies. He therefore proposed Comite III be reconvened and that summary its discussions be sent to SCAP for comment. Austral member associated himself with these views. He added that Japanese should be encouraged take interest in their constitution and that views Comite might afford possible guidance for them. It was agreed Comite III would meet early fol week.

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*Acheson*

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894.655/1-2249: Airgram

**The Secretary of State to the Acting Political Adviser in Japan (Sebald)**

**CONFIDENTIAL**

WASHINGTON, February 24, 1949.


(1) British Minister and aides meeting with Department representatives requested U.S. approval of joint U.K.—U.S. textile mission January 24, and indicated interest in reaching understanding with Japanese industry representatives and SCAP concerning long-range role of Japanese textiles in world trade. It was suggested that unless such understanding could be reached, discrimination against Japa-

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¹Not printed.
nese textiles might become necessary, and further, that without such understanding British industry hesitates to go forward with their own rehabilitation plans.

In reply, it was stated that the request for a joint U.S.–U.K. textile industry mission would be discussed with the Department of the Army and with SCAP before determining the attitude of this government. It was also stated that Japan is expected to compete in the world markets in accordance with the rules of trade followed by other nations and in accordance with the principles of the ITO Charter when adopted, and that further it was not anticipated an industry such as textiles would be restricted as to its role in international trade either through the treaty of peace or government understanding.

(2) Dr. Claudius Murchison of the Cotton Textile Institute requested a conference with government officials on behalf of five cotton textile associations. A meeting was arranged for February 3 with representatives of State, Commerce and Army. Representatives of the textile associations expressed concern over the softening of the export market in textiles and attributed price decline to the selling and pricing policies followed in disposing of Japanese textiles. They expressed sympathetic interest in the proposal of Sir Raymond Streat for a U.S.–U.K. textile mission to Japan but indicated that final decision of the industry’s views was being withheld pending discussion of possible representation by the United States Government concerning discrimination against American textiles in the sterling area. However, the U.S. textile industry representatives did not mention an agreement as to the future role of Japanese textiles in world trade as an objective of the mission. They stressed the importance of the general review with SCAP and with Japanese textile representatives of world textile trade prospects taking a long-run view. Furthermore, they showed no interest in an early departure of such a mission.

It was suggested to them that if the industry representatives decided to join with the U.K. in requesting that a mission be sent, a letter should be written to the Department setting forth the purposes of the mission and the results which they contemplated. In answer to a direct question from the industry group it was stated that the cotton textile industry of Japan has never been regarded as subject to control for security reasons and that no limitation to the rehabilitation of the industry in a peace treaty or otherwise had received consideration. The U.S. interest in encouraging the development of a well rounded and self-supporting Japanese economy in order to relieve the burden of American taxpayers was explained. That the U.S. Government

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*Signed at Havana, March 24, 1948; for text, see United Nations Conference on Trade and Employment, Final act and related documents (Havana, March 1948); UN document ICIT/1/1. For documentation on the conference, see Foreign Relations, 1948, vol. 1, Part 2, pp. 802 ff.*
would insist that Japan avoid resort to unfair trade practices such as may have characterized some of its deals in the 1930s was also emphasized. With respect to the question of lack of available dollar exchange in the sterling area for the purchase of U.S. textiles, it was suggested the Department be furnished with the facts of the situation including specific instances of limitations on U.S. textile exports whereupon the Department would consider taking the matter up with the U.K. Government.

(3) On the afternoon of February 3, Sir Raymond Streat discussed the question of a textile mission with Department representatives. Sir Raymond followed the same approach as Dr. Murchison, stressing the desirability of a thorough review with SCAP and the Japanese textile industry representatives of the world cotton situation including the prospects for Japanese textiles in world trade. He made no mention of reaching an understanding concerning Japan’s role in textile export trade. He considered it most important from the point of view of avoiding a further softening in the textile export trade and of giving reasonable encouragement to the rehabilitation of the British textile industry that the U.S. and the U.K. give the appearance of having the situation under control by sending a joint mission to Japan. Sir Raymond was anxious to have an early announcement made that a mission had been approved but he thought that September of this year would be an appropriate time for the mission’s departure.

In reply, it was stated that U.S. textile industry representatives had not yet requested approval of the proposed mission but as soon as such a request was made the Department would consider the matter in consultation with other departments of the Government and SCAP and would inform the British Embassy of this Government’s position.

(4) The Department recognizes that the U.K. will continue to relate its interest in Japanese textile production to the question of granting M-F-N treatment to Japan and that taking an hostile attitude toward the proposed mission would militate against success in this regard at the next GATT conference. The Department is concerned however that before a mission is undertaken its terms of reference be agreed to by both governments.

In Department’s view, textile surplus alone cannot be made subject of intergovernmental commodity control agreement under Chapter VI of Charter. Inclusion of textiles in a commodity control agreement would only be possible in an agreement directed to a burdensome surplus in cotton, and then only in the contingency that inclusion of textiles significantly helped to alleviate the cotton problem.

It is believed that such a mission should operate strictly within an information giving, fact-finding framework. The mission should not be given authority to attempt arrangements which would be inconsist-
ent with the Charter, e.g. arrangements for the fixing of prices, alloca-
tion of markets or limitation of production.

(5) It is suggested that the substance of the Department's position
may appropriately be brought to SCAP's attention. The airgram
under reference was very timely and helpful to the Department.

ACHESON

740.00119—Control (Japan)/3-149

Memorandum by Mr. Paul H. Nitze, Deputy to the Assistant Secretary
of State for Economic Affairs (Thorp), to the Director of the Office
of Far Eastern Affairs (Butterworth)

[WASHINGTON,] March 1, 1949.

I suggest that you read the attached memorandum¹ on "The Hutchin-
son Reports on the Japanese Deconcentration Program" which
appears to me to make a great deal of sense.

[Annex—Extract]

RECOMMENDATIONS

This Department recommends that:

(1) The DRB should be instructed to broaden the principles which
it has adopted for the identification of excessive concentrations, in
order to insure that:

(a) groups of companies related by horizontal ties are separated,
wherever the economic power of the group is such as to constitute a
threat to the development of competitive enterprise; and

(b) when a single company consisting of a number of technologi-
cally unrelated lines constitutes a threat to the development of com-
petitive enterprise because of the cumulative economic power of these
lines, such company is designated as an excessive concentration.

(2) After such changes are made in the principles of implementa-
tion as are necessitated by (1) above, the DRB should assist the HCLC
and the FTC to assimilate and carry out the program satisfactorily.
It should then promptly withdraw from any further interference in
the decisions of these Japanese agencies, in accordance with the re-
quirements of NSC 13/2.

(3) Any revisions in Public Law 54 should be carefully drafted in
the light of the need, not only for the prevention of restraints on com-
petition in any one field of industry, but also for the prevention of
the regrowth of the Zaibatsu form of control.

¹ Only final portion printed, below; see memorandum of January 25, p. 623.
TOP SECRET  

WASHINGTON, 1 March 1949.

In accordance with the request contained in your memorandum dated 21 October 1948, the Joint Chiefs of Staff have considered the memorandum from the Secretary of the Army to you dated 18 May 1948, and the attached study, both on the subject of “Limited Military Armament for Japan”.*

The major conclusions of the subject study bearing on the problem presented to the Joint Chiefs of Staff are summarized for ready reference as follows:

a. Solely from the military viewpoint, the establishment of Japanese armed forces is desirable as such forces would share the burden of the defense of Japan and thus effect economies in utilization of our own limited manpower;
b. However, the establishment of even limited Japanese armed forces, other than augmentation of the civilian police and the creation of a coastal police, is not practicable and advisable at this time because such action would require amendment by the Japanese of their new constitution and our abrogation of the Potsdam Declaration. In addition, it would adversely affect Japanese economic recovery;
c. Early increase of the Japanese civilian and coastal police should be effected for local security purposes and to provide a vehicle for the possible organization of Japanese armed forces at a later date;
d. Plans should be prepared now for the eventual establishment of limited Japanese armed forces for the purpose of maintaining internal security and for local defense against external aggression; and
e. The question should be explored of obtaining an amendment to the Japanese Constitution with a view to permitting eventual Japanese military armaments for defense.

The comments of the Secretary of the Army on the above conclusions are as follows:

“While it appears desirable that the Japanese police establishment be strengthened now by re-enforcing and re-equipping the present National Rural Police and Maritime Safety Board (Coastal Patrol), it is doubtful that it will be advisable for a long time to come to permit the establishment of limited Japanese armed forces. However, there may be a present need for planning for utilization of Japanese manpower to assist reduced United States forces in the defense of Japan in the event of war in the near future.”

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1 Copy transmitted by the Secretary of Defense with his memorandum dated March 11 to the Executive Secretary of the National Security Council and the same day as NSC 44 by the Acting Executive Secretary, James S. Lay, Jr., to the National Security Council for examination with a view to preparing possible amendments to NSC 18/2 for Council consideration.

* Circulated by separate memo for NSC from Acting Executive Secretary, same subject, dated March 11, 1949. [Footnote in the source text; none printed.]
General MacArthur's comments on "Military Rearmament of Japan" were obtained and are attached (Enclosure and Appendix). In brief, it is his opinion that it would be both undesirable and premature to initiate any measures which would be recognized as a step toward the creation of Japanese military forces since such measures "would destroy the character and purpose of the occupation." However, General MacArthur concurs in the above-quoted comments of the Secretary of the Army.

The Joint Chiefs of Staff appreciate General MacArthur's position with reference to even limited military armament for Japan since any rearrangement is inconsistent with both the Terms of Surrender and the Potsdam Declaration which he, as Supreme Commander for the Allied Powers, is required to enforce. However, in view of the unsatisfactory world situation and the likelihood of its worsening, the Joint Chiefs of Staff feel that anticipatory measures should be undertaken at an early date in order that some of the military potential of Japan may be used in the defense of that country should the situation demand it. This view is in consonance with the comment by the Joint Chiefs of Staff on NSC 13/1 "that it may well become extremely important to our national security for Japan to be capable of providing some degree of military assistance to the United States, at least to the extent of Japan's own self-defense."

NSC 13/2, which was approved by the President as of 9 October 1948, accepts the principle of strengthening and reequipping the Japanese police establishment, including the Coastal Patrol. The report indicates, however, that United States policy on post-treaty arrangements for Japanese military security should not be formulated until peace treaty negotiations are upon us and that it should be determined at that time in the light of the prevailing international situation and the degree of internal stability achieved in Japan.

The Joint Chiefs of Staff feel that it would be unwise, in the light of the evident trend toward world unrest, to postpone consideration of the problem of Japanese military security until such time as peace treaty negotiations may be undertaken, since serious emergency conditions may well arise in the interim. They believe, therefore, that the terms of NSC 13/2 should now be reviewed in order that provision may be made for Japanese armed forces to be available to assist in home defense in an emergency. If this is to be done, planning and preliminary steps should be initiated at an early date. These steps should include the strengthening and arming of the police and Coastal Patrol in the manner indicated in paragraphs 5 and 6 of the study by the Department of the Army with a view to the use of these forces as

†Circulated by separate memo for NSC from Acting Executive Secretary, same subject, dated March 11, 1949. [Footnote in the source text; enclosure not printed.]
a nucleus for light defensive Japanese units intended to maintain internal security and to be employed for local defensive action against external attack. Provision of weapons, equipment, and ammunition for this purpose should be considered an M-Day requirement for logistic planning purposes.

The Joint Chiefs of Staff believe that it would not be practical nor desirable at this time to form a nucleus for an air arm. It might be possible at a later date, however, to arrange for some air transport facilities in order to improve the mobility of Japanese light defensive forces.

All of these measures would have to be carried out with great caution in the light of announced allied policies. The ultimate objective of eventually creating limited Japanese armed forces should be held in highest secrecy unless or until general implementation measures are warranted by the international situation.

In the light of the above considerations, the Joint Chiefs of Staff are of the opinion that it would be in the interests of our national security that:

a. Plans be made now for the eventual establishment of limited Japanese armed forces to maintain internal security and to assist in local defensive action in event of an emergency;

b. Provision of appropriate arms and equipment for limited Japanese armed forces be considered an M-Day requirement for logistic planning purposes; and

c. The strengthening and equipping of Japanese police and coastal patrols be undertaken with the secret ultimate objective in mind of the use of these forces as a basis for the establishment of limited Japanese military forces for the defense of Japan.

The Joint Chiefs of Staff recommend that, if you concur, a copy of the subject study and of the comments of General MacArthur, together with the substance of this memorandum, be presented to the National Security Council for consideration with a view to amending NSC 13/2.

For the Joint Chiefs of Staff:

Omar N. Bradley

Chief of Staff, U.S. Army
TOP SECRET

[WASHINGTON,] March 2, 1949.

STATE DEPARTMENT ASSUMPTION OF CONTROL OF NON-GARRISON ASPECTS OF MILITARY OCCUPATION OF JAPAN: FULL IMPLEMENTATION OF NSC 12/2

Except for the period immediately following cessation of hostilities, the appropriateness of civilian control of non-garrison aspects of military occupation of foreign countries is usually admitted. There is therefore no need to argue this. The questions that arise are practical ones.

Is the State Department Qualified To Assume the Responsibility and Would the State Department Thereby Have Placed Upon It an Enormous Administrative and Operational Burden?

Since hostilities with Germany and Japan ended, consideration has been given from time to time to the State Department’s taking over control of non-garrison aspects of military occupation. Such consideration has usually revolved around Germany. Little attention has been given to Japan. Now there is a fundamental difference between the situations in Germany and in Japan. It is believed that this distinction has not been sufficiently emphasized. The distinction is that in Japan we have a constitutional government established pursuant to the Potsdam decisions and the Terms of Surrender and functioning effectively throughout the whole country. That is an objective in government toward which we are working in Germany. If we had it, the problem of control there and the direction of that control by a suitable United States civilian authority would be infinitely simpler.

The Japan problem should therefore be approached with this consideration in mind: There is in Japan a government established under policies and procedures laid down under the occupation. That government has been functioning successfully throughout Japan. As to its capability of exercising virtually complete administrative responsibility in Japan, two years ago General MacArthur said that the time was ripe for a peace treaty and a year and a half ago the State Department proposed a conference to draw up a peace treaty. International developments, principally Soviet Russia’s aggressive policy of expansion, caused indefinite postponement of peace treaty negotiations.

1 Submitted with covering memorandum of March 4 to the Director of the Office (Butterworth) as a “first draft of a memorandum on a subject which Max Bishop and I have been giving special thought to for some time. Max has not yet seen this draft and I am sending him a copy”. Mr. Hamilton had the rank of a career Minister.
With an effective and fully responsible Japanese Government, experienced in administration, there is no need in Japan for a large civil affairs occupation staff. Only a skeleton staff, numbering from 10 to 20 high grade experts, with subsidiary assistants numbering not more than several scores, would be required.

What is envisaged is the kind of situation we would have if a peace treaty had been concluded and put into effect, with an added provision that United States forces remain in Japan, SCAP would remain as the supreme authority. He would, however, exercise his authority only through supervisory control and through intervention, when necessary. Under this general authority, the Japanese Government would assume and exercise full responsibility for administering Japan.

Under this concept the transfer to the State Department of the control of non-garrison aspects of military occupation of Japan would entail little administrative or operational burdens.

The principal reform measures introduced into Japan under the occupation have been largely completed. It is not expected that there will be further reform measures. General supervisory observation of Japan’s continuing to carry out the reform measures is all that is needed. This can be done by a very small staff of high grade experts, perhaps one in each major field with small supporting staffs.

The other aspect of occupation policy, control of which would be transferred to the State Department, is the program of Japanese economic recovery. If the concept of placing full responsibility on the Japanese Government is applied here, only a very few United States experts would be needed in Japan for supervisory observation.

The procedure of creating special *ad hoc* missions, small in size and recruited from United States Government Departments and qualified civilians, which would go to Japan to perform specific tasks on a temporary basis would meet new needs as they may arise.

The Far Eastern geographical office in the Department of State would be adequate, with perhaps a very small increase in personnel, to take over responsibility in Washington for nongarrison aspects of military occupation in Japan.

*Would Broad, Overall Occupation Objectives be Served by Transfer to Civilian Authority?*

NSC 13/2, approved by the President October 9, 1948, states the broad, overall occupation objectives of the United States for Japan. The underlying concept of this document is that more responsibility should be placed upon the Japanese Government, that occupation pressures upon the Japanese Government and people should be relaxed, that the Japanese Government and people should be permitted to assimilate the reform measures already introduced; and that emphasis should be placed upon economic recovery to the end that Japan
become self-sustaining. This document was initially drawn up a year ago. In important respects, events in Japan have caught up with its provisions. The irritations and counter impulses attendant upon military occupation have steadily developed.

The placing upon the Japanese Government of full responsibility for administration in Japan, subject only to overall supervisory control by occupation authorities, the removal of the large civil affairs occupation staff in Japan and its replacement by a small corps of United States experts are fully in line with the concept of NSC 13/2. As to attainment by Japan of economic self-sufficiency, this will result only if the Japanese Government and people themselves assume full responsibility.

In line with civilian United States authority becoming prominent in the military occupation of Japan, it would be helpful if the psychological impact of the occupation upon the Japanese people could be improved by the return to Japanese use of as many as practicable of office buildings in Tokyo and other industrial centers. This could be accomplished by transferring the headquarters of CINCFE to some point outside Japan and by transferring military occupation personnel to the points where their garrisons are situated.

The transfer to the State Department of control of non-garrison aspects of military occupation of Japan would thus be fully in line with broad, overall occupation objectives. In fact the time has come when we jeopardize fulfillment of those objectives by not proceeding along the lines indicated in this memorandum. A Japanese desire to learn democratic ways and to be friendly disposed toward the United States, and avoidance of development of a Japanese desire for revenge can be brought about only by Japan's being afforded opportunity to move definitely toward independence and self-respect as a nation.

As will be apparent the issues discussed in this memorandum concern political timeliness, political psychology. They do not affect military security in Japan or other military factors which would remain unchanged.

An outline of a specific program follows:

1. Effective July 1, 1949 control of all non-garrison aspects of the military occupation of Japan would be transferred to the State Department.

2. Instructions to SCAP on all non-garrison aspects of military occupation would be issued by the State Department. SCAP would make reports to the Secretary of State regarding the carrying out of such instructions and regarding all non-garrison aspects of military occupation.

3. The civil affairs functions of SCAP would be discontinued. The staff engaged in such functions would be withdrawn. The staff would be replaced by a small corps of from 10 to 20 outstanding United
States experts in various economic, financial and other fields. Such experts would be members of SCAP’s staff and would be headed by the United States Ambassador who would have general administrative supervision (whether these experts should be paid by the Department of State or the Department of the Army is not of great importance. The amount involved would not be large.). SCAP would ordinarily turn instructions received from the State Department over to the United States Ambassador and the corps of United States experts for implementation.

4. State Department representation in Japan would be strengthened by the President appointing a United States Ambassador. The Ambassador would have a dual capacity. In one capacity, he would be attached to SCAP as the senior adviser. In his second capacity, he would have a public affairs function and constitute the symbol of United States civilian authority and representation in Japan. He would be regarded as such by the Japanese Government and people, by American civilians in Japan and by foreign government officials. He would have the responsibility of reporting directly to the Secretary of State on all political and economic matters in Japan and on all matters affecting American interests in general.

5. Special ad hoc missions, consisting of a few experts recruited from appropriate United States Government Departments and from civilian life, would be sent to Japan as occasion might arise to implement specific projects or to investigate particular situations. For instance, United States experts could be sent to Japan to inspect Japanese expenditures of GARIOA and similar funds along the lines of the procedure governing expenditures by foreign governments of ECA funds.

6. Special Japanese missions could be sent to the United States to substantiate requests for GARIOA and rehabilitation appropriations, and for any other appropriate purpose.

7. All garrison and security aspects of the occupation, such as ensuring that Japan remained demilitarized, would continue to be exercised by SCAP pursuant to instructions by the Defense Department.

8. The United States Embassy would be returned to United States civilian use. This is important as a symbol and psychologically. The Japanese would regard it as an important sign that civilian United States authority had become more important in the occupation, that a return to more normal international conditions had occurred, that the disabilities of military occupation were lessening. The United States Ambassador would be placed in a position analogous to that of the British Ambassador who occupies the British Embassy, of the Soviet Ambassador who occupies the Soviet Embassy and so forth.

It would probably not be desirable to take this step as long as General MacArthur remains in Japan as SCAP. It should be realized,
however, that United States civilian representation in Japan will operate under a handicap until this is put into effect. Pending that time, the United States Ambassador should be provided with an appropriate, separate, official establishment, residence and chancery, and these should be known as the United States Embassy.

9. The use by United States Army occupation personnel of office and other buildings in Tokyo and other metropolitan centers should be reduced drastically. As far as practicable garrison personnel should be located at the appropriate garrison point.

10. The officer holding the position of CINCFE should not be stationed in Tokyo. This would permit moving the headquarters apparatus functioning in Tokyo to some other point where its impact on Japanese life would not be so great. Buildings used in Tokyo could be vacated and returned to Japanese use.

11. The Department of State should send a small group to Tokyo to study at first hand details connected with implementing the foregoing program of taking over by the State Department of control of non-garrison aspects of the occupation and to make recommendations concerning the types of experts who would be needed in Japan after July 1.

12. If the foregoing program should be adopted, it is recommended that the President order General MacArthur to Washington for consultation, at which time the President would inform General MacArthur of the new program. If General MacArthur were agreeable, he could continue as SCAP. He could remain in residence at Tokyo, or he might take up residence at some point such as Honolulu, paying periodic visits to Japan and turning over immediate charge there to his deputy, a high-ranking military officer. Should General MacArthur prefer to resign, it is suggested that consideration be given to appointing as his successor Major General Maxwell Taylor, a graduate Japanese language officer with an outstanding combat record.

740.001/9 FEAC/2-249: Telegram
The Secretary of State to the Acting Political Adviser in Japan (Sebold)

CONFIDENTIAL

WASHINGTON, March 2, 1949—7 p. m.

73. Meeting Steering Comite, Feb 23 cancelled.
Fol summary FEC meeting, Feb 24:

Policy Towards Patents, Utility Models and Designs (FEC-284/14)

USSR member stated FEC-284/14 not acceptable to his Govt unless para 5 deleted. US member indicated deletion para 5 acceptable provided para 5 referred Comite further discussion. UK member stated
he could not accept deletion without further instrs from his Govt. Chi amendment to para 5 that (1) in lines 10 and 11 a period be placed after word “applications” and fol words deleted “as he would have been entitled to under arrangements existing with Japan immediately prior to the outbreak of hostilities” and (2) in line 10 “such” be changed to “a” was carried by vote 8 favor with 3 abstentions (USSR, France, NZ). Amended paper thereupon vetoed by USSR in face approval other members. US member immed introduced (1) as new paper original paper minus para 5 with recommendation that members seek instrs from their govts so vote could be taken next meeting and (2) amended para 5 as separate policy decisions to be referred Comite 1 further consideration.

**Trial Jap War Criminals (FEC-314/7)**

Comite 5 Feb 18, 1949 forwarded Commission FEC-314/7 by vote 6 favor, 4 abstentions (India, Phil, USSR, US) and 1 absence. This paper differs from FEC-314/4 only respect to changing date terminating investigation “B” and “C” suspects to June 30, 1949 and trials Sept 30, 1949. At suggestion US, Indian member proposed paper limited termination “A” trials. Policy decision limited first para FEC-314/7 approved vote 9 favor, 2 abstentions (USSR and Phil). UK member insisted second para referred back to Comite further consideration.

**Econ Stabilization Japan (FEC-329/3)**

US member referred to info that had already been made available FEC and understanding further info would be circulated as recd and suggested discussion questions raised could take place most appropriately working Comite. Sov member opposed such motion and reiterated charges against US. Austral, Canad, NZ members indicated support US suggestion. NZ member pointed out he did not agree Sov contention US issuance interim directive illegal. Rather he thought method unfortunate and attempt should first have been made obtain FEC agreement. He implied NZ would have no objection issuance interim directive on patents paper. As to substance interim directive, his Govt recognized measures set forth were important to success occupation and took note assurances US Govt directive could not cut across democratization program. He thought reference Comite would lead to more earnest and less public discussion. Austral member associated himself with views NZ member. Chi member called attention close relationship program econ stabilization and level econ life and reparations, expressed interest further info on implementation and suggested subject be kept on agenda of Comm and Comite. US member agreed to keep item on agenda Comm but refer views members and further info to Comite. USSR member accused US trying to lead FEC away from discussion interim directive and referred several articles New
York Times as basis for allegation that Amer monopolists seeking control and rationalize Jap industry. He contended dropping of item from agenda Comm premature. US member replied USSR member misunderstood him, but very nature Sov statement indicated appropriateness discussion at technical level. USSR member pointed out he was not just waiting for technical info but wanted to know what steps being taken in Japan now that “Banker Dodge” was there.

Under Other Business USSR member stated Communications Ministry USSR advised by SYG ITU Jap Govt with permission SCAP joined Intl Convention Telecommunications adopted Atlantic City 1947. He contended SCAP in issuing directive permitting Japan’s joining Convention had exceeded his authority since FEC policy, June 19, 1947, Basic Post-Surrender Policy for Japan, no provision authorizing SCAP decide for himself question Japan’s becoming member intl intergovernmental orgs. In this connection Soviet Govt considers SCAP’s directive illegal as contradictory Basic Post-Surrender Policy Japan “in accordance with which the Japanese Government may, in the permission of the Supreme Commander, carry out functions connected only with the questions of internal administration, but not foreign relations. Therefore, Japan’s joining to the International Convention of Telecommunications has no legal value.”

ACHESON

740.00116 PW/2-2449

Memorandum by the Assistant Secretary of State for Occupied Areas (Saitleman) to the State-Army-Navy-Air Force Coordinating Committee

RESTRICTED


FOR THE SECRETARY, SANACC

Subject: Draft Directive regarding Trial of Japanese War Criminals

There is enclosed a draft directive prepared on the basis of a policy decision approved at the 142nd meeting of the Far Eastern Commision on February 24, 1949, under the provisions of Paragraph II, A, 1 of its Terms of Reference.

It is requested that the enclosed draft directive be forwarded to the Joint Chiefs of Staff for transmission to General MacArthur for his guidance in accordance with Paragraph III, 1, of the Terms of Reference of the Far Eastern Commission. It is assumed that if the Joint Chiefs of Staff have any question regarding the draft directive

1 Directive, serial no. 99, was sent to SCAP and reported on March 16 by SANACC to the Department (740.00116 PW/3-2449).
they will refer the matter to the Department of State for clarification before transmitting a directive on the subject.

The Secretary General of the Far Eastern Commission has informed the Secretary of State that the Commission, in adopting the policy decision regarding Trial of Japanese War Criminals, agreed that it should be released to the press after the appropriate directive had been received by the Supreme Commander. Therefore, in accordance with normal procedure, acknowledgement of the receipt of the directive by SCAP is requested.

C. V. Hulick
for Charles E. Saltzman

[Annex]

RESTRICTED

[WASHINGTON, February 28, 1949.]

DRAFT DIRECTIVE REGARDING TRIAL OF JAPANESE WAR CRIMINALS

The following directive prepared by the State Department to implement the policy adopted by the FEC on February 24, 1949, under the provisions of Paragraph II, A, 1, of its Terms of Reference has been received from the State, Army, Navy, Air Force Departments for transmission to you for your guidance in accordance with Paragraph III, 1 of its Terms of Reference:

The Far Eastern Commission decides as a matter of policy that:

No further trials of Japanese war criminals should be initiated in respect of offenses classified under paragraph 1a of the policy decision of the Far Eastern Commission entitled "Apprehension, Trial and Punishment of War Criminals in the Far East" (FEC-007/3), passed by the Commission on 3 April 1946.

2 For press release of April 1, see Department of State Bulletin, May 1, 1949, p. 570.

740.00110 PW/3-349

The Secretary of the Army (Royall) to the Secretary of State

SECRET

WASHINGTON, 3 March 1949.

Dear Mr. Secretary: With respect to the matter of Japanese reparations, there are transmitted herewith as alternatives I and II two positions which the United States might take. These alternatives, I am informed, are adapted from proposals which you have had under consideration. Although alternative II would appear to be in line with the latest recommendations from General MacArthur and might appear preferable from an immediate point of view, taking into account

1 Not printed.
the Japanese stabilization program, nevertheless alternative I would appear to be preferable if it will dispose of the problem with a greater degree of finality and will make the greatest progress toward the development of normal Japanese international relations. Also it has been our understanding that alternative I corresponds to the preference of the Department of State. However, the Department of the Army would accept either of these alternatives, or a position comparable thereto, if the one selected will be considered by the Department of State as the "final settlement" of the Japanese reparations problem and if the Department of State will agree to discuss the proposed United States position with the Chairmen of the Foreign Affairs, Appropriations, and possibly the Armed Services Committees of Congress before this position is finally adopted as a basis for negotiations with other countries.

As you know, the Department of the Army is anxious to establish as quickly as possible a United States position on Japanese reparations which, to the maximum degree possible, will dispel business and financial uncertainty in Japan and which, in the near future, will terminate costs to the Japanese government being expended to maintain and guard possible reparations assets. A decision is needed now in the interest of inducing Japanese economic recovery and a status of self-support for Japan in order to lighten the United States' financial burden in connection with our responsibilities inherent in the Japanese situation. This whole matter has been thoroughly discussed with General MacArthur and further consultations with the Supreme Commander, it is believed, would serve no useful purpose. It is hoped that you will advise us of your decision.

Sincerely yours,

KENNETH C. ROYALL

560.AL/3-749 : Telegram

The Secretary of State to the Acting Political Adviser in Japan
(Sebald)

SECRET

WASHINGTON, March 7, 1949—8 p. m.

80. In preparing position reopening MFN Jap at 3rd session Gatt,\(^1\) Dept has requested US Missions Commonwealth countries, France, and Benelux determine through high level discussions acceptability to Govts to which accredited of protocol similar that for Ger\(^2\) and assurances or substantive modifications if any deemed essential; replies awaited. Dept has not submitted draft agreement to above

\(^1\) For documentation on this subject, see vol. i, pp. 651 ff.
\(^2\) For agreement on most-favored-nation treatment for areas of western Germany under military occupation, signed at Geneva, September 14, 1945, see 62 Stat. (pt. 3) 3653.
countries; so far discussions in terms agreement paralleling provisions Ger protocol.

Dept believes modifications may be required if other Govts insist more comprehensive assurance against "unfair" Jap competition or if yen exchange rate established.

Dept might at some stage consider, or it might be requested by other Govts, making rights and obligations of agreement entirely reciprocal. If this were done presumably fol changes in Ger protocol would need to be considered:

1. Art I made reciprocal in name of SCAP so long as he exercises recognized authority in occupation of Jap.
2. Art II omitted.
3. Art III words fol "Art I" through "such undertaking" omitted. Art would read "The undertaking in Art I shall be without prejudice . . . etc."\(^3\)
4. Art V Paras 1 and 2 would probably be redrafted to make clear both as to entry into force and termination that agreement is between SCAP and "each other signatory."
5. Interpretative note 4 would be made reciprocal by addition sentence giving Jap same right.
6. Interpretative note 3 omitted.
7. Interpretative note 1 may be withdrawn on assumption a yen exchange rate is established. If not it may be necessary to substitute for it a proviso to effect entry into force agreement hinges on establishment such rate.

Views Pol Adviser and SCAP urgently requested re feasibility and desirability making agreement reciprocal along foregoing lines.

In any event Dept desires add at beginning Para 3 Art V fol: "Each signatory agrees to consultation with any other signatory at any time with respect to problems which may arise in connection with application of this agreement."

Dept assumes SCAP prepared send informal observer to Annecy assist negotiations. Dept present thinking this point is not to change from Ger pattern unless pushed by other Govts or change found of significant negotiating value.

ACHESON

\(^3\) Omission as indicated in the source telegram.
The Acting Political Adviser in Japan (Sebold) to the Secretary of State

Tokyo, March 7, 1949.

[Received March 14—9:15 a.m.]

A-53. Reference Mission's despatch no. 308 of May 27, 1948. On February 8, 1949 the Japanese Government issued a Cabinet Order establishing the Purge Review Commission. The Commission is under the jurisdiction of the Prime Minister and is empowered to review the appeals of political and economic purges who initiate appeal within three months of the establishment of the Commission. In the case of persons purged in the future, the Commission is empowered to hear their appeals initiated within three months of their disqualification. The Japanese Government announced that the establishment of this Commission does not constitute any attempt to revise, re-interpret, or eliminate any of the existing purge categories.

The jurisdiction of the Commission is further limited by the interpretation of SCAP Headquarters, which understands that the following types of cases will not be eligible for consideration by the Commission: (1) Purges who have previously appealed their disqualification and have been denied reinstatement; and (2) purges disqualified from public office as a result of a Scafin or by memorandum from any section of Headquarters.

There is no way to determine at the present time how many purges have appealed either to the old Purge Appeals Committee, which was abolished in May 1948, or to the Purge Committee in the Prime Minister's Office, which during the interim from May 1948 to the present has heard appeals and carried on routine screening activities. In all probability a number of prominent purges have already made appeals which were denied, therefore making them ineligible for re-appeal at this time.

According to the Japanese press, the Purge Review Commission formally begins its work on March 8 and there are more than 1000 held-over applications for reexamination and about 1000 other appeals made to the Commission since its organization was first announced. Appeals to be taken up for examination first by the New Purge Review Commission are expected to be in the following categories: naval officers, specialist officers, and graduates of the Naval Academy after July 1945; Army officers, graduates of the Military Academy after June 1945, or officers with ranks under colonel; in economic circles, presidents of organizations and companies other than those directly affiliated with the Zaibatsu; in press circles, directors and other re-

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sponsible persons of wartime newspapers, news agencies, and publishing companies other than presidents and chief editors. It is eventually expected that the Commission will handle about 20,000 cases which may take as long as two years.

Sebald

710.00119 Control (Japan)/3-949: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, March 9, 1949—5 p. m.

83. Meeting Steering Comite March 1 cancelled.

Summary meeting FEC March 8 follows:

Policy Toward Patents, Utility Models and Designs in Japan (FEC-234/17)

French and USSR members asked postponement vote. UK, Austral, Canad, Chi, Indian, Neth and Phil members indicated were ready accept paper.

Recommendations Re Jap-Owned Patents, Utility Models and Designs in Territories of Countries at War with Japan (FEC-311/6)

Chi member stated para 4, FEC-311/6 analogous para 5, FEC-284/14 and its deletion make paper more acceptable. This view supported by Phil member. USSR member stated paper unacceptable as whole as contradictory to principle resumption internatl conventions by Japan should be exercised by Japan only after conclusion peace treaty.

Economic Stabilization in Japan

US member indicated info as it became available would be referred to Working Comite. USSR member made statement which was transmitted by Army Dept to SCAP in MC OUT 49475, March 5. US member noted sinister implications of Soviet statement and said that he would make no attempt at this time to give full reply. Length of statement, its repetition of points raised in previous Soviet statements on same subjects, language barrier and large number of implications contained in it made it impossible for him to offer more than a preliminary comment. He would say merely that most of its substance had already been answered properly and truthfully by his Govt. US, rather than flying in face of Commission policy, as Mr. Panyushkin intimated, was doing its best to work with Commission. US was not sinister power casting a shadow of monopoly over Jap economy. It was instead encouraging economic recovery of Japan. Unfortunately US was only power possessing capital to give financial help to Japa-
nese. He wished other powers had capital available for such help, but since they did not, his Govt could only hope they would help by endeavoring to understand its efforts rather than by making such hypocritical remarks as those just made by the Soviet Representative.

USSR member asked US member to take back expressions such as "sinister" and "hypocritical." He added US had not yet proved it was not violating policy decisions of FEC, and it had not given in essence a single satisfactory answer. He concluded US could not buy other countries with money. US member stated he had nothing further to say.

Labor Policy in Japan (FEC-045/5)

USSR member made statement which was transmitted to SCAP CM OUT 85137, March 5, 1949. Item retained on agenda.

Jap Membership Intl Convention Telecommunications (FEC-334)

US member read statement transmitted by Army Dept to SCAP CM OUT 85133, March 5. USSR member reserved his right to make reply in future.

Acheson

740.00119 FEAC/3-18-49: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebold)

CONFIDENTIAL

WASHINGTON, March 18, 1949—noon.

100. Summary FEC mtg, Mar 10, 1949:

W. W. Butterworth who had been designated act as Gen McCoy's alternate in his absence was elected chairman.

Access to Jap Technical and Scientific Info in Japan (FEC-280/14)

US member requested this item be retained on agenda so his Govt might have opportunity study its implications.

Policy Toward Patents, Utility Models and Designs in Japan (FEC-284/17)

In view fact all members did not have instrs, item retained on agenda.

Recommendations Re Jap-Owned Patents, Utility Models and Designs in Territories of Countries at War with Japan (FEC-311/7)

Action deferred.

Econ Stabilization in Japan

In reply to UK reference to inquiry as to initiation stabilization program, US member stated steps had been taken to obtain from Tokyo factual account of various steps taken in implementing and
making a beginning of implementing measure and that info would be placed before Comite 2 which would be able choose most logical of what would necessarily be two or three rather arbitrary dates.

**Labor Policy in Japan (FEC-318/13)**

Question as to disposition Sov proposal discussed at length. NZ member stated Sov proposal not acceptable his Govt, but had no objection to reference matter to Comite 2 provided did not mean matter was going to be buried there. Austral member associated himself with NZ views. Sov member insisted subject be retained Comm level but did not object if some details discussed working Comite. Comm agreed refer FEC-318/13 to joint Comite of Comite 2 and 4 by vote 10 in favor with one (USSR) opposed. Chairman ruled motion was procedural and therefore carried. USSR member challenged Chairman’s ruling on ground Comm could not take action without concurrence USSR. A proposal to drop item from agenda of Comm was carried by vote 7 favor and 4 opposed (China, France, India, USSR). USSR member again challenged ruling of Chair that proposal was carried. Chairman’s ruling supported by NZ, Austral, Phil and Fr members. Chi member requested SYG to report precedents in Comm. Chair instructed Comites to consider subject. Sov member thereupon changed his negative vote on first proposal to abstention, but affirmed opposition recent proposal and legality of Chairman’s ruling contending purpose proposal to delay discussion and justify illegal actions of Gen MacArthur.

**Level Economic Life in Japan (FEC-242/33, FEC-297/10)**

USSR member pressed US to present its position.

**Jap Membership Internatl Convention Telecommunications (FEC-334)**

USSR member contended US position set forth Mar 3, 1949 that SCAP at its own discretion could engage in matters external affairs was unfounded. He argued reference in Basic Post-Surrender Policy for Japan to rights reserved for SCAP respect matters of domestic admin meant at same time matters of Japan’s external affairs fell outside his competence. It was his view since such matters could be decided only by FEC and since adherence Japan to ITU was matter of external affairs adherence as well as action of SCAP was illegal.

US member rejected suggestion any illegal action been taken.

Austral member stated his Govt saw no objection why Japan should not adhere to technical inter-governmental conventions. But from legal point view he considered two questions involved: (a) whether Jap Govt in existing circumstances is competent to perform act of adherence to internatl convention and respect responsibility carrying out
its obligations under it and (b) whether SCAP himself has authority permit such adherence. As to first point, he contended all aspects Japan’s Fom relations must remain until peace conference in hands of responsible auth, which he considered to be FEC with SCAP acting as its agent. As to second point, he regarded FEC as appropriate auth to approve Japan’s adherence. He suggested FEC approve policy decision providing for Japan’s adherence, either specifically to ITU or to any other technical convention of a defined nature.

ACHESON

740.00119 FEAC/3-2449: Telegram
The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, March 24, 1949—7 p. m.

110. Subj is Summary FEC Mtg, Mar 17, 1949.

W. W. Butterworth who had been designated to act as US Member in Gen McCoy’s absence was elected chairman.

Access to Jap Technical and Scientific Info in Jap (FEC-289/14)

US Member requested postponement this item, stating informally his Govt was consulting Tokyo on feasibility of time extension. Indian member pointed out present policy would expire on Mar 31 and inquired, should FEC fail reach decision before Mar 31 if SCAP would allow those Indian technicians now in Tokyo to finish their work were it to take couple of weeks or so more than deadline. US Member stated he would represent to SCAP views of Indian Govt.

Policy Toward Patents, Utility Models, and Designs in Japan (FEC-284/17)

USSR amendment to substitute Para 4 as it appears in C1-284/3 for text Para 4 in FEC-284/17 lost by vote of 7 opposed, 1 in favor (USSR) and 3 abstentions (Chi, Fr, India). FEC 284/17 was approved by vote of 10 in favor with 1 abstention (USSR). USSR member stated his abstention did not predetermine in any way Sov position this matter at peace settlement with Jap.

Priority for Patent Applications in Jap (FEC-333/2)

Chi member proposed to delete words “entry of the country of the national concerned into the war” and substitute “the outbreak of hostilities of the country of the national concerned” adoption of which would give Chi priority rights dating back to 1937. Majority of members felt adoption of Chi amendment would introduce element of uncertainty into determination of date of loss of priority rights. Canad member proposed that phrase “effective date of loss of right
to file patent applications in Jap" be substituted for Chi amendment. Canad amendment accepted by Chi and approved by Comm by vote of 8 in favor with 3 abstentions (NZ, Phil, USSR). FEC 333/2 defeated by vote of 10 in favor and 1 opposed (USSR). US member expressed regret Comm had been unable to deal with matter as it was one of considerable urgency.

**Recommendations Re Jap-Owned Patents, Utility Models, and Designs in Territories of Countries at War with Jap (FEC 311/7)**

Chi suggestion to delete Para 4 rec'd little consideration by other members. FEC 311/7 defeated by vote of 9 in favor with 1 abstention (Chi) and 1 opposed (USSR). USSR member stated he voted against paper on grounds resumption of application of internatl conventions to Jap can be exercised only after conclusion peace treaty.

**Trial of Jap War Criminals (FEC-314/12)**

USSR member proposed that for first two lines of paper the fol be substituted: "The FEC decides as a matter of policy," that in first line of first para, insert the words "in Japan" after "investigations" and in next to last line insert words "in Japan" after "trials". Item retained on agenda.

**Jap Membership in Internatl Convention of Telecommunications (FEC-334)**

NZ member associated himself with Austral views expressed at last mtg and expressed the gravest doubt whether SCAP had power to permit Jap Govt to act externally and also gravest doubt as to what would be the authority that could give such power to Jap Govt. Phil member indicated he was awaiting instrs.

Under other business Phil member made statement on problem of Jap reparations. He pointed out that his country's concern and that of all countries represented on Comm was problem of Jap in relation to rest of area, in context of crisis that now grips world. Though Comm had been in existence almost three years, it had yet to formulate and implement a working program on econ life of Jap nation. It had not solved problem of reparations because it had, so far, failed to carry out the existing policy decision on level of econ life for Jap. He noted that implementation of Para in the interim directive on econ stabilization providing for "increased production of all essential indigenous raw materials and manufactured products" could not be accurately defined and determined except in relation to comprehensive and detailed econ program for Jap. He pointed out that rehabilitation of many of Jap's neighbors and former victims depended to a great extent on reparations they expected to get from Jap and cited the Phil as a typical example. While Phil war damage claim against Jap totaled
$5,375,000,000, as of Dec 23, 1948 it had recd interim reparations amounting to only $11,390,000. He stated that change in policy on reparations could throw entire Phil industrialization program out of gear. Reparations would be decisive in determining future relationship between Phil and Jap—whether former would revert to its prewar position of being mere supplier of raw materials for Jap's factories, or achieve measure of self-sufficiency and independence in its industrial needs. He added that Comm must act quickly.

He addressed a special appeal to US to make up its mind on what to do with Jap. He cited as instance of US indecision, delay in removal of aircraft and private munitions plants in Jap and referred to history of inquiries on this matter in FEC. He also pointed out how lack of definitive US policy on final position of Jap had led to indecision on industrial levels to be maintained, extent of destruction of war-supporting industries and machinery to be allocated as reparations "in excess of the peaceful needs of the Japanese economy."

He referred to vicious circle existing between reparations, level of econ life, comprehensive over-all policy on relation of Japan to her neighbors and changed polit and econ states of Asian nations as well as their plans for future—plans based at least in part on destruction of Jap's war-making capacity and distribution of some of its industrial machinery as reparations.

Regardless of its effect on Jap economy his Govt held that Jap must be stripped of all war and war-supporting industries, such as aircraft and munitions factories—with respect to non-military items, his Govt held that need of claimant countries should have priority over need of Jap, wherever it could be demonstrated that these countries could take over such machinery to replace what they lost or to raise themselves to level where they would not be subj to the domination of revived Jap industries or to polit and milit threat that would follow such industrial revival. He noted that history in Asia was moving with dynamic force and jet propelled speed and concluded that welfare of peoples and peace of world required that Comm make new and resolute effort to settle problem of Jap without further delay.

USSR member noted that question of labor policy in Jap had been dropped from agenda and protested that no differentiation was made in Terms of Reference between procedural and substantive matters. US member indicated that any member could introduce a subj at will or make any statement under "other business" at any mtg.

Acheson
CONFIDENTIAL

WASHINGTON, March 29, 1949—7 p. m.


Access to Japanese Technical and Scientific Information in Japan (FEC 280/14)

US Member proposed that paper be amended to extend period to July 1, 1949, instead of Dec. 31 as now provided in paper, and stated that govs eligible under FEC–280/9 had not made full use of time available to them up to present. US amendment failed to receive any support in Commission. Indian, Netherlands, Philippine, Australian and Soviet members pointed out that SCAF procedure for implementation of directive was issued only on Aug 6 and that actual inspection began only last part of Aug. These members emphasized difficulty their govs encountered to find qualified technical experts, to decide what they wanted in Japan, and to arrange for transportation. Netherlands member pointed out that his govt had wanted to give Indonesia first opportunity to make use of time in Japan and that time was lost when it was found that Indonesia could supply only one technical expert of broad qualifications. Australian member indicated that his govt had been negotiating for almost six months with SCAP over a particular process and just now when it was expected that negotiations would be brought to a successful conclusion, the program would be suddenly finished and all their months of negotiation would be lost. Soviet member contended that conditions of work under which experts were to receive technical information were not favorable. Australia, Philippines, India and Netherlands indicated strong desire to send technicians if policy adequately extended. US Member stated that in order to be as helpful as possible in meeting present deadline, he would ask his govt to consider requesting SCAP to allow technicians now present in Japan to continue their investigations until July 1 provided it was feasible.

Trial of Japanese War Criminals (FEC–314/12)

Philippine member expressed his objection to FEC–314/12 for following reasons:

1. FEC has no power of control over National Military Tribunals charged with trial of “B and C” suspects outside Japan;
2. distinction should be drawn between “A” suspects, on one hand, and “B and C” on the other, for suspects falling under latter category are no different from persons who have violated domestic laws of countries;
3. setting of target date for termination of investigation and trial of Japanese war criminals is impractical and fraught with danger;
4. inclusion of words “if possible” serves only to create erroneous impression that member countries, where trials are pending, are guilty of unduly delaying termination of proceedings against Jap war criminals.

Australian member opposed Soviet proposal on grounds that it would give unfair advantage to war crime suspects in Japan. He added that in view of Philippine objection he desired to consult his govt on “recommendation” and would abstain if vote were called for on FEC-314/2 [12]. Canadian member associated himself with Australian views.

Soviet amendments were lost by vote of 1 in favor, 7 opposed and 3 abstentions (China, India, US). FEC-314/12 retained on agenda so that members could consult govts for further instructions.

Economic Stabilization in Japan

Chairman noted that there had been considerable discussion in working committee on this subject.

Reparations Removals: Accessory Facilities, Buildings, Technical Data (FEC-299/5)

Chinese and Netherlands members called attention of Commission to their amendments in FEC 299/9 and FEC 299/8 respectively.

Japanese Membership in International Convention of Telecommunications (FEC-334). Philippine member stated he was still awaiting instructions.

Acheson

740.00119 PEAC/3-2949

The Director of the Office of Far Eastern Affairs (Butterworth) to the Assistant Secretary of the Army (Voorhees)

CONFIDENTIAL

WASHINGTON, March 29, 1949.

Dear Mr. Voorhees: As you may know, there have been several exchanges of letters between our two Departments on the subject of replacement of cultural objects lost or destroyed as a result of Japanese aggression. I have reference particularly to a letter of July 28, 1948, from Secretary Royall to Secretary Marshall; Secretary Marshall’s reply of September 18; a letter of the same date from Assistant Secretary Saltzman to General Eberle; Secretary Royall’s reply of October 26 to Secretary Marshall; a letter of December 3 from Mr. Saltzman to Under Secretary Draper; and Mr. Draper’s reply of December 8.¹

¹ None printed.
This letter is to advise you that the Department of State has decided to instruct the United States Representative on the Far Eastern Commission to oppose SC-272/12, Replacement of Lost Cultural Objects, or any other policy proposal on this subject which is or may be placed before the Commission, and to inform the Commission that it is the view of this Government that this matter is not one which can properly be dealt with during the occupation but should be considered on its merits if introduced at the time of the peace conference. A copy of this instruction, which it is assumed, in light of the views expressed by Secretary Royall in his letters of July 28 and October 2, 1948, will be acceptable to the Department of the Army, and which will go forward in a few days, is enclosed.

Faithfully yours,

W. WALTON BUTTERWORTH

[Enclosure]

Memorandum by the Director of the Office of Far Eastern Affairs (Butterworth) to the United States Representative on the Far Eastern Commission (McCoy)

CONFIDENTIAL

Subject: SC-272 12, “Replacement of Lost Cultural Objects”.

You are authorized to inform the Commission that it is the view of the United States Government that the matter of replacement of cultural objects lost or destroyed as a result of Japanese aggression is one which, in contradistinction to the restitution of cultural objects, cannot properly be dealt with during the occupation. It is the position of the United States that proposals for a program of replacement of cultural objects should, as has been the case in Europe, be considered on their merits if introduced at the time of the peace conference. You are accordingly instructed to oppose SC-272/12, “Replacement of Lost Cultural Objects”, or any other policy proposal on this subject which is or may be placed before the Commission.

You may at your discretion advise the Commission that the United States Government appreciates the profound sense of injury of those of its Allies which suffered looting of their cultural heritage at Japan’s hands, and that the above position arises not out of lack of sympathy for those nations in their loss but only from the conviction that proposals for partial redress of the loss through replacement from Japan’s cultural store cannot properly be acted upon in advance of the peace conference.

W. WALTON BUTTERWORTH
Memorandum by the Chief of the Division of Northeast Asian Affairs (Bishop) to the Director of the Office of Far Eastern Affairs (Butterworth)

TOP SECRET

[WASHINGTON,] April 1, 1949.

Subject: NA Comment on NSC 44, “Limited Military Armament for Japan”.

It seems to me that this paper brings to the front two basic questions:

1. The problem of anticipating and preparing for a degree of re-armament of Japan; and
2. The problem of military security of the Japanese islands.

With reference to the first problem, Secretary Royall and General MacArthur are agreed that it would be inadvisable for a long time to come to permit the establishment of Japanese armed forces. You will recall General MacArthur’s remarks to me on this subject when I was out there in February. I am inclined to agree with them. I would add that in considering the question of re-armament of Japan it is important to bear in mind the attitude of the Japanese themselves. It was the Emperor who on the night he ordered Japan to surrender stated in unequivocal terms that Japan would never again have military forces. The idea of a pacifist state perhaps was not widely held in Japan and frankly is contrary to their entire history, but nevertheless it was held in the highest quarters. Those quarters, as we have witnessed during the occupation, go a long way toward determining how the Japanese people think. Accordingly it would be wise before going too far in any planning to determine the attitudes and inclinations of Japan’s leaders. I think it would be taking a grave risk to attempt to sound out Japanese thinking on this delicate subject during the period of the occupation, and without a great deal of exploration I would strongly recommend against it.

There is much that can and should be done, however, under NSC 13/2, paragraph 7, “The Japanese Police Establishment” which states:

“The Japanese Police establishment, including the coastal patrol, should be strengthened by the re-enforcing and re-equipping of the present forces, and by expanding the present centrally directed police organization.”

I perceive no real obstacle to the creation of police reserves, located on the outskirts or near by concentrations of population or in other stra-
tegetic centers, which can be used to control widespread civil disturbance, riot and rebellion.

With regard to the second question which is the JCS recommendation that it would be unwise to postpone "consideration of the problem of Japanese military security until such time as peace treaty negotiations may be undertaken", I wholeheartedly agree with the JCS. I would suggest, however, that they have misinterpreted paragraph 4 of NSC 13/2, which, I believe, was intended to cover the question of controls to be, or not to be, written into the peace treaty as well as the question whether Japan's integrity would be guaranteed by international agreement or by the United States. I do not believe that paragraph 4 was intended in any way to place any limitation upon the planning by the National Military Establishment for such security arrangements as may be necessary in that part of the world to protect the United States and its interests.

I should, therefore, recommend that if my interpretation of paragraph 4 of NSC 13/2 is correct the NME be advised that there is no limitation on United States planning in this respect. The JCS will, of course, be concerned not only with the present situation, but also with the post-treaty situation. In the latter connection my recommendation would be that the United States should allow the Japanese themselves to decide whether or not they will have military forces in the post-treaty period. I believe that it would be wise until we have evidence to the contrary to plan U.S. security in that part of the world on the assumption that Japan will remain to all intents and purposes a military vacuum. I have been under the assumption that U.S. security in that part of the world as well as the military security of the Japanese islands can be maintained from bases not on the main Japanese islands. You will recall that it is General MacArthur's concept that the Japanese islands should be militarily neutralized (Russia and other hostile forces kept out) by superior United States air and naval forces based principally in the Ryukyu Islands. We are, of course, well aware that the Navy considers the Ryukyus totally inadequate and believes that the only suitable naval bases are to be found in Japan. This is a difference of view which only military experts can reconcile.

To refer once again to General MacArthur's views, you will remember that he told me that he thought it was highly probable that if war came the Japanese would be fighting on our side before it was over. I would certainly be in favor of using Japanese manpower in our war effort if that were militarily feasible and agreeable to the Japanese. I can see no objection to the NME's making secret plans for such contingency.
I believe that the problems raised by NSC 44 can be solved by an understanding within the NME of the proper interpretation of paragraph 4 of NSC 13/2 and by adoption by the NSC of the following:

Discussion

In the light of the evident trend toward world unrest and in view of the fact that it may well become extremely important to our national security for Japan to be capable of providing some degree of military assistance to the United States, at least to the extent of Japan's own self-defense, it appears desirable that the question of the possible use of Japanese armed forces be carefully explored.

In the light of United States commitments to disarm and demilitarize Japan, of the whole concept of the occupation and of the sensibilities of our Allies and former friends who share in the regime of control of Japan, any consideration of this question must be undertaken only under extremely tight security requirements.

Recommendation

The National Military Establishment should under the most stringent security precautions make plans now for the possible use of limited Japanese armed forces for the defense of Japan in the event of war.

If you approve I shall prepare a draft memorandum from you to the Secretary. ③

③ Notation at end by Mr. Butterworth: “Please do”.  

740.00116 PW/4–149

Memorandum by the Chief of the Division of Northeast Asian Affairs (Bishop) to the State–Army–Navy–Air Force Coordinating Committee

[WASHINGTON,] April 1, 1949.

MEMORANDUM FOR THE SECRETARY, SANACC

Subject: FEC Recommendation on Trial of Japanese War Criminals

There is enclosed a copy of a recommendation regarding the trial of Japanese War Criminals which was approved at the 147th meeting of the Far Eastern Commission on March 31, 1949, by a vote of six in favor (Australia, France, India, New Zealand, U.K. and U.S.), 1 against (Philippines) and 4 abstentions (Canada, China, Netherlands and USSR).
It is requested that the text of the attached recommendation be forwarded to the Joint Chiefs of Staff for transmission to General MacArthur for his information.

The Secretary General of the Far Eastern Commission has been requested by the U.S. Government to delay release of this recommendation to the press until this cable has been dispatched.\footnote{For recommendation released April 1, see Department of State Bulletin, May 1, 1949, p. 569. For report of FEC meeting on March 31, see \textit{ibid.}, p. 570.}

\textbf{MAX W. BISHOP}

\textit{740.00119 FEAC/4-149: Telegram}

\textit{The Secretary of State to the Acting Political Adviser in Japan (Sebald)}

\textbf{CONFIDENTIAL}

\textbf{WASHINGTON, April 1, 1949—7 p.m.}


\textit{Access to Japanese Technical and Scientific Information in Japan (FEC-280/14)}

US Member requested members Commission to accept extension FEC-280/14 to July 1 without prejudice to further consideration of their wishes which he stated were now before SCAP. Indian member reluctantly accepted US amendment because of peculiar circumstances of case and because of Mar 31 deadline, but made it matter of record he was accepting under protest and without any prejudice to question of further extension being considered later. He requested subject be kept on agenda. Neth and Phil members expressed their desire for extension to Dec 31, 1949 and stated they wld abstain on US amendment. Austral member stated he wld vote in favor US amendment but reserved right to have matter raised later so there eld be extension till end of year. UK member noted that in view US statement that consideration of further extension wld not be prejudiced, he wld vote for US amendment. Chairman agreed retain subject on agenda until final action taken and ruled that if there was no objection the paper wld be accepted provisionally and deadline of Mar 31 be postponed to July 1. No objections registered. (Pls pass this info to SCAP).

\textit{Trial of Japanese War Criminals (FEC 314/12)}

FEC 314/12 approved by vote of six in favor (Australia, India, France, Neth [New Zealand,] UK and US), one opposed (Phil), and four abstentions (Canada, Neth, China, USSR).
Complaint Against SCAP by Deported German National (FEC 330/7)

USSR member requested postponement as he had not yet recd instrs.

Japanese Membership in International Convention of Telecommunications (FEC 334)

Phil member stated his Govt takes position that International Convention of Telecommunications is properly open for accession only to nations endowed with full legal capacity, that Japan, being technically still an enemy nation, does not possess that legal capacity. It was his view that FEC policy decision, Basic Post-Surrender Policy for Japan, made clear that Japan could not properly adhere to any internal agreement pending conclusion peace treaty. His Govt considered this principle to be valid and binding unless Commission itself deems it necessary to provide for exceptions. He noted that because of special technical nature of convention a reasonable case cld be made out for Japanese participation. But, he added, general principle continues to be valid and must stand as enunciated by this Commission. Since it was Commission that laid down this principle, only Commission itself has power to determine when exceptions may be made. This power obviously cannot be delegated to SCAP, whose wide discretion in matters of policy enforcement, especially on domestic matters, does not include discretion to set aside basic policy decision of Commission on Fdn affairs of Japan. He referred to Art. 18 of Convention which provides that “Members of the Union may declare at any time that their acceptance of this Convention applies to all, or a group, or a single one of the countries or territories for whose foreign relations they are responsible” and stated that if Japan’s accession to Convention is covered by Art, it follows that phrase “members of the Union” would apply not to any one of members of Commission but to all members of body jointly, since it is they, acting as FEC, who are responsible for foreign relations of Japan. He stated that Commission now was being asked to give its sanction to accomplished fact and that since Commission had laid down general rule, representations in favor of Japanese participation should have been made to that body. The reverse, however, had happened and practical considerations might incline the Commission to let action stand. Therefore, Phil delegation wld abstain on vote on this question and at same time make it clear that it does not consider SCAP’s action on matter as constituting a precedent for future cases that wld be binding either upon itself or on Commission as whole.

New Zealand member stated that matter of principle involved shld be discussed and decided by Commission at appropriate time.

ACHESON
TOP SECRET

[WASHINGTON,] April 4, 1949.

Apropos of our conversation this forenoon, I quote below the pertinent paragraph of a memorandum of the Secretary's conversation with Mr. Bevin \(^1\) of April 2:

"As regards Japan, I said the Far Eastern Commission had become useless, since it had become a forum for Soviet complaints. However, we will let it go its way. Since the U.S. is spending about 900 million dollars a year in Japan, MacArthur has been told to take more vigorous steps toward recovery. While reparations in themselves are not much of a drain, they are a confusing factor in the Japanese economy and we shall let them fall into oblivion. There was small chance of a treaty being concluded, and as far as I knew, no work was being done along these lines at present."

There is also transcribed below paragraph 9 of the National Security Council's policy paper with respect to Japan which received the approval of the President on October 7, 1948:

"9. Far Eastern Commission. The United States Government should ensure for its own part, and urge upon other FEC member Governments, that proposals considered by the FEC be confined strictly to policy matters directly related to the fulfillment by Japan of its obligations under the Terms of Surrender, and be couched in broad terms leaving questions of implementation and administration to SCAP. The position of the United States should further be based upon the fact that these surrender terms, as envisaged by the Potsdam Declaration, have been substantially implemented. On matters still within the purview of the FEC, such as civil aviation policy in Japan, the United States Government should seek to establish as promptly as possible firm United States positions and then adopt an aggressive and positive attitude, by direct discussions with FEC member Governments and by forceful backing in the FEC of policies desired by the United States. In matters of urgency, where it has become evident that, after efforts to achieve maximum international support, agreement cannot be promptly reached, we should not hesitate to use the interim directive. SCAP should also be encouraged to make greater use of his authority as sole executive for the Allied Powers, asking where necessary for the United States Government's views. On the other hand, the United States Government should not hesitate to render assistance to SCAP by elucidating its interpretation of previous directives and general policies, notably those appearing in the "Basic Post-Surrender Policy for Japan".

W. W[ALTON] B[UTTERWORTH]

\(^1\) Ernest Bevin, British Secretary of State for Foreign Affairs, was on a visit to Washington.
CONFIDENTIAL

WASHINGTON, April 7, 1949.

No. 54

The Secretary of State refers to the Mission’s despatch No. 34 of January 19, 1949 on the subject, “Movements of Japanese Fishing Vessels Outside Authorized Area”. In the final sentence of this despatch, the Department’s instructions are invited as to what type of reply might appropriately be made to Soviet complaints of alleged violations by Japanese vessels of “Soviet territorial waters”.

The Department is in agreement with the Officer in Charge that the Soviet Member, Allied Council for Japan, is exploiting the opportunity which these alleged violations afford to advance Soviet territorial claims to islands adjacent to Northern Hokkaido. The Department supports the intention of the Officer in Charge to avoid, in the course of Headquarters correspondence with the Soviet Member, any acknowledgment of Soviet territorial claims. No objection is perceived to replying to further Soviet complaints on this subject, provided no implied or direct expression of United States views on territorial questions is given.

1 Not printed.

740.00119 PW/3-349

WASHINGTON, April 9, 1949.

MY DEAR MR. SECRETARY: With reference to your letter of March 3, in which you advance two alternative proposals for settlement of the Japanese reparations problem, this matter has been further considered in the Department of State and a position arrived at substantially as in your second proposal. This position, in outline, is that the United States should:

1. Rescind the Advance Transfers Directive of April 4, 1947 (JCS Directive No. 75),¹ except for allocations already processed under that directive.
2. Withdraw its proposal of November 6, 1947, on reparations shares.²
3. Announce to the FEC and publicly that it has no intention of using its unilateral powers to make possible additional industrial reparations removals.

² See letter by Assistant Secretary of State Saltzman to the Under Secretary of the Army (Draper), November 14, 1947, ibid., p. 439.
4. Announce to the FEC and publicly its views:

a. That all industrial facilities, including so-called "primary war facilities," presently designated as available for reparations which can contribute to Japanese recovery should be utilized as necessary, except for scrapping, in Japan's peaceful economy for recovery purposes.

b. That with regard to "primary war facilities," all of which were some time ago stripped of their special purpose equipment and thus of their "war facilities" characteristics, SCAP, under the authority granted in paragraph 10 of the FEC decision on Reduction of Japanese Industrial War Potential, should as rapidly as practicable require the dismantlement, dispersion or other action for the utilization in Japan's peaceful economy of such of these facilities as are required to meet the needs of the occupation, which needs prominently include economic recovery. Under paragraph 10 SCAP may develop a suitable system for using such facilities, individually or collectively, upon notification and explanation to the Allied Council for Japan. Pursuant to the above-mentioned FEC decision requiring their "impounding," remaining "primary war facilities" should continue to be protected, in the sense of preventing loss or scrapping of individual items. Impounding does not, however, include requirement that the facilities be kept in their present locations or that the Japanese or the occupation authorities devote resources to preserve their value or maintain them in working order.

c. That there should be no limitation on Japan's production for peaceful purposes or on levels of Japanese productive capacity in industries devoted to peaceful purposes.

5. Submit to the FEC proposals, regardless of likely unfavorable reception, for the rescission or amendment of existing and pending FEC reparations and "levels-of-industry" policy papers so as to bring them in as close conformity as possible with U.S. policy that there should be no further industrial reparations removals from Japan and no limitation on levels of Japanese peaceful productive capacity; and prevent action by the FEC contrary to U.S. policy.

Admitting that no proposal can fully meet all desiderata, the outstanding advantages of this position are that it violates no earlier commitments of this Government, while at the same time affording maximum support to the Japanese stabilization and recovery objectives. Although it will undoubtedly occasion criticism by other claimant countries, it will be difficult for these countries to attack us merely for refusing to exercise our powers of unilateral action to solve the reparations problem. Our announcement that we propose no further unilateral action to overcome the apparently insoluble shares stalemate, plus the evidence of our position in point 4, should afford the Japanese business community assurance it now lacks that it is highly unlikely that any further reparations removals will take place and, accordingly, that they may rehabilitate their plants in confidence.
With reference to your desire that the position selected be considered by the Department of State as the "final settlement" of the Japanese reparations question, there is unfortunately no way in which a final settlement of this problem can be assured before the peace settlement. It is believed, however, that the position set forth above will for all intents and purposes be final, and that it will be recognized as such in this country and in Japan. Modifications of this position in an attempt to render it more unquestionably final could be only partially effective at best and would expose this Government, in my view unnecessarily, to charges of illegality and failure to live up to its international commitments.

Both of the alternative proposals advanced in your letter provide that the United States should direct SCAP to arrange for the return to the Japanese economy in a fully normal status of all assets in Japan heretofore considered available or potentially available for reparations, and for the cessation of custodial and maintenance costs borne by the Japanese Government in connection with such assets.

Although this Department fully shares your desires on this point, it feels that, so far as primary war facilities are concerned, this Government is without power to direct SCAP as you propose in view of the explicit provision in the FEC policy decision on "Reduction of Japanese Industrial War Potential" that primary war facilities shall be "impounded". SCAP is empowered, however, by paragraph 10 of this decision to except temporarily (which could well be for the duration of the occupation) from the impounding and other requirements of that policy decision and to permit the use of any primary war facilities deemed necessary for needs of the occupation, which needs now prominently include economic recovery. In so far as other reparations facilities are concerned, it is my understanding that there is no FEC decision requiring SCAP to impound or maintain such facilities and that he is already empowered to permit the Japanese full use, short of scrapping, of such facilities. It is believed that these powers on the part of SCAP, coupled with the course of action set forth in paragraph 4 of the proposed position of the United States, will effectively accomplish our common purpose without requiring this Government to direct SCAP contrary to an earlier FEC decision.

If it should prove to be desirable or necessary, I would be willing to discuss or to have a State Department representative discuss this matter with the Chairmen of the Foreign Affairs, Appropriations and Armed Services Committees of Congress. I feel, however, that such discussion may not be necessary in view of the position we propose to take.

I am enclosing \(^3\) copy of a proposed policy statement on Japanese

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\(^{3}\) Enclosures not attached to file copy, but see annexes to memorandum of April 12, p. 704.
reparations for incorporation in NSC 13/2, "Recommendations with Respect to U.S. Policy Toward Japan". If you will advise me at your earliest convenience whether the statement is satisfactory to you, I will submit it to the National Security Council as a joint State-Army proposal. After approval of the statement by the NSC and the President, I or a high officer of the Department will invite representatives of the friendly FEC nations to the Department to advise them of our position and to explain the considerations underlying that position in the context of our overall policies toward Japan.

Following these discussions General McCoy will be instructed to read an appropriate statement of our position to the Far Eastern Commission, which will immediately thereafter be released to the press. A copy of a proposed statement is enclosed for your approval.

We are also considering the desirability of having a spokesman take occasion in the near future in a public address to clarify further the view of this Government that no more industrial reparations should be exacted from Japan and that there should be no limitations on Japanese peaceful industry.

There is enclosed a recapitulation of U.S. international commitments and SCAP obligations respecting Japanese reparations. It is requested that at the time you forward the NSC decision to General MacArthur you also send him a copy of this document in order that he may be in a position to suggest any further action which he feels might be taken, within the framework of our legal commitments, to meet the situation in Japan.

Sincerely yours,

DEAN ACHESON

740.00119 Control (Japan)/4-1249: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, April 12, 1949—5 p.m.

139. Steering Comite Mtg Apr 5 cancelled. Fol is summary FEC Mtg Apr 7.

Access to Japanese Technical and Scientific Info in Japan (FEC 280/14)

FEC unanimously approved policy decision for extension of period of application FEC 280/9 and FEC 315/7 to Dec 31, 1949. Indian, Chi and Austral members expressed their appreciation for U.S. acceptance of Dec. 31 deadline and indicated their Govts would make full use of opportunity now offered.

1 See Department of State Bulletin, June 26, 1949, p. 833.
Complaint Against SCAP by Deported German National (FEG 330/7)

At Phil request this item was retained on agenda.
No discussion other items on agenda.

ACHESON

740.00119-PW/4-1249

Memorandum by the Chief of the Division of Northeast Asian Affairs (Bishop) to the Director of the Office of Far Eastern Affairs (Butterworth) ¹

SECRET

[WASHINGTON,] April 12, 1949.

The attached comments on our Japanese reparations position (Tab A) were handed me by General McCoy on Saturday, April 9. I recommend that you read them and, if you agree, that you sign the attached letter in reply to General McCoy (Tab B) ² and then forward General McCoy’s comments with copy of the letter to the Secretary for his information under cover of the memorandum at Tab C. ³

[Annex 1]

TOP SECRET

[WASHINGTON, April 9, 1949.]

COMMENTS OF GENERAL MCCOY ON THE U.S. POLICY FOR A REPARATIONS SETTLEMENT WITH JAPAN

1. I appreciate the thoughtfulness of the Secretary of State in sending me a copy of the draft of the United States policy for the settlement of the Japanese Reparations issue. I assume that the Secretary wishes any comments which I may care to make from the point of view of the United States Representative on the Far Eastern Commission.

2. The merits of this proposed settlement, viewed from the economic and financial angle, are to be judged by the Department of State, and I have no thought of expressing a personal opinion regarding them. The draft U.S. policy, however, may affect the interests of the United States in and with regard to the Far Eastern Commission; and I should like to invite the attention of the Secretary of State to certain aspects of this settlement which may affect these interests.

3. The query may be raised whether this settlement is in harmony with the broad, basic United States policy of settling international problems by international cooperation and with the specific United

¹ Notation by the Deputy Director (Allison): “This all seems OK to me but I believe you will wish to read it in full. JMA”.
² For letter dated April 15, see p. 707.
³ Dated April 14, not printed.
States policy, expressed in the Moscow Agreement of December 1945, of settling or attempting to settle the postwar problems of Japan by international cooperation within the Far Eastern Commission.

4. Our colleagues in the FEC may view this U.S. statement on Japanese reparations as evidence that the United States, in disregard of the spirit of international cooperation, is attempting to use its controlling position in Japan and its veto in the Far Eastern Commission to force upon the other states in the Commission a settlement which is basically different from that previously agreed to by the U.S. and all other states concerned.

5. The United States Government is obviously justified, legally and ethically, in changing its views regarding the reparations settlement in Japan. When it does so, however, the Secretary of State might consider whether it would not be in the interest of the United States, in view of its adherence to the principle of international cooperation, especially as this principle is embodied in the Terms of Reference of the Far Eastern Commission, to afford to the other members of the Commission an opportunity to express their views regarding the proposed settlement and to take these views into consideration, before the United States makes this settlement definite and final.

6. Some months ago I was informed—and this has been my understanding until I had the privilege of reading the pending U.S. draft settlement—that the United States Government, after it had tentatively adopted a reparations policy, would (1) present this policy to and discuss it with representatives of the other states on the FEC in bilateral conversations conducted by officials of the State Department; (2) consider the possibility of modifying the United States position in view of the expressions of opinion by other states; (3) submit the U.S. policy, possibly modified, to the Far Eastern Commission with the understanding that the United States would take into consideration the views expressed in the discussion; and (4) determine the final United States position, either the original policy or that policy amended in the light of discussions, and put this policy into effect, if necessary, by an interim directive.

7. In my judgment, it would further the interests of the United States in the group of states represented on the Far Eastern Commission and would fulfill the obligations of the United States to support the principle of international cooperation, if the Secretary of State could find it possible to modify the present draft U.S. policy so that the proposed reparations settlement would be presented (1) in diplomatic bilateral conversations to representatives of the states on the Far Eastern Commission for an expression of their views which the United States would take into consideration, and (2) to the Far East-
ern Commission for discussion, with the same understanding that the United States would consider the opinions of the members. Whether or not the United States Government modified its policy as a result of the views expressed, it would be a matter of great importance that the other states in the Far Eastern Commission had been given an opportunity to consider and to discuss the United States proposed settlement of Japanese reparations before it was made definite and final.

8. I recognize that the U.S. plan envisages some discussion within the Far Eastern Commission of various aspects of the U.S. policy, since in paragraph 5, page 2, of the draft letter to the Secretary of the Army, 4 it is stated that the United States should submit to the FEC proposals for the rescission or amendment of existing and pending FEC resolutions and policy papers "so as to bring them in as close conformity as possible with U.S. policy. . . ." 5 If, however, it should not be possible to bring these FEC policies into "close conformity" with U.S. policy, what then? I see no provision for any possible modification of the U.S. plan in view of and in deference to any persuasive statements of our colleagues, since the last clause in this same paragraph says that the United States should "prevent action by the FEC contrary to U.S. policy."

[Annex 2]

TOP SECRET

[WASHINGTON, April 9, 1949.]

COMMENTS OF GENERAL MCCOY ON SOME DETAILS OF THE U.S. POLICY FOR A REPARATIONS SETTLEMENT WITH JAPAN

1. In the U.S. plan for a reparations settlement with Japan, I note no reference to the possibility of reparations from current production, which some of the FEC states are still advocating. I assume that the United States will continue to be opposed to reparations from current production, although the question may be brought up at a peace conference.

2. I also note no reference to the use of Japanese precious metals as reparations, nor to a United States commitment on the subject. In the FEC policy paper on "Interim Import-Export Policies for Japan," paragraph V, 16c. (The Far Eastern Commission: Second Report by the Secretary General, p. 23), it is stated: "Stocks of gold, silver, other precious metals, precious stones and jewels of clearly established Japanese ownership ultimately should be disposed of as reparations."

4 See letter dated April 9, p. 700.
5 Omissions as indicated in the source text.
WASHINGTON, April 15, 1949.

DEAR GENERAL MCCOY: I am writing at once to thank you for your comments received April 11 on our proposed Japanese reparations position. I have forwarded your memorandum to the Secretary, accompanied by a copy of this letter.

I fully understand and share your desire that our Japanese reparations position accord with the basic United States policy of settling international problems by international cooperation. As you say, it was thought some months ago when the possibility of utilizing our interim directive power to make possible the delivery of additional reparations was being considered, that opportunity might be afforded other FEC nations to express their views on the quantities of facilities to be made available from particular industries under our proposal, and that we should stand ready to alter our proposal within rather narrowly defined limits to meet their views if we might thereby increase its overall acceptability. It has now been decided, however, on the basis of the most thorough investigation and General MacArthur’s personal appraisal of the situation following receipt of the recent stabilization directive, that the United States cannot support further reparations removals from Japan,—certainly not on a scale which would have any chance of acceptance by the other FEC nations,—and that the wisest course in the circumstances is to let the reparations issue atrophy. In this connection you will be interested in the following excerpt from a memorandum of the Secretary’s conversation of April 2 with Mr. Bevin:

“... Since the U.S. is spending about 900 million dollars a year in Japan, MacArthur has been told to take more vigorous steps toward recovery. While reparations in themselves are not much of a drain, they are a confusing factor in the Japanese economy and we shall let them fall into oblivion...”

You will note that the only fait accomplis with which other claimant nations will be presented under our proposed position will be the rescission of the Advance Transfer directive and withdrawal of our shares proposal of November, 1947. As you will recall, these two measures were the result solely of United States initiative, responsibility and action. The rest of our position is restricted to a denial of intention to take unilateral action to make additional reparations available, and to an expression of United States policy views that Japanese resources

1 Supra.
2 Omissions as indicated in the source text.
should be utilized for recovery purposes to the maximum extent permitted by existing FEC decisions and that there should be no limitation on levels of Japanese peaceful productive capacity. The U.S. proposal as a whole is to be explained to representatives of the friendly FEC nations in the context of our overall Japan policies before action of any sort is taken, and full opportunity will of course be afforded for discussion of the U.S. expression of views in the FEC following your announcement of our position to the Commission and submission of this Government's new policy proposals.

Although possibilities of the FEC nations accepting these proposals are remote, it is important that we make every effort to persuade as many nations as possible of the reasonableness of our position. It is for this purpose that the Secretary or his designee will invite representatives of the friendly FEC nations to the State Department to advise them of our position and to explain the considerations underlying that position. I am sure that I speak for the Secretary in saying that your assistance in further clarifying our position to your colleagues on the Commission after its announcement would be invaluable in minimizing opposition to it, and, possibly, in securing a growing measure of acceptance for our policy proposals.

With reference to your comments on certain details of the proposed U.S. position, you are correct in your assumption that the United States will continue to oppose reparations from current production. The statement in paragraph 5 of our proposed position that "there should be no further industrial reparations removals from Japan" is intended to cover reparations from current production as well as from existing capital equipment. The statement is also so drafted as not to infringe in any way our commitment for the removal of gold, silver and precious stones as reparations, a commitment which is subject, however, to the first charge principle on repayment of occupation costs.

I much appreciate the spirit of helpfulness which prompted you to make the comments which you have sent us, and assure you that those of us responsible for Japanese affairs within the Department of State fully share your desire that our Japan policies be at all times based on the principle of international cooperation.

Sincerely yours,

W. WALTON BUTTERWORTH
not be unaware that the excessive interference and assumption of governmental responsibility by SCAP is making the Japanese increasingly restless although our military authorities in Japan seem oblivious of the trend. NSC 13 is not in major part being implemented and upon the return of Mr. Dodge early next month, the whole situation must be reviewed.

In the meantime, I recommend your reading the attached memorandum from Mr. Reischauer,1 who is a professor at Harvard, former State Department and G-2 officer, author of several books on Japan, and a very perceiving and well-informed observer of the Japanese scene. There is also attached Mr. Bishop's report on his impressions2 gathered when he accompanied Mr. Royall to Japan and a memorandum of his conversation with General MacArthur.3 There is attached for hasty perusal a memorandum written by one of our Japanese language officers on the occupation.4

I had lunch today with General Pechkov, the French representative in Tokyo who is a diplomat, a soldier, a former administrator in Syria and, incidentally, the illegitimate son of Gorki. He, too, thinks it is important that we change rapidly the character of the occupation if a peace treaty is not to come to pass in the near future. Pechkov is a very shrewd and interesting man and since he will be here until Thursday, I hope that you will have an opportunity to receive him.5

W. W[ALTON] B[UTTERWORTH]

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1 February 4, not printed; for summary of February 18, see p. 663.
2 February 18, p. 669.
3 Memorandum of February 16, p. 655.
4 February 7, not printed.
5 An appointment was made for Wednesday afternoon, April 20.

574.WTC/4-1549 : Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, April 15, 1949—7 p.m.

149. Re urdes 197, Apr 1 and urtel 101, Apr 2,1 at mtg FEC Apr 14, Fr member stated that his Govt deemed it desirable that Japan be associated with ITU, but that since invitations to conference can only be sent to members and as question of Japanese membership in ITU had been raised before FEC, Fr Govt felt it necessary defer issuance invitation Japan until members of Comm had expressed views on particular question.

UK member expressed view that though Japan had stated her adherence her exercise rights under convention was in suspense until

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1 Neither printed.
peace treaty, unless powers concerned agreed differently before peace 
treaty. He added that Japanese shld attend in capacity provided for 
in FEC policy on Attendance at Inter-Governmental Conferences. 
NZ member associated himself with UK views. Austral member re-
iterated view that while not objectionable and probably desirable that 
Japanese be party in some way to inter-governmental conventions of 
a technical and defined character it was view his Govt that power de-
cide such vested in FEC. He stated that he was prepared to support 
a reasonable policy on question of Japan’s being a party to various 
technical conferences. He also indicated that fact that Japan has stated 
adherence to convention does not mean that it is entitled to send dele-
gates to conference. He pointed out however that until other policies 
had been passed by FEC, FEC 310/11 was applicable policy decision.

Phil member referred to his statement March 31, 1949 in which he 
stated that Japan does not possess legal capacity to adhere to internat-
ional conventions. USSR member repeated contention that Japan’s 
adherence was illegal in view Basic Post-Surrender Policy for Japan 
which authorizes Japan to have functions only in domestic affairs.

US member in lengthy statement reiterated position that Japan’s 
adherence to Atlantic City Convention was legal, that SCAP con-
stituted “responsible authority” as called for in protocol and that 
FEC policy decision on Attendance at Inter-Governmental Confer-
ences did not apply to representation by Japanese Govt.

Fr member stated that in view positions expressed by majority of 
members as to desirability of Comm’s taking stand on broad question 
of Japan’s accession to internatl conventions of technical character, 
he would advise his Govt to defer sending invitation to Japanese 
Govt and to leave question open until Comm had been able to take 
decision.

In view above position Fr delegate and expectancy that Fr Govt 
will only issue invitation to Japanese to act in capacity technical ad-
visers to SCAP observers Dept has given full consideration to opinion 
expressed in urdes 197 that “in so far as these particular conferences 
are concerned, the estab of the principle of Japan’s right to participate 
in the administrative, nonpolitical conferences of an internatl orga-
nization of which it is a member is of considerable more intrinsic 
worth than wld be a compromise which wld allow Japanese interests to 
be represented by SCAP observers with technical advisers,” and fully 
supports ur position. Dept therefore proposes that you recommend to 
SCAP that in an effort not to prejudice overall objectives this Govt’s 
position on Japan’s external relations he consider fully implications 
of sending SCAP observer accompanied by Jap technical advisers 
to Paris conference even though such invitation is extended by Fr.
It is Dept's prelim view that sending such representation wld be inadvisable at this moment.
Ur and SCAP comment requested.

ACHESON

574.WTC/4–1949 : Telegram
The Acting Political Adviser in Japan (Sebald) to the Secretary of State

CONFIDENTIAL  PRIORITY  

Tokyo, April 19, 1949.

128. Reference Deptel 149, April 15, 7 p. m. General MacArthur has informed me that he fully concurs in the State-Army proposed policy decision for introduction April 21 into Far Eastern Commission. It is a basic objective of Supreme Commander to encourage the development in Japan of respect for rights of other nations and to facilitate progressive resumption by Japan of normal international responsibilities. In this purpose, and subject to the Supreme Commander’s discretion and continued control, participation by Japan with other nations or groups of nations in such international relations, conventions, meetings, Consular arrangements, or other bilateral or multilateral accords as Japan may be invited to enter into, accede to, attend, or participate in, and as he shall consider to be in the interests of and in consonance with objectives of the occupation, should, in his view, be encouraged by all appropriate means.

He further considers it to be in the interest of healthy international relations that responsible governments should now welcome full exercise by Japan of her rights of membership in the International Telecommunication Union and hopes that the United States Government will support the position that to limit Japan’s participations to any other basis would be inadequate, niggardly, and unjustifiable.

General MacArthur considers indefensible the position now advanced by the French Government that Japan, having been admitted to full membership in International Telecommunication Union in strict conformity with protocol adopted at plenary session Atlantic City Conference, should not now be invited for participation in conference to full extent envisaged in protocol. He furthermore feels that recourse by French Government at this late date to argument that Far Eastern Commission alone is competent authority, to the exclusion of Supreme Commander’s prerogatives, is an unwarranted assumption of political authority and decision which French Government does not in fact possess. In consequence, he favors

1 For text of statement introduced April 21 in the FEC, see circular telegram of April 22, 9 a. m., p. 713.
disapproving sending Japanese to International Telecommunication Union Conference in limited status of technical advisers.

740.00119 Control (Japan) /4-1949: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebold)

CONFIDENTIAL

WASHINGTON, April 19, 1949—6 p. m.

153. Subj is Summary Steering Comite Mtg, Apr 12, 1949.

Agrarian Reform in Japan (SC-335/4)

Austral member reiterated view that some expression by Comm as to desirability of program being carried out to its completion would be backing for SCAP in his attempts to overcome inertia of Jap and proposed fol as amendment to para 3 c “to these ends, the FEC approves the basic principles underlying the measures set forth in para 2 above and their strict enforcement by the Jap should be encouraged” Canad, UK and NZ members supported Austral amendment. US member requested postponement so that he could receive further instrs from his Govt.

Fishing and Aquatic Industries in Japan (SC-271/10)

Canad member indicated he could accept SC-271/10 if words “has informed SCAP it” in line 5 of para 2 b were deleted. UK member gave notice that he would introduce amendment to para 2 a in near future. USSR member removed reservation in para 3 and called attn to proposed amendments to para 2 b and para 6, set forth in SC-271/11.

Japanese Assets in Neutral Countries (SC-205/6)

Indian Member indicated he could support this paper. Retained on Agenda.

Labor Policy in Japan (SC-318/17)

SC-318/17 provides that “the FEC bearing in mind that it is a matter for the occupation authorities in Japan to decide when strikes and other work stoppages should be prohibited as directly prejudicing the objectives or needs of the occupation, decides as a matter of policy that the provisions of FEC-045/5 (Principles for Japanese Trade Unions) should be applied to workers in Jap Govt enterprises.” Canad, Neth, UK, Austral, NZ indicated they were prepared to vote for paper.

USSR member insisted that members Steering Comm discuss in detail Sov proposals set forth in FEC-318/13.
Replacement, Lost Cultural Objects (SC-272/12)

US Member stated it was view his Govt that matter of replacement cultural objects lost or destroyed as result of Jap aggression is one which, in contradistinction to restitution of cultural objects, cannot properly be dealt with during occupation. He added that it is US position that proposals for program of replacement cultural objects shld, as has been case in Europe, be considered on their merits if introduced at time of peace conference. He pointed out that US appreciates profound sense of injury of those of its Allies which suffered looting of their cultural heritage at Japan’s hands and that US position arises not out of lack of sympathy for these nations in their loss but only from consideration that proposals for partial redress of loss through replacement from Japan’s cultural store cannot properly be acted upon in advance of peace conference.

Chmn member reserved right to comment on US position in future.

Removal of Aircraft and Private Munitions Plants from Japan (SC-312)

Retained on Agenda.

Summary FEC mtg, Apr 14, 1949 contained in Dept's 149 re ITU. Only other action was approval by Comm of FEC-330/7, reply to complaint against SCAP by deported Ger national.

ACHESON

740.00119 Control (Japan)/4–2249: Circular telegram

The Secretary of State to Certain Diplomatic Offices 1

RESTRICTED

WASHINGTON, April 22, 1949—9 a. m.

Pls approach FonOff and indicate US Govt most desirous obtain internati support its proposed policy introduced FEC April 21 "In view of the fact that one of the basic objectives of the occupation of Jap is to encourage the development in Jap of respect for the rights of other nations and to facilitate the progressive resumption by Jap of its normal internati responsibilities;

"The FEC decides as a matter of policy that SCAP, subject to his discretion and continued control, should permit Jap to participate with other nations or groups of nations in such internati relations, conventions, meetings, consular arrangements or other bilateral or

1 At Canberra, Canton, London, Manila, New Delhi, Ottawa (by air), Paris, The Hague, Tokyo, and Wellington; repeated in telegram 277, April 29, to Moscow, with instruction: "Your presentation not contemplated but comment invited." (740.00119 Control (Japan)/4–2249)
multilateral accords as Jap may be invited to enter into, accede to, attend or participate in and as SCAP shall consider to be in the interests of the occupation.

Upon introduction policy USRep made statement including fol points which you may wish to emphasize.

Potsdam Declaration envisaged establishment responsible Jap Govt. In Basic Post Surrender Policy FEC countries agreed to help Jap develop econ and cultural intercourse with other countries and bring Japs into permanent peaceful relationship with all nations. Also agreed ultimate objective establish democratic and peaceful Jap Govt which will carry out its internatl responsibilities and respect rights of other states.

Since democratic and responsible Jap Govt now established FEC countries should take leadership in supporting gradual and progressive resumption by Jap of internatl responsibilities under guiding hand SCAP. Realistic approach necessary in view delay Peace Treaty and lapse of almost four years since surrender.

Jap need benefits and guidance of direct contacts with other Govts and people. Participation by Jap in internatl relations will thus foster basic objectives and help dissipate vestiges of wartime hatred and bitterness. Furthermore allied nations and peoples will gain knowledge of new Jap through direct contacts.

SCAP has informed US such policy will further his objectives. Policy also desirable for improvement relations between Jap and all other countries.

You may also point out to FonOff that this is a problem which should not be approached from standpoint legal technicalities involving long and fruitless debates; but rather from standpoint of broad political implications of situation in Jap and in world at large. Peace continues to be denied Japs without blame on their part. There is growing uneasiness among Japs who face increasing hardship. The heavy burden upon limited US resources continues. Foregoing policy will be one step to decrease tension and to promote Jap trade and thus alleviate US burden. Japs will either move toward sound friendly relationships with non-communist powers or into association communist power system in Asia. To abandon Jap to latter and unreasonably to deny them entrance into relationships with our nations and peoples would be to undo our costly victory in the Pacific.

Please keep Dept informed results your efforts to gain support for proposed policy.

ACHESON
The Secretary of State to the Acting Political Adviser in Japan
(Sebald)

CONFIDENTIAL

WASHINGTON, April 26, 1949—7 p. m.

166. Subj is Summary Steering Committee Meeting, April 19, 1949.

Agrarian Reform in Japan (SC 335/4)

US member proposed following alternative to US amendments to Para 3 c: “to these ends, the FEC approves the basic principles underlying the measures set forth in paragraph 2 above and the implementation of an agrarian reform program embodying those principles.” Amendment failed to receive support from other members and Para 3c referred to ad hoc Comite.

Fishing and Aquatic Industries in Japan (SC 271/10)

UK member said he could not support US paper (SC 271/7) since provision authorizing SCAP extend present fishing areas very vague. UK could accept paper along lines SC 271/10. He also felt that re Para 6 SCAP be authorized take preventive steps against offenders reported to him and proved to have sailed in prohibited areas and that irrespective any action taken by member Govts, permission to fish be withdrawn from offending person and those responsible for his activities. Canad amendment to delete “informed SCAP it has” from Para 2 b of SC 271/10 supported by Chi, Fr, and Neth members. Sov amendment that Para 2b of SC 271/10 be amended to read: “No extension of Japanese fishing or other commercial aquatic activities beyond the foregoing area should be permitted without prior authorization by the FEC” defeated by vote 9 opposed, 1 Favor and 1 abstention (Chi).

Labor Policy in Japan (SC 318/7)

In lengthy statement US member stated US from beginning taken lead in endeavoring create independent, free, and democratic labor movement; that this proposal had not been adequately discussed; that there should be clarification expressions “workers” and “Government enterprises” and careful consideration of desirability recognizing unrestricted right to strike by Govt workers in essential services, right which would be recognized subj to SCAP’s right to prohibit strike which would prejudice occupation, if Austral paper became FEC policy decision. UK member stated was still view of his Govt that original FEC policy decision applied workers in Govt enterprises. Austral member associated himself with UK view.
Replacement of Lost Cultural Objects (SE 272/12)

Chi member replied to US statement presented last meeting, contending there is no adequate reason for postponing consideration of subj until peace conference.

Removal of Aircraft and Private Munitions Plants from Japan (SC 312)

Phil member reiterated desire of his Govt that US make reply to UK query.

ACHESON

740.00119 PW/4-2749 : Circular telegram

The Secretary of State to Certain Diplomatic Offices

SECRET

WASHINGTON, April 27, 1949—2:20 p.m.

There is quoted below the text of a statement on Japanese reparations and “level of industry” for reading by General McCoy to the Far Eastern Commission and subsequent release to the press.¹ The statement is based on an agreed State-Army policy position on these matters now before the National Security Council. The statement should be held in strict secrecy pending the receipt of further telegraphic instructions.

“The Japanese reparations problem has been one of the most important and pressing questions with which the Far Eastern Commission and its member countries have had to deal. The United States, on its part, has taken a long and continuing interest in this problem and has been keenly aware of the interest of the other FEC countries in finding a reasonable solution to it. It is to be regretted that this controversial issue which for such a long time has proved incapable of solution by this Commission continues to retard the achievement of economic self-support by Japan, which is so greatly in the interest of our common objectives with respect to that country.

“In our discussions of the matter here in the Commission we have proceeded from the agreement contained in the Potsdam Declaration that reparations would be exacted from Japan and that they should be in a form which would not impair the ability of the Japanese people to support themselves. From the earliest days of the Far Eastern Commission the United States has been guided by a desire that the victims of Japanese aggression receive as reparations such of Japan’s resources as was possible without jeopardizing Japan’s ability to meet its own peaceful needs. The United States has felt, further, that in order that the nations devastated by Japan might receive reparation while their need was greatest, in order that there might be removed from the mind of the Japanese Government and people uncertainty

² Slightly revised, this statement was presented to the FEC on May 12 and released to the press; text in Department of State Bulletin, May 22, 1949, p. 667.
regarding the reparations question, and in order that as many as possible of Japan’s post-war obligations might be disposed of during the period of the occupation, a reparations program should be worked out and put into effect at the earliest practical moment.

“These factors led the United States Government to take the initiative in making a number of policy proposals to the Far Eastern Commission. In April, 1946, the United States submitted to the Far Eastern Commission a pattern of proposals providing that there should be made immediately available for reparations designated quantities of industrial facilities which were at that time considered to be clearly surplus to Japan’s peaceful needs. Between May and December of that year the Commission adopted a series of Interim Reparations Policy decisions based upon these U.S. proposals, but the subsequent inability of the Commission to agree on a schedule of shares for division of the facilities among the claimant countries prevented implementation of the decisions. In April, 1947, the U.S. Government offered further proposals, which would have had the effect of making known to Japan precisely, and on a final basis, what industrial capacity should be considered by that country to be immune from removal as reparations and what should be eligible for removal. In the same month, the U.S. because of its desire to work toward a settlement of this matter issued a unilateral interim directive, under authority granted in paragraph III, 3, of the Terms of Reference of the Far Eastern Commission, instructing the Supreme Commander to effect delivery to four of the FEC countries of 30 percent of the facilities which the Far Eastern Commission itself had previously determined in the Interim Removals decisions to be available for reparations removal. Issuance of this directive was motivated in part by a desire to assist those countries which had in the course of fighting against Japan’s aggression on their own territories suffered most grievously, but it was also motivated by a desire to prompt FEC countries to agree upon a reparations program from which all eleven countries might benefit.

“In November, 1947, the United States Government took the initiative once more in an effort to end the stalemate within the Commission on the question of reparations shares, a stalemate which continued to make it impossible for any of the Commission’s decisions on the reparations problem to take practical effect. This U.S. proposal contained the provision that if the Far Eastern Commission countries would accept the schedule of percentages which had been worked out by the U.S. Government—on the basis of prolonged exchanges of views among Commission members as to the equities involved—the U.S. Government, on its part, would make available virtually all of its own share for distribution among the countries which could accept the U.S. proposal as a whole. Sixteen months have passed and this proposal has not been accepted by the Commission.

“I should like to emphasize at this point that the action of my Government, and, it is assumed, of the other Member Governments, in participating in the policy decisions which have been taken by the Commission on the question of reparations was predicated upon two basic assumptions, namely, that the resources to be removed from Japan as reparations were clearly excess to the peaceful needs of a self-supporting Japanese economy, and that there would be a shares schedule acceptable to and agreed upon by the Far Eastern Commis-
sion countries which would determine in what proportions available reparations should be divided.

"As I have already stated, and as the Commission well knows, the second of these assumptions has not been realized and there seems little prospect of its being realized. As regards the first assumption, that reparations removals should be limited to facilities clearly excess to the needs of a self-supporting Japanese economy, successive studies during the past eighteen months of Japan’s future industrial requirements have necessitated progressive upward adjustments of earlier estimates of these requirements. The first of these studies was that of Overseas Consultants, Incorporated, whose report was made available to the Commission on March 2, 1948, and the second was that of the so-called Johnston Committee, whose report was made available to the Commission on May 19, 1948. Both of these reports came to the sober conclusion that the quantity of capital equipment in Japan which could be properly considered in excess of Japan’s peaceful needs had been greatly overestimated. Both reports indicated that for a variety of reasons the Japanese economy was continuing to operate at a heavy deficit even though living standards remained at a level, and that the end to these deficits is not in sight. The evidence contained in these reports, and the common knowledge of all Far Eastern Commission countries, leads to the inescapable conclusion that the Japanese economy can be made to bear additional economic burdens, beyond those directly related to meeting its own requirements, only by prolonging or increasing the staggering costs borne by the American taxpayer.

"The United States has, since the time of the Japanese surrender, carried the burden of preventing such disease and unrest in Japan as might jeopardize the purposes of the occupation. The critical economic conditions with which, it is now apparent, Japan is faced, and the prospect of continuing deficits in Japan’s international payments for some years to come, render measures of Japanese economic recovery of utmost importance. It is inescapable that if the basic purposes of the occupation are to be achieved, the Japanese people must be enabled to support themselves at a tolerable standard of living. No one could reasonably suggest that Japan should be abandoned to economic despair. So to abandon Japan would be to undo the costly victory in the Pacific.

"I am sure that other Commission countries agree with my Government that the Japanese people themselves must exert maximum efforts for the attainment of recovery. For some months the U.S. Government has explored means whereby this objective could best be achieved. In issuing its directive of December 10 regarding Japan’s economic stabilization, the U.S. Government took a major step towards requiring the Japanese people to exert their utmost energies in stabilizing their economy and reducing their dependence for subsistence on foreign subsidy. Under present circumstances in Japan the cost of dismantling, packing, and transporting reparations facilities would conflict with the program of Japan’s economic stabilization and would constitute an additional financial burden upon the U.S. Government. I do not wish to emphasize this point unduly, but the U.S. Government would be lacking in candor if it did not point out that the resources at its disposal to meet demands from all parts of the world are limited.

"Japan today has no resources surplus to its peaceful needs. Thus, it is now apparent to the U.S. Government that the first as well as the
second of the two basic assumptions mentioned earlier, assumptions
which underlay the policy decisions of the FEC having to do with
reparations and are a precondition for an FEC reparations program,
has not been realized. This fact has led my Government to several con-
cclusions. Before stating them, however, I wish to emphasize that the
U.S. Government maintains fully and categorically its support of the
principle adopted by the Far Eastern Commission that Japan’s war-
making capacity should be eliminated. As you know, all of Japan’s
specialized war-making facilities have been destroyed. The U.S. Gov-
ernment believes that all other equipment used for war purposes in the
past should, if retained in Japan, be fully converted to the purposes
of and utilized in Japan’s peaceful economy. Where this cannot be
done, the U.S. Government believes that such equipment should be
scraped. The U.S. will not permit difficulties in reaching a solution of
the reparations problem to be a means whereby Japan’s war capacity
might re-emerge.

“It may not be amiss at this point to recall that Japan has already
been deprived not only of all of its overseas territorial possessions,
but also of substantial quantities of real property of Japanese owner-
ship and origin in the former possessions and elsewhere abroad. This
property constitutes a large payment which the Japanese have already
made towards satisfaction of their reparations obligations. Unfortu-
nately, from the standpoint of equity, some countries have benefited
more than others in the reparations that they have obtained in this
form. However, from the standpoint of Japan, the loss of these prop-
erties, whatever the proportions in which they happen to have been
distributed, drastically reduces Japan’s ability to support even at a
minimum level the needs of its people.

“In view of the above considerations, the United States is forced
to the following conclusions:

(a) The deficit Japanese economy shows little prospect of be-
ing balanced in the near future and, to achieve eventual balance,
will require all resources at its disposal.

(b) The burden of removing further reparations from Japan
could detract seriously from the occupation objective of stabiliz-
ing the Japanese economy and permitting it to move towards
self-support.

(c) There is little or no prospect of Far Eastern Commission
agreement on a reparations shares schedule despite the repeated
initiatives by the United States over the past three years to assist
the Commission in reaching such an agreement. Without
agreement on a shares schedule the existing Far Eastern Com-
mission policy decisions regarding reparations are incapable of
implementation.

(d) Japan has already paid substantial reparations through
expropriation of its former overseas assets and, in smaller degree,
under the Advance Transfer Program.

“In light of these conclusions the United States Government is
impelled to rescind its interim directive of April 4, 1947, bringing to
an end the Advance Transfer Program called for by that directive.
It is impelled also to withdraw its proposal of November 6, 1947, on
Japanese reparations shares, and I am so informing the Secretary

201-136-77—9
General. Finally, the U.S. Government takes this occasion to announce that it has no intention of taking further unilateral action under its interim directive powers to make possible additional reparations removals from Japan.

"I earlier stated my Government's belief that maximum efforts should be exerted by the Japanese themselves for their economic recovery. It is the view of the United States that all facilities, including so-called 'primary war facilities', presently designated as available for reparations which can contribute to Japanese recovery should be utilized as necessary in Japan's peaceful economy for recovery purposes.

"With regard to 'primary war facilities', all of which as I earlier stated were some time ago stripped of their special purpose equipment and thus of their 'war facilities' characteristics, it is the view of the U.S. that SCAP, under the authority granted in paragraph 10 of the FEC decision on Reduction of Japanese Industrial War Potential, should as rapidly as practicable require the dismantlement, dispersion or other action for the utilization in Japan's peaceful economy of such of these facilities as are required to meet the needs of the occupation, which needs prominently include economic recovery. Remaining 'primary war facilities' should continue to be protected, in the sense of preventing loss or scrapping of individual items, pursuant to the above-mentioned FEC decision requiring their 'impounding'. Impounding does not, however, include requirement that the facilities be kept in their present locations or that the Japanese devote resources to preserve their value or maintain them in working order.

"The United States, it will be recalled, has repeatedly clarified its understanding that the 'level of industry' proposals before the Commission, excepting those levels which will lapse by FEC decision on October 1, 1949, had application only to the question of the quantities of industrial facilities which could be spared for reparations, and had no bearing on the matter of future levels of industrial capacity in Japan. Turning now to this latter question, I have already emphasized my Government's support of the principle that Japan's capacity to make war should not be permitted to re-emerge. It is the considered view of the United States Government that this objective does not require that Japan's production for peaceful purposes be limited or that limitations be imposed on levels of Japanese productive capacity in industries devoted to peaceful purposes. This belief, coupled with the evidence of Japan's present economic plight and the difficult problems Japan will face in future in attaining levels of industrial production and foreign trade sufficient to support its people even at minimum levels, render it clearly advisable in my Government's view that Japan be permitted to develop its peaceful industries without limitation. The problem facing us is not one of limitation of Japan's peaceful industries but of reviving these industries to provide the people's barest wants.

"The U.S. Government plans shortly to submit to the FEC proposals for the rescission or amendment of existing and pending FEC reparations and 'levels-of-industry' policy papers so as to bring FEC policies on these matters into conformity with the position which I have announced."

ACHESON
Memorandum of Conversation, by Mr. Harold W. Moseley, Special Assistant, Division of Northeast Asian Affairs

CONFIDENTIAL

WASHINGTON, April 27, 1949.

Participants:
Mr. Max W. Bishop, Chief, Div. of Northeast Asian Affairs
Mr. Harold W. Moseley, Special Assistant, NA
Dr. Tan Shao-hwa, Minister, Chinese Embassy
Mr. J. O. Reuchlin, Minister, Netherlands Embassy
Mr. J. F. Ford, First Secretary, British Embassy
Mr. H. W. Bullock, Second Sec'y., Embassy of Australia
Mr. Ralph E. Collins, Second Sec'y., Embassy of Canada
Mr. F. H. Corner, First Sec'y., Embassy of New Zealand
Mr. S. N. Banerji, India Delegation, FEC
Mr. Faustina Lozada, Philippine Delegation, FEC

Members of the FEC delegations as indicated above were invited in at Mr. Bishop's request in order that he might present to them the proposed policy with respect to Japanese participation in international relations in advance of the formal introduction of the policy in the FEC by the United States. A copy of the proposed policy is appended to this memorandum.¹

Mr. Bishop explained to the representatives present that it was the feeling of the U.S. Government that since a democratic and responsible Japanese Government has been established, it was now time that the FEC countries should take leadership in supporting the gradual and progressive assumption by Japan of its international responsibilities under the guiding hand of SCAP. He indicated that it is our view that a realistic approach to this matter is now necessary in view of the peace treaty delay and the lapse of almost four years time since the surrender of Japan. Mr. Bishop pointed out that SCAP has informed the United States that such a policy will further his objectives in the occupation of Japan.

He invited attention to the FEC Basic Post-Surrender Policy in which the FEC countries agreed to help Japan develop economic and cultural intercourse with other countries and bring Japan into permanent peaceful relationship with all nations. He also pointed out that one of the ultimate objectives agreed upon in this FEC policy was to establish a democratic and peaceful Japanese Government which would carry out its international responsibilities and would respect the rights of other states. Mr. Bishop went on to point out that the

¹ For policy, see circular telegram of April 22, p. 713; for press release of May 6, see Department of State Bulletin, May 15, 1949, p. 635.
proposed policy was in line with the aforementioned FEC Basic Post Surrender Policy.

The reaction of the representatives present was in general one of reserve regarding the details of the proposed policy but was favorable to the principle of allowing some resumption of Japanese participation in international relations. They all indicated, however, that it would be necessary for them to obtain the views of their governments before they could discuss the proposal in the FEC. Mr. Bishop emphasized that we of course did not expect them to be able to express more than their personal views before hearing from their governments.

Some of the representatives present said that the proposed policy raised several legal questions in connection with an exchange of official representatives between Japan and other countries. Mr. Bishop indicated that it was our hope that the subject would not be approached from the standpoint of legal technicalities, but rather that it would be accepted from the standpoint of the broad political implications of the situation in Japan and in the world at large. He emphasized that the proposal was purposely drafted in very broad terms, and that it should be borne in mind that before Japan participates in international relations she must (1) be invited to enter into such relationships, (2) SCAP must approve, and (3) SCAP must consider such participation to be in the interests of the occupation.

Mr. Bishop said that Japan needed the benefits and guidance of direct contacts with other governments and people, and furthermore other countries would benefit by gaining a direct knowledge of the new Japan. He indicated that we envisaged a gradual resumption by Japan of its participation in international relationships. He noted that there were many routine, but nevertheless important, functions of an international character which the Japanese can and should immediately assume in regard to such matters as trade, property, and citizenship.

Mr. Bishop emphasized that in introducing in the FEC this proposed policy the United States Government does not deviate from its position that under the terms and purposes of the Basic Post Surrender Policy Japan can resume participation in international relations under the guidance of SCAP, and that there is no other specific FEC policy controlling on this point. Nevertheless, we recognize that relations between nations and peoples are a two-way street and it is believed that the time has arrived when the governments represented on the FEC should give positive indication that they will welcome increasing Japanese participation in international relations. The time has come when we should remove all barriers which stand in the way of a revival of mutually beneficial exchanges. It is only by such action that the vestiges of hatred and bitterness which are the inevitable
aftermaths of war and which still exist in many countries can be removed.

740.00119 FEAC/4–2949 : Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, April 29, 1949—7 p. m.


Japanese Membership in International Convention of Telecommunications (FEC-334)

Chi member stated from legal standpoint auth to permit Jap's adherence inter-governmental convention shld remain with FEC. Thought FEC policy Attendance Inter-Governmental Conferences wld reasonably meet Jap's needs under present circumstances. Neth member stated all aspects of Jap's Fon relations are in hands of powers who are going to sign peace treaty and majority these powers can decide that for certain specific purposes Jap shall resume full internatl status, but only for these specified purposes. He concluded from looking at special protocol Internatl Telecommunications Convention that it was generally recognized Jap's accession would be of general advantage and therefore necessary agreement of nations which eventually are going to sign peace treaty was obtained and SCAP was from that moment on fully authorized to tell Jap Govt that they could accede. As to future cases he thought it would be advisable for Jap resume her seat among other civilized nations when majority eventual signatory powers agreed that she should join such convention. UK Member insisted that although Jap could adhere to convention she could not be member. US Member indicated that there has been no case in history ITU since establishment in 1865 in which state which has acceded to Telecommunication Convention has not been recognized as member of Union. Also pointed out that both Administrative Council of ITU and SYG have acted in manner to recognize Jap as member ITU. Indian member thought that question issuance of invitation shld be left to Fr Govt. As to broader question of SCAP authority re Jap external relations his Govt took view fact that power in domestic field had been expressly conferred on SCAP implied that such powers re external relations continued to be vested in FEC. Referred to reply of US Del at Atlantic City Convention which indicated that "Control Committee (SCAP)" mentioned in protocol was the "responsible auth" and stated that he thought responsible auth referred to was FEC and not SCAP. He added that nothing said or done in Atlantic City Convention could take away from jurisdiction of FEC. He pointed out that his Govt considered time had come when Jap shld be permitted
adhere to ITU and he wd be glad to support proposal to that effect. US member reiterated view that SCAP was responsible auth referred to. He pointed out that there was no doubt in minds members USDel but that Jap Govt delegation shld attend Paris conference, that it was position US in view of expressed intention signatories Atlantic City Convention which provided means whereby Jap cld adhere to Convention and in view fact SYG ITU has accepted accession Jap and has communicated info members ITU, issuance invitation by Fr Govt, acting as host, shld be, in opinion of his Govt, a pro-forma matter of automatic nature.

Priority for Patent Applications in Japan (FEC-333/7)

USSR member requested discussion legality issuance interim directive this subject. No comments.

Under other business, US member submitted statement and proposed policy Jap participation in internatl relations substance of which was transmitted Toyko Depcirtel Apr 22, 1949.

ACHESON

740.00119 Control (Japan) 5-249

Memorandum by Mr. Robert A. Fearey, of the Division of Northeast Asian Affairs, to Mr. John P. Davies, Jr., of the Policy Planning Staff

TOP SECRET [WASHINGTON,] May 2, 1949.

In answer to your request for a record of implementation or non-implementation of NSC 13/2, there are attached copies1 of four periodic reports on this subject to the NSC (Tab A), the last dated March 30 (there has been nothing positive to report since), copies of the telegrams to and from General MacArthur in the matter (Tab B) and copies of letters and telegrams on particular topics (Tab C). Summarized below for convenience is the present state of implementation of each paragraph of NSC 13/2.

1. Timing and Procedure (of a Peace Treaty)—No action. (In this and certain other similar instances below action responsibility rests mainly with State.)

2. The Nature of the Treaty—No action.

3. The Pre-Treaty Arrangements—General MacArthur has maintained that he has always been guided by the policy of reducing the psychological impact of the occupation on the Japanese. As far as is known no action has been taken pursuant to this paragraph. On the contrary the psychological impact, all observers report, has been increased by GI soda fountains in front of the Yokohama station,

1 None printed.
ostentatious PX displays, taking over of hotels and offices, more dependents, etc., etc. Forces have not been removed to less conspicuous locations or reduced.

4. The Post-Treaty Arrangements—No action.

5. The Ryukyu Islands—The Ryukyus were placed on a pay-as-you-go basis as of April 1. Development of Okinawa as a naval and air base has been negligible, due mainly, it is understood, to lack of funds. In this connection air forces in the Ryukyus have been reduced for this coming year. No action of consequence has been taken by CINCPAC or COMRYKOM to our knowledge to “formulate and carry out a program on a long-term basis for the economic and social well being” of the natives. Tentative plans have been prepared here for long-range economic and political development in the Ryukyus but the response in these matters from the field has been poor.

6. Naval Bases—Action responsibility was assigned to the Navy. There has been no report of action, although informal inquiry was made some time ago.

7. The Japanese Police Establishment—State and Army have stressed to CINCPAC that it is their view that this paragraph calls for (a) improving police equipment and training, (b) creation of a mobile reserve for handling disasters and organized violence, (c) establishment of a national investigation bureau, and (d) greater degree of coordination at all times for what we consider to be a currently over-decentralized police system. So far CINCPAC has reported the provision of 20,000 pistols to the police, with 86,000 more to be received shortly from the U.S. No official reaction has been received on (b), (c) or (d), nor is it known whether anything is being planned along the lines of our suggestions, although press reports indicate that some of these suggestions are supported by the Japanese authorities.

8. Supreme Commander for the Allied Powers—Progress in reducing SCAP’s role to general supervision, with corresponding reduction in personnel, and in transferring responsibility to the Japanese, has been negative. SCAP has stated that the stabilization directive of last December has “completely reversed this policy”. Personnel has if anything increased. Interference in the operations of the Japanese Government has increased at all levels in the economic field, and has not been materially reduced in political and social matters.

9. Far Eastern Commission—Policy toward the FEC has been guided by this paragraph. With the imminent settlement of the reparations and level of industry problems, the FEC’s activities will be almost entirely limited to certain property matters and U.S. projects for the resumption of normal Japanese international relations.

10. Allied Council—No action called for.

11. Relations with the Japanese Government—See paragraph 8 above.
12. Internal Political and Economic Changes—Since the reform programs have been substantially completed, and the Japanese have not made any serious attempts to undo them, implementation of this paragraph has not required much specific action. SCAP Headquarters, however, has indicated in a number of instances that the principle underlying this paragraph is only partially appreciated at best and is being only partially followed.

13. The Purge—In spite of the utmost efforts and prodding from Washington the purge has not been modified. Increasing efforts by the Yoshida Government to modify the purge and secure the services of competent Japanese have met with repeated rebuffs by Headquarters. A complete record of the history of this matter is contained in the attached folder.

14. Occupation Costs—Steps have been taken to reduce occupation costs but they still comprise almost as large a proportion of the Budget for the year just begun as for last year. The figure for occupation costs in the Budget is 125 billion yen, which is roughly ½ of the value of anticipated GARIOA and EROA aid as estimated in the figure for the Counterpart Fund.

15. Economic Recovery—Intensive efforts have been taken for recovery, highlighted by the stabilization directive, the assignment of Mr. Joseph Dodge as SCAP’s Financial Adviser (where he has been given almost complete authority in the economic field), and the recently instituted single general exchange rate. The Director of the Budget, however, has just slashed the Army Department’s occupied areas appropriation request of 1100 million by 150 million, most of which will have to come out of rehabilitation funds. Efforts are being made to restore the amount.

16. Property Matters—Some progress has been made in disposing of claims matters but much remains to be done.

17. Information and Education
   a. Censorship—Action completed.
   b. Radio—A U.S. Army Signal Corps survey of Okinawa as a potential site for a VOUSA transmitter station to Japan has been completed and is now under examination in the International Broadcasting Division of the State Department.
   c. Interchange of Persons—The interchange program has been held up through lack of funds. We have urged that SCAP pay for the travel abroad of Japanese business men and technicians from SCAP Trust funds but have not observed any definitive action resulting from our proposal.

18. War Crimes Trials—Action virtually completed. “A” trials finished, “B” and “C” trials are expected to be completed in one or two months.

20. Reparations—An agreed State-Army policy paper is now before
the NSC for final approval.

740.00119 FEAC/3-549 : Telegram
The Secretary of State to the Acting Political Adviser in Japan
(Sebold)

CONFIDENTIAL    WASHINGTON, May 5, 1949—noon.


Review of Jap Constitution (FEC-326/26)

Re interpretation time limit Para 2 FEC policy decision, Review
of Jap Constitution, US Member stated position his Govt that review
provided be completed prior termination two-year period; since pend-
ency review specifically called for by this decision unsettling factor
Jap poli life, US opposed to any extension allotted period for review;
this position, like provision policy decision Oct 17 without prejudice
continuing jurisdiction FEC at any time to consider Jap constitution,
but any review constitution subsequent May 3 must stand on own feet
and not be review provided in this policy decision. As to paper before
Steering Comite prepared within allotted period, US no objection
deferring final vote this paper for week to enable reps receive instrs.
Chi member considered it adequate review be initiated within two
year period. Indian member thought extension period in order. UK
thought three items paper before Steering Comite be dealt with in
week. Fr, Canad and Austral members associated themselves with UK
view. Chairman ruled, without objection, that Steering Comite con-
sider subj review Jap constitution at next mtg and any proposals for-
warded Comm at that time be acted by Comm on May 5.

Agrarian Reform in Jap (FEC-335/8)

USSR Member again introduced proposal SCAP provide Comm
with materials and info re fulfillment agrarian land reform program
in Jap. Proposal defeated by vote 8 opposed, 1 favor, two abstentions
(Chi, Phil). FEC-335/8 approved by vote 10 favor with one abstention
(USSR). 1

Jap Membership in Internatl Convention of Telecommunications
(FEC-334)

Fr Member stated re conference to be held Paris May 18-19, Fr Govt
instructed its Mission in Tokyo inform Jap Govt, since no policy de-

1 FEC-031/40, October 17, 1946, Department of State, Activities of the Far
Eastern Commission, p. 67.
2 For policy decision on agrarian reform in Japan, see Department of State
Bulletin, May 22, 1949, p. 670; the text was released to the press on May 6 and
embodied in directive serial 108, May 4, to SCAP for implementation.
cision been taken this respect by Comm, Jap be invited to conference only as observers; accordingly, SCAP observer will attend conference accompanied by two Jap technicians for whom visas have been granted by Fr Govt.

Phil Member stated he wld present views his Govt at next mtg.

_Jap Participation in Internatl Relations (FEC–339)_

UK Member inquired if phrase "progressive resumption by Japan of its normal internatl responsibilities" referred to one of controlling documents or to policy of Comm. US Member stated he wld take question under advisement.

_Priority for Patent Applications in Jap (FEC–333/7)_

USSR Member reiterated position that issuance by US this interim directive violated terms of reference FEC. NZ member stated action US this instance entirely in order. US member gave statement to SYG setting forth its position this question.

Acheson

740.00119 FEAC/5–649: Telegram

_The Secretary of State to the Acting Political Adviser in Japan (Sebald)_

CONFIDENTIAL

WASHINGTON, May 6, 1949—7 p. m.

188. Subj is Summary Steering Comite Mtg, May 3, 1949.

_Review of the Jap Constitution (SC–326/24)_

US Member stated it was position his Govt that under existing conditions it is inadvisable to recommend at present any amendment to Jap constitution. However, US quite agreeable have views of majority of FEC sent to SCAP and wishes interpose no objections such a course. Understanding of US that paper taken as whole, on passage, will not represent action by FEC in sense of being a formulation of policy or requiring preparation of directive to SCAP. Understanding of US that paper is simply message from FEC to SCAP which US Govt agrees transmit through usual channels. Para 1 of FEC 326/28, Position of Aliens under Constitution approved by vote 8 favor, 3 abstentions (India, USSR, US). Para 2, Power of Supreme Court in Constitutional Matters, approved by vote 5 favor (Austral, Canad, Chi, Fr, NZ) 1 opposed (US), 5 abstentions (India, Neth, Phil, USSR and UK). Re this point US Member stated view his Govt that Jap constitution adequately clear as now stands. Para 3, Dissolution of House of Representatives, approved by vote 5 favor (Austral, Canad, Chi, Fr, UK), 6 abstentions. Paper forwarded Comm.
Fishing and Aquatic Industries in Jap (SC-271/10)

Canad Member revised amendment to Para 2b as follows: “If such expansion will involve an area in which any member country of the FEC has a direct concern in respect to fishing or other commercial aquatic activities, prior authorization shall be obtained by SCAP from such country.” This amendment accepted by vote 9 favor, 2 abstentions (Austral, USSR). Chi, NZ, Canad and Neth members stated was their understanding SCAP will inform member countries of the FEC before any expansion takes place and then countries have opportunity inform him as to whether they have direct concern.

US Member stated his Govt cld accept paper if last sentence Para 2b deleted and if Para 6 deleted, including negative vote on UK amendment. US Member stated Para 6 unnecessary and re UK amendment SCAP quite cognizant of situation and dealing with it adequately. USSR Member indicated while opposed Para 6, they were not opposed to UK amendment.

Re US proposal to delete last sentence Para 2b, Indian, Fr, and UK members stated it was their understanding if member country of FEC states that a particular area of direct concern to it, that is a question of fact which SCAP will not be able dispute. US Member stated he had no instructions on this matter. Further discussion postponed.

Jap Assets in Neutral Countries (SC 295/6)

Retained on agenda.

Labor Policy in Jap (SC 318/17)

USSR Member reiterated views that revised Public Service Law and Public Corporations Labor Relations Law and that new drafts for revision labor laws are in contradiction to Potsdam Declaration and FEC policy decisions FEC 014/91 and FEC 045/5.2

No other comments.

Replacement of Lost Cultural Objects (SC 272/12)

US Member stated he had no instructions yet on Chi query.

Removal of Aircraft and Private Munitions Plants from Japan (SC 312)

Retained on agenda.

ACHESON

1 June 19, 1947; Department of State publication 2888, Activities of the Far Eastern Commission, p. 49.

2 December 6, 1946; ibid., p. 91.
The Peace Treaty

1. **Timing and Procedure.** In view of the differences which have developed among the interested countries regarding the procedure and substance of a Japanese peace treaty and in view of the serious international situation created by the Soviet Union’s policy of aggressive Communist expansion, this Government should not press for a treaty of peace at this time. It should remain prepared to proceed with the negotiations, under some generally acceptable voting procedure, if the Allied Powers can agree among themselves on such a procedure. We should, before actually entering into a peace conference, seek through the diplomatic channel the concurrence of a majority of the participating countries in the principal points of content we desire to have in such a treaty. Meanwhile, we should concentrate our attention on the preparation of the Japanese for the eventual removal of the regime of control.

2. **The Nature of the Treaty.** It should be our aim to have the treaty, when finally negotiated, as brief, as general, and as nonpunitive as possible. To this end we should try to clear away during this intervening period as many as possible of the matters which might otherwise be expected to enter into the treaty of peace. Our aim should be to reduce as far as possible the number of questions to be treated in the peace treaty. This applies particularly to such matters as property rights, restitution, etc. Our policy for the coming period should be shaped specifically with this in mind.

Security Matters

3. **The Pre-Treaty Arrangements.** Every effort, consistent with the proper performance of the occupational mission as envisaged in this policy paper and with military security and morale, should be made to reduce to a minimum the psychological impact of the presence of occupational forces on the Japanese population. The numbers of tactical, and especially non-tactical, forces should be minimized. In determining the location of occupation forces, their employment, and support from the Japanese economy in the pre-treaty period, full weight should be given to the foregoing.

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¹ Adopted at the NSC’s 23d meeting May 6 as a revision of NSC 13/2, October 7, 1948, Foreign Relations, 1948, vol. vi, p. 858. It “represents current U.S. policy toward Japan as approved by the President upon the advice of the Council”.
4. The Post-Treaty Arrangements. United States tactical forces should be retained in Japan until the entrance into effect of a peace treaty. A final U.S. position concerning the post-treaty arrangements for Japanese military security should not be formulated until the peace negotiations are upon us. It should then be formulated in the light of the prevailing international situation and of the degree of internal stability achieved in Japan.

5. The Ryukyu, Nanpo and Marcus Islands. The United States intends to retain on a long-term basis the facilities at Okinawa and such other facilities as are deemed by the Joint Chiefs of Staff to be necessary in the Ryukyu Islands south of 29° N., Marcus Island and the Nanpo Shoto south of Sofu Gan. The military bases at or near Okinawa should be developed accordingly. The United States agencies responsible for administering the above-mentioned islands should promptly formulate and carry out a program on a long-term basis for the economic and social well-being and, to the extent practicable, for the eventual reduction to a minimum of the deficit in the economy of the natives. At the proper time, international sanction should be obtained by the means then most feasible for United States long-term strategic control of the Ryukyu Islands south of latitude 29° N., Marcus Island and the Nanpo Shoto south of Sofu Gan.

The United States has determined that it is now in the United States national interest to alleviate the burden now borne by those of the Ryukyu Islands south of latitude 29° N. incident to their contribution to occupation costs, to the extent necessary to establish political and economic security. While it would not be in the interest of the United States to make a public announcement on this matter, and while it is not believed appropriate to obtain international sanction of this intent at this time, the United States national policy toward the Ryukyu Islands south of latitude 29° N. requires that United States Armed Forces and other Government agencies stationed therein pay their way to the extent necessary and practical to carry out the above-mentioned program for the economic and social well-being and towards eventual reduction to a minimum of the deficit in the economy of the natives in this area beginning sixty days after this date, and that these Islands must then no longer be financially dependent upon or obligated to any other occupied area.

6. Naval Bases. The United States Navy should shape its policy in the development of the Yokosuka base in such a way as to favor the retention on a commercial basis in the post-treaty period of as many as possible of the facilities it now enjoys there. Meanwhile, it should proceed to develop the possibilities of Okinawa as a naval base on the assumption that we will remain in control there on a long-term basis. This policy does not preclude the retention of a naval base as such at Yokosuka if, at the time of finalizing the U.S. position concerning the
post-treaty arrangements for Japanese military security, the prevailing international situation makes such action desirable and if it is consistent with U.S. political objectives.

7. The Japanese Police Establishment. The Japanese Police establishment, including the coastal patrol, should be strengthened by the re-enforcing and re-equipping of the present forces, and by expanding the present centrally directed police organization.

The Regime of Control

8. Supreme Commander for the Allied Powers. This Government should not at this time propose or consent to any major change in the regime of control. SCAP should accordingly be formally maintained in all its existing rights and powers. However, responsibility should be placed to a steadily increasing degree in the hands of the Japanese Government. To this end the view of the United States Government should be communicated to SCAP that the scope of its operations should be reduced as rapidly as possible, with a corresponding reduction in personnel, to a point where its mission will consist largely of general supervisory observation of the activities of the Japanese Government and of contact with the latter at high levels on questions of broad governmental policy.

9. For Eastern Commission. The United States Government should ensure for its own part, and urge upon other FEC member Governments, that proposals considered by the FEC be confined strictly to policy matters directly related to the fulfillment by Japan of its obligations under the Terms of Surrender, and be couched in broad terms leaving questions of implementation and administration to SCAP. The position of the United States should further be based upon the fact that these surrender terms, as envisaged by the Potsdam Declaration, have been substantially implemented. On matters still within the purview of the FEC, such as civil aviation policy in Japan, the United States Government should seek to establish as promptly as possible firm United States positions and then adopt an aggressive and positive attitude, by direct discussions with FEC member Governments and by forceful backing in the FEC of policies desired by the United States. In matters of urgency, where it has become evident that, after efforts to achieve maximum international support, agreement cannot be promptly reached, we should not hesitate to use the interim directive. SCAP should also be encouraged to make greater use of his authority as sole executive for the Allied Powers, asking where necessary for the United States Government's views. On the other hand, the United States Government should not hesitate to render assistance to SCAP by elucidating its interpretation of previous directives and general policies, notably those appearing in the "Basic Post-Surrender Policy for Japan".
10. Allied Council. The Allied Council should be continued, with its functions unchanged.

**Occupational Policy**

11. Relations with the Japanese Government. (See paragraph 8 above.)

12. Internal Political and Economic Changes. Henceforth emphasis should be given to Japanese assimilation of the reform programs. To this end, while SCAP should not stand in the way of reform measures initiated by the Japanese if he finds them consistent with the overall objectives of the occupation, he should be advised not to press upon the Japanese Government any further reform legislation. As for reform measures already taken or in process of preparation by the Japanese authorities, SCAP should be advised to relax pressure steadily but unobtrusively on the Japanese Government in connection with these reforms and should intervene only if the Japanese authorities revoke or compromise the fundamentals of the reforms as they proceed in their own way with the process of implementation and adjustment. If exigencies of the situation permit, SCAP should consult with the U.S. Government before intervention in the event the Japanese should resort to action of such serious import. Definite background guidance embodying the above principles and indicating the United States Government's view as to the nature and extent of the adjustment to be permitted should be provided SCAP in the case of certain reforms.

13. The Purge. Since the purpose of the purge has been largely accomplished, the U.S. now should advise SCAP to inform the Japanese Government informally that no further extension of the purge is contemplated and that the purge should be modified along the following lines: (1) Categories of persons who have been purged or who are subject to the purge by virtue of their having held relatively harmless positions should be made re-eligible for governmental, business and public media positions; (2) certain others who have been barred or who are subject to being barred from public life on the basis of positions occupied should be allowed to have their cases re-examined solely on the basis of personal actions; and (3) a minimum age limit should be fixed, under which no screening for public office would be required.

14. Occupation Costs. The occupational costs borne by the Japanese Government should continue to be reduced to the maximum extent consonant with the policy objectives of the pre-treaty period as envisaged in this paper.

15. Economic Recovery. Second only to U.S. security interests, economic recovery should be made the primary objective of United States policy in Japan for the coming period. It should be sought through a
combination of United States aid program envisaging shipments and/or credits on a declining scale over a number of years, and by a vigorous and concerted effort by all interested agencies and departments of the United States Government to cut away existing obstacles to the revival of Japanese foreign trade, with provision for Japanese merchant shipping, and to facilitate restoration and development of Japan's exports. In developing Japan's internal and external trade and industry, private enterprise should be encouraged. Recommendations concerning the implementation of the above points, formulated in the light of Japan's economic relationship with other Far Eastern countries, should be worked out between the State and Army Departments after consultation with the other interested departments and agencies of the Government. We should make it clear to the Japanese Government that the success of the recovery program will in large part depend on Japanese efforts to raise production and to maintain high export levels through hard work, a minimum of work-stoppages, internal austerity measures and the stern combatting of inflationary trends including efforts to achieve a balanced internal budget as rapidly as possible.

16. Property Matters. SCAP should be advised to expedite the restoration or final disposal of property of United Nations members and their nationals in such a way that the process will be substantially completed by July 1, 1949. It should be the objective of United States policy to have all property matters straightened out as soon as possible and certainly well in advance of a treaty of peace in order that they may not hamper treaty negotiations.

17. Information and Education.

a. Censorship. Censorship of literary materials entering Japan should be conducted with the minimum of delay and pre-censorship of the Japanese press should cease. This should not operate, however, to prevent SCAP from exercising a broad post-censorship supervision and from engaging in counter-intelligence spot-checking of the mails.

b. Radio. The United States Government should immediately undertake a regular program of medium- and long-wave broadcasts to Japan from a suitably located transmitter station possibly on Okinawa. These programs should be carefully prepared with a view to developing an understanding and appreciation of American ideas and at the same time to maintaining as wide a Japanese radio audience as possible.

c. Interchange of Persons. The interchange between Japan and the United States of scholars, teachers, lecturers, scientists and technicians should be strongly encouraged. SCAP should continue the policy of permitting approved Japanese to go abroad for cultural as well as economic purposes.

18. War Crime Trials. The trial of Class A suspects is completed and decision of the court is awaited. We should continue and push to an early conclusion the screening of all “B” and “C” suspects with
a view to releasing those whose cases we do not intend to prosecute. Trials of the others should be instituted and concluded at the earliest possible date.

19. Control of Japanese Economic War Potential. Production in, importation into, and use within Japan of goods and economic services for bona fide peaceful purposes should be permitted without limitation, except:

   a. Japan’s economic war potential should be controlled by restrictions on allowable stockpiling of designated strategic raw materials in Japan.
   b. Japan’s industrial disarmament should be limited to the prohibition of the manufacture of weapons of war and civil aircraft and the minimum of temporary restrictions on industrial production which can be advocated in the light of commitments already made by the United States regarding the reduction of the industrial war potential.

20. Japanese Reparations. It should be the policy of the United States Government that current transfers of reparations under unilateral U.S. directive should be terminated and every effort made to secure acceptance by the other reparations claimant countries of the principle that the reparations question as a whole should be reduced to the status of a dead letter. After advising friendly FEC nations of our intended course and of the considerations underlying our position, the United States should take the following specific actions:

   b. Withdraw its proposal of November 6, 1947, on reparations shares.
   c. Announce to the FEC and publicly that it has no intention of using its unilateral powers to make possible additional industrial reparations removals.
   d. Announce to the FEC and publicly its views:

      (1) That all industrial facilities, including so-called “primary war facilities”, presently designated as available for reparations which can contribute to Japanese recovery should be utilized as necessary, except for scrapping, in Japan’s peaceful economy for recovery purposes.
      (2) That with regard to “primary war facilities”, all of which were some time ago stripped of their special purpose equipment and thus of their “war facilities” characteristics, SCAP, under the authority granted in paragraph 10 of the FEC decision on Reduction of Japanese Industrial War Potential, should as rapidly as practicable require the dismantlement, dispersion or other action for the utilization in Japan’s peaceful economy of such of these facilities as are required to meet the needs of the occupation, which needs prominently include economic recovery. Under

paragraph 10 SCAP may develop a suitable system for using such facilities, individually or collectively, upon notification and explanation to the Allied Council for Japan. Pursuant to the above-mentioned FEC decision requiring their “impounding”, remaining “primary war facilities” should continue to be protected, in the sense of preventing loss or scrapping of individual items. Impounding does not, however, include requirement that the facilities be kept in their present locations or that the Japanese or the occupation authorities devote resources to preserve their value or maintain them in working order.

(3) That there should be no limitation on Japan’s production for peaceful purposes or on levels of Japanese productive capacity in industries devoted to peaceful purposes.

e. Submit to the FEC proposals, regardless of likely unfavorable reception, for the rescission or amendment of existing and pending FEC reparations and “levels-of-industry” policy papers so as to bring them in as close conformity as possible with U.S. policy that there should be no further industrial reparations removals from Japan and no limitation on levels of Japanese peaceful productive capacity; and prevent action by the FEC contrary to U.S. policy.

740.00119 PW/5-849: Circular telegram

The Secretary of State to Certain Diplomatic Offices

SECRET URGENT

WASHINGTON, May 8, 1949—2 a.m.

There flows background material for use as appropriate in presenting FonMin aide-mémoire on Jap reparations and level of industry quoted immediately preceding tel:

US position formulated as integral part overall US policies toward Japan in light general FE and world conditions. Recent remarkable gains East-West struggle in Europe must be weighed against grievous events China. Whole FE feeling impact Commie advances China. Throughout FE area production is low, intra-regional trade hamstrung.

Despite island position and presence Allied occupation forces, Japan not isolated from these developments. Jap people have been disconcerted but also impressed by Commie advances China; Japan Commie

1 At Canberra, Canton, London (with added statement: “In presenting this matter to Bevin, Pls recall statement I made to him during conversation Apr 2 that reparations ‘are a confusing factor in the Jap economy and we shall let them fall into oblivion’”), Manila (with added statement: “In presenting aide-mémoire to President, pls state that though point of view expressed in Amb Romulo’s statement in FEC Mar 17 is fully understandable, it is hoped Phil Govt will appreciate broad considerations underlying US position. US has and will continue to make its interest in welfare Phils manifest through special direct arrangements”), New Delhi, Ottawa, Paris, The Hague, and Wellington.

2 Circular telegram of May 8, 1 a.m. (originally 5 p.m.), to 10 FEC posts, quoted what was “substantively identical with statement to FEC” on May 12 (Department of State Bulletin, May 22, 1949, p. 667).
Party following and influence have increased. Growing uneasiness and restiveness among Japs. Japs will either move toward sound friendly relations with non-Commie countries or into association Commie system in Asia. Only hope for peaceful Japan with continued friendly attitude toward free and democratic world lies in peaceful economic and social development with other peace-minded nations particularly in Pacific area. If effort is made to hold Japan in such tight check that it cannot develop normal trade, and if additional obstacles are added to those already faced by Japan in regaining a self-supporting status, FEC countries by own short-sightedness may gradually alienate now friendly disposed Japan and make it easy prey to Commie ideologies.

In present circumstances, Jap reparations must in last analysis be paid by US taxpayer. US naturally opposed to continuance such result. Japan faces extremely difficult task maintaining 80 million population on meager resources home islands. US has borne and is continuing bear burden current Jap deficits and bulk occupation costs to amount of almost 900 million dols annually. Faced by world-wide demands on its resources, US must end Jap burden earliest possible moment or jeopardize other foreign assistance programs. Essential therefore that Japs devote selves single-mindedly to stabilization and recovery objective. Obstacles to success program already so great imposition added burdens cld easily turn prospects success into failure.

Peaceful and democratic Japan long been recognized as essential element in stable and peaceful FE. US determined Japan's war-making capacity shall not be permitted re-emerge. Hopes other FEC nations may be able agree further reparations wld constitute serious impediment to attainment of fundamental common objectives regarding Japan of far greater importance than benefits which cld be derived from such reparations.

740.00119 FEAC/5-949: Telegram
The Secretary of State to the Acting Political Adviser in Japan
(Sebold)

CONFIDENTIAL

WASHINGTON, May 9, 1949—7 p. m.


Review of Jap Constitution

USSR Member stated although Sov Del not agree views of constitution given by SCAP in FEC 526/6 and believes constitution cld have been bettered in direction of its further democratization, Sov Del considers at present time essential question not so much question review of constitution as fact that those few democratic provisions contained
in it being systematically violated by US occupation authorities and Jap Govt. Sov Del believes FEC shld adopt matters for actual provision of normal conditions for development of democratic tendencies in Jap and therefore wld abstain on voting on FEC 326/28. FEC 326/28 approved by vote 7 favor, 4 abstentions (India, Phil, USSR, US). Indian Member stated that considering limited period during which constitution had been in operation, his Govt felt no useful purpose be served by changing constitution at this present time and hoped SCAP wld continue to guide Jap people in carrying out both letter and spirit of constitution. Austral Member stated he was disappointed other points raised by his Govt had not been sent by Comm to SCAP even though there was not majority support for them.

Comm does not plan release this paper to the press.

Jap Membership in Internatl Convention of Telecommunications (FEC-334)

Phil Member requested postponement as he was not yet prepared to present views on question.

Jap Participation in Internatl Relations (FEC-339)

Reply to UK query on Apr 29, 1949 US proposed policy decision, US Member called attention of UK Member to provisions in Preamble and Part I of Basic Post-Surrender Policy for Jap and pointed out it was these references in addition to over-all objective of Allied Powers to restore peacefully inclined and responsible Jap Govt to family of nations, implicit in Potsdam Declaration, that US had in mind in drafting proposed decision.

Item retained on agenda.

Under other business UK Member indicated he planned to make statement on excessive concentration of economic power in Jap at next mtg.

Acheson

740.00119 Control (Japan)/5-949: Telegram

The Ambassador in France (Caffery) to the Secretary of State

RESTRICTED

Paris, May 9, 1949—8 p. m.

1879. Schuman 1 replied today as follows to personal letter embodying considerations Depeire April 22, 9 a. m.

Begin translation:

In your letter April 27, Your Excellency personally emphasized importance his Government gives to French Government supporting American proposal of 21 March to FEC designed to "permit Japan to participate with other nations or groups of nations in such inter-

1 Robert Schuman, French Minister for Foreign Affairs.
national relations, conventions, meetings, consular arrangements or other bilateral or multilateral accords as Japan may be invited to enter into, accede to, attend or participate in, and as SCAP [apparent garble], attend or participate in, and as SCAP shall consider to be in the interests of the occupation”.

French Government which shares desire of U S Government to see democratic and peaceful Japan assume its place in international community has examined with closest attention reasons set forth in above-mentioned letter which lead US Government to make its proposal to FEC concerning conduct of Japan’s foreign relations.

Proposal of 21 April mentions that “one of the fundamental objectives of the occupation is to facilitate progressive resumption by Japan of its international responsibilities.”

French Government wishes point out in this connection that fundamental text of Japan occupation policy, i.e. FEC basic decision of 20 [2] June 1947 does not mention a “progressive resumption of international responsibilities” of Tokyo government but only the creation as soon as possible “of a democratic and peaceful government which will carry on its international relations”.

Therefore the decision of the 20 June 1947 did not contemplate that FEC should be progressively shorn in matter of control of Japan’s international relations of powers which it enjoys by virtue of Moscow agreement of 27 December 1945.

Proposal of 21 April 1949 in its present form nevertheless results in delegating discretionary powers to SCAP by desaisssant la commission and in causing the Governments represented thereon to lose right to be heard in Japanese affairs on level of international relations.

I add that these discretionary powers cannot be delegated to SCAP since neither the commission nor any one of its member states itself possesses them.

French Government is nonetheless in agreement with US Government in believing that there are questions of an international nature which it would be advantageous for Japanese Government to handle by itself under SCAP’s control: i.e., questions of purely technical character.

In this connection I wish to remind Your Excellency that a solution to this problem was found in the FEC decision of 9 June 1948 which permits SCAP’s representatives to be assisted at technical international conferences by Japanese experts.

However, to comply with wish of US Government French Government is willing, in order to facilitate task of US authorities in Japan, to examine favorably the increase of the Japanese Government’s powers in this field (excluding, of course, questions of political nature) on condition that:

1. In each case SCAP shall notify in advance FEC of decision which he has made concerning Japan’s participation in international gatherings of a non-political nature.

2. The commitments which the Japanese Government eventually undertakes in bilateral or multilateral agreements of a technical nature be submitted in final instance to approval of FEC.

2 FEC-300/10, June 9, 1948, Department of State, The Far Eastern Commission, p. 22.
Apart from considerations of a juridical order, the importance of which cannot be neglected by the French Government, the latter considers that such a formula has the advantage of maintaining a certain parallelism between the status of Germany and that of occupied Japan. I would be grateful if Your Excellency would be kind enough to inform his government of French Government's wish to see the proposals of April 21 modified in such manner as to take above indications into account.

Should US Government favorably receive these suggestions, French Government would be ready to support before FEC, thus amended, above proposal, which, while corresponding with desires of US authorities, respects commission's fundamental rights.

My Government intends to instruct FEC along these lines.

End translation.

Caffery

740.0011 PW (Peace)/5-1049

Memorandum by the Acting Political Adviser in Japan (Sebald) to the Director of the Office of Far Eastern Affairs (Butterworth) 1

SECRET

[WASHINGTON,] May 10, 1949.

In my last interview with General MacArthur prior to leaving Tokyo, among other subjects discussed was the possibility of General MacArthur's returning to the United States on a visit or for other reasons. In response to my question on this subject, he said that I am authorized on his behalf to state as follows:

"It is General MacArthur's purpose to remain in Japan until his job is completed. He considers that the job will be completed upon the signing of a treaty of peace."

1 Submitted on May 11 to the Secretary of State by Mr. Butterworth as "of interest". Mr. Sebald was on a brief consultative visit from Tokyo.

740.00119 Control (Japan)/5-1049

The Chargé in Japan (Huston) 1 to the Secretary of State

SECRET

No. 298

Tokyo, May 10, 1949. [Received May 20.]

Subject: Launching of Program to Effect Relaxation of Occupation in Japan

Sm: I have the honor to report that on May 9, 1949, General Headquarters here initiated measures looking to a progressive relaxation of the controls exercised by the Occupation vis-à-vis the Japanese Govern-

1 In the absence of the Acting Political Adviser, the Counselor of Mission in Japan was in charge.
ment and its agencies. On that date the Chief of Staff, Major General Edward M. Almond, called a meeting of all chiefs of Headquarters' staff sections, as well as his two deputies (SCAP and FEC), and directed them to inaugurate immediately an intensive review of all Scapins (SCAP instructions), verbal orders, and other directives to the Japanese Government with a view to determining those which might be eliminated or modified. Reports are to be submitted by May 23 to the Deputy Chief of Staff (SCAP), who will prepare a consolidated report for submission to the Chief of Staff by May 30. All Scapins and other directives are to be placed in three categories, i.e., (a) those which must be continued, (b) those which may be modified, and (c) those which may be withdrawn, justification to be provided for all directives which the section chiefs feel must be continued in present or modified form.

Making it clear that he was taking this action at the express direction of the Supreme Commander, General Almond stated that the general program of relaxing controls to which Headquarters had been devoted for some time might now be considered as having passed from an "implied" to an "expressed" stage. He noted that the determination to relax Occupation controls had been clearly expressed in General MacArthur's message on the second anniversary of the Japanese Constitution on May 3, which, after attributing the long duration of the Occupation to "events and circumstances elsewhere beyond your capacity to influence or control", indicated the Supreme Commander's purpose to reduce restrictions on Japan's autonomy in the following words:

"In these two years the character of the Occupation has gradually changed from the stern rigidity of a military operation to the friendly guidance of a protective force. While insisting upon the firm adherence to the course delineated by existing Allied policy and directive, it is my purpose to continue to advance this transition just as rapidly as you are able to assume the attending autonomous responsibility. Thus progressive latitude will come to you in the stewardship of your own affairs."

A copy of the full text of General MacArthur's message is enclosed herewith.

Stressing the characterization of the present period of the Occupation as one of "economic rehabilitation", General Almond declared that the time had come when it was imperative to take practical and effective measures to accord the degree of control exercised by Occupation authorities with the fact that the Occupation had passed from the "stern rigidity of a military operation to the friendly guidance of a protective force". Prepared forms were then distributed, and the Acting Deputy Chief of Staff (SCAP) explained that each section chief should direct his staff to review all Scapins and other directives
of all kinds, including standing verbal orders, requests for information, required reports, directives affecting Japan's autonomy or administration, and any other instruments of control. The reports are also required to cite any areas of conflicting, duplicating, or overlapping interest as between sections in various fields.

A general air of willing cooperation prevailed among the section chiefs, although Major General William F. Marquart, Chief of ESS (Economic and Scientific Section), on which a major burden will fall in the preparation of these reports, rose to point out the particular difficulties with which he would be faced in undertaking this tremendous task and at the same time carrying on his other work under the multitudinous directives calling upon him to implement the present intensive program of economic rehabilitation. Brigadier General Courtney Whitney, Chief of Government Section, remarked that his section had "issued no directives during the past two years".

Some 17,000 Scapins and other directives have been issued to the Japanese Government during the period of the Occupation. A large number of these, of course, are now obsolete or inoperative, many of them having been "one-time Scapins" dealing with a single case or operation. It is accordingly obvious that the present program will be able to show impressive results as a matter of adjusted records with respect to the number of Scapins and other directives now in effect, as a great majority of them can simply be struck out as presently inoperative. This will not mean, however, that such clearance of the records can be taken as representing any real relaxation of controls now in existence. The test will come when the various section chiefs determine which of the presently operative controls for which they are responsible can be relinquished and which must be continued, and the effectiveness of the program will be finally determined by the action taken by the Chief of Staff and, ultimately, the Supreme Commander on the various justifications submitted.

This Mission has been responsible for the issuance of very few Scapins, and these have in virtually every instance been of a permissive or informative, rather than a controlling character; they include, for example, authorization for Japan to participate in certain international conferences, permission for Japanese to file claims in the United States for the release and return of vested property, authorization for the Japanese authorities to correspond with Japanese nationals abroad, and similar directives of a character which places no limitations on Japan's autonomy.

This meeting, which, whether eventually productive of the desired results or not, seems to reflect an honest recognition in General Headquarters of the need for a genuine relaxation of controls and the progressive transfer of responsibilities to the Japanese Government, coincided in point of time with the week-end appearance in the press
of news stories regarding the Department’s announcement of May 6 that it had recommended to the Far Eastern Commission the transfer to Japan of increased control of its own affairs in the international and domestic fields (see Mission’s A–115 of May 11, 1949).  

Respectfully yours,

CLOYCE K. HUSTON

[Enclosure]

[TOkyo,] 2 May 1949.

GENERAL MACARTHUR’S MESSAGE ON 2D ANNIVERSARY OF CONSTITUTION

Today, on the occasion of the second anniversary of the new Japanese constitution, General MacArthur issued the following message:

TO THE PEOPLE OF JAPAN

Today marks the second anniversary of the birth of New Japan—a Japan conceived in the impoverished aftermath of war’s violence, seeking political stability and social progress through concepts which hold to the primacy of individual liberty, equal opportunity, and personal dignity.

These have been fruitful years as you progressively have come to understand and live by the new and enlightened constitutional precepts. Your basic laws have been recast and your public institutions redesigned. Your selected architects and builders have worked ardently to fabricate a citadel of freedom from those imperishable human norms drawn from experience of the ages. And your house now rests upon a political and social foundation which, if well fortified by the human spirit, should remain impervious to the ideological stresses and strains which threaten all about you.

Your farmers now own the soil they and their forebears long have tilled—your workers now have voice in the conditions of their employment—and your women now exercise influence upon the political and social course of Japan’s destiny, all beneficiaries of human rights and fundamental liberties rendered inalienable by your constitutional mandates. These changes in the moral values of Japanese life have brought about a regeneration of the Japanese edifice. This edifice, if it firmly stands as an impregnable barrier against the forces bent upon its destruction, will strengthen the faith of all peoples in the spirituality of human freedom. And in proportion as you value this freedom you must understand, cherish and preserve it.

The Allied purposes enunciated at Potsdam in many essential respects have been fulfilled, and you have worked diligently and faithfully to discharge your surrender commitments. That Allied forces still occupy your native soil is thus by no means due to fault of yours since the inception of the Occupation, but rather to events and circumstances elsewhere beyond your capacity to influence or control.

In these two years the character of the Occupation has gradually changed from the stern rigidity of a military operation to the friendly guidance of a protective force. While insisting upon the firm adherence

2 For press release of May 6, see Department of State Bulletin, May 15, 1949, p. 635; airgram under reference not printed.
to the course delineated by existing Allied policy and directive, it is my purpose to continue to advance this transition just as rapidly as you are able to assume the attending autonomous responsibility. Thus progressive latitude will come to you in the stewardship of your own affairs.

To such end and to insure the continuity of a calm and well ordered progress, I call upon every Japanese citizen on this anniversary of Japan's rebirth, to safeguard the commonweal by unrelaxed vigilance against the destructive inroads of concepts incredulous of human wisdom, prejudicial to personal dignity, and suppressive of individual liberty. There can be no higher human purpose.

Douglas MacArthur

740.00119 PW/5-1649

Interim Directive by the Joint Chiefs of Staff to General of the Army Douglas MacArthur, at Tokyo

Restricted

Serial No. 104

Advance Transfers of Japanese Reparations and Reparations Allocation Procedures for Industrial Facilities in Japan

The following interim directive, Serial No. 104, regarding advance transfers of Japanese reparations and reparations allocation procedures for industrial facilities in Japan, received from the State and Army Departments in accordance with Paragraph III, 3, of the terms of reference of the Far Eastern Commission, is transmitted to you for necessary action.

"Interim directive Serial No. 75 is hereby rescinded. Items already processed under that directive will, however, be made available for removal in accordance with terms of that directive."

1 Copy transmitted to the Department by the State-Army-Navy-Air Force Coordinating Committee with its SANA-6673, May 16, and forwarded by the Department on May 18 to the Far Eastern Commission.


740.00119 Control (Japan)/5-1349

The Chargé in Australia (Foster) to the Secretary of State

Secret

Canberra, May 13, 1949. [Received May 31.]

No. 35

Subject: Japanese Participation in International Affairs

Sir: I have the honor to refer to the Department's restricted circular telegram of April 22, 1949, 9 a.m., and the Embassy's confidential

2 Copy transmitted by the Department in its instruction 124, June 16, to Tokyo.
telegrams in reply no. 85 of April 28, 10 a.m., and no. 102 of May 12, noon,\(^2\) concerning the above subject.

There is transmitted herewith a copy of the note \(^3\) addressed to me on May 11, 1949, by Dr. John W. Burton, Secretary (and in the absence of Dr. Evatt acting head) of the Department of External Affairs, in reply to a note I sent him on the basis of the Department’s circular telegram of April 22. It will be noted that the essence of Dr. Burton’s note is that the Australian Government “considers that adequate provision already exists under existing policy decisions of the Far Eastern Commission for such limited participation by Japan in international affairs as is necessary at the present time”.

I regret that in this and other recent matters relating to Japan the Embassy has been unsuccessful in its efforts to persuade the Australian Government to accept the United States viewpoint and policies. I have in mind the Department’s circular telegrams of September 23, 1948,\(^3\) and February 11, 1949,\(^4\) and its telegram no. 33 of March 2, 1949 \(^3\) concerning most-favored-nation treatment for Japanese commerce; and its circular telegrams of March 11, 1949,\(^5\) regarding Japanese accession to the ITU, and of May 8, 1949,\(^6\) concerning Japanese reparations and level of industry. I know the Department appreciates, however, that the problem of Japan’s status and international position is a peculiarly difficult one here. From the point of view of the Australian people generally and the Australian Labor Government in particular it is only a few years since Japan was their mortal enemy bent upon invading their continent.

It is perhaps understandable that they still feel a lingering hatred and fear of the Japanese together with an instinctive opposition to any measure which might tend to restore Japan’s prewar military, political, industrial, or commercial power. They feel that a self-supporting Japan of 80,000,000 people even though no threat to the United States would inevitably constitute a menace to the security and economy of Australia’s 8,000,000 people. Many Australians will admit the logic of the United States thesis that from the American point of view the Japanese economy must be reconstructed at least to the level where the country can support itself and can resist the inroads of communism. But Australian emotions nonetheless continue to override the logic of the situation.

There are of course other factors which complicate the situation. The Australian Labor Government is, as the Department well knows, extremely jealous of the independent position of Australia, suspicious

\(^2\) Latter two not printed.
\(^3\) Not printed.
\(^4\) See vol. 1, p. 656.
\(^5\) Ante, p. 786.
of what it regards as American economic imperialism, and determined not to be pushed around.

Couple all these things with the fact that Dr. Herbert V. Evatt, Minister for External Affairs, who makes the country's immediate foreign policy almost single-handed, follows a highly academic approach to international problems, and there exists ample basis for an almost automatic opposition to United States proposals and policies in connection with the future of Japan.

More specifically—and these are perhaps symptoms rather than causes of the Australian attitude—the Australians insist upon the primary position of the Far Eastern Commission as against the Supreme Commander of the Allied Powers. They insist also in urging the conclusion of the Japanese peace treaty ahead of other considerations. They are fearful of Japanese commercial competition especially in so far as this might hurt the foreign trade of the United Kingdom. Again, this is an election year, and a bitter campaign is already under way for the Commonwealth Parliamentary elections scheduled for December; this naturally does not predispose either the Government or the electorate toward a dispassionate view of international problems.

Behind all these considerations lies the fact that generally speaking the Australian people and their Labor Government continue to share the complacent assumption that when the next war comes, if it does, the United States will bail them out just as it did last time. Nevertheless, this complacency has been somewhat shaken by the withdrawal of United States defenses to the west coast of North America, the collapse of China, and the deteriorating situation in southeastern Asia, and there is evidence of a dawning realization of the dangers of Australia's isolated position. This, however, has the effect not of converting the Australians to our policies with respect to Japan but of causing them to feel that until the present situation is clarified no irrevocable steps should be taken which might even partially restore Japanese power.

Respectfully yours,

ANDREW B. FOSTER

894.00/5–1649

The Chargé in Japan (Huston) to the Secretary of State

CONFIDENTIAL

Tokyo, May 16, 1949.
No. 314
[Received May 31.]

Sir: I have the honor to transmit five copies of an address Prime Minister Yoshida Shigeru delivered at the Tokyo Correspondents Club on May 11, 1949.

Enclosure not printed.
The address has aroused considerable interest because of the Prime Minister's earnest appeal for world sympathy, confidence, and cooperation in assisting Japan's economic recovery and return to normal international relations.

The Prime Minister also took occasion to correct what he considers a false impression of himself and the Democratic Liberal Party. He noted that he and his party are often described in foreign books, magazines, and newspapers as "ultra-conservatives," "reactionaries," and "die-hards". Mr. Yoshida stated that he and some of his associates were arrested by the Military Police during the war because they did not subscribe to the creeds and doctrines of the militarists and ultra-nationalists then in power. The Prime Minister emphasized that during the war it was the militarists who were the radicals and that he and his associates were the conservatives who stood for peace and dared to defy those in power.

There is no doubt that Mr. Yoshida keenly resents the labels "reactionary" and "die-hard" which many foreign correspondents as well as leftist opponents in Japan repeatedly use in describing him and the Democratic Liberal Party. While some of the leaders of the Democratic Liberal Party unquestionably represent an old-guard type of conservatism, it is inaccurate to describe the Prime Minister and the party he heads as reactionary in the customary sense of the word. Mr. Yoshida and his party represent the principal conservative element in postwar Japan primarily because there is nothing further to the right as an influential organized party. As the Prime Minister noted in his address, the only difference between his position during the war and today is that he and his party are now in power.

Mr. Yoshida's position is actually a relative one. Since the end of the war the scale for measuring political viewpoints has been shifted far to the left. During the war this scale began on the far right with the militarism and extreme nationalism as personified by the Tojo coterie, and extended only about as far to the left as Mr. Yoshida and other peace advocates who were harrassed or imprisoned for their "radical" views. With the end of the war, almost everything from Tojo extremism to the edge of Mr. Yoshida's conservative position was swept from Japanese political life, while, at the same time, the political scale was shifted to include newly-risen political groups ranging from the liberalism of the Social Democratic Party to communism. This shifting of the scale has, of course, left Mr. Yoshida at what has now become the right in Japanese politics.

In his appeal for sympathy and understanding, Mr. Yoshida expressed the hope that the world will realize that the Japanese are today sincerely endeavoring to rebuild their nation upon a peaceful, democratic basis. He pleaded for a tempering of thoughts of revenge and retribution by those who suffered from Japanese aggression with the
realization that Japan now stands before the world chastened, humbled, and helpless as a result of a disastrous military defeat. The Prime Minister expressed the hope that the world will not hold the transgressions of the past against Japan's future and will permit Japan to resume its place among the nations. "All we are asking now," the Prime Minister pleaded, "is access to materials and markets so that we may buy the food we need to live."

The Prime Minister's appeal for sympathy and understanding of the problems which face Japan's recovery and his denial of having reactionary policies have been favorably received by the Japanese press as a highly desirable effort to dispel suspicion and misunderstanding over Japan's efforts to recover. Some Japanese, however, have expressed disappointment that Mr. Yoshida did not deal with the communist problem and reiterate his determination to stamp out communism. In making his appeal for the world's sympathy and in attempting to counter charges of being reactionary, Mr. Yoshida probably believed it would be inappropriate to deal with the communists beyond his concluding statement that he and his party do not see eye to eye with the Socialists and "abhor communism".

Respectfully yours,

CLOYCE K. HUSTON

740.00119 P.W./5–1749: Telegram

The Chargé in the Philippines (Lockett) to the Secretary of State

SECRET

MANILA, May 17, 1949—5 p.m.

1295. On May 12 handed President Quirino aide-mémoire re Jap reparations and level industry as contained Depcirtel May 8, 1 a.m., together with covering letter containing additional paragraph for use here taken from immediately following Deptel.

There was no opportunity discuss contents with President May 12. When I saw him this morning he said he was about go into meeting with Cabinet discuss problem. However, he said that those reparations already approved for Philippines prior this US policy decision should certainly be delivered. As long as there is blood in the Japanese turnip, he added, Japan should be forced turn over materials in partial restitution to those countries which it ravished, among which Philippines an outstanding example.

President said he appreciated US generosity and humanitarian attitude toward underprivileged suffering people but felt US more concerned alleviate aftermath war Japan than in Philippines which suffered so terrifically at hands Japan. He indicated that but for our undue concern Japan's welfare we might automatically save American taxpayer nine hundred millions we now spend there annually.

1 See footnote 2, p. 736.
I pointed out that our military withdrawal and cessation economic aid Japan would probably result its being taken over by Soviets or their agents which would place Philippines under immediate danger Communist domination. If President was influenced by this argument he did not show it.

LOCSTEIT

740.00119 FEAC/5-1849: Telegram
The Secretary of State to the Acting Political Adviser in Japan (Sebold)

CONFIDENTIAL

WASHINGTON, May 18, 1949—6 p. m.


Jap Membership in Internatl Convention of Telecommunications (FEC 334)

Phil member requested postponement.

Jap Participation in Internatl Relations (FEC 339)

Re US proposal to Fr member stated his Govt wd like to make clear that Basic Post-Surrender Policy did not provide that FEC be progressively deprived, as regards control of Jap Fon relations, of powers given it by Moscow Agreement. Result of Amer proposal, as now worded, wd be to give SCAP discretionary powers in field of Jap Fon relations, thus depriving Govts represented at FEC of right to be heard on these matters. Such discretionary powers cannot, however, be delegated to SCAP by FEC as neither Comm nor individual Govts possess such powers. In order to meet wishes of Amer Govt and facilitate task of occupation authorities, Fr Govt wd be willing to envisage extension of powers given to SCAP by policy decision, Jun 19 [9], 1948 on Attendance at Inter-Governmental Conferences subj fol conditions: a) in each case, SCAP shld notify Comm—for its info—of any decision taken re Jap participation in Internatl non-polit conferences; b) any commitments which might be subscribed by Jap Govt in bilateral or multilateral agreements of technical character shld be ultimately submitted to FEC for approval. Opinion of Fr Govt, such formula, while taking into account juridical considerations which cannot be overlooked, wd have advantage of keeping statute of occupied Jap in line with present statute of Germ.

Economic Stabilization in Jap

No discussion.

Level of Economic Life in Jap (FEC 242/32, FEC 297/10)

USSR Member urged that US present its position. US Member indicated he had statement to make under other business.
Priority for Patent Applications in Jap (FEC 333/7)

USSR Member in reply to US statement of Apr 26, 1949 again attacked legality of interim directive and alleged that US accepts only those actions of FEC which it considers acceptable to US, but that when FEC does not approve policy decided by US, US states that FEC is unable to act and under one or another pretext, orders SCAP to implement the policy desired by it.

NZ Member again suggested this item might well be removed from agenda after lapse of week.

Other Business

US Member made statement on Jap reparations and Level of Industry which was transmitted to SCAP by Dept of Army in WCL 39888, May 12, 1949. Only comment was from Phil Member who stated his Del was stunned by this announcement. They still believed in validity of reasons which prompted statement on Potsdam Declaration that will permit execution of just reparations in kind in Jap and still hoped the Comm can work out or develop policy decisions that will implement Potsdam Declaration.

UK Member stated UK supports US position that no further policies re deconcentration program are needed although he maintained vigilance and care shd be exercised in redistributing assets of Zaibatsu in accordance with relevant principles of Basic Post-Surrender Policy.

US Member invited attention to statement SCAP on second anniversary of Jap constitution.

ACHESON

740.00119 PW/5-1749 : Telegram

The Secretary of State to the Embassy in the Philippines

CONFIDENTIAL

WASHINGTON, May 18, 1949—8 p. m.

612. Reurtels 1284, May 17, and 1295, May 17. While recognizing that emotional factors render Filipinos almost impervious to logic on some Japan questions, Dept desires Embassy and USIS take all feasible steps to explain and justify US reparations and level of industry position in hope of moderating Phil opposition and resentment. Materials for this purpose are already available to Embassy in text McCoy statement to FEC, aide-mémoire handed ten FonMins and background material provided for use in presenting aide-mémoire. Fol basic points shd, however, be especially stressed:

US policies and actions in Japan are on behalf of and in interest of all Far Eastern nations. Programs of democratization and reform in Japan adopted by FEC can succeed only if tolerable econ conditions

1 Not printed.
obtain in Japan. US is naturally reluctant to have to provide approximately half billion dollars of econ aid to Japan annually from its own resources but has been willing to do so to make possible success of FEC programs which can alone produce peaceful Japan.

At same time US cannot indefinitely bear burden of Japan’s support. It must assist the re-attainment by Japan of self-supporting economy at earliest possible time. Further reparations from deficit Jap economy wld obviously be inconsistent with this objective. Japan has been completely disarmed and US is determined that its capacity to make war shall not be permitted to re-emerge.

VOA broadcasting to FE round up of US edit opinion on McCoy statement citing particularly fol para from N.Y. Times edit of May 15 (text entire edit contained May 16 Wireless Bulletin):

“In case of Phil, again taking that example, it shld eventually become clear that Phils has vastly more to gain by contd favorable assoc with a US that has been freed from Jap burden and by sound place in sound Pac economy, to which solvent Japan is essential, than the republic cld gain by practical payment of limited amt Jap reparations. Phils has nothing to gain from a straitened US or a bankrupt Japan.”

VOA commentary emphasizing points advanced second and third paras above.

It is suggested also that Amb on arrival state frankly to Quirino that US has contributed vast sums to Phil reconstruction since Japan’s surrender; that Dept is currently endeavoring secure additional Phil aid funds; and that he can state from his own knowledge of situation in Washington that unreasoning criticism of and opposition to US policies toward Japan by Phil Govt and people greatly increases difficulties which must be overcome by those here seeking promote Phil aid programs. He might inform Quirino Dept amazed his statement US might save its expenditures in Japan but for undue concern Japan’s welfare, adding that on reflection Dept sure he will realize the unfortunate results for Phils and all SEA that would flow from withdrawal US aid to Japan, which is not given out of concern for late enemy but as matter hard necessity in common interest all FEC nations.

Quirino may be advised, re his statement to you of May 12, that US directive to SCAP rescinding Advance Transfers directive of Apr 1947 stipulates that items already processed under latter directive shld be made available for removal.

ACHESON

2 Myron M. Cowen.
201-136—77—11
Subject: Situation in Japan; Japan Policy Problems

The occupation of Japan will soon enter its fifth year. Although the occupation has in many respects been an outstanding success, it began to approach the point of diminishing returns almost two years ago, not long after our proposal of July, 1947, for a peace conference. Although there has as yet been no active resistance to the occupation, and little passive resistance directed specifically against the occupation itself, the Japanese people, who in our own estimation were ready for a peace treaty two years ago, have become increasingly restive under conditions of indefinitely continued military occupation, and desire for a peace settlement is widespread. Partly as a result of these feelings, the Japan Communist Party increased its representation in the Diet from 4 to 35 in the general elections last January. Although the Communists still constitute a small proportion of the total population the Communist threat in Japan is a real one.

Coincident with, and a partial cause of, the gradual souring of popular attitudes toward the occupation in Japan has been the disappointingly slow revival of Japanese production and trade. Production is still only 65 per cent of the 1930–34 levels, when the population was some 15 million smaller. Annual U.S. aid requirements for Japan have increased rather than diminished, and the production increases which have been achieved in Japan have been based almost entirely on this aid and deficit financing by the Japanese Government. It was accordingly necessary for the U.S. Government in December, 1948, to direct the institution of a comprehensive stabilization program to place the Japanese domestic economy on a sound basis. Although substantial progress has been made in implementing this program it will be some time before its objectives can be achieved, and even longer, optimistically 1954 or 1955, before Japan can hope to regain a self-supporting status. The United States on May 12 announced its opposition to the removal of any further reparations from Japan in order that the Japanese might devote their full energies and resources to the stabilization objective.

In March, 1948, Mr. Kennan made a trip to Japan and on his return submitted recommendations for the progressive adjustment of occupation policies to permit continuation of the occupation pending a peace treaty without jeopardizing the gains achieved up to that time.¹ Basically these recommendations, subsequently incorporated in NSC

13/3, were that SCAP should shift responsibility as rapidly as possible to the Japanese, with a corresponding reduction in SCAP personnel, that the Japanese should be permitted to proceed in their own way with the assimilation of the reform programs, and that the psychological impact of the occupation on the Japanese should be reduced to a minimum. Unfortunately these recommendations have been only partially carried out. The developing situations in Japan and in the Far East, and the necessity for both political and economic reasons for putting the Japanese on their own responsibility, have caused the Department to give renewed consideration to the conclusion of a peace settlement. A letter has been prepared from Secretary Acheson to Secretary Johnson requesting information regarding implementation of NSC 13/3, and a memorandum has been sent to Admiral Souers of the NSC requesting a strategic evaluation of U.S. security needs in Japan.

Leading Japanese policy problems at the present time may be listed as follows:

1. Conclusion of a Peace Settlement. Study of this matter is proceeding within the Department.

2. GARIOA and EROA Appropriations Request. The Department is supporting the Army Department's appropriation requests for the coming fiscal year for Japan before the Appropriations Committees of Congress.

3. Reparations. We are attempting to win the widest possible acceptance by other FEC nations of our reparations position announced in the FEC on May 12.

4. Level of Industry. The United States announced its position on May 12 that there should be no restrictions on Japanese peaceful production or levels of productive capacity in industries devoted to peaceful purposes. Efforts are now being made to arrive at an agreed position within the Department on a precise definition of what should be considered "peaceful industries" and what should not. Immediately a Departmental position has been arrived at on this point consultations are planned with the Army and Navy Departments, the Maritime Commission, and other interested agencies and organizations before submission of appropriate policy proposals to the FEC.

5. Japanese International Relations. The United States has submitted to the FEC a policy proposal providing for broadening of Japanese international contacts under SCAP’s guidance to hasten Japan’s resumption of a more normal position in the world community. This proposal has met with a disappointing response from other FEC Member Governments.

6. Japanese Labor Legislation. The Australian Representative on the FEC has submitted a policy proposal on this subject which has received considerable support from other Members. If adopted, this proposal would overrule SCAP in the position which he has taken on the rights of Japanese workers in Government enterprises. The Department is endeavoring to work out with other interested agencies and

*May 6, p. 730.
with SCAP a position which will appear reasonable to other FEC Governments but which will not embarrass SCAP. We may, however, be forced to veto the Australian proposal.

7. Strengthening of Japanese Civil Police. The State and Army Departments are endeavoring, thus far unsuccessfully, to obtain SCAP concurrence in certain measures for strengthening of the Japanese civil police, pursuant to the decision on this point in NSC 13/2. Strengthening of the police in Japan is extremely important before U.S. troops are withdrawn.

761.94114/5-2049: Telegram

The Chargé in the Soviet Union (Kohler) to the Secretary of State

Moscow, May 20, 1949.

1304. Soviet press May 20 prints following “announcement by Administration Council Ministers USSR for Affairs Repatriation.”

“In view inquiries addressed USSR member Allied Council Japan concerning date termination repatriation Japanese POWs from territory Soviet Union, Administration Council Ministers USSR for Affairs Repatriation considers necessary give following information.

From grand total 594,000 soldiers officers Japanese army taken prisoners, 70,880 were immediately freed in 1945 in battle areas.

In period December 1, 1946–May 1, 1949 there were 418,166 repatriated Japan.

In period May–November 1949 will be repatriated all remaining POWs totalling 95,000 with exception few groups persons now being investigated connection war crimes they committed.

All expenses borne by Soviet Union connection repatriation Japanese POWs and civilians must be reimbursed by Japanese Government as provided by repatriation agreement between USSR member Allied Council Japan and staff of General MacArthur dated December 19, 1946.”

Repeated Tokyo 26.

Kohler

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3 For text of Mr. Sebald’s letter of April 25 to the Soviet member of the Allied Council for Japan (Derevyanko), requesting information on Japanese POWs, see Department of State Bulletin, May 15, 1949, p. 635.

740.00119 PW/5–2449: Telegram

The Chargé in Japan (Huston) to the Secretary of State

Tokyo, May 24 [23?], 1949.


2 Not printed; it requested information (740.00119PW/5–1849).
Unanimous Japanese reaction one of elation. Japanese word most commonly used was “arigatai,” meaning welcome. US statement not unexpected by informed Japanese quarters, but all were surprised by sweeping nature of US position, especially decision that primary war facilities should be converted to peaceful use where possible. All quarters Japan attributed decision to US generosity and to US desire to revive Japanese economy, and emphasized improved morale of people and likelihood of higher standard of living.

Japanese Government reaction entirely favorable without regard to politics. Diet members emphasized both US desire to help Japan and saving of well over 2 billion yen from Japanese budget. Opinion also expressed in Diet that peace treaty will be facilitated since Japan’s major wartime obligation apparently removed. Private opinion also expressed that this US move effectively counteracts recent gains Communist influence resulting from China successes. No official Communist Party reaction; Communists want budget saving effected to be used for education, and one prominent Communist claims that US move means reparations from production, which he says Communist Party has always advocated. Japanese Finance Ministry has cautioned that US move does not necessarily mean that no further reparations will be taken from Japan, but Foreign Office has indicated publicly that US position will effectively preclude further reparations after interim program finished.

Japanese press gave US statement widest publicity, extras on day of announcement and headlines for two days. Technical aspects regarding revision of directives, primary war industries, et cetera, caused some confusion but press and public quickly realized that US was stopping present reparations program and advocating maximum use industrial capacity Japan for peace-time industry. Japanese press and public only vaguely aware of mechanics of FEC but are clearly conscious of US contribution to Japan’s economic recovery; connection with nine economic principles and Dodge Mission noted. Stock market, especially heavy industry, jumped immediately after US announcement. Later reactions concerned statistics of repatriations [reparations] already delivered, budgetary saving and use of this money, and effect on deconcentration program of stopping of reparations.

Local allied representatives accepted US decision without protest, except Chinese and Filipinos who have made vigorous informal protests. All local allied representatives appear to have realized probability of some such US move and most do not question its necessity. Chief concern of local representatives now is whether or not equipment now allocated but not delivered to four advance transfer countries will be cut off.
The Acting Secretary of State to the Acting Political Adviser in
Japan (Sebold)

CONFIDENTIAL

WASHINGTON, May 26, 1949—7 p. m.


Jap Membership in Internatl Convention of Telecommunications
(FEC 334)

Phil member expressed view that provision of Basic Post-Surrender
Policy empowering SCAP at his discretion to authorize Jap Govt
to exercise “all the normal powers of govt in domestic admin” did
not confer on SCAP same discretionary power in field of internatl
relations. He stated Jap cld only accede to internatl conventions if
authorized by FEC. He concluded since there was an accomplished fact
before the Comm, his Del wld abstain, but was not prepared to con-
sider SCAP’s action as binding precedent in future cases. US Member
pointed out there was now a proposed policy before FEC on this subj
and since four years had gone by since surrender provision had to be
made to bring Jap back into normal participation in internatl
relations.

Jap Participation in Internatl Relations (FEC 339)

UK Member stated his Govt sympathized with broad objective of
US proposal but cannot agree to it in its present form because (a)
it is expressed in such broad terms that it cld result in termination of
state of war with Jap without recourse to signature of treaty of peace,
(b) there is no indication in it how Jap is to develop or what her
status is to be, and (c) it cannot agree that SCAP shld be sole arbiter
as to degree of relationship which Jap shall be entitled to maintain
with Fon powers outside Jap. His Govt wld, however, be prepared to
give careful consideration to policy proposal designed to secure greater
measure of Jap participation in internatl arrangements on technical
level and which wld avoid above points to which it takes exception.
Furthermore UK member inquired of US Del whether they con-
template that Jap Cons be sent or expected to be received abroad. US
Member referred question to his Govt, but pointed out SCAP auth wld
be exercised in conjunction with other Govts which wld have the right
to refuse to issue visas to Jap.

In view of rather strong objection to US proposal to refer paper to
working Comite, paper was retained on FEC agenda but also referred
to Comite 4.

Priority for Patent Applications in Jap (FEC 333/7)

USSR Member expressed disagreement with NZ views presented
at last mtg. He inquired of US Member whether the US considers re-
jection by Comm of policy means absence of action on part of Comm and whether this gives US right to issue interim directives. US Member stated that he had already stated position of his Govt on this point. The Chairman ruled that this item be removed from agenda. USSR Member objected, but Chairman replied that he considered this procedural matter and unless there was call for vote item wld be removed from agenda.

Jap Reparations and Level of Industry (FEC 340)

Phil Member made fourteen page statement which was released to press and which is being airpouched to you. Chi Member stated that in spite of fact that his Govt is fully aware of difficulties that US, as principal occupying country, has encountered in course of last three years, it still cannot endorse views expressed in US statement of May 12. His Govt believed that these views were contradictory to internatl agreements in spirit and letter and wld be grossly unjust to those countries which have fallen victims to Jap aggression.

WEBB

740.0011 PW (Peace)/5-2749 ; Telegram

The Chargé in Japan (Huston) to the Secretary of State

RESTRICTED

Tokyo, May 27, 1949.

180. Cite C50343. R.D Deptl 226, May 24. Although the Japanese hope for an early peace treaty is deep and the reaction to the prospect of discussion by CFM is therefore enthusiastic, Japanese practical expectations arising from the proposal have been soberly tempered by doubt as to Soviet motives and the apparent necessity of Chinese participation. Some opinion believes proposal motivated by Communist success in China and Soviet intention to force United States recognition of Communist Government since no treaty settlement with Japan can be made without Chinese participation. Japanese Communists have repeatedly advocated early peace treaty since summer 1948 concomitant with withdrawal occupation.

Vishinsky proposal \(^2\) believed to strengthen substantially propaganda position Japanese Communists. Japanese generally not concerned over 4-power peace discussions as opposed to 11-power FEC member plan so long as treaty concluded. Except for Communists, most Japanese heretofore believed that Soviet Union basically opposed to peace treaty and used 4-power plan as pretext to delay action. Sudden injection by Vishinsky of Japan peace proposal into Conference

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\(^1\) Not printed; it requested information.

\(^2\) Andrey Yanuarievich Vishinsky, Deputy (Assistant) Minister for Foreign Affairs of the Soviet Union. For documentation of Council of Foreign Ministers meeting at Paris, where this proposal was made, see vol. III, pp. 856 ff.
Foreign Ministers called primarily for European problems may convince Japanese that Soviet Union sincerely anxious for treaty.

While editorial comment has thus far been limited, better informed Japanese regard Soviet proposal as strictly propaganda move and do not understand why the United States in replying to Vishinsky did not set forth more fully and emphatically United States desire for Japan peace treaty and point out that previous American efforts failed largely because of Soviet attitude. In general, Japanese elated at prospect of peace treaty discussions at high level but doubt that accord on subject can be reached at Conference Foreign Ministers. Japanese Communist propaganda barrage to blame United States for failure is of course to be expected.

There is some thought here that useful ammunition for countering Communist propaganda might have been provided by admitting the Japanese treaty to the CFM agenda as a later item after agreement on other agenda points.

Huston

740.00119 PW (Peace)/5-2749

The Acting Secretary of State to the Secretary of State, at Paris

TOP SECRET

WASHINGTON, May 27, 1949.

My Dear Mr. Secretary: The problems raised by the Soviet renewal of their previous proposal for consideration of a Japanese peace treaty in the Council of Foreign Ministers and the questions raised in your telegram 1783 were to some extent anticipated as will be evident from the enclosed copies of communications to the Secretary of Defense and the Executive Secretary of the National Security Council. These were prepared just prior to your departure but in the rush of events it was impossible for them to reach you and they were forwarded by me.

I write now to supplement the information contained in the “Memorandum on Japanese Peace Conference” dated May 13, which you took with you. I hope to clear today with the National Military Establishment and White House a telegram recommending that you maintain our present position that the Soviet proposal for consideration of a Japanese peace treaty not be discussed in the Council of Foreign Ministers but that renewed explorations of the subject might be carried on through diplomatic channels. Incidentally, this recommendation would be made in the full realization that it would probably give the Soviets some propaganda advantage, at least for the time being.

1 Not printed.
2 Dated May 23 and addressed to Louis A. Johnson and Sidney W. Souers, respectively; neither printed.
The position taken was based on the fact that a final determination
has not yet been made:

(1) of the minimum security needs of the United States in relation
to Japan, nor
(2) whether it is reasonable to suppose that these needs can be
achieved by agreement through the media of a multilateral peace
treaty with Japan, particularly under a procedure which would not
give the United States a veto.

Subsidiary considerations influencing our decision were:

(1) The probability that the Soviets would inject the question of
what Chinese government should be represented at an early convoca-
tion of the Asiatic Council of Foreign Ministers, with a view to forc-
ing early recognition of a Communist China;
(2) The position taken by the British Commonwealth nations at
the Canberra Conference in 1947 to the effect that any Japanese peace
conference must be attended and participated in by all of them from
the beginning, and finally
(3) The volatile inconsistency in now suddenly agreeing to a Soviet
proposal for early consideration of a Japanese peace treaty in view of
the fact that as recently as April 3 you informed Mr. Bevin that no
preparations were underway for such a treaty.

It may well be that our minimum security needs with regard to
Japan will be found to be of such a nature that, in combination with
the necessity from the viewpoint of our economic well-being of getting
Japan on a self-supporting basis, it will prove impossible to attain
general international agreement to a treaty which would secure United
States objectives. Only after receiving replies to the enclosed communi-
cations to the Secretary of Defense and the National Security Coun-
cil and after diplomatic talks with friendly powers associated with
us in other parts of the world will it be possible to reach a decision on
these matters.

Should it become apparent that attempts to reach a multilateral
settlement which safeguards vital United States security and economic
interests will be unsuccessful, it would be most unfortunate if we were
committed to proceed with negotiations for a treaty. Not being so
committed it would be possible to proceed with a vigorous implemen-
tation of the present or if necessary a revised NSC 13/3. Such action
should include the possibility of dynamic changes in the regime of
control in Japan looking toward the creation of conditions approxi-
mating those which would prevail under a peace treaty so that at
some point it would be possible to obtain general international de jure
recognition of a de facto situation. Obviously it might become neces-
sary during this process to consider how the United States can dis-
engage itself from the present international mechanism, involving
SCAP, the FEC, Allied Council, et cetera, which was set up as a
temporary expedient (and not in the expectation that the United States
would indefinitely continue to appropriate, aside from cost of the military occupation, some $400,000,000 a year for Japanese support), but which has now lost its raison d’être, at least so far as the interests of the United States are concerned and has in many respects become a straitjacket. The legal complications are, of course, sundry and require careful attention.

In view of all the above considerations we believe we should take no steps at this time which would start us down a road the end of which we cannot yet see and from which we could only turn back at the cost of grave embarrassment. We, therefore, believe our course of action should be to proceed rapidly with the determination of our own minimum desiderata in full consultation with the National Military Establishment followed by a study of the most feasible means of achieving them in the light of present world conditions. With the despatch of the enclosed communications a first step has been made. The officers concerned are giving urgent consideration to such other aspects of the question as can be studied prior to a reply to these communications. It is hoped that upon your return from Paris or shortly thereafter it will be possible to proceed to more definitive action.

Respectfully yours,

JAMES E. WEBB

740.00119 FBAC/6-149: Telegram

The Acting Secretary of State to the Acting Political Adviser in Japan (Sebauld)

CONFIDENTIAL

WASHINGTON, June 1, 1949—7 p. m.

240. Subj is Summary Steering Comite, May 24, 1949.

Fishing and Aquatic Industries in Jap (SC 271/14)

Re request for US interpretation of para 2 b, US member pointed out that under existing circumstances US agrees to broad general principle that each member nation of FEC may define on reasonable basis area in high seas within which it has direct concern, for security reasons or for enforcement of legitimate conservation measures, with respect to entry into that area of Jap vessels for fishing or other commercial aquatic activities. US acceptance of this broad general principle is, however, on assumption that it will be applied within rule of reason, and that no state will claim a direct concern over area which wld not be generally accepted as reasonable. If such case shld arise wherein nation insists on direct concern over area which has no possible relationship to national security or to legitimate conservation measures, and if SCAP cld not through negotiation secure a modification of position taken by member nation, he wld be forced to exercise discretion implied in para 2 b, with reference to extension of Jap fishing into such part of area claimed as cld have no reasonable relation to
that nation’s national security or legitimate conservation interests. If SCAP in exercise of such discretion prejudices what FEC member country continues to regard as its own direct concern, it is recognized that each country may request FEC to review action of SCAP or resort to diplomatic approaches to other FEC member countries for general consideration of question.

Chi member suggested that US interpretation be drafted in form of amendment as US interpretation not in accord with text. Phil member inquired as to meaning of expression “legitimate conservation measures” which occurs in US statement. Chi member attempted to reword para 6 to meet Sov objection to “recommendation”, but USSR member insisted on deletion para 6.¹

Trade Marks, Trade Names and Marking of Merchandise in Jap (SC 332/5)

Paper forwarded to Steering Comite by vote of 9 favor, US opposed and USSR abstaining. US member requested postponement.

Labor Policy in Jap (SC 318/17)

USSR member made long statement alleging that Labor Relations Adjustment Law Revision Bill and Trade Union Law Revision Bill, adopted by lower house of Jap Diet on May 12 deprived Jap workers of inalienable rights and violated policies of FEC. He revised Sov resolution accord with passage laws.

Austral member intimated that US was attempting to obscure issue. He said there was no issue of “unrestricted right to strike”, but only of a “right to strike” by workers in Govt enterprises. He also said all “essential services” were not Govt enterprises. He explained that in Austral there is “system of compulsory arbitration” but this system and right to strike do not mutually exclude each other.

Canad member said in Canad same principles are applied to workers in Govt enterprises and private enterprises and that nowhere is right to strike categorically denied.

Chi member suggested that differentiation might be made between strikes in essential Govt enterprises and strikes in non essential Govt enterprises.

Replacement of Lost Cultural Objects (SC 272/12)

Chi member requested other Dels to indicate reaction to US and Chi positions. No comments.

Jap Assets in Neutral Countries (SC 295/6)

Fr, Phil and US positions still reserved.

¹ For Department of State press release of June 10 on progress of Japanese fishing industry conservation program, see Department of State Bulletin, June 26, 1949, p. 538.
Removal of Aircraft and Private Munitions Plants from Jap (SC 312)

At US request UK member agreed to ask Comm to withdraw paper, but Chi member insisted that item be retained on agenda.

WEBB

894.628/6-149

The Acting Secretary of State to the Acting Political Adviser in Japan (Sebald)

SECRET

WASHINGTON, June 1, 1949.

No. 116

The Acting Secretary of State refers to the Mission's No. 247 of April 21, 1949 1 requesting the full text of the statement, attributed in a United Press report to the Special Assistant for Press Relations, on the subject of the final disposition of Formosa and the Kurile Islands. There is enclosed an extract 1 from the verbatim transcript of the Special Assistant's press conference at which this subject was briefly discussed.

The Special Assistant's remarks do not indicate a further development in the Department's policy on this problem. The Department remains of the opinion that there can be no final determination of Japan's territorial sovereignty in the absence of a peace settlement and that there are meanwhile good reasons for avoiding any expression, implied or direct, of United States views on this subject.

For the Mission's confidential guidance, however, it may be pointed out that the United States Government will give careful study to the question of supporting any Japanese claims at the peace settlement to the Habomai Group, Shikotan, Kunashiri and Itorofu. The Department supports the intention of the Mission to avoid, in the course of Headquarters exchanges with the Office of the Soviet member for the Allied Council, any action which would tend to weaken Japanese claims to the islands in question.

1 Not printed.

740.00119 FEAC/6–249: Telegram

The Acting Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, June 2, 1949—7 p. m.


Jap Participation Intl Relations (FEC–339)

Re UK inquiry whether US contemplated Jap consuls sent or reed abroad, US member stated this wld be entirely matter for recipient
country to determine; that US proposal contemplates no intl relations between Japan and any other nation except at invitation of other country; that if any country desired receive Jap consuls and invited consular arrangements, under terms of policy, SCAP wld have discretion, if he considered it to be in interests occupation, to permit Japan, subj to his continued control, to enter into such arrangement.

Austral member stated his Govt wld not support US proposal. It felt under existing FEC policies there is already ample latitude for fostering Japan’s contacts with other countries. Moreover, it considered Japan cannot appropriately be re-admitted into society of nations with full voting rights at intl conferences as long as technical state of war exists with Japan. It seemed to his Govt US case provided support early peace settlement, but until such settlement concluded FEC must remain responsible for close supervision all aspects Japan’s intl relations and it wld be for Allied Powers at time peace settlement decide whether supervision Japan’s intl relations should be relaxed.

US member pointed out it might be some time before agreement reached on peace conference and in meantime responsible commander should have auth carry out broad policies FEC without administrative control from FEC.

NZ member thought members of Com should have opportunity to express views before faced with fait accompli.

*Jap Membership Intl Convention Telecommunications (FEC-334)*

No comments.

*Jap Reparations and Level of Industry (FEC-340)*

Chi statement air pouched to you. Second Phil statement transmitted SCAP in WCL 44171, May 28.¹

US member on personal basis replied Phil member’s reference Parrott art New York Times May 24 that there was no basis in fact for statements and no intention of forming or allowing formation natl defense force for Japan.

Under Other Business, Sov member objected Chairman’s removal FEC-333/7, Priority for Patent Applications in Japan from agenda and insisted item be kept on agenda until US clearly stated whether, in issuing interim directive, it intended adhere to principles established in FEC Terms of Reference. Chairman pointed out Sov member, if he so desired, might make motion proposing item be restored to agenda.

¹ For Department of State press release of June 10 on the U.S. attitude toward the Philippine and Chinese complaints regarding Japanese reparations removals, see Department of State Bulletin, June 26, 1949, pp. 831–833.
The Chargé in Japan (Huston) to the Secretary of State

RESTRICTED

No. 356

Tokyo, June 3, 1949.

[Received June 13.]

Sir: I have the honor to refer to this Mission's telegram no. 174 of May 23, 1949, summarizing reactions to the recent announcement by the United States in regard to reparations from Japan, and to enclose 1 copies of communications received from the Chinese and Philippine diplomatic missions in Japan, making representations concerning the implementation by General Headquarters, Supreme Commander for the Allied Powers, of the United States directive rescinding Joint Chiefs of Staff Directive no. 75,2 which set up the Reparations Advance Transfer Program.

The Philippine Mission, in its note of May 24, 1949, expressed general objection to a strict construction of the directive halting interim reparations transfers from Japan, on the triple grounds that reparations thus far received by the Philippines were inadequate in view of the war damage suffered by that country, that immediate halting of interim transfers would seriously interfere with Philippine industrialization plans based on reparations material, and that the benefit to Japan of immediate cessation of transfers would not compensate for the resentment aroused in the Philippines and the probable consequent damage to trade relations between the Philippines and Japan. This Mission, in its capacity as the Diplomatic Section of GHQ, SCAP, has made an interim reply to the Philippine Mission by note of May 26, 1949, and referred the Philippine request to the Office of the Civil Property Custodian, the section of headquarters having jurisdiction over reparations matters.

The Chinese Mission, in a note of May 25, 1949, briefly expressed its general objection to the halting of Japanese reparations transfers, and, after stating that final action on Japanese reparations must be determined by the Far Eastern Commission "and the Allied Nations concerned", took up specific points in the SCAP implementation of the directive halting interim transfers. On the basis of a version of the United States directive allegedly received from the Chinese delegation to the Far Eastern Commission, the Mission protested SCAP action to halt the transfer of "items already processed" under Directive no. 75. Particular stress was placed on the Chinese desire to complete the transfer of electrical facilities from ten former Japanese arsenals, and of a 200-ton crane and 15,000 KVA power plant at Kure, which the Mission describes as urgently needed in Formosa.

1 Enclosures not printed.
The Chief of the Chinese Mission also addressed a letter to the Chief of Staff (SCAP) on May 20, 1949, making similar representations concerning the Kure facilities. This communication was forwarded by the Chief of Staff to this Mission, in its capacity as the Diplomatic Section of GHQ, with the request that a reply be made to the Chinese Mission substantially as follows:

"Orders to cease dismantling work were issued as a result of the withdrawal by the United States Government of JCS Directive no. 75 which established the Reparations Advance Transfer Program. Resumption of this work is not contemplated except through receipt of further instructions from the United States Government (underlined words crossed out in original) higher authority."  

The Mission accordingly addressed a "Diplomatic Section" note to the Chinese Mission, transmitting the foregoing information, on May 27, 1949. 

This Mission has sent an interim reply to the Chinese Mission's note of May 25, 1949, informing the Mission that the matter is under consideration in GHQ, SCAP. It is informally understood that headquarters proposes to take no positive action on the Chinese Mission's requests concerning transfer of the facilities at Kure or other reparations items in the immediate future. 

Although I have had several conversations during the past ten days with both General Chu, Head of the Chinese Mission, and Mr. Shen, his Minister-Counselor, neither of them has broached the subject of reparations. The Head of the Philippine Mission, Dr. Africa, has spoken to me on the subject somewhat casually, indicating resigned acceptance of the new situation by saying that he supposed the Philippine Reparations and Restitution Delegation in Tokyo might now be leaving for Manila and thus free some housing space for other Mission personnel. He added that the American announcement had stirred up popular sentiments in the Philippines to such an extent that he felt it was not unlikely that the Philippine people will now refuse to trade with Japan. 

Respectfully yours,

CLOYCE K. HUSTON

740.00119 Control (Japan)/6-449: Telegram

The Acting Secretary of State to the Consulate General at Canton

CONFIDENTIAL

WASHINGTON, June 6, 1949—6 p. m.

Telcan 299. ReCantel 530 June 4. At earliest suitable opportunity pls inform Yeh, acting FonMin, Dept gratified China has revised its

1 Not printed.
2 George Kung-chao Yeh, Political Vice Minister for Foreign Affairs, was in charge of the Chinese Foreign Office, then at Canton.
policy re Japan and will support US in principle in both reparations and limited participation Japan in int'l relationships under SCAP control; that Dept hopes other Govts will take similar action supporting US principles which are designed further basic expressed purposes of Allied occupation; that early expression (which he could give at any meeting without prior notice) by Chinese representative on FEC of his support of these measures would be welcome and desirable; that FonMin may wish instruct Chinese reps at present ITU conferences at both Paris and Geneva to support US approval of Jap attendance as members; and that Dept trusts FonMin appreciates difficulty of attempting give advance notice to Chinese in all cases or in treating them differently from other friendly FEC Govts but Dept will give full consideration to his request and whenever practicable inform them of US proposals.

WEBB

740.00118 PW/6-749: Airgram

The Chargé in Japan (Huston) to the Secretary of State

REstricted

Tokyo, June 7, 1949.
(For Department use only) [Received June 15—10:45 a.m.]
A-129. Reference mydes 356 and 357, June 3, 1949, concerning Tokyo developments on halting of interim reparations transfers. Following is text of statement by Deputy Chairman at 47th meeting of Reparations Technical Advisory Committee, June 7, 1949, on implementation of Interim Directive Serial 104:

"On 13 May 1949 the following interim Directive Serial No. 104, regarding the advance transfers of Japanese reparations was transmitted to the Supreme Commander for the Allied Powers:

"Interim Directive Serial 75 is hereby rescinded. Items already processed under that directive will, however, be made available for removal in accordance with terms of that directive."

In implementing Interim Directive Serial 104, the Supreme Commander for the Allied Powers has decided that deliveries of reparations materials already allocated either orally or in writing, under the Advance Transfers Program from the 18 government-owned arsenals from which removals have already taken place, will be continued. No removals will be made from arsenals Code No. 45-05 and 45-06 (Iwakuni Army Fuel Depot), since no dismantling has been begun in said arsenals.

There will be no delivery of reparations from the Kure Thermal Electric Power Plan (Code No. 11-5-14. Steam Power Plant), since considerably less than 10 per cent of said plant has been dismantled, and less than 5 per cent has been packaged for shipment. Delivery of

1 Despatch No. 357 not printed.
the tower crane (Code No. 11–55 (106)) will not be made, since dismantling has not been commenced."

Facilities named last paragraph are subject of Chinese Mission’s representations in notes of May 20 and May 25. As indicated mydes 357, implementation provides liberal interpretation of Directive 104 for countries other than China, of which Philippines chiefly concerned, while specifically barring transfer of items in which China most interested.

Huston

740.00119 FEAC/5-449

Memorandum by the Director of the Office of Far Eastern Affairs (Butterworth) to the Deputy Under Secretary of State (Rusk)

SECRET

[WASHINGTON,] June 8, 1949.

Subject: Rights of Employees of Japanese Government Enterprises

Problem


Discussion

Last summer, as a result of serious abuses of power by organized Japanese Government workers, SCAP recommended and, under the direction of occupation officials, the Japanese Government passed several laws restricting the rights of Japanese Government employees. The USSR and the Japanese Communists condemned SCAP’s action in toto. The FEC countries and United States organized labor have criticized the restrictive provisions of these laws as excessive. The United States Government (State, Army, Labor) has informed SCAP privately that it regarded certain phases of the laws defective and has unsuccessfully attempted over the last nine months to have certain minor corrective measures taken. At the same time, the United States Government has opposed the passage of any FEC policy decision which would publicly reverse SCAP on this highly delicate issue.

The issue presents itself today in the form of an Australian Resolution before the FEC which provides that:

"Bearing in mind that it is a matter for the occupation authority in Japan to decide when strikes and other work stoppages should be prohibited as directly prejudicing the objectives or needs of the occupation, the FEC decides as a matter of policy that the provisions of FEC 045/5 (principles for Japanese Trade Unions) should be applied to workers in Japanese Government enterprises."

² For FEC-045/5, December 6, 1946, see Foreign Relations, 1946, vol. viii, pp. 369 and 370; also, Department of State publication 2888, Activities of the Far Eastern Commission (1947), p. 91.
Despite repeated attempts by the United States Government to have this resolution defeated or tabled, the Resolution was passed by the Steering Committee on May 31 by a vote of 6 to 1, the United States alone opposing and the USSR, China, Netherlands and Philippines abstaining. It is now before the Commission and will probably be voted upon within the next few weeks.

The United States is therefore confronted with an immediate choice between three courses of action: (1) not voting against the resolution (which would permit its adoption), (2) voting against the resolution (which would in effect mean use of the veto), or (3) further seeking the withdrawal or tabling of the resolution.

The first course of action is highly inadvisable. The controlling FEC directive (FEC-045/5), to which this resolution refers, is a broad statement of principles for Japanese trade unions, which does not state to which specific groups it does or does not apply. SCAP acted within his proper administrative discretion in interpreting the directive as he saw fit, and his interpretation of the directive has been translated by the Japanese Government into a series of laws known as the National Public Service Legislation. The effect of the Australian resolution, if adopted, would be to require a major rewriting of these laws, which in turn would undermine the position of the present government, unquestionably produce political turmoil in Japan and jeopardize the stabilization program. Furthermore, the passage of the Australian resolution, being a reversal of the position publicly taken by SCAP, would result in a serious loss of his prestige.

The second course of action, while definitely preferable to the first, has the disadvantages of (1) requiring that the United States use the veto to defeat a resolution which no other FEC countries oppose, (2) affording the USSR an opportunity publicly to present the United States as being alone opposed to the "rights" of Japanese labor, (3) not settling the overall controversy in the FEC concerning the rights of Japanese Government workers.

The third course of action is therefore preferable if at all possible. However, several attempts have already been made by officers of the Department to secure withdrawal of the Australian proposal, but all have proved unsuccessful. The Australian Delegation is acting under firm orders from the Australian Labor Government and it has the active support of all the other Commonwealth countries. Clearly, the Australian Government will not accede to any request that it table its resolution unless the United States has a definite counter-proposal. This has been intimated to us on a number of occasions.

What Australia and the other countries have repeatedly sought from us is an expression of what, in our opinion, should be the principles governing Japanese Government workers. So far we have taken the position that FEC-045/5 is a broad statement of principles for
Japanese trade unions which does not indicate the specific categories to which it applies or does not apply. This position is obviously unresponsive to the question raised by the other countries as well as by important segments of opinion in this country, and has rendered more imperative the need for the United States to take more than a negative, evasive stand on this question.

For this reason, State-Army-Labor wired SCAP in April informing him that it is our view that, as a matter of principle, full collective bargaining rights, including the right of mediation and arbitration but not of strike, should be extended to all non-executive full-time employees of Japanese Government enterprises. We told SCAP that if the United States Government were in a position privately to assure the Australians and other friendly FEC countries that the United States and SCAP supported this principle and that full effect would be given to it by SCAP as soon as he deemed practicable, the long and unhappy controversy over the National Public Service legislation could almost certainly be laid at rest. Our proposal was designed to spare SCAP any embarrassment. It did not require that he undertake any immediate or difficult action. It merely required that the same rights of mediation and arbitration that are now enjoyed by the Government railway and monopoly workers be extended to the only other group of Govt. enterprise workers, namely, the employees of the telecommunications services.

SCAP has refused to go along with the proposal. His reasons for doing so as well as FE’s analysis of these reasons are attached at Tab A. Suffice it to say here that FE does not find in SCAP’s arguments sufficient substance to be dissuaded from the wisdom of the proposal which State-Army-Labor put to SCAP last April. This proposal, which we continue to support, would merely require that the Telecommunications Ministry become the National Telecommunications Corporation. Its 143,000 workers would continue to be denied the right to strike. They would continue to be subject to strong punitive measures. They would, however, acquire the right of having their grievances adjudicated by an arbitration court (Labor-Management-Government) rather than continuing to have them decided by the National Personnel Authority. We see no security risk involved in such an undertaking.

It must also be emphasized that our proposal is not advanced in a spirit of appeasement to the views of other countries and interested groups. From a substantive point of view we believe that it would be consonant with and confirm the otherwise logical distinction made in the National Public Service legislation between public enterprise

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8 War 87868, April 28, not printed.
9 Telegram C 69705, May 1, and memorandum of May 4, neither printed.
workers and regular civil servants. Failure to extend mediation and arbitration facilities to the telecommunications workers is an apparent discrimination against a particular group of workers that may do more to promote than to curb Communist influence among them. The proposal, if carried out, would also serve to combat Communist influence in the Japanese trade union movement by showing SCAP's genuine concern for the rights of Government workers, particularly at a time when the Government workers are suffering, perhaps more than any other group, the brunt of the stabilization program.

FE and E therefore continue to be of the firm opinion that SCAP should be induced, provided the internal security problem can be met, to agree to carry out the principle stated above. SCAP's contrary view—which has now been supported by the Department of the Army—leads me to the conclusion that if the course of action we recommend is to be carried out, there must be established a high-level United States Government position on this matter which is then brought fully to bear upon SCAP. In so doing SCAP should be warned that a United States veto of the Australian resolution might well lead to an FEC resolution along the lines of the principle to which we subscribe; that if this were to happen, the United States would be placed in the deplorable position where it could not afford to oppose an FEC directive compelling SCAP to do what we believe he should do on his own initiative.

In order to obtain Army agreement in this matter, a personal high-level approach to Mr. Johnson is suggested, since lower echelons of the Army now appear adamant in their support of SCAP's position.

Recommendations

It is recommended that:

1. The Acting Secretary endeavor to secure the agreement of Secretary Johnson and Secretary Tobin to the sending to SCAP of the attached message (Tab B) enjoining him to take steps to provide that all non-executive full-time employees of Government enterprises in Japan be accorded full collective bargaining rights, including the right of mediation and arbitration, but not the right to strike.

2. That this be done whether or not the Australian resolution comes to a vote, though if this is done promptly the United States should be in a position to persuade the Australian Government to withdraw or table its resolution.

3. That the United States oppose the Australian Resolution when and if it comes to a vote.

Concurrence

Mr. Thorp Concurs.

* Maurice J. Tobin, Secretary of Labor.
* Not printed.
Press Release Issued by the Public Information Office, Far East Command

IMMEDIATE RELEASE

GHQ Statement of State Department "Discussions"

The following release was given out by the GHQ spokesman today:

Nothing is known here of discussions for the transfer from the Department of the Army to the Department of State of the primary control of United States Interests in the Occupation of Japan. It is believed that the discussions do not involve change in the present regime of local control in Japan, as such change, unlike the situation existing in the American Zone of Germany where the United States has from the start exercised unilateral control, could only be accomplished through agreement by the eleven nations of the Far Eastern Commission as provided by the international commitments of the United States and the other nations concerned. The SCAP set-up is international in character, the occupation including the British Commonwealth Occupation Forces as well as United States Forces, and other international bodies, and overall policies are primarily fixed by the Far Eastern Commission, a civilian group from the eleven nations, sitting in Washington. The United States could not unilaterally alter this international set-up and it is not believed here that any attempt to do so is contemplated. Apparently what is being discussed is whether American interests will be primarily handled by the State Department in Washington or, as heretofore, by the Department of the Army in Washington, an internal question which rests solely with the United States Government. The SCAP set-up in Japan itself would not necessarily be involved nor would the time or circumstances of a peace conference be directly affected.

1 Copy transmitted with Despatch 372, June 11, from Tokyo, received June 17; not printed.

The Chargé in Japan (Huston) to the Secretary of State

CONFIDENTIAL

Tokyo, June 14, 1949.

No. 385

[Received June 29.]

Sr: With reference to this Mission's airgram no. A-138 of June 4, 1949,1 concerning labor riots at the Tokyo Metropolitan Assembly on May 30 and 31, 1949, during which one labor demonstrator was killed, I have the honor to transmit a copy of a letter 2 addressed to the Su-

2 Not printed.
preme Commander on June 11, 1949, by Lieutenant General Kuzma N. Derevyanko, Soviet Member, Allied Council for Japan, protesting strongly against alleged police brutality in dealing with labor demonstrations. General Derevyanko’s letter was released to the press at the time of its dispatch on June 11 by the Office of the Soviet Member, plainly indicating the propaganda motive behind this action.

The Supreme Commander has not made formal reply to the Soviet Member’s letter, but on June 13 released to the press an exceptionally blunt comment on the Soviet Member’s communication. A copy of General MacArthur’s statement is enclosed.

In view of the extraordinarily caustic character of the Supreme Commander’s comment, there is a possibility that the Soviet Government may make further issue of this matter, either in the Far Eastern Commission or in the Allied Council for Japan. This Mission has accordingly requested the G-2 Section of General Headquarters for full details of the May 30-31 riots.

Respectfully yours,

CLOYCE K. HUSTON

[Enclosure]

Press Release Issued by the Public Information Office, Far East Command

IMMEDIATE RELEASE

[TOKYO,] 13 June 1949.

GENERAL MACARTHUR’S COMMENT ON GENERAL DEREVYANKO’S LETTER

“The Soviet letter, replete with inaccuracies and misrepresentations of fact, could be disregarded as routine Soviet propaganda did it not so completely unmask the Soviet role as an incitor of disorder and violence in an otherwise orderly Japanese society. The thorough duplicity of its apparent championship of fundamental human rights on the one hand and the Soviet callous indifference to the release for repatriation of Japanese prisoners of war on the other—its talk of greater liberality for Japanese workers and the Soviet practice of labor exploitation, is a shocking demonstration of inconsistent demagoguery. The purpose of the letter is obviously two-fold: to incite irresponsible and unruly minority elements in Japan to violence and disorderly resistance against the duly constituted government of Japan and the lawful orders and processes thereof with a view to creating confusion, unrest and bewilderment in the ranks of the law-abiding Japanese masses, and to screen the Soviet unconscionable failure to abide by the requirements of International Law and specific Potsdam commitments in the return of over four hundred thousand Japanese citizens, long held in bondage, to their homeland. This failure to meet international commitments and maintain normal standards of human decency in the disposition of captives finds little paral-
l el in the history of modern civilization, and is calculated so to outrage moral sensibilities that even the Japanese Communists have been moved to register a bitter and indignant protest. The burdened effort at this late date to challenge the number long publicly recorded as held in Soviet hands by charging mathematical error is small solace indeed to hundreds of thousands of Japanese homes from whom no sophistry can conceal the fact that a family member in Soviet custody has failed to return; and as to whom, contrary to all international covenants respecting prisoners of war, no word whatsoever has been received during the long period of captivity.

"For the Soviet to speak in derogation of the status of labor in Japan is hypocrisy compounded. His premise is based upon such fantastic exaggerations as obviously to belie the truth. The Japanese labor laws match the most progressive in their liberality and advanced concepts, and the labor movement here, despite its immaturity, has advanced more rapidly and with less friction than has its counterpart in many of the democratic countries of the world. Incidents of violence have been rare indeed and no segment of Japanese society has made such democratic gains as labor which enjoys rights and liberties and safeguards largely unknown to the peoples of the Soviet Union, which, following the totalitarian concept, holds under ruthless suppression individual liberty and personal dignity.

"For the Soviet to speak of 'Democratic rights', 'the suppression of legal activities', 'arbitrariness and chastisement', is enough to challenge the late lamented Ripley at his imagination's best and leads one to conclude that now there must really be nothing new under the sun."

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Executive Secretariat Files

Note by the Executive Secretary (Soviers) to the National Security Council

TOP SECRET

NSC 49

[WASHINGTON,] June 15, 1949.

The enclosed report, prepared by the Joint Chiefs of Staff on the subject and forwarded by the Secretary of Defense pursuant to the request contained in Reference A, is circulated herewith for the information of the National Security Council and for the use of the Department of State in undertaking its initial studies of the present adequacy of NSC 13/3.

SIDIKEY W. SOUERS
Strategic Evaluation of United States Security Needs in Japan

1. The Japanese Islands are of high strategic importance to United States security interests in the Far East, primarily because of their geographic location with respect to the trade routes of the North Pacific, the exits and entrances of the Sea of Japan, the East China and Yellow Seas, and, to a lesser degree, the ports of Asia north of the Shanghai-Woosung area, inclusive. Japan, also because of her geographic location, could under USSR control be used as a base for aggressive action directly against United States bases in the Western Pacific, in anticipation of step-by-step advances eastward and to the Southeast Asia region. Conversely, United States control of Japan, either directly or indirectly, will not only deny to the USSR an extremely important strategic base for aggressive or defensive action but also, in the event of war, will make available to us strategic outposts for early denial to the USSR, and eventually for control or neutralization by us, of the Sea of Japan and the Yellow and East China Seas. In addition, it would provide us with staging areas from which to project our military power to the Asiatic mainland and to USSR islands adjacent thereto.

2. Japan’s strategic importance is increased by her manpower and her industrial potentials. These several potentials could, under readily foreseeable circumstances, and, despite the logistic demand that would need to be met in making her support useful, have great influence either for or against the interests of the United States in the event of global war.

3. The ability of the Japanese to wage both aggressive and defensive war was proven in the last world conflict. It is almost inconceivable that the Japanese manpower potential would be permitted to continue in peaceful pursuits in the event of another global conflict. Under USSR control, Japan probably would provide both the arsenal personnel and the manpower for aggressive military campaigns in the Pacific and to the southwest. If United States influence predominates, Japan can be expected, with planned initial United States assistance, at least to protect herself and, provided logistic necessities can be made available to her, to contribute importantly to military operations against the Soviets in Asia, thus forcing the USSR to fight on the Asiatic front as well as elsewhere.

4. From the military point of view, the ultimate minimum United States position in the Far East vis-à-vis the USSR, one to which we
are rapidly being forced, requires at least our present degree of control of the Asian offshore island chain. In the event of war, this island chain should constitute in effect a system of strong outposts for our strategic position. It would have only limited offensive value, however, and might well be untenable, if any major portion of the chain, such as Japan, were unavailable at the outset of the struggle.

5. The ability of the United States to derive full strategic advantage from the potentialities of Japan and to deny Japan’s ultimate exploitation by the USSR will depend largely on the course we follow from now on with respect to Japan. This course should, accordingly, take into account the essential objectives, from the military viewpoint, of denying Japan to the Soviets and of maintaining her orientation toward the Western Powers.

6. With reference to the specific questions in the Acting Secretary of State’s memorandum to the Executive Secretary of the National Security Council, dated 23 May 1949:*  

a. The position regarding bases set forth in paragraphs 5 and 6 of NSC 13/3 \(^1\) is still satisfactory from the military viewpoint, on the assumption that events permit a peace treaty to be worked out that adequately safeguards the Western orientation of Japan. The Navy Department has examined the possibilities of Okinawa for development as a naval base and has determined that it is not suitable as a year-around naval base because of unfavorable meteorological and hydrographic features. The Joint Chiefs of Staff, therefore, consider that arrangements for the continued use of Yokosuka as a base are of major importance. To provide against future contingencies, the peace treaty should not be such as to preclude bilateral negotiations for base rights in the Japanese main islands;

b. If it should prove impracticable or impossible to obtain bases on the Japanese main islands, bases on Okinawa or other islands of the Ryukyus along with other U.S. bases in or near the Pacific would not meet our essential needs. If a Japanese peace treaty is effectuated the retention of our Western Pacific base system, exclusive of the Japanese main islands, would still be of the utmost strategic importance, and the strategic need for prevention of unfriendly control of Formosa would be increased.

c. The Joint Chiefs of Staff are convinced that it would be both impracticable and inadvisable for bases or facilities in Japan, either under a continuation of the occupation or otherwise, to be on a completely self-supporting basis and to be manned by military personnel on a garrison basis unaccompanied by dependents. Such arrangements would tend to defeat the purpose of the occupation, since the stabilizing influence of the occupation forces would be vitiated if they were so concentrated at various remote points as to be largely unseen by the population. Further, a morale problem of major dimensions would

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*Enclosure to Memo for NSC from Executive Secretary, subject, “Current Strategic Evaluation of U.S. Security Needs in Japan”, dated May 24, 1949. [Footnote in the source text; memorandum not printed.]

\(^1\) Dated May 6, p. 730.
result and the efficiency and effectiveness of the occupation forces would be jeopardized.

7. In view of the fact that NSC 13/3 reserved a final United States position concerning the post treaty arrangements for Japanese military security "until the peace negotiations are upon us", and since agreement of the Joint Chiefs of Staff with the terms of the position set forth in that paper was with the understanding that it was, generally speaking, an interim position (and one which could not, when drafted, take into account the subsequent debacle in China), it is believed that some general discussion, in addition to the specific comment above, is in order.

8. From the military viewpoint, it is clear, as discussed initially in this memorandum, that the developing chaos on the Asiatic mainland, together with its communistic trend, makes it vital that, with or without a peace treaty, the orientation of Japan towards the West be assured. At the same time, the difficulty of achieving and maintaining such assurance has increased and it can be foreseen that economic and political pressure may well cause the problem to become very great indeed. This makes the question of Japanese internal security more important than ever. In turn, and commensurate with the degree to which Japanese western orientation is maintained, Japan's capacity for self-defense must be developed against the time when it may be determined by the Soviets that overt aggression by them or their satellites is their only means for gaining control over Japan.

9. With these points in mind, the Joint Chiefs of Staff are of the opinion, from the military point of view, that a peace treaty would, at the present time, be premature since the continuing Soviet policy of aggressive communist expansion makes it essential that Japan's democracy and western orientation first be established beyond all question, and since global developments are still in such a state of flux that measures leading to the risk of loss of control of any area might seriously affect our national security.

10. If peace negotiations are to be undertaken in the near future, they believe that the following safeguards should be included in order that our own national security interests may not be jeopardized and in order that the Far East communist expansion plans of the Soviets may be held in check at least as far as Japan is concerned:

a. There should be prior assurance of Japan's economic, psychological, and political stability, and of her democracy and western orientation;

b. Japan's internal security forces must be adequate not only for maintenance of order but for protection against sabotage of vital installations. This may involve stronger internal security forces than were thought to be essential prior to the current overrunning of China;

c. Since there can be no guarantee in the present world situation of the sovereignty of a defenseless Japan, there should be plans, as
previously recommended by the Joint Chiefs of Staff, for limited Japanese armed forces for self-defense to be effectuated in war emergency, and, in any case, unless the general situation makes it clearly unnecessary, prior to departure of occupation forces from Japan; and

d. No definite time should be set in the peace treaty for withdrawal of occupation forces. Rather, they should be phased out gradually and occupation should be terminated only after it has been determined and agreed that conditions are sufficiently satisfactory to justify termination.

890.0146/6-1949

The Chargé in Japan (Huston) to the Secretary of State

SECRET

No. 839

Tokyo, June 15, 1949.

[Received June 28.]

The Chargé d’Affaires ad interim has the honor to refer to this Mission’s despatches no. 147 of March 12, 1949, and no. 713 of November 5, 1948, concerning the Ryukyu Islands, and to forward a copy of a communication dated June 9, 1949, prepared by the Ryukyu Military Government Section of General Headquarters recommending to the Chief of Staff that the Ryukyu Islands be permitted limited self-government. This Mission in its capacity as the Diplomatic Section of General Headquarters has concurred in these recommendations.

As indicated in the enclosures to this Mission’s despatch no. 713, the problem of the extent to which the Ryukyus should be permitted self-government has been thoroughly considered by General Headquarters. A committee was established for the purpose of recommending policies conducive to the development of government by the four island groups of the Ryukyus. In accordance with the recommendations of this committee, the Ryukyu Military Government Section now proposes to instruct the Military Governor of the Ryukyus to establish procedures whereby progressive self-government in the islands will be realized. The first of these steps will be elections in late 1950 in each of the four island groups for the election of governors and assemblies. A Ryukyu Advisory Council to advise the Military Governor will also be selected. It is not planned that a constitution for the Ryukyu Islands as a whole will be drawn up at this time, nor will a central assembly composed of Ryukyuans be established. The United States Military Government will remain as the legal central government in the Ryukyus at least for the immediate future.

The above recommendations will, upon approval by the Chief of Staff, be transmitted to the Military Governor of the Ryukyus for implementation and a telegram will be sent to the Department of the Army informing it of the steps being taken.

1 Neither printed.
2 Not printed.
Tokyo, 16 June 1949.

[Received June 23.]

Dear Mr. Secretary: I have been rather disturbed recently over recurrent Washington datelined press dispatches reflecting a trend of thought in official circles that a change in the regime of control in Japan, patterned after the plan now being implemented for the United States Zone of Germany, would not only be a desirable development but susceptible of accomplishment with no less difficulty. This trend of thought either fails to understand or ignores the structural set-up which, largely under your skillful guiding hand, was fashioned in Moscow during late 1945 and the basic distinctions which otherwise exist between the situation in Germany and that existing in Japan. I know that you are deeply preoccupied with the difficult European problems which confront you and have probably prevented much thought being given to this relatively quiet sector in Japan, but against the possibility that the Japanese problem might suddenly be brought up for serious consideration I thought that I should give you my views and estimates thereon. Much of what I have to say will be well known to you but it is difficult to discuss so broad a subject piecemeal without showing the connections between inter-related parts.

Here there is no military government functioning in the administration of Japanese civil affairs, as throughout the Occupation I have permitted the Japanese civil government in all of its branches and sub-divisions to function, subject only to the close observation and inherent authority of the Supreme Commander for the Allied Powers to intervene at any time as in his judgment necessary to support Allied objectives. No military government has been established here which, incidentally, eliminated the call upon United States manpower which otherwise would have been required. Such United States personnel as are required to carry on the civil phase of the Occupation consist for the most part in specially qualified civilians recruited in Washington. Thus, in the SCAP Headquarters organization, out of 2,798 persons on duty, 2,443 are civilian.

The situation here is thus entirely different than that prevailing in the United States Zone of Germany where Mr. McCloy is about to enter upon his duties as High Commissioner. There the American forces have actually governed through an established and functioning military government, with a civil German government only just about to be inaugurated. In addition, the United States has maintained uni-

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1 A copy was transmitted in a personal letter of the same date to the Director of the Policy Planning Staff (Kennan), not printed. Mr. Acheson wrote an acknowledgment on June 28 and said he hoped to be able to reply "shortly".
lateral control over policy and administration from the start in its zone of Germany. Here in Japan, to the contrary, such unilateral control was yielded at the Moscow Conference in late 1945 when an Allied set-up was agreed upon by the United States, in concert with the other major powers, for the administration of the Occupation. This set-up embodied a civilian agency, termed the Far Eastern Commission, composed of representatives of the eleven Pacific powers, sitting in Washington, to formulate policy; the Allied Council for Japan, composed of the United States, British Commonwealth, China and the Soviet, sitting in Tokyo, to act as an advisory and consultative body to the Supreme Commander; and the Supreme Commander for the Allied Powers, acting as the sole executive authority for the Allies in Japan. Since then the international character of the Occupation has expanded through the organization of the Inter-Allied Trade Board for Japan, the Reparations Technical Advisory Committee, and other Allied civilian agencies, in the implementation of Far Eastern Commission policy. For general security purposes the Supreme Commander has under him American Occupation Forces, under the immediate command of CINCFFE, the British Commonwealth Forces, and all Allied ground, Naval and Air Forces in Japan.

The United States could, with respect to the American zone of Germany, alter the regime of control at will, but by the express terms of the Moscow Agreement, any change in the regime of Occupation control in Japan there agreed upon was specifically reserved to the Far Eastern Commission. It so happens that the CINCFFE is also the Supreme Commander for the Allied Powers, pursuant to agreement reached among the four major Allied powers in consultation at the time of the cessation of hostilities. While such action was taken before the regime of control was determined upon at Moscow and the eleven Pacific nations vested with the policy-making power, specific confirmation at such conference was given to the appointment and authority of the Supreme Commander. Change in that regime of control to permit the State Department to assume a position in Japan analogous to that it is about to assume in Germany would, in accordance with the terms of reference of the Moscow Agreement, require the consent of a majority of the Far Eastern Commission, including the United States, Britain, Russia and China, each of which possesses the veto power on that body. It is most unlikely that such an agreement would be forthcoming as the nations involved would thereby be required to partially yield their influence in the future orientation and control of Japan. By no stretch of imagination, moreover, could such a change be regarded as a transfer from a military to civil administration. It is merely an incident that the Supreme Commander for the Allied Powers here is a military officer. He has functioned entirely as the executive head of a civilian administration. The few military person-
nel which SCAP has borrowed from CINCFE are merely to supplement the paucity of civilian personnel otherwise available to him.

But apart from this, and of infinitely greater importance, no move could be more calculated to destroy the remaining prestige of the United States in the Far East than a serious effort toward such a change. Nothing would give greater impetus to the Communist drive to bring all of Asia under control. Oriental reactions differ widely from occidental reactions, and a drastic readjustment in the regime of control here would certainly be interpreted as indicative of an Allied weakening in their determination to further the objectives enunciated in the surrender terms. It could not fail to be regarded as a decisive step toward yielding in the face of Communist successes in China and as a tacit acknowledgment of our inability to maintain our position, support our responsibilities and defend our rights and interests in the Far East. This is no mere conjecture. I have seen the convulsions here which accompanied every serious suggestion which has been made with any color of authority that American policy might be reoriented toward a weakening of the American position in the Pacific, such as former Secretary Royall is reported to have made on his trip to Japan and as has frequently been the purport of press dispatches from Washington, mostly speculative, but some bearing the stamp of seeming official authenticity.

The United States has emerged through three and a half years of a predominantly American Occupation to occupy a unique position in the hearts of the Japanese people. It is a position of respect bordering on reverence and veneration. This has largely been brought about by the character of the Occupation and its guiding philosophy. It has been a military Occupation only in a formal sense and because inherent in it lies the ultimate authority of military force. Essentially it has been administered along civil lines. To some Japanese the presence of troops, with its connotations of order and discipline, has had greatest appeal and most far-reaching influence. But to most, the benign qualities of the Occupation policy and administration, the bestowal and safeguard of human rights, and the social reformation to enhance individual dignity have made a penetrating and lasting impression. But the combination of both has brought to the great masses of the Japanese people a sense of confidence and faith and a feeling of complete security in the American effort and purpose. This is the strong spiritual front which has been erected here in Japan against the Communist advance in Asia.

To speak of civilianizing the Occupation is to speak in riddles. It is, and always has been, civilianized. It is merely incidental that its chief administrator came from the military ranks. On the other hand, experience has clearly demonstrated that even public speculation of such a change is widely interpreted in the oriental mind as pointing to
a relaxation of the firm anti-Communist stand we have taken here, with the view of an ultimate withdrawal from our position in the Far East. This but fertilizes the field for Communist conversion and expansion and tends to undermine and sabotage our efforts at this and other strategic Pacific areas to contain the Communist advance and preserve a front safe for democratic growth, without offering the slightest basis for hope that advantage might result from such a change, even if possible of implementation.

I cannot too strongly urge that, pending developments with the Soviet which would make a peace treaty possible, every effort to effect a change in the regime of control such as has been suggested, fore-shadowing a weakening of our purpose to maintain invincibly our position, be sharply resisted. The scales are far too delicately balanced recklessly to experiment with doubtful change in an area from which has emerged a pattern of general success. To tamper unduly with such a situation is but to prejudice the security of our position and hazard every gain made in the course of the Occupation and otherwise invite catastrophic consequences throughout Asia.

The estimate I have made is so conclusive in evidentiary support that I earnestly hope that before any such change becomes a potential reality you will advise me in order that I may lay my views before you in much fuller detail, as well as before the President.

We are still hoping that the burdens upon you from Europe will abate sufficiently to permit you a visit to this area of the world. I cannot but repeat that such an eventuality would have a profoundly beneficial effect upon the morale of the Asian peoples.

Faithfully yours,

DOUGLAS MACARTHUR

740.00110 Control (Japan)/6-1649

The Chargé in Japan (Huston) to the Secretary of State

SECRET

No. 391

Tokyo, June 16, 1949.

[Received June 28.]

Subject: Launching of Program to Effect Relaxation of Occupation Controls in Japan

Sir: With reference to my despatch no. 298 of May 10, 1949, on the above subject, I have the honor to report that the Chief of Staff, Major General E. M. Almond, held a second meeting yesterday of the Chiefs of Headquarters Staff Sections for the purpose of discussing progress so far made in the program for effecting a general relaxation of Occupation controls in Japan. He declared that good progress had been made so far and expressed satisfaction with the preliminary work already done in the form of reports by the various Section Chiefs.
The next step, General Almond stated, would be to have each Section report gone over carefully by a committee comprising representatives of several Staff Sections, under the direction of the Deputy Chief of Staff for SCAP; Major General (recently promoted) A. P. Fox, after which the committee will discuss each Section report with the respective Section Chief with a view to determining whether everything possible is being done to relax the occupational controls pertaining to that particular Section.

General Fox exhibited a chart showing results of a preliminary examination and collation of the reports submitted indicating that 1,362 controls are now in effect, 1,041 of which had been recommended for continuation, 141 for relaxation or modification, and 180 for elimination. On this basis, 76 per cent of existing controls would be continued, 11 per cent relaxed and 13 per cent eliminated.

General Almond took occasion to urge Section Chiefs to redouble their efforts to find means of reducing Occupation personnel requirements, saying wryly that despite efforts so far made in that direction personnel estimates prepared for the new budget had reached a total of one hundred persons more than had been on the rolls for the fiscal year just ended.

General Almond stated that all major Occupation policies have now been established except one, namely, the policy on tax collection, which is now being studied by Dr. Carl S. Shoup and the members of his tax mission. He also said that plans were now completed for the conversion of Military Government teams into “Civil Affairs” teams and that examples of the easing of controls already achieved included the modification of restrictions on commercial entrants, increased facilities for tourist travel and authorization for the Japanese Government to communicate with its nationals abroad.

General Almond emphasized that he was being pressed by General MacArthur to effect a genuine relaxation of controls and urged each Section Chief to make a serious effort to carry out the Supreme Commander’s wishes.

Respectfully yours,

CLOYCE K. HUSTON

740.00119 PW/6-2149

The Ambassador in New Zealand (Scotten) to the Secretary of State

SECRET


No. 150

[Received June 28.]

SIR: I have the honor to refer to the Department’s telegrams of May 8, 1:00 a. m.¹ and 2:00 a. m., instructing me to present to the

¹ See footnote 2, p. 736.
Foreign Minister an aide-mémoire on Japanese reparations and level of industry, and to transmit herewith a copy of an aide-mémoire dated June 16\(^2\) from the Secretary of External Affairs setting forth the views of the New Zealand Government on these matters.

It will be noted that the New Zealand Government, primarily because of anxiety concerning the long term security interests of all the Allies, doubts whether the United States policy with respect to conversion and scrapping can prove an adequate substitute for a removal program.

The preoccupation of the New Zealand Government with long term security in the Far East here expressed has been noted frequently by officers of the Embassy in conversations with officials of the Ministry of External Affairs. They are deeply concerned over the rapidity of developments in the Far East and feel that there is an urgent need for counter measures. In considering the problems involved, however, they feel frustrated by what they consider to be the lack of a United States Far Eastern policy.

The Department will also note that the Ministry has taken this opportunity to reiterate indirectly its conviction that matters relating to Japan should be handled through the Far Eastern Commission by means of broad policy directives rather than through any other channels.

Respectfully yours,

ROBERT M. SCOTTEN

\(^2\)Not printed.

740.00114 PW/6-2349

_The Chargé in Japan (Huston) to the Secretary of State_

CONFIDENTIAL

Tokyo, June 23, 1949.

No. 406

[Received July 1.]

Sir: With reference to this Mission’s despatch no. 403 of June 20, 1949,\(^1\) I have the honor to inform the Department that the Office of the Soviet Member, Allied Council for Japan, notified General Headquarters and the Japanese Government on June 20 that during the period June 25 to June 30 repatriation vessels can be sent to the ports of Maoka and Nahodka where ten thousand Japanese are scheduled for repatriation. The Soviet notification gave no information as to further repatriation after June 30. A copy of the Soviet notification is enclosed.\(^1\)

On the evening of June 20 the Public Information Officer released a statement to the press by General MacArthur commenting on the

\(^1\)Not printed.
notification received from the Office of the Soviet Member, a copy of which is enclosed.¹

General MacArthur’s comment notes the delay in resuming repatriation as compared with previous years when the Soviet authorities lifted winter suspension on May 3 in 1948 and on April 3 in 1947. The comment also states that the Supreme Commander is prepared immediately to receive repatriates from any Asiatic ports the Soviet Government may designate and recalls the Supreme Commander’s previous offers to furnish shipping sufficient to accomplish repatriation at rates far in excess of the 50,000 monthly quota provided in the Soviet-SCAP Repatriation Agreement. Finally, the comment notes that the Soviet Government since June, 1947, has failed to meet the 50,000 monthly quota, and that as of May 31, 1949, repatriation has averaged only 30,570 repatriates monthly.

Respectfully yours,

CLOYCE K. HUSTON

740.00119 FEAC/6-2449: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebold)

CONFIDENTIAL

WASHINGTON, June 24, 1949—2 p.m.

Comm accepted recommendation of Steering Comite that Mr. Reuchlin, Neth Rep, be appointed its chairman.

Jap Participation in Internatiol Relationships (FEC 339)

NZ member stated his Govt not convinced that Jap has competence in advance of conclusion of peace treaty to undertake wide internatiol responsibilities comprehended under US proposal and so long as technical state of war continues it does not see way clear to accept proposal in present form. NZ Govt cld not be able to accept participation of Jap Govt, prior to conclusion of peace treaty, in arrangements of predominantly polit character. Even in case of technical conferences they feel that somewhat anomalous position cld be created if Jap Govt were to enjoy full voting rights. Nor does NZ Govt consider it cld be appropriate to deleg to SCAP full discretion over Jap future internatiol relationships. While they cannot agree at this stage to proposal which cld permit Jap to participate in internatiol relations of polit character, NZ Govt, having considered views advanced by US Govt, cld be prepared to consider sympathetically in FEC proposals that Jap shld be permitted to adhere to technical agreements in which Jap participation was agreed to be desirable. Shld it not be possible to agree upon satisfactory definition of such technical agreements NZ Govt cld be willing to consider each case on its merits. NZ Govt notes
that FEC has already provided for travel outside Jap of Jap "commercial reps" and wld wish to know more about additional benefits expected to accrue from establishment of "consular arrangements" between Jap and other countries before they cld agree to authorization of such arrangements.

USSR member stated that US proposal was unacceptable since it was in contradiction with FEC policy decision of Jun 19, 1947, Basic Post-Surrender Policy for Jap, in accordance with which the USSR member alleged the Jap Govt, may, subj to the discretion of SCAP, exercise functions which are connected only with question of their internal relations and that SCAP is thus not authorized to decide by himself question of Jap participation internatl relations.

Jap Membership in Internatl Convention of Telecommunications (FEC 334)

No discussion.

Labor Policy in Jap (FEC 318/20)

Chairman suggested that USSR proposal was in nature of substitution for Austral paper. USSR member insisted that his proposal was a separate and basic one and reiterated allegation that occupation auths and Jap Govt had violated FEC policy decisions. US member denied this charge and pointed out that actual situation in Jap has ceased to be labor problem largely but was Polit problem in which subversive minority consistently was trying to make peaceful and orderly occupation of Jap one of confusion and revolution.

Comm agreed to retain item on agenda pending consideration of final drafts of revised laws.

Jap Reparations and Level of Industry (FEC 340)

US member placed in record Dept press release of Jun 10, 1949.¹

Replacement of Lost Cultural Objects (FEC 272/19)²

USSR member again introduced amendments set forth in SC 272/13 which had been defeated at lower levels. Austral member indicated he was prepared to vote for paper.

Economic Stabilization in Jap

No comments.

Sov Statement on Chairman's Ruling re Removal of FEC 333/7 from Comm Agenda (FEC 341)

Phil motion sustaining ruling of Chairman accepted by vote 8 favor, 1 opposed (USSR) and 2 abstentions (US and Chi). USSR member insisted that Sov vote against motion meant it was not car-

¹ Department of State Bulletin, June 26, 1949, p. 831.
² This proposal was defeated on June 23 by a vote of 9 favorable, 1 opposed (US), and 1 abstention.
ried and that therefore by result of vote Comm condemned action of Chairman because under Comm's voting procedure there was no difference between questions of substance and questions of procedure. Chairman stated that point of distinction between procedure and substance for voting purposes might be left to Comm.

ACHESON

740.00119 Control (Japan)/6-2449 : Airgram

The Chargé in Japan (Huston) to the Secretary of State

RESTRICTED

Tokyo, June 24, 1949.
[Received July 8—10:07 a.m.]

A-161. The following is text of a GHQ, SCAP, press release dated June 21, 1949, announcing that the term "Military Government" will be changed to "Civil Affairs" commencing July 1, 1949.

The Military Government Sections and Military Government Teams of Eighth Army will be redesignated Civil Affairs Sections and Civil Affairs Teams, respectively, effective July 1, 1949, it was announced today by General Headquarters, Supreme Commander for the Allied Powers.

The announcement stated that the term Military Government has always been misleading in that it implied that direct Military Government has been exercised in Japan in a manner similar to that in other occupied areas. From the beginning the Japanese Government has been charged with carrying out Occupation directives and Military Government, in the accepted sense of the term, was never established in Japan. The mission of the so-called Military Government Sections and Teams is one of surveillance and reporting upon performance.

It was pointed out that, in keeping with the changing aspect of the Occupation, the term Civil Affairs will be adopted as being more nearly descriptive of the true functions of the Occupation agencies.

This change represents a further step by Headquarters in its program of conferring more authority upon the Japanese Government and in reducing the role of the Occupation. It is not expected, however, that the functions of Civil Affairs agencies will be materially diminished by this change in title.

HUSTON

894.043/6-2749

Mr. Robert R. West, Deputy to the Assistant Secretary of the Army,

to the Director of the Office of Far Eastern Affairs (Butterworth)

CONFIDENTIAL

WASHINGTON, 27 June 1949.

DEAR MR. BUTTERWORTH: You will recall that on 23 August 1946, the Joint Chiefs of Staff sent General MacArthur a directive (WCL 38511, 23 August 1946) prepared by the Department of State, to im-
plement the policy adopted by the Far Eastern Commission on 15 August 1946. This directive provides that no criminal jurisdiction of any sort will be exercised by Japanese courts with respect to United Nations nationals, but that such criminal jurisdiction will be exercised by military courts established by the forces of occupation.

The Department of the Army has received a cable from General MacArthur (C 50913, 21 June 1949), a copy of which has been furnished Mr. Max Bishop, requesting that steps be taken to amend the directive of 23 August 1946. General MacArthur now believes that the Japanese should be authorized to exercise concurrent criminal jurisdiction over United Nations nationals, with the exception of those members of the United Nations enumerated in 1a. of the JCS directive. He states the occupation will be able to observe and correct, if necessary, any discriminatory or abusive practices in the event that the Japanese are permitted to exercise such limited concurrent criminal jurisdiction over United Nations nationals. It is noted that such a step would be in consonance with United States policy toward Japan, with respect to relaxing occupation controls and placing increased responsibility upon the Japanese government.

The Department of the Army is in complete agreement with General MacArthur in amending the Joint Chiefs of Staff directive of 23 August 1946, and therefore recommends that the Department of State introduce an appropriate proposal on this matter into the Far Eastern Commission.

Sincerely yours,

ROBERT R. WEST


891.428/6-2749

The Chargé in Japan (Huston) to the Secretary of State

SECRET

No. 416

Tokyo, June 27, 1949.

[Received July 18.]

Sir: With reference to the Department's instruction no. 116 of June 1, 1949, concerning the ultimate disposition of Formosa and the Kuril Islands and possible United States support to Japanese claims at the peace settlement to the Habomai Group, Shikotan, Kunashir, and Etorofu islands, I have the honor to transmit a memorandum, dated June 13, 1949, prepared by FSO Charles N. Spinks on the subject of Soviet and Japanese territorial claims to the Kuril Islands, the Habomai Islands, and Shikotan Island. It is believed that this memorandum affords a useful résumé of historical claims to these territories.

2 Not printed.
and contemporary developments under the Occupation which may have a close bearing on their ultimate disposition.

The problem of the future disposition of the Kuril-Habomai-Shikotan area has been brought to the immediate attention of this Mission through assertions of territorial sovereignty over these islands and adjacent waters made by the Soviet Member, Allied Council for Japan, in connection with the seizure and detention of Japanese fishing vessels allegedly operating outside the authorized fishing area established by General Headquarters (this Mission's despatches nos. 706 of November 2, 1948, and 34 of January 19, 1949). The three-power agreement signed at Yalta on February 11, 1945, is the primary basis of the Soviet Union's present position in southern Sakhalin and the Kuril Islands. This agreement provided for the entry of the Soviet Union into war against Japan two or three months after termination of the war in Europe, on several conditions one of which was that "The Kuril islands shall be handed over to the Soviet Union." There was, however, no definition of the term Kuril Islands. Since the Habomai Islands and Shikotan Island have been traditionally regarded as an island group distinct from the Kuril archipelago, and under Japanese control had a local administration as a political subdivision of Hokkaido separate from the Kuril island local administration, there appears no valid basis, either in the Yalta Agreement or in any other international understanding, justifying Soviet occupation of the Habomai-Shikotan area at the end of the war in addition to the Soviet occupation of the Kuril Islands. It can only be concluded, therefore, that the Soviet occupation of the Habomai Group and Shikotan Island was a unilateral action for which no more previous understanding had been reached than for Soviet occupation of the island of Hokkaido.

Although the Yalta Agreement did not specifically provide for the actual occupation by Soviet forces of the Kuril Islands (or any other area), it did of course contemplate military operations against Japanese forces after the Soviet Union's entry into the war against Japan (which took place on August 8, 1945). The Yalta Agreement's provision for the ultimate disposition of the Kuril Islands unquestionably afforded ample justification for the invasion and occupation of this area by Soviet forces. This action was, of course, recognized in General Order No. 1 issued to the Japanese Government by the Supreme Commander on September 2, 1945, which provided that Japanese forces in Manchuria, North Korea, southern Sakhalin, and the Kuril Islands were to surrender to the Commander-in-Chief of Soviet Forces in the Far East.

*Neither printed.
*Foreign Relations, The Conferences at Malta and Yalta, 1945, p. 984.
From Japanese sources it has been learned, however, that on the basis of a surrender agreement concluded on August 19, 1945, in Manchuria between the Commander-in-Chief of Soviet Forces in the Far East and the Chief of Staff of the Japanese Kwantung Army, Japanese forces throughout the entire Kuril chain and in the Habomai Group and Shikotan had ceased hostilities and surrendered their arms before General Order No. 1 was issued on September 2. It may be said, therefore, that the Soviet Union, while invading and occupying the Kuril Islands, lost no time in extending this military operation to include the Habomai-Shikotan area, thus confronting the Allied Powers, and particularly the United States, with a fait accompli.

The Basic Initial Post-Surrender Directive to SCAP for the Occupation and Control of Japan, prepared by the Joint Chiefs of Staff JCS Directive No. 18 of November 8, 1945, Section 4, paragraph d) provides for the complete governmental and administrative separation from Japan of certain Pacific islands acquired by Japan since 1914, Manchuria, Formosa, the Pescadores, Korea, Karafuto (southern Sakhalin), and "such other territories as may be specified in future directives." This provision of JCS 18, which it may be noted did not specifically mention the Kuril Islands, was carried out by General Headquarters through a directive to the Japanese Government on January 29, 1946 (Scapin 677). In defining the areas to be separated from Japan governmentally and administratively, Scapin 677 specifically enumerates the Kuril Islands as well as the Habomai Group and Shikotan Island. Historically, this is the first time that the Habomai-Shikotan area is dealt with in a document of international character concerned with the territorial boundaries of Japan. Although the Habomai-Shikotan area was under Soviet occupation at the time Scapin 677 was drafted, such specific mention of the area in this directive has unfortunately tended to endorse if not validate the Soviet position there. In a sense, therefore, it is believed that Scapin 677, while fundamentally a General Headquarters administrative matter, will be regarded by the Soviet Government as tantamount to an addendum to or extension of the provisions of the Yalta Agreement.

The establishment by the Supreme Commander of the authorized Japanese fishing area through Scapin 1083 of June 22, 1946, as amended, will also no doubt be cited as supporting the Soviet position in the Kuril Islands and the Habomai-Shikotan area by its exclusion of these islands from the scope of the fishing area.

From the historical standpoint, Japan is believed to have a sound claim to the Kuril and Habomai-Shikotan islands which is, of course, completely disregarded by the Yalta Agreement. Historical Japanese

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records and extant old maps plainly indicate that from at least the beginning of the 17th century the Japanese regarded the Kuril Islands and the Habomai-Shikotan area as Japanese territory. Moreover, there is abundant historical evidence to show that the Japanese through almost the entire Tokugawa period (1600-1868) provided some degree of political administration for the Habomai Group, Shikotan, and the islands of Kunashiri and Etorofu in the Kuril archipelago. In contrast, the earliest known Russian activity in the Kuril Islands did not begin until early in the 18th century, and there is little evidence of real Russian political administration in any of the islands until the 19th century.

The first treaty between Japan and Russia, signed at Shimoda in 1855, clearly divided the Kuril Islands between the two countries at the Etorofu Straits. By the Saint Petersburg Treaty of 1875, Japan, in exchange for relinquishing her rights and interests in Sakhalin to Russia, received from Russia the Kuril Islands northeast of the Etorofu Straits. Thereafter, the Kuril Islands were never the subject of dispute or discussion between the two countries. The Habomai Islands and Shikotan Island, on the other hand, were never discussed in connection with the treaty settlements in 1855 and 1875, their Japanese status never theretofore having been disputed.

With the establishment of Japan's modern system of political subdivisions and administration after the Meiji Restoration in 1868, the Kuril Islands in the possession of Japan were made integral parts of the Hokkaido prefectural government, forming various districts of Chishima-gun, or Chishima County, which is in turn part of the Nemuro Shichô, or Nemuro Branch Administration. The Habomai Islands and Shikotan Island constituted another administrative subdivision of the Nemuro Shichô.

There appears to be a tendency to think of the so-called “minor outlying islands” off the Japanese coasts independently of their historical relationships to Japan and the long periods over which some of them have formed integral parts of the Japanese home administration. It is believed that any peace settlement with Japan should give adequate weight to these important historical and administrative considerations.

In the case of the Kuril Islands, the Habomai Group, and Shikotan Island, their permanent transfer to the Soviet Union would necessitate complete disregard of Japanese territorial claims which are virtually as valid as the Japanese claim to the island of Hokkaido. It is therefore believed that, in the event of a peace settlement, Japan is reasonably entitled to expect some readjustment of the territorial provisions of the Yalta Agreement, as now supplemented by the provisions and implications of Scapin 677 and Scapin 1033. It is believed that consideration should be given to the fact that, of the Kuril Islands, Etorofu and Kunashiri have always been regarded as
Japanese territory, a fact which Russia formally recognized in its earliest treaty with Japan, the Shimoda Treaty of 1855; and that the Habomai Islands and Shikotan Island have likewise always been regarded as Japanese territory, their possession by Japan never having been previously contested or violated until the unilateral occupation of the area by Soviet forces in 1945.

There are also believed to be other important considerations which would justify territorial readjustments in this area. The present administrative boundary between Japan and Soviet-occupied islands off the eastern coast of Hokkaido is a tortuous line running through narrow, fog-bound channels which during the fishing season bear considerable traffic. If this line becomes a permanent boundary there will unquestionably occur continuous violations of Soviet waters by Japanese craft and violations of Japanese waters by Soviet shipping. The separation from Japan of the southern Kuril Islands, the Habomai Group, and Shikotan also deprives the Hokkaido fisheries of an important fishing area, the loss of which represents an undesirable restriction on Japan’s overtaxed facilities for producing foodstuffs. Finally, it should also be recognized that Soviet possession of Kunashiri Island and the Habomai Group brings Soviet power within exceedingly close proximity of metropolitan Japan, a situation which the Japanese cannot help but regard as a grave strategic liability.

It is believed that the most satisfactory and effective territorial adjustment could be made by restoring to Japan the two southernmost Kuril Islands of Etorofu and Kunashiri, the Habomai Islands, and Shikotan Island. The relinquishment of this territory, totalling 1,868.69 square miles, could be no substantial loss or burden to the Soviet Union, while its future possession by Japan could not conceivably represent a strategic threat to the Soviet Union or materially assist Japan’s hypothetical revival as a military power. On the other hand, the recovery of this territory by Japan is in conformity with valid historical consideration, would enable Japan to rehabilitate the vital Hokkaido fisheries, and would eliminate an impractical and controversial political boundary between Japanese and Soviet territory.

Respectfully yours,

CLOYCE K. HUSTON
The Secretary of State to the Acting Political Adviser in Japan

CONFIDENTIAL

WASHINGTON, June 28, 1949—5 p. m.

295. Suggest that US authorities in Jap may wish to utilize defeat admission Jap Govt Del to Paris Conference ITU \(^1\) to impress upon Jap Govt and people directly or indirectly and by whatever means considered appropriate and effective for maximum benefit US interests fol points:

1. It was USSR in FEC, Feb 25, 1949, that was responsible for initiating challenge legality Jap's adherence Internati Telecommunications Convention, Atlantic City, 1947 and SCAP's approval thereof; Sov satellites, Bulg, Czech, Yugo, and Hung protested in similar vein to SYG, ITU; Sov satellites, Bulg, Czech, Yugo, Hung and Albania in course discussions Paris objected strenuously to admission Jap Govt Del; (info contained in Paris unnumbered rad indicating Sov bloc surprisingly quiet applies only to time of voting.).

2. Aside from Sov inspired opposition Jap faces great difficulty in resuming participation in Internati relationships in view hesitation on part majority other member Govts FEC to agree Jap resume participation in internati relationships.

3. In contrast, US supports increased participation Jap in internati relationships; has made every effort to combat Sov position and obtain support other Govts including non-FEC Govts; and intends pursue question full recognition Jap's membership at Adminis-

trative Council session Aug.

Pls consult with appropriate SCAP officials. Keep Dept informed Jap reaction.

ACHESON

\(^1\) At the meeting of the International Administrative Telephome and Telegraph Conference in Paris, May–June, the admission of Japan, advocated by the United States, was defeated by a single vote (24 contra, 23 pro, 4 abstaining). It was agreed, however, that Japan's status should be taken up by the Administrative Council of ITU meeting at Geneva, August 15.

The Secretary of State to the Consulate General at Canton

CONFIDENTIAL

WASHINGTON, June 28, 1949—6 p. m.

Telcan 392. Re Cantel 558, Jun 10, Cantel 559, Jun 16 and Telcan 326 Jun 14.\(^1\) US does not envisage limited type representation as set forth in FEC policy decision of Jun 9, 1948, Attendance at Intergov-

\(^1\) None printed.
ernmental Conferences,\(^2\) which provides merely that upon receipt of appropriate invitation SCAP may appoint members of his staff as observers at intergovernmental conferences and that such SCAP observers may be accompanied by Jap technical personnel when deemed necessary by SCAP and when attendance of Jap personnel is acceptable to country acting as host. This policy decision does not pertain to the question of Jap membership or attendance at Intermatl conferences and there is no FEC policy decision prohibiting Jap membership or attendance at such conferences. US feels question is therefore one which must be decided by SCAP in the light of existing FEC policies.

Accordingly it is entirely within SCAP’s competence to authorize Jap’s adherence to Intermatl conventions and participation in conferences of organizations of which it is a member. It is Dept’s position that Jap Govt by adhering to Atlantic City Convention ITU 1947 with SCAP’s consent is member ITU and entitled to direct representation at conferences of that organization. After defeat admission Jap Govt Del at Paris conference, ITU, conference agreed to refer question to Aug session ITU Admin Council.\(^3\) Because Chi member administrative council, Dept hopes Chi will support recognition Jap membership in ITU and admission to future ITU conferences of Jap Govt Del, directly representing Jap Govt.

Dept also suggests Chi Govt at earliest opportunity inform SYG ITU of its support re Jap in order to strengthen SYG’s position that Jap is already full member ITU.\(^4\)

Clarification requested urcanel 558 shld read “US approval of Jap attendance as members ITU.”

ACHESON

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\(^2\) FEC-300/10; Department of State publication 3420, The Far Eastern Commission (1949), p. 22.

\(^3\) This session recognized Japan’s membership.

\(^4\) Telegram Cantel 768, July 18, 8 p. m., reported that the Chinese Foreign Office had replied that the Chinese Government would support the U.S. Government at the August session but this would not affect the Chinese position on Japanese participation in other international activities. (740.00119 Control (Japan)/7-1849)

740.00119 Control (Japan)/6-1649

The Director of the Policy Planning Staff (Kennan) to General of the Army Douglas MacArthur, at Tokyo

WASHINGTON, June 29, 1949.

DEAR GENERAL MACARTHUR: I have received your letter of June 16 \(^1\) and appreciate your thoughtfulness in letting me have a copy of your letter to Secretary Acheson of that date.\(^2\)

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\(^1\) See footnote 1, p. 778.

\(^2\) Ante, p. 778.
I have discussed this with the Secretary, and he is giving the most careful consideration to the views you put forth, the importance of which he fully appreciates. I am sure that you will hear from him in the near future. I am personally very glad that you were good enough to let him have your views directly on this matter. We are moving into a new and difficult phase of foreign policy not only in Asia but in Europe as well; and there is need for the utmost in contact and understanding between all of those who share the tremendous burdens of outstanding responsibility in the handling of our Government's affairs abroad.

I need not say that I continue to look back on my visit to Tokyo with gratitude for the hospitality I was shown and with satisfaction over the help which the visit gave to all of us here in understanding your problems. I do indeed hope that I may be able to visit the Far East again before too many months have passed; but I doubt that it could be before next winter.

With warmest regards,
Sincerely yours,

GEORGE F. KENNAN

740.00119 Control (Japan)/5-949: Airgram

The Secretary of State to the Embassy in France

RESTRICTED

WASHINGTON, July 1, 1949.

A-737. Reference Embassy's telegram 1879, May 9, 1949. Unless you perceive objection, please convey substance following to Foreign Minister:

US Government after study situation in Japan presented proposal to FEC calling upon member governments to take lead in encouraging progressive resumption by Japan of international responsibilities. It was hoped that member governments would approach this matter from standpoint of broad policy. Situation in Japan today calls for more than emphasis on internal reform and economic stabilization. Through participation in international relationships the Japanese will acquire direct experience and knowledge of democratic institutions abroad. It will restore measure of self-confidence and help to develop sense of responsibility.

Viewed in broad picture of present world developments this matter becomes more than problem of legal technicalities. Indeed, from strictly legal standpoint, SCAP appears to have sufficient discretionary powers at present to permit Japanese participation in international relationships. It should be emphasized, however, that final authority for such participation remains with governments concerned. International relationships are mutual undertaking and unless all governments in spirit of leadership seek to dissipate vestiges of hatred and bitterness which are inevitable aftermath of war, little can be accomplished. Each government obviously has right to refuse to enter into relationships with Japan or to deny Japanese access to its ter-
ritory. Likewise, determination of whether or not Japan should be invited to participate in conferences or international organizations lies with member governments concerned.

While US Government attaches greater importance to the broad political aspects of this problem, it has not overlooked legal implications including points such as those mentioned by French Government. French Government states that basic Post-Surrender Policy did not provide that FEC might be progressively deprived, as regards the control of Japan's foreign relations, of the powers given to it by the Moscow Agreement of December 27, 1945. US does not consider that passage by FEC of policy decision deprives FEC of further jurisdiction over or consideration of that problem. In approving proposed policy FEC would merely be performing its proper role of formulating policy guidance which SCAP will implement on behalf of all FEC countries. In accordance with past practice, this would not constitute a loss of FEC jurisdiction. Moreover, Commission under paragraph III, A 2 has authority to review any action of SCAP involving FEC policy decisions.

The French Government contends that discretionary powers in field of Japanese foreign relations cannot however be delegated to SCAP by FEC as neither Commission nor individual governments represented in it possess powers to affect Japan's international relationships. This accords with principle expressed by US Government that international relationships are mutual and are dependent upon the individual countries concerned. For this reason and with the desire to have FEC countries take the leadership in opening the way to Japan, the US put forward its proposal. In view of US, SCAP already possesses sufficient legal powers to act on his own in this respect. US Government considers that military occupants of conquered and subjugated country have supreme power over territory occupied, and in particular possess unquestioned right to regulate all intercourse between country under their control and outside world. Consequently, it is entirely reasonable and in accord with international agreement which created SCAP as the sole executive authority for the Allied powers that right of the Allied Powers as belligerent occupants of Japan to regulate all intercourse between Japan and the outside world should be exercised by SCAP. Such, indeed, is now the case. The FEC is fully entitled to formulate policies with regard to the regulation of intercourse between Japan and other countries and in fact, in the Basic Post Surrender Policy, accepted obligation to bring about the establishment of Japanese Government which will carry out its international obligations. Acting under this and other broad policy provisions, SCAP, in the absence of a contrary FEC policy, possesses adequate discretionary powers. The US Government shares view of the French Government that acceptance of Japan cannot be forced on other governments by FEC or by SCAP.

With reference to suggestion that SCAP notify Commission, for its information, of any decision taken regarding Japanese participation in international non-political conferences, SCAP is already following this practice, with which the US is in full accord.

The French Government also proposed that any commitments which might be subscribed to by the Japanese Government in bilateral or multilateral agreements of a technical character should be ultimately submitted to FEC for its approval. The US Government feels that
such a proposal is impracticable. The FEC can hardly become an administrative organ in the field of Japan’s foreign relationships any more than it can become an administrative organ for Japanese internal relationships. The FEC, of course, has the power to review any of SCAP’s actions approving Japan’s participation in bilateral or multilateral agreements.

The US Government trusts that French Government will agree that situation in Japan in the matter of international relationships is not comparable with that in Germany. US fails to see any constructive purposes to be served by attempting to formulate parallel procedures for two countries. Unlike Germany, Japan for past three years has had a representative and responsible government, subject to SCAP control. To prevent Japanese Government, under control of SCAP, from exercising further responsibility for which it has become adequately prepared in last three years, only because there has been no German Government to exercise a corresponding responsibility, is to penalize Japanese people for circumstances beyond their control.

While the US Government would welcome a further expression of views of the French Government especially in regard to broad political issues involved, it is the hope of this Government that French Government will be able to give sympathetic consideration and support to proposal for Japanese participation in international relationships under SCAP control.

The substance of the above is also being transmitted to the French Ambassador and to heads of other missions of FEC member governments in Washington.

ACHESON

1 Notes to French Ambassador Henri Bonnet on July 13 and to other representatives on the Far Eastern Commission on July 19, not printed; General McCoy was similarly informed on July 20 and authorized to use the substance in formal or informal discussions with members of the FEC. (740.00119 Control (Japan)/7-1249 and 740.00/7-2049) For Department statement released on August 18 in regard to Japanese participation in international relations, see Department of State Bulletin, August 29, 1949, p. 307.

740.00119 Control (Japan)/4-2749: Airgram

The Secretary of State to the Embassy in the United Kingdom

CONFIDENTIAL

WASHINGTON, July 2, 1949.

A-780. Embassy’s comments would be appreciated as to the significance of Mr. Bevin’s statement in the House of Commons on June 22 (Hansard, June 22, column 190) in reply to Mr. William Teeling’s inquiry as to the steps which His Majesty’s Government will take to bring about a peace treaty with Japan without Russian cooperation. Mr. Bevin stated that the “future international status of Japan is now under discussion in the Far Eastern Commission on proposals recently submitted by the United States delegate. The measure of agreement or disagreement in the forthcoming debates will doubtless be a guide to His Majesty’s Government’s future action on this subject.”
United States policy proposal to the Far Eastern Commission (re Dept. Circular telegram April 22, 1949) that Japan be permitted to resume international relationships subject to control of SCAP was for purpose of fulfilling one of the basic objectives of the occupation of facilitating the progressive resumption by Japan of its normal international responsibilities as well as indirectly bringing about normal international relationships. United States policy proposal had no direct relationship to peace treaty negotiations. Apparently Dening\(^1\) recognized the point there was no direct relationship between the two subjects (re urtel 615 [1615\(^2\)], April 22 [27]).\(^2\)

The United Kingdom statement in the Far Eastern Commission on May 19 on the subject of Japanese participation in international relations was as follows:

"His Majesty's Government in the United Kingdom sympathise with the broad objectives of the United States proposal contained in FEC 339 but they cannot agree to it in its present form because:

(a) it is expressed in such broad terms that it could result in the termination of a state of war with Japan without recourse to the signature of the Treaty of Peace,
(b) there is no indication in it how Japan is to develop or what her status is to be, and
(c) they cannot agree that the Supreme Commander should be the sole arbiter as to the degree of relationship which the Japanese shall be entitled to maintain with foreign powers outside Japan.

"His Majesty's Government in the United Kingdom would, however, be prepared to give careful consideration to a policy proposal designed to secure a greater measure of Japanese participation in international agreements on a technical level and which would avoid the above points to which they take exception."

For your information the reaction of most FEC countries has been sympathetic to the United States proposal but their views have been generally similar to that expressed above by the United Kingdom representative.

ACHESON

\(^1\) Maberly E. Dening, British Assistant Under Secretary of State for Foreign Affairs, in charge of the Far East.
\(^2\) Not printed.

740.00110 PW/7-549

The Secretary of State to the Secretary of Defense (Johnson)

TOP SECRET

WASHINGTON, July 8, 1949.

MY DEAR MR. SECRETARY: You will recall that paragraph 20 of NSC 18/3,\(^1\) "Recommendations With Respect to U.S. Policy Toward

\(^1\) Dated May 6, p. 730.
Japan”, provides that “there should be no limitation on Japan’s production for peaceful purposes or on levels of Japanese productive capacity in industries devoted to peaceful purposes”. This policy position was announced to the Far Eastern Commission in the statement on Japanese reparations and level of industry read by General McCoy on May 12 and released to the press. It was further announced in the last paragraph of the statement that:

“The U.S. Government plans shortly to submit to the FEC for its consideration proposals for the rescission or amendment of existing and pending FEC reparations and ‘level-of-industry’ policy papers so as to bring FEC policies on these matters, should the proposals be approved by the Commission, into conformity with the position which I have set forth.”

Pursuant to this paragraph the Department of State is currently formulating new proposals on the Japanese level-of-industry question for submission to the FEC. While the above-quoted provision from NSC 13/3 constitutes a clear statement of general policy, it nevertheless becomes necessary to determine whether certain industries, not armament industries but of major value in war, should be restricted in Japan for security reasons. The aircraft manufacturing and shipping and shipbuilding industries should be considered in this connection, and there may be others.

Paragraph 19b of NSC 13/3 provides that “Japan’s industrial disarmament should be limited to the prohibition of the manufacture of weapons of war and civil aircraft . . .”. The last formal expression of opinion by any of the defense departments on the question of restriction of the Japanese merchant shipping and shipbuilding industries was contained in SANACC 236/56, “Reparations Removals of Merchant Shipping From Japan”, submitted by the Department of the Navy in March, 1948. The Navy Department stated in this paper, contrary to a position which it had previously taken, that it considered that “the retention of all merchant ships now available to Japan, regardless of tonnage or speed, would not be inimical to the security interests of the United States or any other nation.” The Navy Department did not, however, recommend change in the size and speed limitations on the construction of new ships for domestic use in Japan, and on total permitted shipbuilding capacity in Japan, which it had previously approved in SWNCC 236/43, “Reparations Removals of Industrial Facilities and Merchant Shipping From Japan”, April 7, 1947. By the terms of FEC 084/21, “Reduction of Japanese Industrial War Potential”, existing FEC limitations (calculated on the basis of the FEC Interim Reparations Removals Decision on the Shipbuild-

* Not printed.
* August 14, 1947, Department of State, Far Eastern Commission, p. 25.
ing Industry of May 23, 1946 \(^5\)) on total permitted capacity in Japan to build, repair or maintain steel ships of over 100 gross tons will lapse on October 1, 1949. There is no FEC decision limiting the size or speed of merchant ships which Japan may own or build during the occupation, or its capacity to build ships above a given size or speed.

It would be appreciated if you would advise me whether the National Military Establishment considers, in light of U.S. security requirements and our overall strategic planning for Japan, that restrictions should be imposed in the post-occupation period on any non-armorment industries in Japan. Particularly, should restrictions be imposed on the aircraft manufacturing industry, or on the size and speed of individual merchant ships constructed by Japan for domestic use, or for export, or on the total volume of merchant ships above a designated size built or owned by Japan. If it is considered that restrictions will be required, I would appreciate learning what in the view of the National Military Establishment the restrictions, and corresponding capacity or other limitations, should be. Our proposals to the FEC, which would have effect, if adopted, only during the period of Allied occupation, will be formulated in light of your reply, so that they will accord with United States long-range thinking on this question.

Sincerely yours,

DEAN ACHESON

*Department of State, Activities of the Far Eastern Commission, p. 70.

740.0011 PW (Peace)/7-1349: Telegram
The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET

LONDON, July 13, 1949—5 p.m.

2735. From Kennan: Discussed this morning with Dening Far Eastern Affairs. Only point of interest that developed was revelation that British now appear to understand completely need for special arrangements to assure Japanese security in post treaty period and would apparently be quite content that these arrangements be bilateral as between US and Japan although they would, of course, like to be in if we would have them. Their thought as to peace treaty procedure is to repeat in a rough way pattern of developments which we have seen in case on Germany: i.e. attempts to agree first in body including Russians, then if anticipated disagreement develops action without Russians by those nations willing to pursue constructive policy.

In light of above I think it will not be hard to arrive at agreement, with them on any program we may work out for progress toward Japanese Peace Treaty. [Kennan.]

DOUGLAS

201-136—77—14
Memorandum by the Deputy Director of the Office of Far Eastern
Affairs (Allison) to Mr. Robert R. West, Deputy to the Assistant
Secretary of the Army

SECRET [WASHINGTON, July 18, 1949.]

Subject: Delivery of Certain Japanese Reparations Facilities to
Formosa

On May 31 the State and Army Departments advised SCAP (Tab A)\(^1\) of their view that in winding up the Advance Transfers Program
of Japanese reparations no further deliveries should be made to the
Chinese mainland, but that facilities "in process" for China at the
time of termination of the Program should be made available for delivery
to Formosa if the Chinese Mission in Tokyo indicated that the
National Government so desired. The Mission informed SCAP on June 5
(Tab B) that the National Government did so desire. However, in
making the facilities available for removal SCAP in an administrative
ruling of June 7 (Tab C) withheld the Kure Thermal Electric Power
Plant and the Kure Tower Crane, notwithstanding the facts that these
facilities had been allocated to China before termination of the Ad-
vance Transfers Program and that the administrative ruling establish-
ted the general principle that allocated facilities should be delivered
to the claimant countries.

On June 28 the Department of State inquired through the Office of
the Acting Political Adviser (Tab D) what the considerations under-
lying SCAP's decision to retain the Kure facilities were. SCAP re-
piled on July 7 (Tab E) that since only a small percentage of the Kure
facilities had been dismantled and packed, and since the facilities were
required for purposes of Japanese recovery, local decision had been
made to retain them. This reply left unexplained, however, the facts
that (1) SCAP had only a short time before allocated the facilities to
China, indicating that he had not considered them necessary to Japa-
nese recovery before termination of the Advance Transfers Program,
and (2) the criterion of percentage of dismantling and packaging ran
counter to the general principle announced by SCAP on June 7 that
allocated facilities would be delivered.

It is suggested, in the light of approved U.S. policies with respect
to Formosa, that General MacArthur be approached again to deter-
mine whether the Kure facilities might not be delivered to Formosa
along with the other facilities allocated to China.

JOHN M. ALLISON

\(^1\) Annexes not printed.
CONFIDENTIAL

WASHINGTON, July 19, 1949—6 p. m.

342. Dept considering ques of inviting Jap Govt thru SCAP to appoint consular and trade representatives to US. Offices to be established in one or more cities. Ur and Gen MacArthur’s comments urgently requested.¹

Limitations on functions of the Reps shld be studied and later agreed upon by SCAP. Presumably consular Reps wld perform usual consular activities with possible exception travel control and direct representation. At least initially they wld probably have some title other than consul. Commercial Reps wld perform usual functions such as trade promotion and economic reporting. Consular and trade Rep might be same individual depending on circumstances. For further info current Dept thinking this general problem see page 1 Dept’s Weekly Review of April 20.

ACHESON

¹In telegram 264, July 28, from Tokyo, Mr. Sebald replied that “MacArthur feels it most desirable in principle for Japan to open offices for trade promotion and limited Consular affairs in United States and elsewhere as soon as practicable and welcomes Department’s proposal.” (702.9411/7-2849)

CONFIDENTIAL

WASHINGTON, July 20, 1949—7 p. m.

108. Pls seek early interview with Min for Ext Affairs or other high official. Inform him that US Govt understands Austral Rep on FEC intends to press for early vote (probably July 28) on Austral res before Comm which if passed would require SCAP and Jap Govt amend existing labor legislation to give all Govt enterprise workers (railways, telecommunications, etc.) right to strike. State that US considers pressing res to vote detrimental to interests of occupation and of all countries interested security of Pacific; that US earnestly hopes Austral Govt will see its way clear to withdraw res or at least to hold in abeyance any action to bring res to vote. Fol arguments might be presented:

(1) Controlling FEC directive (045/5), to which Austral res refers, is broad statement of principles for Jap trade unions, which does not state to which specific group it does or does not apply. SCAP

¹Similar telegrams were sent as 2669, July 22, 4 p. m., to Paris, as 98, July 23, noon, to Ottawa, and as 2580, July 23, noon, to London.
acted within his proper administrative discretion in interpreting directive to meet Jap circumstances, and his interpretation has been translated by Jap Govt into series of laws. Effect of Austral res, if adopted, would be to require major rewriting of these laws which in turn would undermine position of present Govt and jeopardize stabilization program. Present is peculiarly inappropriate time for FEC to reformulate labor policies for Japan when labor situation there is seriously unsettled due to mass lay-offs of surplus workers—a situation increasingly exploited by Commie trouble-makers.

(2) Austral res would permit unrestricted use of strike weapon by Govt enterprise workers unless expressly forbidden by Mil fiat. This would impose on occupying Auth (and on US as principal occupying power) direct responsibility for banning of strikes.

(3) Adoption of Austral res would be FEC reversal of position publicly taken by SCAP. Loss of prestige which SCAP would suffer from such reversal would seriously weaken Auth of occupation. As in case of (2) above, this would play directly into hands of Commies.

(4) Accordingly, if Austral proposal is put to vote, US will have to vote against it. Australists will not gain their objective; US will be placed in embarrassing position; only Sovs and their Jap Commie Party minions will reap any advantage from vote.

(5) In view foregoing factors, US does not consider issue the simple, technical one which Austral Govt evidently does. To US Govt, issue is directly concerned with order and security in Japan. US regrets that on a question bearing so directly upon Japan’s internal security US and Austral have not seen eye-to-eye.

(6) US is confident that under discretion which occupation Auths now possess and consistent with existing FEC labor policy, occupation Auths and Jap Govt can and will advance true interests of labor in Jap society as a whole. It may be reasonably expected that labor legislation evolved to date will undergo further revision by normal processes in future.

You may in your discretion leave written record of substance of what you are instructed to say.

ACHESON

740.00119 FEAC/7-2149

Memorandum of Conversation, by the Assistant Chief of the Division of Chinese Affairs (Freeman)

RESTRICTED


In the course of a conversation today with Mr. Tsui,1 I brought up the question of the admission of Pakistan and Burma to the FEC which, I stated, has been under consideration by the member governments for almost eighteen months. I pointed out that the U.S. had a certain implied responsibility in this matter as “host government”; that the Department had transmitted notes to the other member governments of the FEC seeking their agreement to the admission of

1 Tsen-ling Tsui, Chinese Counselor of Embassy.
Pakistan and Burma; and that to date, all the governments addressed
had indicated their agreement with the exception of the USSR, Philipp-
ines and China who had so far failed to inform the U.S. of their
positions in the matter. I stated further that the Department had
recently instructed Minister Clark \(^2\) in Canton to take up this question
with the Ministry of Foreign Affairs in Canton in an endeavor to
elicit a favorable reply on this proposal. I also requested Mr. Tsui to
discuss this matter with Ambassador Koo who might then be in a
position to expedite action in this matter by the Chinese Government.

Mr. Tsui assured me that he would discuss the question with his
Ambassador and that the Embassy would then telegraph its recom-
mandations to Canton.\(^3\)

\(^2\) Minister Lewis Clark represented the Embassy in China; telegram Telcan
457, July 15, 6 p.m., not printed.
\(^3\) The Chinese Ambassador on September 3 informed the Department that his
Government agreed to admission of the two countries. The Philippines replied
affirmatively on August 3.

711.00/7-2149

The Chargé in Japan (Huston) to the Secretary of State

TOP SECRET

Tokyo, July 21, 1949.
[Received August 1.]

My Dear Mr. Secretary: I acknowledge the receipt of your letter
of June 27, 1949,\(^1\) with which you enclosed two copies of the Depart-
ment’s Policy Statement on Japan dated May 1, 1949, one for the use
of the Chief of this Mission and one for General MacArthur.

In accordance with your request, I personally handed a copy of
the Statement to General MacArthur on July 16, at which time he read
it in my presence and then initiated a conversation on certain of its
contents, as witnessed by the attached memorandum of my conversa-
tion with him. You may be interested in noting the General’s opinion
that this document constitutes a very good statement of United States
policy on Japan, despite the fact that he disagrees on certain points,
notably the question of the purgees, and that he resents somewhat the
Department’s view that there may be increasing Japanese resentment
against the Occupation.

I hope you will note especially General MacArthur’s opinion that
the United States should again take the lead in proposing the early
conclusion of a treaty of peace with Japan. He has been particularly
sensitive to anything that might contribute to the popular impression
that the United States does not want a treaty. He not only believes
that we should endeavor to obtain a treaty without delay, but feels

\(^1\) Not printed.
that such an effort would have a good chance of success at the present
time, the question with respect to Japan's security being resolved by
international recognition of its neutrality, for which he would be willing
to accept the pledge of the Soviet Government.

In response to your request for comments and recommendations, my
first comment is that it is a pleasure to note the improvements con-
tained in this Policy Statement as compared with the previous one.
It shows a close awareness of all the major issues, and will be par-
ticularly useful to us here in keeping the Department's viewpoints
before us. I should like in the following paragraphs to single out a
few points for special comment.

On page 5 it is stated that: "It is our objective to promote conditions
conducive to friendly relations between Japan and Korea, and ac-
cordingly to encourage the early return to Korea of the bulk of the
600,000 Koreans now resident in Japan, whose presence there is causing
serious problems." This Mission heartily concurs in that objective,
and I hope that, after obtaining general approval by this Headquarters
in the not distant future to a study we have completed on the status of
Koreans in Japan, we shall be in a position to seek action in the direc-
tion of the return to Korea of substantial numbers of the Koreans now
here. The subject has recently been brought again to our attention by
an initiative from the Prime Minister resulting from Korean par-
ticipation in current violence and illegal activity.

The reference on page 7 to the complementary economies of Japan
and China and the consequent desirability of trade between these two
countries has the full support of this Mission. We here look upon this
matter as having special importance. Our efforts in this direction have
not been as successful as we may have hoped, and the obstacles ob-
viously are very great, but we shall continue trying to influence Head-
quarters toward a fuller acceptance of this policy.

We are also especially interested just now in the question raised on
page 10 with respect to the desirability of permitting, in the field of
foreign relations, a steady return to the Japanese Government of at
least certain segments of its sovereignty in world affairs during the
pre-treaty period. We have this question under active study now with
a view to submitting concrete recommendations for General Head-
quartres' approval. In conformity with the Department's views, we
not only believe that the resumption of Japan's membership in the
Universal Postal Union and in the International Telecommunication
Union is desirable, but feel it would likewise be a matter of policy to
advocate adherence by Japan (and to assist Japan in making its
adherence effective) to other international conventions and agreements,
including the International Whaling Convention, the International
Labor Organization, the International Trade Organization, the Fur-
Sealing Convention, which is understood to be in process of pre-
liminary discussion, conventions on patents and copyrights, and, such others as the Department may find it desirable. Perhaps the Department already has under study a determination of those international conventions and agreements which are susceptible of adherence by Japan. We are now actively endeavoring to secure Headquarters approval for a program envisaging early Japanese trade and consular representation in the United States and other countries.

On page 14 the Policy Statement raises the question of the desirability of attempting to bring about a peace treaty, even though it must be with the realization that a general peace conference would be likely to fail, it being important that the public should know the reasons for any failure and that the way should be prepared for considering the desirability of bringing about a bilateral agreement between the United States and Japan, with a number of friendly powers following suit. As already noted, General MacArthur’s views strongly support this idea, and we here in the Mission, who naturally have devoted considerable thought to the general problem of a peace settlement, feel rather definitely that the time has come for taking some such steps as those outlined in the Statement.

I shall show this Statement to Mr. Sebald upon his return to Tokyo on July 23, and it is not unlikely that he may wish to send you additional comments and suggestions at that time.

A receipt for the two copies of the Policy Statement, which also indicates the disposition made of the two copies dated June 21, 1948, is being returned separately.

Sincerely yours,

CLOYCE K. HUSTON

[Enclosure]

Memorandum of Conversation, by the Chargé in Japan (Huston)

TOP SECRET

[TOkyo,] July 16, 1949.

General MacArthur interrupted his reading to refer to the date of issuance on the cover page and to remark that the Statement was a little out of date, mentioning particularly the paragraph on page 7 which states that “we favor the early establishment of a single commercial exchange rate for the yen” and, a little later on, the section regarding reparations. Upon concluding his reading he asked one or two questions regarding the purpose of the Statement and the use made of it and then, upon being informed, said that, generally speaking, it represented a good statement and estimate of American foreign policy with respect to Japan. With most of the Statement, he said, he was in hearty agreement; on some details he would have to disagree. He went on to say that he had to disagree, in particular, with the Department’s position on the question of the two hundred thousand
purges; he had done his level best in various ways to make the Department see the light, and especially to understand his own position, on this subject. In the first place, he said, most of these purges were military officers, only a few hundred representing industry and other large business interests. In the second place, he continued, the Department simply would not see the fact that he was bound by the FEC policy decision on the purge and could not, and would not, carry out the Department’s wishes for a review of purged cases unless and until that policy decision was changed by the FEC itself. He spoke with some feeling in saying that the Department had been obdurate in not recognizing his point of view.

I drew General MacArthur’s attention particularly to that part of the Policy Statement which indicated that the present United States policy with respect to the timing of a treaty of peace with Japan is now under review, as well as to the statement that inability to agree on voting procedure has been of advantage in permitting the United States “to reassess the merits of the Chinese proposal that voting follow FEC procedure”. The General then declared emphatically that one of the greatest mistakes made by the United States with respect to Japan had been to permit the development, in this country and elsewhere, of the impression that it does not now want a treaty with Japan. “We should have a treaty,” he said, “and as soon as possible; even if we fail, we should make the attempt, for propaganda if for no other reasons.” He then reminded me that he had been disappointed when the American delegation at the recent meeting of the Council of Foreign Ministers had rejected the Soviet proposal to discuss the treaty with Japan; our interests would have been much further advanced, he said, if we had at that point indicated our readiness to discuss a treaty.

When I asked the General if he believed a treaty might now be possible and how, in the affirmative case, we could be assured of Japan’s security, he replied that he believed it might be possible to exact a pledge from all the nations concerned, including Soviet Russia, to respect the neutrality of an unarmed Japan. When I expressed concern regarding the amount of reliance which might be placed on such a pledge on the part of the Soviet Union, he remarked that the Soviets might indeed be difficult to deal with, but in his experience he had found that the Soviet Government always endeavored to keep its pledged word. (He interjected here that he was still convinced that the Soviet failure to carry out its repatriation commitments had been the result of physical inability, and not a lack of desire to carry out its agreement.) I indicated my inability to entertain like optimism with respect to Soviet proclivities for keeping agreements on the basis of the postwar record.
General MacArthur then referred to the Policy Statement's mention of "increasing Japanese resentment against the Occupation" and proceeded to argue that such resentment does not, in fact, exist. The Japanese people are well aware, he said, of what we have done for them; they know that this has been a kind and helpful Occupation; they have seen us bring food into their country, restore the economic life, and manifest in many other ways that we are here to help them and not to punish, that we have given them individual rights and dignity, that this is indeed a most benevolent Occupation. I remarked at this point that, undoubtedly, clear-thinking Japanese knew that all these things were true, that this Occupation was indeed benevolent and good, particularly when compared with any other occupation known to history, but I wondered if among the masses there were not a great many Japanese who reflected less deeply and did in fact harbor resentment. When the General then reiterated his conviction that the Japanese welcomed and appreciated the Occupation and said that they knew our soldiers were here only to help them, I remarked: "But we are foreigners; our soldiers are alien troops. I find it difficult to believe that any people can welcome the presence of foreign troops over so long a period, even under the best of conditions." I then went on to say that I had been particularly interested in the conflicting views on this subject, not only among foreign representatives, but among Americans as well, particularly among businessmen and representatives of the press, not to mention numerous Americans who resided in Japan before the war and had an intimate knowledge of Japanese ways of living and thinking. General MacArthur replied that the American press has always been antagonistic and that business interests have their own axes to grind, but that impartial observance would bear witness to the generally friendly attitude of the Japanese for the Occupation.

CLOYCE K. HUSTON

740.00119 FRAC/7-2249: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, July 22, 1949—noon.


Trade-Marks, Trade Names and Marking of Merchandise in Jap (FEC 332/11)

Item retained on agenda.
Labor Policy in Jap (FEC 318/20)


Austral Member stated he did not wish to comment in detail on Sov statement at present time, or perhaps at any time, but he did wish to express gratitude to US for analysis prepared in reply to charges constantly being made by Sov Rep. Austral Del had never at any time been associated with these charges, but Sov Rep had continued to confuse whole issue. In reply, Sov Rep stated it was Austral Rep who was confusing issue. He pointed out that attitude of Austral Rep could possibly be explained by fact that it was Austral occupation troops that had been ordered to steel manufacturing plant in Hiroshima when mobbing of workers by Jap police occurred on Jun 14.

Jap Reparations and Level of Industry (FEC 340)

Phil statement transmitted to SCAP in WCL 25592, Jul 13, 1949. USSR Member inquired if in its statement of May 12, 1949 US had in mind only rescission of interim directive of Apr 4, 1949 [1947] re advance transfers of Jap reparations and withdrawal of its proposal of Nov 6, 1947 on reparations shares in order to leave question of reparations from Jap open pending conclusion of peace treaty, or whether US Govt had in mind to predetermine the final repudiation of exaction of reparations from Jap in general.

ACHESON

For text of General McCoy’s statement in refutation of Soviet charges, see Department of State Bulletin, July 25, 1949, pp. 107–108.

740.00119 Control (Japan)/7–2649

The Acting Political Adviser in Japan (Sebold) to the Director of the Office of Far Eastern Affairs (Butterworth)

PERSONAL AND TOP SECRET

TOKYO, July 26, 1949. [Received August 2.]

DEAR WALT: Having arrived in Yokohama during the morning of July 23, I later telephoned for an appointment with General MacArthur. His Aide set the time at 6:00 p. m., but called later and said that the General would like to see me at 1:15 p. m., if convenient. I accordingly called on the General and spent approximately two hours with him. You will undoubtedly be interested in some of the main points of this conversation—both from the viewpoint of what I told the General and with regard to his comments.
First of all, I extended the Secretary’s personal greetings to the General and said that I had conveyed the latter’s invitation to the Secretary for a visit to Japan, that the Secretary said this would be most difficult but, if possible, would like to make such a visit this fall. General MacArthur said that he appreciated how difficult it is for the Secretary to leave Washington but he hopes that the visit can eventuate, as United States prestige in Japan would be raised immeasurably and public opinion in the entire Far East would react favorably towards such an important visit.

The General asked me regarding the general attitude of the Department towards the Occupation. I told the General that my principal reaction could be summed up in a few words, namely, that the Department is highly disappointed at the apparent failure of SCAP to implement the various provisions of United States foreign policy as set forth in NSC 13/3. For example, I said, everyone feels that the Occupation should stop attempting to operate the Japanese Government; that there are too many Americans concerned with the minutiae of government; and that it is high time that the Occupation be placed solely on a policy level with an attendant radical reduction in the number of personnel involved.

The General said that he has already given instructions regarding reduction in personnel and that approximately one thousand people will be off the rolls by the end of fiscal year 1951. I said that in my opinion this is not enough to satisfy Washington. The General then asked what the people in the State Department think would be a reasonable number with which to carry on the Occupation. I said, “About 200.” After a moment’s reflection the General said that he saw no reason why the civilian end of the Occupation could not be carried on by 200 people, provided such personnel were of sufficiently high caliber and competence to act and operate on a policy level. He said it took almost two and one-half years to obtain a financial expert of Mr. Dodge’s standing and he therefore wondered how many years it would take before he could have sufficient experts capable of formulating and making policy decisions. He admitted that there might be “some water which could be squeezed out of the Headquarters” but, all in all, he felt that with present directives (especially the nine-point economic program) it would be impossible radically to reduce personnel at the present time. He is, however, continuing his efforts whenever possible to cut down and to take the Occupation out of operating procedures.

With regard to the purge, the General said that he could not understand why Washington insists that he act contrary to the FEC policy decision on this subject. I explained to him the reasons, but his attitude convinced me that the time was inopportune to press the subject.
(I made a mental note to return to this subject when I discuss my letter to him written in the Department—this letter was not mentioned.) It was at this point that I casually mentioned the Siamese gold problem and the probability that a communication of some sort on this subject would be received shortly. I have already covered this aspect of our conversation in my letter of July 25.

I told the General that one thought in the Department is along the line of establishing a civilian deputy under the Supreme Commander, with broad powers separate and distinct from the military. The General immediately asked, "who would this gem of a person be?" I said that Joe Dodge's name had been mentioned but the General said he was convinced in his own mind that Dodge would not accept. In any event, he said that he would not be party to an arrangement whereby he, General MacArthur, would be expected to sit idly by and let someone else run the Occupation for him. He then spoke at length and with some bitterness on the difficulties which he has had in keeping high-caliber people on the job here. He mentioned several names, including Dodge, as examples of what happens: the experts come to Japan, recommend a plan which is set in motion, and then promptly depart for the United States, leaving SCAP to hold the bag. He said that the present difficult economic situation in Japan is the direct result of Dodge's recommendations and that Dodge should be here to provide further guidance and direction. In other words, the experts should see it through, for two years if necessary.

With regard to the impact of the Occupation upon the Japanese people, the General said that his statement of May 3, 1949, has set the pattern for a rapid return to the Japanese of many functions previously directly controlled by the Occupation. He said that wherever possible, jurisdiction is being returned to the Japanese and that in consequence, more and more authority is being assumed by the Japanese Government. He felt, however, that it could not be Washington's desire that United States troop strength in Japan be further reduced and he is accordingly working on the premise that the Eighth Army should gradually revert to a tactical force in garrison status. He pointed out the complex problem which faces United States policy in Japan by demanding on the one hand that the impact of the Occupation be minimized, and on the other, that strategic protection be given to United States interests in the Far East.

General MacArthur apparently still feels that a treaty of peace should be negotiated at the earliest possible moment with the proviso, however, that United States troops remain here until such time when their withdrawal becomes feasible. He realizes the dilemma in which we would be placed were such a decision to be made, but hopes that

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1 See text dated May 2, p. 743.
efforts towards a peace treaty will continue, especially as he feels that
we are losing the good will of the Japanese by seemingly holding out
against a treaty.

On the matter of sufficiency of Japanese police forces, the General
said that the military have been ordered to refrain from interference
in all cases, except when a situation has patently grown out of hand.
He believes that the Japanese police forces have been vastly improved
in discipline and morale and are fully capable of handling problems
which would normally fall to a police force. He thinks it unreasonable
to expect the Japanese police to act as a constabulary as obviously
they are not armed beyond pistols nor trained as troops.

The General asked me whether consideration is being given to a
change in the regime of control of Japan. I replied that I was unable
to discover any definitive thought on this subject; that people in the
Department realize and appreciate the excellent job which he has done
in Japan, and that, barring a treaty of peace, I very much doubted
that the regime of control would be changed. On the other hand, I said
that the Department is strongly of the view that SCAP, being an
officer of the United States appointed by the President, is subject to
orders from the United States Government, and could be replaced by
the President without great difficulty. The General took exception to
this view on the ground that the Moscow Agreement specifically states
that he is the sole executive authority for the Allied Powers and that
appointment of a new SCAP would be subject to agreement among the
major Allied Powers. I said that his view does not conform with that
held by the policy makers in Washington. I closed this part of the
discussion by recounting a rumor which I had heard on fairly good
authority regarding the acceptance of General Clay’s resignation by
the President, presumably because of his failure to carry out United
States policy. This interested the General greatly and later when I
accompanied him to his car he said that the Clay resignation was a
most interesting bit of news. I particularly stressed to the General
the fact that my information was based on a casual conversation and
that I could not, of course, vouch for it. The General said he believes
the story and that it makes sense in the light of other factors.

I told the General that I was greatly impressed by the earnestness
with which all levels in the Department strive to meet and reconcile
SCAPS’s views with realities of the situation in Washington. I as-
sured him that when his views are received they are given most care-
ful study and consideration by everyone concerned although at times
it is impossible to adopt his views in toto and that compromise solu-
tions are often the only possible ones consistent with practicality.

*For President Truman’s statement on Gen. Lucius D. Clay’s resignation as
Military Governor in the U. S. Zone of Germany, see White House press release
The General seemed to be genuinely glad to welcome me back to Japan and invited me to come to see him as often as I wish if there are any other matters that I would like to bring to his attention. He said that he is desirous of doing everything possible to assist in carrying out United States foreign policy. When I suggested to him that one school of thought in the Department of the Army felt that the State Department alone should formulate all policy (except purely military matters) for Japan, the General said that such an arrangement would be an improvement over the present confusing procedure.

In summary, it is my conclusion that the General is prepared to go along with the Department’s policies in most cases. He still feels strongly about the purge (probably as a result of Whitney’s advice), but even on this subject I have hopes of some amelioration. In my meeting with him I sensed a new willingness to “play ball”, an attitude which contrasts favorably with his former criticisms of the Department, particularly of the working levels. While the battle is far from won, I was also impressed in a later conversation by the attitude of Major General E. M. Almond, Chief of Staff, regarding efforts being made to cut down Occupation controls, reduce personnel, eliminate evidences of military overlordship, and in general to meeting the underlying philosophy of NSC 13/3. I will keep you advised from time to time of progress made in this connection by personal letters or appropriate official communications.

Sincerely yours,

W. J. Sebald

740.00119 FEAC/7-2749: Airgram

The Chargé in Canada (Harrington) to the Secretary of State

CONFIDENTIAL


A–311. Reference Department’s telegram No. 98 of July 23\(^1\) on subject of Japanese labor policy.

Substance of introduction and six numbered paragraphs of telegram was embodied in memorandum left with External Affairs July 26. Memorandum was given first examination immediately, and in course of conversation External Affairs officer made extensive and quite frank remarks, summary of which follows:

The Canadian Government considers that it is the function of FEC to lay down the principles which shall prevail in administering the occupation of Japan. The Government feels it is the function primarily of SCAP to implement the principles laid down by FEC, but FEC itself is to a certain extent interested, beyond the mere formulation of policy principles, in observing in what manner SCAP effects implementation. Speaking quite frankly, the External Affairs officer

\(^{1}\) See footnote 1 to telegram 108 of July 20, p. 801.
said that the Canadian Government feels the principles formulated by FEC have sometimes been stretched by SCAP. He referred to action toward Japanese participation in ITU as a case in point (see Depciertel March 11, 1949*). With specific reference to labor laws, he stated that the Canadian concept of a proper long-term provision of law for Japan is that the Civil Service proper should be prohibited from striking, but that this prohibition should not extend to workers on Government enterprises such as railways, tele-communications, etc. He implied, but did not state, that this is the view initially adopted by FEC (Embassy is not informed on the point). As a parallel, he cited the fact that workers of the Government-owned Canadian National Railway system, as far as permanently effective law is concerned, are free to strike. At the same time, he freely acknowledged that a stoppage on the CNR would mortally wound the Canadian economy and should a stoppage seem imminent, there is no doubt that emergency action would be taken. The External Affairs officer made it clear that there is no Canadian objection to provision under Japanese law for similar emergency action to be taken by the Japanese Government (as set out in principle in Article 5 of FEC-045/5), but he expressed the Canadian preference for the principle that government workers, except Civil Service, should not be barred by permanent legislation from the ultimate means of effecting collective bargaining.

The External Affairs officer also pointed out that in the Canadian view, healthy activity on the part of Japanese unions in general would probably be beneficial to other countries, and he cited the cases of pre-war Japanese industry and ocean shipping, which were able to undercut foreign competition largely because of a big supply of docile labor which was not in a position to see to its own welfare. He felt restriction of union activities among government workers should be as narrow as possible not to discourage private industry unions.

Approaching another aspect of the matter, the External Affairs officer reverted to his earlier statement that from the Canadian point of view SCAP has sometimes stretched the principles laid down by FEC; and he said, speaking very frankly indeed, that to the Canadians it seems to be a regular method to present a series of *faits accomplis*, which have in most instances been accepted by FEC, and by the Governments represented in FEC, either because it would be impossible from the practical point of view to question the action taken, or because it would be embarrassing and damaging to the prestige of the occupation authorities to do so. The Canadians feel that the views of FEC and of its member governments are known, or could be known, in advance by SCAP, and they feel these views should be given more consideration before initial action is taken by the occupation authori

*Not printed.
ties. The External Affairs officer continued by remarking that the administration of Japan has turned out to be a unilateral matter. He developed his theme by the statement that the Department of External Affairs would consider it most desirable if Japanese affairs could be discussed between Canada and the United States and views exchanged from time to time in advance of action being taken, either in the FEC or by SCAP. He pointed out the benefit to both countries which results from following this procedure in connection with matters coming before the General Assembly of the UN, and he admitted quite freely Canadian disappointment that Canada has not been consulted also with respect to Japan.

The above remarks were made without regard to the existing unusual and critical situation in Japan, and were an expression only of general views. The danger of the present situation is appreciated by the Canadian Government, and in view of it the Canadian position on the present Australian resolution in FEC will be reviewed, and the Embassy will be informed of the outcome.

The impression gained by the Embassy officer who left the memorandum is that the feeling of Canada having been “taken for granted again” (those words were used) underlies the whole Canadian position and may well be the most important factor in it. With regard to the particular question of the Australian resolution, it seems almost certainly a more important factor than the enunciated principle that only civil servants among Government workers should be deprived of the right to strike.

HARRINGTON

694.628/7-2749

The Acting Political Adviser in Japan (Sebold) to the Secretary of State

RESTRICTED

Tokyo, July 27, 1949.  [Received August 2.]

No. 499

The Acting Political Adviser has the honor to enclose 1 five copies of a directive issued by General Headquarters, Supreme Commander for the Allied Powers, to the Japanese Government (Scapin 6693-A of July 7, 1949) authorizing Japanese whaling expeditions in the Antarctic for 1949–1950 season. Japanese whaling operations in the Antarctic will be conducted on a basis substantially similar to that of the past season: two fleets are authorized and provisions for control of the expedition are laid down. The enclosed directive also instructs the Japanese Government to make a survey of each vessel in the expedition which will carry liquid cargo in order to insure the absence of structural deficiencies.

1 Not printed.
The enclosed directive has been issued as a "Scapin A" or administrative instruction. In this way, its distribution is considerably more limited than that of ordinary Headquarters directives; for example, the missions in Japan representing foreign governments do not receive copies of administrative Scapins. Headquarters officials are now considering means whereby notice of the coming expedition may be given to interested nations.

The Director of the Office of Far Eastern Affairs (Butterworth) to Mr. Robert R. West, Deputy to the Assistant Secretary of the Army

TOP SECRET

WASHINGTON, July 29, 1949.

Dear Bob: For some time we have been disturbed at the situation in the Ryukyus. We have felt that not sufficient action was being taken to implement in all its phases the applicable provisions in NSC 13/3, which recognize that this Government should seek to retain the facilities in the Ryukyus on a long-term basis and develop them accordingly. This policy also provided that "The United States agencies responsible for administering the above-mentioned islands should promptly formulate and carry out a program on a long-term basis for the economic and social well-being and, to the extent practicable, for the eventual reduction to a minimum of the deficit in the economy of the natives."

Our concern has been increased lately due to the recent severe typhoon which caused serious and far reaching damage to Okinawa, as well as recent indications that all is not well among the native population. With respect to the latter point, you may have noticed the following passage from CINCFE's weekly telegraphic report No. 42 of July 23:

"Resident CIC agent in Amami Oshima reports political situation northern Ryukyus growing steadily worse. Governor, vice-governor, and department heads provisional civil government reportedly have prepared resignations for submission to military government. Anti-US feeling in Naze reported to be increasing."

As you probably are aware, the Department in May of this year sent Mr. Douglas L. Oliver, Adviser on Pacific Islands in this Office, to Japan and to the Ryukyus to make a general survey. As a result of the splendid cooperation Mr. Oliver received from the American military authorities in Japan and in the Ryukyus he was able to see and learn a great deal with respect to the problems confronting this Government in that area. He has now submitted a report which is a frank, straightforward statement of what he saw and his recommenda-
tions as to what can and should be done, I am enclosing a copy for your personal information in the hope that you will find it possible to read it, notwithstanding its length. For reasons which will appear obvious to you upon reading the report, I suggest that it not be circulated widely and that for the present neither the report nor any excerpts from it be sent to Japan or the Ryukyus. After you have had an opportunity to read the report I should be glad to discuss with you appropriate means of implementing those of its recommendations which, after consideration between us, appear to be desirable.

However, it does seem almost self evident that Mr. Oliver’s recommendation that a new directive be issued regarding the Ryukyus is one that should be acted on promptly. I am therefore enclosing for your consideration a copy of a proposed new United States directive based on Mr. Oliver’s recommendations. It is believed that such a directive, setting forth United States policies for the Ryukyus in a single short document of low enough classification to reach all echelons of the Military Government would go far to meet the need for policy guidance in the Ryukyus and would provide a basis for steady progress.

Mr. Oliver’s recommendation that the NSC decision to “retain” the Ryukyus be reviewed, by exploring the possibilities of securing our strategic interests while returning the Islands to Japan, calls for careful consideration in view of its far reaching implications.

Your comments on this report and the proposed directive, as well as any suggestions you may wish to make with regard to how we may proceed in this important matter would be most appreciated.

Faithfully yours,

W. WALTON BUTTERWORTH

[Enclosure]

Draft Prepared in the Department of State

CONFIDENTIAL

[DRAFT DIRECTIVE FROM THE JOINT CHIEFS OF STAFF TO COMMANDER-IN-CHIEF, FAR EAST FOR MILITARY GOVERNMENT OF THE RYUKYU ISLANDS]

[WASHINGTON, July 29, 1949.]

1. Responsibility.

You are responsible for the exercise of United States military government in the Ryukyu Islands south of 29° North Latitude and for the execution in the course thereof of the policies of your Government as transmitted to you in this Directive and other official instructions.

1 Not printed.
2. Delegation of Authority.

You are authorized to delegate the exercise of military government in the Ryukyu Islands to a subordinate commander as Military Governor, and to issue to him such instructions consistent with this Directive and other instructions from your Government as may be appropriate.

3. General Policy.

It is the policy of the United States

a. to develop and maintain the facilities on the Ryukyu Islands as important on a long term basis to U.S. interests.

b. to develop and maintain a substantial degree of contentment among the civil population in order to contribute to the accomplishment of military objectives.

Military Government will be conducted on the assumption of long continued occupation, without prejudice to ultimate decisions with respect to sovereignty over the islands and their form of government.


The conduct of military government in the Ryukyu Islands, in general, will further:

a. Economic and social well-being, accomplished to the maximum extent by the efforts of the Ryukyuans themselves, in order to insure civil tranquillity and to reduce to a minimum the deficit in the economy of the natives. Financial independence from other occupied areas will be achieved with due regard to the pre-war pattern of Ryukyuan trade and the most economic markets and sources of imports.

b. Broadening of the base of self-government through legislative, executive and judicial organs established in accordance with democratic principles, and the adoption of basic laws promulgated by elected representatives.

c. Execution of a cultural and educational program designed to foster development of the arts and sciences and an enlightened civic consciousness, with due regard for the predominantly Japanese character of the existing Ryukyuan culture.

5. Organization of Military Government.

You will insure that the organization established for the execution of his military government responsibilities by the Military Governor is adequate to the discharge of his military government responsibilities and that such organization is under the immediate direction as his primary mission of either the Military Governor or a Deputy Military Governor of rank commensurate with his responsibilities.

6. Relationship of US Forces and civil population.

a. All decisions and orders governing the relationship of US Forces stationed in the Ryukyus to the local population and economy will be issued by or under the authority of the Military Governor with due regard for the objectives of military government as set forth in this Directive.

b. In view of the acute shortage of arable land to support the local economy, the occupancy of arable land by US Forces and the pre-
clusion of such land to the local population will be limited to that clearly necessary for US military objectives.

c. All echelons of US Forces stationed in the Ryukyus and their dependents will be indoctrinated with the necessity in the interest of the United States to foster a friendly attitude toward the United States on the part of the civil population and to avoid treating the civil population with disrespect or as inferiors.

7. Utilization of Ryukyu Administration.

To the maximum extent compatible with US objectives, military government will be indirect and will operate through Ryukyu government authorities and administrations.

8. Basic Liberties.

The Ryukyu people will be guaranteed the basic liberties of democratic countries, including freedom of speech, assembly, petition, religion and the press and security from unreasonable searches, seizures and detention without trial.

9. Civil Travel and Communications.

Subject to necessary regulations in the interest of military security and to availability of facilities, travel and communication to and from the Ryukyus and emigration will be freely allowed.

10. Economic and Fiscal Policy.

A coordinated long-range economic and fiscal plan for the Ryukyus will be developed in consultation with appropriate US departments and agencies and executed by the Military Governor, with the object of maximizing Ryukyu self-support at a level of living appropriate to the achievement of military government objectives. It should include:

a) a program for developing on a long-range basis those Ryukyu industries which can be sources of exports or reduce import requirements;

b) full and equitable compensation by US Forces and other US Government agencies stationed in the Islands for the contribution to their support of Ryukyu labor and other economic resources;

c) such foreign trade controls, e.g., export-import licensing and exchange controls, as are appropriate in view of the relative merits of minimizing governmental controls to encourage free private trade, and the need to make most effective use of Ryukyu resources;

d) measures designed to stabilize the financial structure of the economy, e.g., an adequate and equitable system of taxation to support necessary Ryukyu governmental activities without recourse to deficit financing, a sound banking and currency system, and a single rate of exchange appropriate for all foreign transactions; and

e) establishment of a counterpart fund in the Ryukyu budget reflecting the value of US aid (excluding pay-as-you-go) to the Ryukyus, control of which shall be exercised by the Military Governor with the objects of promoting economic development and fiscal stability.
11. Appropriations.
You will submit to the Department of the Army from time to time as requested estimates with justifications of appropriations from US funds for government and relief in the Ryukyu Islands and economic rehabilitation necessary to defray any deficit in the Ryukyuan economy and will be responsible for the expenditure under approved procedures of funds made available for such purposes.


a. Personnel for the administration of military government functions will be obtained as follows:

(1) Military personnel from the personnel assigned to you.
(2) Civilian personnel by requisition to the Department of the Army.
(3) Ryukyuan personnel by direct employment.

b. You will make special effort to insure that sufficient personnel having the experience and capacity necessary to the effective discharge of their responsibilities are obtained for military government of the Ryukyus, and to this end will request from higher authority such measures as you find needful.

13. Previous directives.
This Directive supersedes all previous Directives governing the military government of the Ryukyu Islands, except that you will be guided with respect to matters not covered by this Directive by the relevant provisions of JCS 1231 dated 12 January 1945.

740.0011 PW (Peace)/7-2949

Memorandum by Mr. Marshall Green, of the Office of Northeast Asian Affairs

SECRET

WASHINGTON, July 29, 1949.

VIEWS OF OTHER COUNTRIES TOWARD A JAPANESE PEACE SETTLEMENT

1. INTRODUCTION

The following discussion of the views of the various FEC countries toward the timing, procedure and content of a peace treaty for Japan is based on a variety of official and nonofficial documents. The views attributed to these countries may not always reflect current thinking since they are based to some extent on information that may now be out of date. Only through direct diplomatic talks with these countries will it be possible to gain any authoritative picture of their thinking on all these matters.

This discussion is confined to the views of the FEC countries. It may be reasonably assumed that the Latin American Republics will generally support the U.S. position at the treaty; that the Arab world
will be prone to follow the leadership of Pakistan and India, Pakistan opinion on this subject being clearly allied to Indian; that non-FEC European thinking will be divided by the Iron Curtain between support for the USSR position on the one hand and a tendency to support the British and/or U.S. position on the other.

II. TIMING AND PROCEDURE OF A PEACE SETTLEMENT

All of the FEC countries, except India and possibly France, favor a Japanese peace settlement as soon as possible. India fears the risks involved in any U.S. withdrawal from Japan at a time of rapid Communism expansion in Asia. There has been no recent indication of official French thinking on the subject. While the Kremlin presumably recognizes that a prolonged U.S. occupation will tend increasingly to antagonize the Japanese, it is possible that the present Soviet line favoring an early peace settlement is based on more than propaganda designed to curry favor with the Japanese. Moscow may estimate that, with China passing under Communist domination, a Japan freed from occupation control would be more pliable than at present to pressure from Communist Asia.

As for peace treaty procedure, the U.K. and the British Commonwealth countries still support the Canberra Conference decision in favor of voting by a two-thirds majority of all FEC countries, none of them having the power of veto. If the four Great Powers insisted on a veto, the British Commonwealth would probably not object, provided a British Commonwealth representative were also given the power of veto in the name of Australia, New Zealand, India and Canada. In the last analysis these countries might even accept the FEC voting procedure proposed by China in 1947. The Netherlands and France would tend to follow the lead of the U.S. on this matter. The USSR might modify its present demand that the treaty be initially considered by the CPM but would probably insist on having the right of veto at any peace conference.

The Netherlands, U.K. and Philippines appear prepared to conclude a treaty with or without Soviet participation. Australia and New Zealand have expressed the view that Soviet participation is important. Heretofore China has been reluctant to antagonize the USSR or give it a pretext for abrogating the 1945 Sino-Soviet Treaty. At this stage of developments in China, the Chinese Government would probably not refuse to participate in a conference without the USSR.

In the absence of a peace treaty, the U.S. would presumably proceed with its present policy of restoring to Japan increasing responsibility over its international relations. All of the other FEC countries have taken the view that this is a matter for the FEC, not SCAP, to determine. India and the Netherlands sympathize with the principle underlying this U.S. policy. The U.K. is resisting any attempt to go
too fast during the transition period; whereas the Philippines, Australia, New Zealand and France are reluctant to see Japan attain a position approaching equality with other nations prior to a peace settlement.

III. CONTENT OF A PEACE SETTLEMENT

Australia

Despite Communist-inspired unrest in populous Southeast Asia and despite expanding Soviet influence in Northeast Asia, Australia has clung to the belief that the principal threat to its security comes from a revived Japan rather than from a Communist Asia backed by the Soviet Union. There has been a tendency in Australia to avoid the realities of the Far Eastern situation in the knowledge that the U.S. will, as before, “bail them out” of any military crisis. By the same token Australia is anxious to see the U.S. military position in the Western Pacific strengthened. It favors a U.S. strategic trusteeship for the Bonins, the Ryukyus and perhaps for Quelpart (Cheju, now held by Korea). Presumably it would not oppose U.S. bases in Japan, being disposed to favor any increase of U.S. commitments in the Western Pacific. If the U.S. underwrote a Pacific counterpart to the North Atlantic Pact, Australia could be expected to moderate its previous position demanding that Japan remain completely disarmed and demilitarized for decades hence. Present Australian thinking would favor treaty terms extending Allied supervision over Japan in the form of an inspection of strategic industries and a regulation of imports. Australian officials are sympathetic to the view that reparations be relatively small. Australia may be expected to propose the inclusion of treaty clauses guaranteeing the perpetuation of labor reforms and the decartelization of industry.

Canada

The Canadian position on major policy issues arising at the peace conference will be in general accord with that of the U.S. However, in deference to its Commonwealth ties, Canada may support the views of the other Dominions on minor issues if such support does not lead to serious conflict with U.S. views.

Kuomintang China

(If a Communist Government in China has been internationally recognized when the peace conference convenes, the Chinese position will follow the lead of the USSR on most, if not all, questions.)

Chinese public opinion has continually clamored for a “hard” policy toward Japan, an attitude which presages popular Chinese desire for strict peace treaty terms. Officials of the Chinese Foreign Office have been more moderate in their viewpoint; and recently the Acting Foreign Minister, Mr. Yeh, informed the American Embassy office in
Canton that China had "revised its policy with respect to Japan" and would support American policy in Japan. It would be unrealistic to suppose, on the basis of Mr. Yeh's statement, that China would give unqualified support to the U.S. position at the peace conference. It would demand a price for so doing, perhaps a "Pacific Pact" the terms of which pledged assistance to Kuomintang China. In response to public opinion and for bargaining purposes, China is likely at the peace conference initially to press its claims for the Ryukyu Islands. It will insist on the retention of Formosa. Chinese officials will be torn between the need to follow U.S. leadership and popular pressures in China for post-treaty controls, sizeable amounts of reparations, and long-term guarantees of Japanese disarmament and demilitarization.

France

France generally desires to maintain a common non-Communist front in Japanese treaty negotiations. Hence it will incline toward the U.S. point of view on questions where only the USSR is in opposition. Should a peace conference for Japan precede one for Germany, French desire to avoid taking positions that they would wish to reverse with regard to Germany may bring them into opposition to American views on the level of industry in Japan and on the amount and allocation of reparations.

India

India's attitude toward Japan is largely conditioned by a desire to restore its profitable pre-war trade with Japan and by a fear lest Japan fall under Communist influence. It will oppose the imposition of any serious or complicated post-treaty controls and will favor U.S. plans for a liberal treaty settlement, especially in economic matters. Indian opinion thus far has not criticized the U.S. cancellation of reparations from Japan. India's probable policy toward territorial questions will be to oppose outright annexation of any former Japanese territory by a Western power including the USSR and to advocate extension of TRUSTCO authority over Pacific Island holdings. Consistent with India's view that Japan should be restored as master in its own house, India would probably support a proposal for limited Japanese rearmament.

Netherlands

With its far-flung crumbling Empire directly in the path of Communist advance, the Netherlands has every reason to support treaty terms designed to promote a strong U.S. position in the Western Pacific and a friendly Japan. Reparations is likely to remain an outstanding point of issue between the Netherlands and the U.S.
New Zealand

New Zealand's attitude toward the peace treaty is similar to that of Australia, except that, lacking commercial rivalry with Japan, New Zealand has less interest in imposing restrictions on Japanese industry and shipping. Of significance in any peace negotiation is New Zealand's resentment of Dr. Evatt's self-appointed role as spokesman both for Australia and New Zealand.

Philippines

The widest divergence between the Philippine and U.S. positions at a peace treaty is apt to occur over the reparations issue and over measures to prevent the growth of Japanese war potential. On other matters affecting Japan, the official attitude of the Philippine Government has long been more conciliatory to U.S. wishes than the strong anti-Japanese sentiment of the Filipino public. However, with the approach of the national elections in November, 1949, the administration will be under some political pressure to take a strong anti-Japanese stand. Whether Quirino or Laurel is elected to the presidency, the Philippines could not afford, in the final peace treaty negotiations, to oppose the general peace terms proposed by the U.S. as they provided for a strong U.S. military position in the Western Pacific.

USSR

The USSR has become increasingly sensitive to the possibility that the U.S. intends to rearm Japan and use it as an anti-Soviet bastion in the Far East. A primary objective of USSR policy now and at the peace treaty will be to increase Soviet-Communist influence in Japan and to prevent the U.S. from acquiring base rights or any other special privileges in Japan or the Ryukyus. The USSR is likely to take a literal interpretation of the Cairo, Yalta and Potsdam delimitations on Japanese territory, in order to retain all the Kurile Islands and to support Chinese claims, if a Chinese Communist Government has been recognized, for the Ryukyus. If a Chinese Communist regime has not been recognized, the USSR might suggest a trusteeship arrangement over the islands in which the USSR would participate or, as a propaganda gesture, the return of the islands to Japan.

The USSR has good reason to avoid the imposition of severe treaty terms on Japan, particularly limitations on Japanese industry. Soviet espousal of such a policy would alienate Japanese opinion from the USSR and might interfere with Soviet plans for building up Communist East Asia. Nevertheless, for purposes of extending its influence in Japan, the USSR will probably advocate continuation of the purge and the maintaining of certain post-treaty controls over Japan in which the USSR would actively participate.
United Kingdom

Largely dependent on the U.S. for maintaining its security interests in the Pacific, the U.K. has reason not to oppose important U.S. recommendations on the peace settlement. A departure from this policy may occur on questions that engage the commercial interests of Britain. Thus the U.K. has favored prohibitions on Japanese aircraft manufacture and long-term limitations on the speed and size of Japanese ships and on its shipbuilding capacity. Largely because of fear of cheap labor competition from Japan, the U.K. would certainly seek ways of ensuring as far as possible the development of a lasting strong trade union movement in Japan. Whereas British thinking at the Canberra Conference envisaged a post-treaty Allied control body in Tokyo and an Allied inspectorate system for enforcing control at key points in the Japanese economic system, this may no longer represent the official U.K. viewpoint. The U.K. has indicated informally, but at a high official level, the support of any U.S. proposal to establish bases on Japan or the Ryukyus.

IV. CONCLUSIONS

Communist successes in China and Communist threats to other parts of the Far East have caused a decisive shift over the past two years in the positions of the FEC powers on substantive questions affecting the treaty. In the eyes of most of the FEC powers, Japan is no longer the principal threat to their security. This in turn has occasioned a softening of their attitudes toward Japan and a tendency to support in principle the main objectives of current U.S. policy toward Japan. Should the U.S. be willing to assume long-term responsibility for the security of the Western Pacific through a “Pacific Pact” or some other security arrangement, it is not impossible that the softening process now apparent would, if preceded by sufficient diplomatic spadework, culminate in a willingness to follow the U.S. in a conference without the USSR (and Communist China, if then recognized) or to support the U.S. on all major issues should the USSR and Communist China participate at least initially in a conference. For different reasons and with opposing intentions, the USSR has likewise moved away from the idea of a harsh peace for Japan. On the basis of the foregoing generalizations, it could be argued that the chances for peace conference adoption of a treaty acceptable to the U.S. have substantially improved since 1947.

On the other hand, Communist successes in Asia have made it essential to U.S. security that there be no treaty with Japan unless that treaty provides for, or does not preclude, arrangements for adequately protecting U.S. strategic interests in Japan, the Ryukyus and elsewhere in the Western Pacific. The major objective of the Soviet Union at a peace conference, however, will be precisely the opposite: namely,
to prevent arrangements which might perpetuate U.S. influence in Japan and which might facilitate the use of Japan or the Ryukyus as a base for U.S. military operations. These diametrically opposing objectives would make it almost impossible for the U.S. and the USSR now to agree on treaty terms.

740.00119 FEAC/8-849: Telegram

The Secretary of State to the Acting Political Adviser in Japan

(Sebald)

CONFIDENTIAL

WASHINGTON, August 8, 1949—noon.


Trade-Marks, Trade Names and Marking of Merchandise in Japan

(FEC-332/11)

Fr member stated if vote was taken he wld be obliged to abstain as he had no instrs. UK member made fol statement for record: “In order not to delay action on FEC-332/11 we are prepared to vote in favor of it. At the same time I wish to have it recorded that my Govt does not consider that paras 6 and 7 deal adequately with the serious problem of the proper marking of merchandise by the Japanese. The UK delegation therefore reserves the right to bring up this question again and ask for its further consideration in the Com.” NZ member associated himself with UK statement. Indian member recorded his understanding in minutes that nothing in policy decision shld prejudice right of member nations to require imports be marked to show country of origin. Austral member stated his delegation had agreed to delete second sentence para 6, but wld have preferred retention of provision. Canad member associated himself with views of UK, NZ and Austral members. Com adopted FEC-332/11 by vote 9 in favor 2 abstentions (France, USSR).¹

Labor Policy in Japan (FEC-318/20)

Austral member stated his delegation had introduced its proposal in interest of affording correct approach to problem, but added it was not his intention press at present for vote on FEC-318/20. However, his delegation not prepared retreat from principle that there shld be no distinction re right strike between workers in Govt enterprises and workers in private enterprises. He added he thought it useful to clarify difference between FEC-318/20 which attempted deal with only one specific aspect labor problem and to do so in correct and dignified manner and Sov proposal which had been reintroduced at each successive

¹For FEC press release on this subject, August 16, see Department of State Bulletin, August 29, 1949, pp. 308-309; this includes the text of the decision of July 28 (p. 309).
level of discussion and had been accompanied by numerous statements
dealing with such questions as repressive measures by Jap police.

No discussion of Sov proposal.

**Japanese Reparations and Level of Industry (FEC-340)**

Chi member made statement to effect US reply of June 10 had in no
way changed Chi views on matter. He desired to place on record com-
ment that US statement particularly those passages where it interprets
para 11 of Potsdam Declaration are not convincing enough to meet
points raised in Chi statement. His delegation had decided to defer
fuller observations in order hear views other delegations on recent US
statement, but reserved right to make another comprehensive state-
ment of its position.

US member in reply Sov query of July 13 stated

"The US in its statement of May 12 on Jap reparation issue con-
cluded that: ‘The deficit Jap economy shows little prospect of being
balanced in near future and, to achieve eventual balance, will require
all resources at its disposal.’ It is the view of US that until Japan can
regain a self-supporting status at reasonable standards of living—not
likely, even according to most optimistic estimates, for some years
to come—it will have no resources surplus to its peaceful needs avail-
able for reparations. Considering almost four years already elapsed
since surrender and considering interest of all FEC nations in restora-
tion of normal economic relationships throughout Far East at earliest
possible time, exaction additional industrial reparations from Japan
wld not now or at any future date be either feasible or desirable."

Further consideration postponed.

**Soviet Statement Re Alleged Manufacture of Armaments in Japan**

Sov member requested explanation of report in Agency France
Press that Gen Niblo made statement that Ordnance Supply Service
is manufacturing large quantity tanks and other mil equipment in Jap
plants with purpose of stockpiling supplies and Jap labor is being
used in production of tanks and other mil equipment.

On July 29 US delegation circulated reply to Sov query to effect
US has investigated substance of inquiry and there is absolutely no
foundation to report that Brig. Gen. Niblo made statement attributed
to him by Agency France Press.

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*Acheson*

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WASHINGTON, August 17, 1949.

Dear Tracy: You may have noted in SCAP's telegram No. C-51666 of July 28, replying to questions posed by the Department of the Army regarding implementation of NSC 13/3, that SCAP reiterates his earlier stated position that effective modification of the purge as called for by the NSC paper is prevented by controlling policy decisions of the FEC.

This position has always puzzled us, as we perceive no conflict between the NSC provisions and the passages in existing FEC decisions dealing with the purge. Although I hesitate to burden you with another matter in anticipation of your visit to Japan, it appears that discussion between yourself and General MacArthur offers the only hope of clarifying this longstanding question. As of possible assistance for this purpose I am enclosing a memorandum in which all FEC policy provisions on the purge are quoted and analyzed in relation to the NSC purge decisions.

For reasons which I know are already familiar to you it appears to us of ever more pressing importance that modification of the purge as specified in the NSC paper be carried out.

Sincerely yours,

W. Walton Butterworth

[Enclosure]

Memorandum Prepared in the Department of State

Modification of the Purge in Japan

Paragraph 13 of NSC 13/3 provides that the purge in Japan should be modified along the following lines:

“(1) Categories of persons who have been purged or who are subject to the purge by virtue of their having held relatively harmless positions should be made re-eligible for governmental, business and public media positions; (2) certain others who have been barred or who are subject to being barred from public life on the basis of positions occupied should be allowed to have their cases re-examined solely on the basis of personal actions; and (3) a minimum age limit should be fixed, under which no screening for public office would be required.”

In his telegram No. C-51666 of July 28, replying to a series of questions regarding implementation of NSC 13/3, SCAP states in reference to the purge that “there has as yet been no reconciliation between
NSC 13/3 and the pertinent controlling policy decisions of the FEC”. This statement indicates that SCAP continues to regard the purge provisions of the NSC paper as being inconsistent with existing FEC policy provisions on the purge and as requiring a new and superseding FEC decision for their effectuation. It has been the State Department’s view that there is no conflict between any FEC policy decision and the NSC purge provisions, and that a new FEC decision along the lines of these provisions is unnecessary and could not be sought without important attendant disadvantages.

Existing FEC decisions contain four references to the purge. These references are quoted in full below, with comments in each instance:

I. “Basic Post-Surrender Policy for Japan” (FEC-014/9, June 19, 1947)

From Part III, paragraph 1

“Persons who have been active exponents of militarism and militant nationalism will be removed and excluded from public office and from any other position of public or substantial private responsibility.”

From Part IV, paragraph 2

“... it shall be the policy of the Supreme Commander:
“a. To prohibit the retention in important positions in the economic field of individuals who because of their past associations or for other reasons cannot be trusted to direct Japanese economic effort solely towards peaceful and democratic ends.”

These provisions are in general terms. Definition of an “active exponent of militarism and militant nationalism” is left to SCAP as the administering authority in Japan. There is no restriction on SCAP’s power, with the passage of time or otherwise at his discretion, to alter the definition which he applied in 1946 and 1947. Adaptation of the occupation programs to developing circumstances within the terms of such broadly phrased FEC provisions as the above would seem to be a prime responsibility of SCAP.

II. “Prohibition of Military Activity in Japan and Disposition of Japanese Military Equipment” (FEC-017/23, February 12, 1948)

Paragraph 13

“For the purpose of prevention of the revival of Japanese militarism persons who have at one time fallen within any of the following categories should not be nominated or employed in the government service, public office, or educational institutions except as they may be necessary in performing duties essential to the demobilization of repatriated military and naval personnel.
“a. Generals, Admirals, and all other senior officers, and all career officers of the Army, Navy, and gendarmerie;
“b. Other officers of the Army, Navy, and gendarmerie, including members of the reserve, if their employment would harm the cause of peace and security; and
"c. Officials of ex-officers’ and other military and para-military associations and of bodies closely associated with the armed forces

The Supreme Commander for the Allied Powers may authorize the nomination or employment of a person coming within categories a and c if his record shows that he has been an opponent of Japanese expansionism and totalitarianism."

The restrictions imposed by this paragraph are quite clear. The NSC purge provisions and the suggested spelling-out of those provisions in War 80453, November 10, 1948, were drafted so as not to infringe those restrictions in any way.

III. "Principles of Japanese Trade Unions" (FEC-045/5, December 6, 1946)

From paragraph 12

"No person who is subject to the purge directive of January 4, 1946, or to subsequent purge directives, should be allowed to hold office in a trade union."

The clear intent of this provision is to exclude from office in trade unions persons subject to the overall purge program in Japan. There was no intention through this passage in a policy decision on trade unions to freeze the purge as a whole to the language of the January 4, 1946, directive. Inclusion of the phrase, "or to subsequent purge directives", makes this doubly clear. Representatives of the British and other FEC governments have stated that the requirements of the passage would be fully met if persons still purged under any modification of the 1946 directive were prevented from holding office in trade unions. Even under a contrary interpretation, however, it would seem that this passage in the trade union paper could have reference only to eligibility for office in trade unions. Modifications of the 1946 directive could be effective for all other activities.

IV. "Principles for Japanese Farmers’ Organization" (FEC-277/19, December 9, 1948)

From paragraph 13

"No member should hold office in a cooperative if . . . he is subject to the purge directive of January 4, 1946, or subject to subsequent purge directives by the Supreme Commander for the Allied Powers."

The above comment on the similar passage in the FEC trade union decision is applicable also to this passage.

Although it seems clear from the texts of the decisions as quoted above that modification of the purge would not contravene any existing FEC decision, it may be asked why an FEC policy decision should

1 See letter of November 10, 1948, from the Under Secretary of State (Lovett) to the Secretary of the Army (Royall), Foreign Relations, 1948, vol. vi, p. 890.
not nevertheless be sought to remove any possibility of doubt. There are two reasons why this would be unwise:

1. Although there is every indication that the proposal would be approved by many FEC members, it would almost certainly be vetoed by the Soviets.

2. Submission of a policy proposal to the FEC on a matter which seems clearly within SCAP’s administrative discretion (and which has always been considered by the FEC itself as falling within SCAP’s discretion subject to the broad provisions of the Basic Post-Surrender Policy and the specific limitations contained in the three other decisions just cited) would be contrary to U.S. policy as stated in paragraph 9 of NSC 18/3. Such a proposal, calling for modification of SCAP’s previous purge orders, would invade a previously recognized area of SCAP executive authority, which, in line with that paragraph, we desire to build up, and would expand the field of FEC activity, which, also in line with paragraph 9, we desire to restrict.

Use of a U.S. interim directive would be subject to the second of the above disadvantages. It is doubtful, however, whether this procedure could in any event be desired by SCAP since it would run directly contrary to his expressed position that the present purge program is fixed by FEC decisions;—the U.S. is forbidden under the Moscow Agreement of December, 1945, from issuing interim directives on matters covered by policies already formulated by the Far Eastern Commission.

740.0011 PW (Peace)/8-2049

The Acting Political Adviser in Japan (Sebald) to the Secretary of State

TOP SECRET

No. 568

Tokyo, August 20, 1949.

Sir: I have the honor to refer to various conversations with officers of the Department during my recent period of consultation in Washington, on the subject of summoning a conference for the purpose of negotiating a treaty of peace with Japan. Pursuant to these conversations, I had a lengthy interview with General MacArthur on August 15, 1949, on this subject. His views and my own observations are set forth below.

General MacArthur said that he is of the opinion that the United States should immediately seize the initiative from the Soviet Union on this question, and once again invite the Far Eastern Commission Powers to a peace conference for the negotiation of a treaty. General MacArthur said that while it is doubtful that such a conference would be successful and a treaty of peace concluded at this time, even if the Soviet Union were one of the participating powers, he nevertheless feels that the United States should take full advantage of the attendant
play of publicity to inform Japan and the world of its desire to enter into normal, peaceful relations with Japan.

With regard to the attitude of the Soviet Union, General MacArthur stated that, as he views the triangular problem of the United States, the Soviet Union, and Japan, he finds that both the Soviet Union and ourselves have nearly identical strategic objectives in Japan, namely, the United States does not wish Japan to enter the Soviet orbit or to become an armed ally of the Soviet Union; the Soviet Union, on the other hand, does not wish Japan to be used by the United States as a base of operations against Russia. He therefore concludes that it is to the mutual advantage of the United States and Soviet Russia to have a disarmed Japan, neutralized by common consent and guarantee of all the interested powers.

I suggested to the General, for the purpose of our discussion, the concept that it might be well to have incorporated into any treaty of peace which may be concluded, if feasible, a provision for United States troops to remain in Japan on a garrison basis (on the premise that this is necessary to carry out the terms of the treaty), the period of tenure to last until Japan is admitted to membership in the United Nations, withdrawal to take place immediately upon Japan’s admission. The United Nations would thenceforth insure the sovereignty and territorial integrity of Japan. General MacArthur agreed that such a provision would place Soviet Russia in a dilemma: by vetoing Japan’s admission into the United Nations, she would automatically continue the garrisoning of Japan by United States troops, a situation which presumably would be unpalatable to Soviet Russia. It would therefore appear to be in her interests not to oppose Japan’s admission to the United Nations.

I asked General MacArthur whether in his opinion Japan is ready for a treaty. He replied that in so far as reform is concerned, the taxation reform recommended by the Shoup Mission will complete all reforms. Furthermore, he said that he is implementing NSC 13/3 as rapidly as possible, thus preparing Japan for the eventual return of her sovereignty. In any event, however, he estimated that it would take a minimum of two years before a treaty of peace could be negotiated and the Occupation completely withdrawn from Japan.

General MacArthur again reverted to his previous recommendation that Japan should become the responsibility of the United Nations rather than the sole burden and obligation of the United States. He feels that, if Japan were admitted to the United Nations, a continuation of United States occupation of Japan would be unnecessary and undesirable.

Above all else, General MacArthur stressed the necessity, in his opinion, of the United States taking the initiative in pressing for a treaty of peace, or at least in the summoning of a conference for this
purpose. He feels that the Soviets presently have the initiative because of Vishinsky's proposal at the last Council of Foreign Ministers and the recent Japan Communist Party propaganda peace campaign. He counseled, however, against any change in the present regime of control—he would provide for the continuation of SCAP until Japan is admitted to the United Nations—on the theory that to have American troops here without at least a semblance of Allied authority would give the Soviets and their communist stooges too good a propaganda weapon against the United States.

Apropos of the above conversation, while I am aware that the Department is presently engaged in a restudy of Far Eastern policy, I wish hereinafter to add my observations on the subject of an early treaty of peace with the hope that they may be useful to the Department in resolving its policy on this question.

A. FACTORS WHICH FAVOR AN EARLY PEACE TREATY

1. The Psychological Factor: The Japanese people have already too long been torn by a deep psychological conflict between "the new", as represented by the directives of the Occupation and the Occupation itself, and "the old", representing the product of Japan's long history, culture, and distinct way of national and international life. That the Occupation will leave behind much constructive and lasting work cannot be denied: the insular, thoroughly nationalistic Japanese approach to internal and international problems has been severely shaken and in many respects shattered. But neither can it be denied that the Occupation will leave many deep scars upon the Japanese national consciousness, scars which cannot be healed by an undue and indefinite prolongation of the dictatorial, often tactless, and sometimes slip-shod methods of a military regime. To numerous Japanese the Occupation, despite its benevolence and well-meaning do-goodism, represents an alien substitution for Japanese militarism, bureaucracy, and social cleavage. Our insistence that our way is right and the Japanese way is wrong does not make sense to many Japanese who detect a latent ignorance and lack of understanding of the Oriental in our endeavors to impose American methods and way of life upon a people who, psychologically and socially, are still living in the Middle Ages. It is mistaken to say that the Japanese "resent" the Occupation. While some resentment does exist in individual cases, it is more correct to say that collectively the Japanese "tolerate" the Occupation because it is in Japan's self interest to allow the United States to carry the burden of reconstruction, security, and maintenance of internal order during this period of total defeat. If the Japanese were consulted, by referendum, regarding the termination of the Occupation, it is my estimate that the upper and middle (business) classes would vote solidly to continue the Occupation; and that the laboring and farmer classes would in
general vote against continuation, notwithstanding the fact that these classes have, from our point of view, gained most from the Occupation.

2. **The Internal Political Factor:** The overwhelming majority of the Japanese people are strongly anti-Communist and anti-Soviet Russia. Although the Japan Communist Party is well organized, led by a hard core of Moscow-trained Communists, and has until recently considerably increased its popularity among practically all classes of Japanese, recent tactical mistakes and excesses have demonstrated to the Japanese people the inherent dangers of flirting with international communism. While the danger of Communist infiltration is not past and will continue to be very real so long as the Japan Communist Party is legally recognized and while conditions in Japan are ripe for exploitation by the Communists, it is my considered estimate that, left to themselves, the Japanese would react violently from the present "liberalism" of the Occupation, which, in Japanese eyes, protects the communists and makes possible the spread of their influence and power. Part of the communist appeal to certain Japanese lies in its anti-Occupation tinge—a flavor which is most palatable to those Japanese who believe they have nothing to lose by the withdrawal of an alien rule. This factor is important in an appraisal of the Japanese picture. Educated Japanese—especially the large purged Army and Navy officer class—fear communism; the lower classes do not. In consequence, articulate Japanese prefer an indefinite Occupation until such time as internal conditions in Japan are stable, the economy has become self-supporting, and the law-enforcement arm has become sufficiently strong to ensure domestic tranquility, i.e., to suppress the trouble-making communists. There is an unexpressed hope among these Japanese that the police forces will be strengthened, an armed constabulary and coast guard established, and measures permitted to outlaw the trouble-makers. As United States policy already envisages the establishment of a well-armed, mobile, and centrally controlled police force, we have apparently preferred to take the calculated risk that such a force might form the nucleus of a resurgent, effective militaristic state (which under the most favorable circumstances I believe to be impossible for several decades). We thus ensure that the Japanese may be enabled, even though at the price of some reactionism, to keep order in Japan.

On balance, it would appear that upon the withdrawal of the Occupation, the Japanese would be capable of maintaining internal order (provided their police forces are strengthened); that we must expect a swing to the right with a partial return to reactionary internal policies; and that the prevailing sentiment of the Japanese articulate class would be in favor of an anti-communist, anti-Soviet policy. We might also anticipate a growing suppression of the communists and the eventual elimination of the Japan Communist Party as a legal entity.
It would nevertheless be foolhardy to assume that the Communists do not have dangerous capabilities for creating difficulties for any Japanese government and even, in favorable circumstances, of making a serious attempt to seize power.

3. External Political Factors: In any attempt during the pre-treaty period to remove in part the shackles placed upon Japan's intercourse with foreign nations, the question immediately arises whether the acceptance by any given country of Japanese representation—for example, trade representatives and consuls—would not be a one-way concession to the Japanese. On the other hand, SCAP is faced with the difficult problem of whether to allow foreign representatives direct access to the Japanese Government with the attendant risks that such permission under present conditions would entail. Similar considerations arise in connection with Japan's admission to international conferences and organizations. Experience to date has indicated that the United States, almost alone, has carried the burden of attempting to restore some semblance of sovereignty to Japan in its foreign relations, a task which will become more difficult as the scope becomes broader. It therefore appears almost self-evident that unless the attributes of sovereignty can be restored to Japan through the negotiation of a treaty of peace, there is little hope for the establishment of even semi-normal relations with other countries. Without such relations, I see little prospect of restoring Japanese self-confidence, self-respect, or rehabilitation of Japan's shattered international relations. Only Japan can accomplish these difficult tasks—we cannot undertake them for Japan. Not until the Japanese are able to maintain their own establishments abroad, no matter how modest, will the people of the world begin to accept the Japanese, and their trade, on an unequivocal basis.

4. Economic Factors: The future of Japan's economy is one which I view with great pessimism, shorn as is Japan of all her overseas colonies and investments, overseas shipping, and international banking and insurance facilities. The rapid and continued rise in population, an obsolete and worn-out industrial plant, insulation for almost a decade from foreign markets, loss of know-how in selling techniques, and the strong if natural antipathy to the acceptance of Japanese goods—all combine to temper even the most rabid optimist who claims to foresee a balanced economy within the near future. The Occupation, and Washington, must share part of the blame for the grand-scale tinkering with Japan's economy which has taken place during the past four years. While the story is not all black, it is my opinion that the sooner we stop advocating, and enforcing, economic nostrums, and attempting with a woefully inadequate and ill-equipped staff to conduct a highly complicated economy such as is Japan's, the more quickly will there be some semblance of economic order and at least a possi-
bility that the woods may be seen rather than the trees. While I foresee many difficulties ahead and believe that continued economic assistance by the United States (perhaps under an ECA principle of operation) will be necessary, I nevertheless am convinced that unless and until the economy of Japan is returned to the Japanese Government and people, Japan will continue to be a mendicant nation ripe for internal disorder and political exploitation. I therefore envisage as prerequisites: a formal lifting of ceilings on peaceful industry, the word "peaceful" to be broadly and liberally defined; immediate resumption of Japanese overseas shipping (even in the face of protests by domestic shipping interests and FEC nations); the abolition of the GARIOA type of appropriation and substitution therefore of an ECA-type operation; and an immediate contraction of all economic operations by GHQ, SCAP, and return of economic power to the Japanese Government. In the treaty itself there should be a broad and liberal statement of economic principles under which Japan would be allowed to breathe and regain a semblance of economic health.

5. American Foreign Policy Objectives: If we may accept the proposition that United States objectives in the cold war with Soviet Russia envisage a containment of the Soviets along the perimeter of Soviet influence, Japan would appear to be an important anchor of a line extending from Hokkaido to Scandinavia. Of more localized interest is the importance of that anchor in East Asia, specifically as part of the line Japan–Formosa–Philippines. In discussion of this problem, it appears to me that undue emphasis is in most cases placed upon the strategic importance of Japan in a military sense, with the result that the political implications of Japan's importance in the anti-communist "line of containment" are relegated to a minor position if not forgotten altogether. I view, and I believe correctly, the line of containment first and foremost as a political problem. Unless each and every link in that line is in itself a politically stable unit capable of contributing its share to our burden of containment, a local weakness exists which jeopardizes the entire operation. As an occupied country, defeated in war, economically weak, without voice in the shaping of its own foreign policy, Japan, politically, is a hindrance and burden rather than a healthy link in our first line of political defense in East Asia. It is my view that a friendly Japan to which full sovereignty has been restored can be of inestimable assistance to the United States as well as to the other "free" countries of Asia. Because of the self interest involved, and on the basis of my estimate expressed above that the Japanese people are anti-communist and anti-Soviet, it is my considered opinion that Japan will align herself on the side of the Democracies. With the loss to us of China, at least for the foreseeable future, it would appear wise for the United States to avail herself of the political assistance which a rehabilitated
and sovereign Japan can offer. In the difficult problems of the Far East still to be surmounted, a friendly, politically and economically stable Japan may yet be the catalyst which will enable us to achieve our objectives. For these reasons alone, I believe that a treaty of peace should be negotiated without further delay, as time is of the essence in shaping durable political alignments in the Far East.

6. The Fallacy of U.S. Supremacy in Japan: It appears to me that the American people are wont to delude themselves into believing that the United States alone is supreme in Japan and that United States foreign policy objectives are, in consequence, carried out in simple fashion because of this supposed supremacy. In fact, the complicated regime of control of Japan makes the accomplishment of United States long-term objectives difficult because of the varied compromises and give-and-take solutions which each major policy decision entails. There can be no straightforward and strong, publicly announced United States policy vis-à-vis Japan. We are, therefore, in the invidious position of carrying the political, financial, and military burdens of the Occupation, but without the means directly to advance United States objectives in our world-wide struggle against Soviet Russia. Scarcely any major policy which we have proposed for Japan has escaped the pruning knives of one or more of the FEC nations. We are, it seems, caught in our net of immediate post-war internationalism, of relying upon multilateral efforts rather than upon our own. A treaty of peace with Japan would, or should, end this complex and (in Japan’s case) unworkable regime of control. Japan’s relations with the FEC nations would then again be restored to a bilateral basis, and outstanding problems solved on a mutual basis without directly involving the United States. In the post-treaty period there is no apparent reason why the United States, by virtue of its great-power position, should not increase its influence over Japan’s foreign policy and thus align Japanese policy to parallel our own. Under the present treatyless, technical state-of-war situation, this is impossible.

B. FACTORS AGAINST AN EARLY PEACE TREATY

1. Loss of American Prestige in the Far East: Representative Japanese are fearful that the United States will withdraw from Japan and that such withdrawal would open wide the flood-gates of Communism. They point to what happened in China, and reinforce their position by saying that our military withdrawal from Korea has made Soviet control of all Korea inevitable. While this viewpoint is in part based upon purely military considerations and on the assumption best expressed by the epigram that “One cannot stop a bullet with an idea”, these Japanese observers genuinely feel that so long as the United States has a military force in Japan, American prestige in the Far East is maintained and Communism, at least in Japan, held at bay.
The fear felt in Japan is based not so much upon lack of internal security as upon the belief that the Communist movement in Japan will be aided and fostered by subversive activities engineered and controlled externally. It can, of course, be argued that Communism has thrived in Japan in spite of, perhaps because of, the "American" Occupation, but this does not mitigate a real concern by many Japanese regarding the future, should the Occupation in fact withdraw.

Assuming that a treaty of peace is negotiated and that such treaty would provide for the immediate withdrawal of American troops from Japan, there is the danger that the United States might lose considerable prestige not only in Japan, but in the Far East as a whole. Such withdrawal would undoubtedly result in growing uneasiness in Japan and a suspicion that the United States was shirking its commitments and responsibilities in the Far East, particularly in the face of the deteriorating situation in China. That the communists would change their propaganda line and take full advantage of our withdrawal to increase their membership and influence is a foregone conclusion.

These fears have, in part, developed in consequence of irresponsible public statements, chiefly by high-ranking military officers, to the effect that Japan is considered the outpost of the United States defense against Soviet Russia. It would therefore seem natural to expect that our withdrawal would be construed as an abandonment of our Far Eastern line of defense. Any withdrawal must accordingly be accompanied by a serious publicity campaign to counteract the thought that the United States is "writing off" Japan as we have in effect the Chinese National Government.

2. Japan's Internal and External Security: An unarmed Japan in the face of strong external pressures, particularly from Soviet Russia, Red China, and North Korea, offers tempting bait for exploitation and seizure of control by international communism. A strong nucleus of Moscow-trained communists already exists in Japan and offers a ready medium of operation for the Soviets. Given further centralized control and direction, it may be anticipated that the Japan Communist Party will increase its covert activities and make a strong bid for power at the first sign of withdrawal of the Occupation. It may be expected, as from the time of withdrawal, that illegal infiltration into Japan from the continent will increase, a situation which is already almost out of hand, even under the Occupation. In the absence of a strong police force and coast guard (see paragraph 2 under A, above), grave doubt exists that the Japanese could adequately cope with this problem.

3. Possible Reactions Against Occupation-inspired Reforms: One of the intangibles that would confront the United States and other signatories to a treaty of peace would be the difficulty of pre-judging the permanency of the numerous reform measures that have been
forced upon the Japanese people during the Occupation. Many of these reforms have been enacted by fiat and without taking into consideration even to the slightest degree Japanese susceptibilities or wishes in the matter. In many cases, the reform has been enacted for reform's sake, doing violence to basic Japanese social custom or concepts evolved through many centuries. We have, in numerous instances, forced the Japanese Government to change, amend, abolish, or enact laws, with the result that age-old customs and institutions have been swept aside on the theory that they are undemocratic and not consistent with the American democratic way of life. Without citing specific examples, of which there are many, the question immediately arises whether the change to "democracy" has become sufficiently deep-seated and palatable to overcome an inherent desire of millions of Japanese to return to the old way of life. We are thus faced with the problem of whether it is possible to draw a line beyond which "reaction" should not pass, or whether to trust to the basic common sense of Japan's leaders and people in the hope that a compromise solution will evolve. I definitely favor the latter course, and feel that if the general principles of democracy can be preserved, even in part, the Japanese should be allowed to fashion their own concepts of how that democracy can be made to work. We must therefore be prepared to decide the extent to which Occupation-made reforms may be changed, relaxed, or abolished entirely by the Japanese when they have again assumed full sovereignty. We should, I believe, not become unduly alarmed at changes which will take place; rather, by force of advice and example should we encourage broad democratic principles to take firm root. There will, of course, be criticisms by those FEC nations which now have the position of enjoying authority without obligation of any kind. We should also be prepared for a partial reversion in Japan to the exercise by Japanese officialdom of the many minor irritants which equality with the Westerner in Japan will again bring. Life in post-treaty Japan will not be pleasant for Occidentals, but the country will at least belong to the Japanese. In the absence of discrimination, however, there would appear to be no reason why the super-extraterritoriality developed under the Occupation should not be abolished.

4. Unresolved Problems: As already touched upon above, several important problems, among many lesser ones, remain unresolved and until solutions are found, it might appear preferable to withhold attempts at negotiating a peace treaty. Some of these problems are:

(a) The establishment of an adequately armed, mobile police force.
(b) The necessity that Japan be allowed a reasonable transocean merchant marine.
(c) Formal removal of all restrictions upon levels of peaceful industry.
(d) Establishment of procedures for, or abolition of, claims for re-
reimbursement by United Nations nationals of damage and loss caused
as incidents of the war.
(e) Preparation of Japanese governmental machinery for full re-
sumption of sovereignty.
(f) Establishment of an armed coast guard to prevent smuggling
and illegal entry into Japan.
(g) Development of an adequate program of assistance to Japan
to hasten economic rehabilitation and, as a minimum, to maintain a
reasonable standard of living by bringing imports and exports into
near balance.
(h) Some amelioration in SCAP's hitherto adamant position on the
purge question.

None of the above problems, however, is insoluble. Their solution, it
appears to me, calls for increased exchange of viewpoints between
Washington and SCAP, mutual concessions, and, above all else, the
will to settle and implement policy decisions by full use of existing
procedural means, unilaterally, if necessary.

C. CONCLUSIONS AND RECOMMENDATIONS

I have only touched upon the more important problems and con-
siderations which must be faced in reaching a decision regarding the
timing for a treaty of peace. The easiest course of action would be to
continue the present regime of control, not to force the issue, and to
hope that the Japanese situation will become stabilized through the
efforts of the Occupation and by the working of time. It is my opinion,
however, that the situation in the Far East is such that mere negativ-
ness or passivity will not resolve the basic question of what is best for
the United States. I concur with General MacArthur that a courageous
and strong foreign policy is needed in handling the Japanese situation
and that only by grasping the political initiative which is available for
the taking, now, can we hope to stabilize a deteriorating and un-
balanced situation in Northeast Asia. The Japanese people, no less than
all peoples, desire peace, security, freedom from want and fear. The
fact that they have brought their present lamentable condition upon
themselves does not, unfortunately, decrease the need for American
leadership in Japanese affairs. The Japanese cannot take the lead—
only the United States or Soviet Russia can.

The Japanese people are tired from the demands which have been
made upon them during the past twelve years, first by their own lead-
ers, and then for four years by the Occupation. The struggle against
the almost overwhelming odds of deprivation, scarcity, uncertainty,
continued change, and an alien rule, forces many Japanese to view
further effort as futile. The word "peace" to millions of Japanese con-
notates renewed hope, opportunity, and a chance to be left alone to
lead their lives in their own way. In a military and material sense,
the Occupation has been a success, but it is now rapidly outliving its political usefulness. It may yet become an embarrassment to United States objectives in the Far East. I believe it is time to leave well enough alone.

I strongly recommend that the Department renew its efforts to convene a conference for the purpose of negotiating a treaty of peace with Japan. In consulting the officers of this Mission concerned with political affairs I have found complete agreement that such a move would be highly desirable. I do not see that we have anything to lose, even if the conference were to founder upon the rocks of procedural difficulties. On the contrary, the gain in initiative and consistency of record in Far Eastern affairs would amply repay any effort that might be entailed. The considerations and problems are great. They will not, however, decrease in size and complexity in consequence of delay.

Respectfully yours, W. J. Sebald

894.602/8-2549

The Acting Political Adviser in Japan (Sebald) to the Secretary of State

CONFIDENTIAL

No. 576

Tokyo, August 25, 1949. [Received September 3.]

Sr.: I have the honor to refer to the Department's airgram instruction no. 119 of July 20, 1949, requesting information on industrial reorganization pursuant to the provisions of the Law for Removal of Excessive Concentrations of Economic Power (Law no. 207 of 1947), and to this Mission's despatches no. 344 of May 26, 1949, "Testimony of Mr. Walter Hutchinson before Far Eastern Commission," no. 423 of June 30, 1949, "Request of Chinese Member, Allied Council for Japan, for Information Regarding Reorganization of Tokyo Shibaura Electric Company," and no. 533 of August 6, 1949, "SCAP Press Release Announcing Completion of Work of Deconcentration Board."

The economic deconcentration program, as was noted in the press release forwarded with this Mission's despatch no. 533, is entering its final stages insofar as proposed or final reorganization orders, or releases from designation, have been transmitted to all except 11 of the 325 companies originally designated under the Deconcentration Law. It would be inaccurate to conclude, however, as has the Japanese press, that the deconcentration program is ended. Of the companies ordered to reorganize into successors, only one, the Oji Paper Manufacturing Company, has completed its reorganization, and even in that case, the successor companies continue to occupy office space in the

1 Not printed.
2 None printed.
same building and to maintain close liaison. Moreover, the important cases of the Japan Express Company (Nippon Tsuun K.K.), the Japan Power Generation and Transmission Company (Nippon Hasoden K.K.), and the nine regional power distribution (haiden) companies remain to be acted upon.

This Mission’s despatch no. 423 forwarded a copy of a letter from this Office in its capacity as Diplomatic Section, General Headquarters, SCAP, to the Chinese Member of the Allied Council for Japan, which letter outlined the status of the deconcentration program as of June 17, 1949. In the meantime, action has been taken in all except the 11 cases noted above. The latter cases will require special action on the part of the Japanese Government, which action may be expected sometime this autumn.

Of the 325 companies originally designated, 297 have been released from designation, while 11 have received final orders for reorganization, stock disposal, or the liquidation of certain assets, and 6 have received similar proposed orders. Eleven of the proposed and final orders may be considered as requiring reorganization (though, as will be seen, the classification is open to dispute); assuming that reorganization orders will also go to the Japan Express Company and to the power generating and distributing companies, and treating the 10 power companies as one case (they were so treated for purposes of the compilation noted by the Department in this Mission’s despatch no. 344), a total of 13 reorganizations will result from the deconcentration program.

**Summary of Action Taken**

The following companies have received final orders from the Holding Company Liquidation Commission:

[Here follows list of 11 companies, followed by 6 others receiving proposed orders.]

**Financial Institutions**

Regarding the Department’s request for information on the status of the “large banks originally designated under the deconcentration law,” it should be noted that no financial institutions were so designated. It is understood that at least five banks (Mitsui, Mitsubishi, Sumitomo, Yasuda, and Sanwa) were being considered for designation when the Deconcentration Review Board arrived in Tokyo. On July 30, 1948, shortly after the Board’s arrival, however, it was announced that the dissolution of the Zaibatsu holding company structure and the enactment of the Anti-Monopoly Law had removed any necessity for reorganizing banks or insurance companies. It is known that the Anti-Trust and Cartels Division, Economic and Scientific Section, General Headquarters, was strongly opposed to the announcement, and it was therefore, in all likelihood, as a face-saving device that the financial
institutions were remanded to the Fair Trade Commission for surveillance and possible further action. The banks have changed their names and the insurance companies have been reorganized into mutual companies, but no further action is contemplated, so far as this Mission is aware.

**GENERAL RESULTS OF THE PROGRAM**

It cannot be said that the Deconcentration Program has been either a disruptive force, or a strong force making for “industrial democracy.” Certain notorious one-company industries, notably paper, brewing, and iron and steel smelting and manufacturing, will of course be reformed, but the electric manufacturing industry, which has been dominated by three companies, is almost untouched, while the orders transmitted to the Mitsui, Mitsubishi, and Seika Mining companies do nothing to break up concentrated holdings in specific mining fields, notably coal. (Major General W. F. Marquat, Chief of the Economic and Scientific Section, General Headquarters, has let it be known that he suspects the Japanese coal mining companies of being the seat of a rising new Zaibatsu system.) Moreover, the large banks and insurance companies through which the pre-war family companies exercised a large measure of their control have not been touched, and the Deconcentration Review Board has frowned on orders aimed at preventing them from buying back into erstwhile Zaibatsu holding company subsidiaries.

**ACTIVITIES OF THE DECONCENTRATION REVIEW BOARD**

The Deconcentration Review Board has undoubtedly killed a large number of reorganizations contemplated by the Anti-Trust and Cartels Section; that fact, depending upon one’s basic assumptions and predispositions, may be considered cause for praise or for blame. It is noteworthy, however, that the Board has failed to act according to any consistent philosophy or plan. It has released some companies, such as Mitsubishi Electric, from designation, while finding lesser competitors, such as the Hitachi Engineering Works, to be excessive concentrations. It has occasionally rendered itself open to the suspicion that it is acting on behalf of special interests to promote industrial rationalization, and it has frequently and unblushingly violated its own four principles, which were announced with considerable flourish on September 11, 1948.

The first principle requires a prima facie case of restraint of competition before a company may be found an excessive concentration; several of its orders (see, for instance, the Hitachi order as discussed below) can be justified only on the basis of potential restraint of trade, or the capacity to restrain trade (Mr. Walter Hutchinson of the Board has stated that he knows of no way to determine such capacity). The
second principle states that possession of non-related lines of business activity is not to be considered sufficient evidence that the company is an excessive concentration; the Board has on occasion handed down orders which appear to be aimed at diversity of operations rather than at predominance in any one field (see the case of the Daiken Industrial Company below). It would be difficult to show that the third principle, namely, that a voluntary plan need not be considered authority for a final order, has or has not been observed, but it may be noted that certain doubtful cases, notably that of the Tokyo Shibaura Electric Company, have been criticized for slavish adherence to the company’s voluntary rationalization plan. The fourth principle, finally, requires that the action taken under Law 207 should be directly related to the facts upon which the company was determined to be an excessive concentration; as will be seen in the case of the Japan Dynamite Company below, however, orders handed down by the Holding Company Liquidation Commission have on occasion seemed to have little relevance to the basic finding of facts in the case.

SUMMARIES OF CASES UPON WHICH ACTION HAS BEEN TAKEN OR MAY BE EXPECTED

[Here follows discussion of 16 companies where action was taken, followed by three paragraphs on cases where no action was taken.]

CONCLUSION

The scope and effectiveness of the deconcentration program, as summarized above, are not impressive. It should be pointed out, however, that this survey has limited itself to the administration of Law no. 207 of 1947, and that other aspects of SCAP’s anti-trust policy, such as the dissolution of the holding companies, will be made the subject of a separate report. Moreover, a number of companies have, since release from designation under the Deconcentration Law, reorganized themselves along the lines originally proposed by the Anti-Trust and Cartels Section. The Kobe Steel Company, for instance, has broken into three successors, and the Nissan Chemical Company into two.

Misgivings about the total effectiveness of the anti-trust program cannot be escaped, however. The revised Anti-Monopoly Law (Law no. 54 of 1947: see this Mission’s despatch no. 379 of June 13, 1949) contains almost no guarantee, except the not-too-keen surveillance of the Fair Trade Commission, against the reestablishment of horizontal combines, while the overweening power of the large banks and insurance companies continues to harass small enterprises, which have been notably unsuccessful in obtaining credit during recent months.

* Not printed.
With the completion of the deconcentration program, this Mission will expect to report more fully on other facets of SCAP's anti-trust policy.

Respectfully yours,

W. J. Sebald

740.00119 FEAC/9-149

The Deputy Director of the Office of Far Eastern Affairs (Allison) to the United States Representative on the Far Eastern Commission (McCoy)

CONFIDENTIAL

WASHINGTON, September 1, 1949.

Dear General McCoy: I attach a copy of a directive on the subject of the gold in Japan which is earmarked for Thailand and France,\(^1\) together with a copy of Secretary Acheson's memorandum to the President of August 18, 1949,\(^2\) setting forth the steps which the Department of State proposed to take in the matter. The memorandum was approved by the President.

The first two steps outlined on page two of the memorandum to the President have been taken. It is requested that on or about September 2, 1949 you file a copy of the directive with the Secretary General of the Far Eastern Commission, that you inform him that it is the intention of the United States to issue the directive in the near future and request him to bring it to the attention of the members of the Far Eastern Commission.\(^3\)

Sincerely yours,

John M. Allison

[Enclosure]

Memorandum by the Secretary of State to the President\(^4\)

CONFIDENTIAL

WASHINGTON, August 18, 1949.

Subject: Disposition of Gold Held in Japan Earmarked for Siam and French Indo-China

On June 30 I spoke with you briefly concerning the disposition of approximately $80 million in gold presently held in Japan earmarked for Siam and French Indo-China.

This gold was earmarked during 1941–1943 as a result of trade transactions between Japan and Siam and French Indo-China, respectively. The State Department, Army Department, and General

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\(^1\) For text of directive, issued on October 3 as serial no. 82 to SCAP, see Department of State Bulletin, October 24, 1949, p. 637.
\(^2\) See below.
\(^3\) For General McCoy's statement to the FEC on September 15, see Department of State Bulletin, October 24, 1949, pp. 637–638; for his replies to FEC queries, see ibid., p. 638.
\(^4\) Approved by President Truman.
MacArthur have been considering the disposition of the gold for over two years. In view of the political, legal, and monetary policy considerations the State Department desires to effectuate the release of the gold to Siam and France by General MacArthur after he receives a directive from this Government implementing the Far Eastern Commission policy decision pursuant to which the Supreme Commander is obligated to protect the interests, assets, and rights of all members of the United Nations. The Department of Justice has stated that there is no legal objection to this course of action, and the Treasury Department has stated that the determination to respect the practice of earmarking is in accord with its views.

General MacArthur, while concerned over the effect upon overrun countries who might receive this gold as reparations, has indicated that he would be prepared to carry out a directive of this Government but prefers that the Far Eastern Commission have an opportunity to consider the matter before the directive is issued.

Accordingly, if you approve, it is intended to take the following steps:

1. Inform the French, Siamese, and British Ambassadors that this Government intends to issue a directive to General MacArthur to release the gold to Siam and France following notice to the Far Eastern Commission of such intention.
2. At the same time, inform, through our missions, all members of the Far Eastern Commission except Russia of our intentions in this regard.
3. Within one week after steps (1) and (2), file with the Far Eastern Commission a copy of the proposed directive together with a statement that it is our intention in the near future to issue such directive.
4. Within approximately two weeks after the filing of the proposed directive with the Far Eastern Commission, issue such directive to General MacArthur.

The Siamese, French, and British Ambassadors will be urged to support the position of this Government in order that a review of this matter will not be sought by any country in the Far Eastern Commission, or to support the position of this Government in the event that the matter is raised in the Far Eastern Commission.

The Department of the Army interposes no objection to the proposed course of action.

Dean Acheson
The Chargé in the United Kingdom (Holmes) to the Secretary of State

CONFIDENTIAL

LONDON, September 1, 1949—9 p.m.
3517. Deptel 2580, July 23,¹ and Embtel 2955, July 26,² re Australian resolution in FEC re labor in Japan.

1. Foreign Office today handed Embassy memo stating British Government has no alternative but to support Australian resolution because (a) issue is important matter of principle; (b) British Government does not agree that Australian resolution places responsibility on SCAP which is not already there, and (c) although British Government does not dispute contention that Australian resolution is potential source embarrassment to occupation authorities, situation is not of making of British Government which from beginning has not shared SCAP’s interpretation of FEC 045/5.

2. Full text by airmail.³

Holmes

¹ See footnote 1 to telegram 108 of July 20, p. 801.
² Not printed.
³ Despatch No. 1424, September 1, not printed.

The Acting Political Adviser in Japan (Sebald) to the Secretary of State

No. 609

Tokyo, September 3, 1949.
[Received September 12.]

Sir: I have the honor to refer to various despatches regarding the Japanese taxation situation submitted in recent months by this Office, and to report that the Shoup Taxation Mission, which arrived in Japan about four months ago under the auspices of the Department of the Army, has now completed its work.

On August 26, 1949, Dr. Carl S. Shoup, Chairman of the Mission and professor in the School of Business and the Graduate Faculty of Political Science at Columbia University, released a summary of the recommendations drawn up by the Mission. These recommendations, eagerly awaited by the Japanese public and by foreigners resident in Japan, are contained in the enclosed copy of a release issued at a special press conference at Tokyo.⁴

As indicated in the first paragraph of the release, the recommendations of the Tax Mission cover four general topics including: (1) the

⁴ Not printed.
total amount of taxation assumed to be necessary for the Japanese 1950–51 fiscal year commencing April 1, 1950, and the proportions to be raised by the national and local governments; (2) the major changes in the structure of the tax system, as, for example, the part of the national total that is recommended to be raised by the personal income tax; (3) the changes to be made within each tax, as, for instance, the way in which members of a co-living family shall be treated under the income tax; and (4) some administrative considerations, such as methods of inducing taxpayers to comply with the law, and of allowing them to appeal against reassessments, and the role, if any, that business associations should be allowed to play in getting the income tax assessed and collected.

The Mission’s final report is now being printed, both in English and Japanese, and an adequate number of copies of the English language version will be transmitted to the Department upon release in about two weeks. As stated in the enclosed summary, the report will present in detail not only the recommendations, but the reasons why they were reached. According to Dr. Shoup, “it is hoped that through the publication of this report an intelligent discussion of the Japanese tax system will develop, in the press, in national and local tax offices throughout the country, in business circles, in women’s organizations, and in the universities and secondary schools.”

In order to give proper emphasis to the Shoup Taxation Mission’s highly significant and sweeping recommendations, an officer of this Mission requested Mr. L. Harold Moss, Chief, Internal Revenue Division, Economic and Scientific Section, General Headquarters, to comment on those recommendations. Mr. Moss, in response to whose request the Taxation Mission was despatched to Japan, considers the following to be among the most significant recommendations made by that Mission:

1. A much greater degree of fiscal autonomy, including much broader taxation powers, for local governments;
2. A substantial reduction averaging 30 percent in the existing abnormally high personal income tax rates (with a top bracket of 55 percent), this recommendation being designed to bring about a greater degree of voluntary taxpayer compliance and make effective tax enforcement possible;
3. Imposition of a “net worth” tax with rates ranging from ½ to 3 percent on individuals with net properties in excess of Yen 5,000,000; this provision is designed to compensate for the reduced income tax rates in the high brackets.
4. Retention of the normal corporate income tax rate of 35 percent but repeal of the excess profits tax.
5. Revaluation of assets in order to reflect realistic depreciation charges for tax purposes.
6. Substantial revision of real estate taxes, with the view to making them more productive and with anticipated revenues of 50 billion yen.
At the August 26 press conference, Dr. Shoup reportedly was questioned by correspondents as to the effect of his recommendations on the position of foreign investors in Japan. According to an American correspondent, Dr. Shoup stated that "there are encouragements for foreign investors to enter Japan although they are general and non-discriminatory," and that "we hope all investors, both foreign and domestic, will be encouraged by the recommendations." Dr. Shoup reportedly listed recommendations which are hoped to remove objections by foreign investors to putting their money into Japanese industry under the present laws as: (1) repeal of the excess profits taxes for corporations; (2) more liberal treatment of stockholders in regard to taxes on dividends "in view of the fact that corporations already are paying a 35 per cent tax under the recommendations"; (3) revaluation of assets, allowing an increase in the amount of depreciation; and (4) "technical reforms" such as elimination of the 20 per cent withholding tax for aliens residing in Japan.

[Here follows report on Japanese press reaction to the Shoup summary of August 26.]

That General Headquarters' officials concerned are vitally interested in the Diet's approval of the Shoup recommendations was reported by an American correspondent in an article published August 28 by the Nippon Times. According to this report, "Allied Headquarters officials want the Japanese Diet to quickly pass the tax reforms recommended by the Shoup Taxation Mission and there may be 'direct action' on the part of GHQ if the Japanese are too slow. . . ."

High Allied officials expressed the opinion that the various Japanese political parties would cooperate to see the proper legislation speeded through the legislative branches, but said if they did not, they would be told that such important measures should not be used as 'political footballs' at the expense of the people." The correspondent is quoted as stating that "foreign businessmen are anxiously awaiting Diet action on the recommendations to see what the attitude will be toward taxing foreign firms. Bad tax laws have done much to prevent the flow of large quantities of foreign capital into Japan since the end of the war, although it is badly needed here."

While the recommendations made by the Shoup Mission have widely been praised, save by the Akahata, official organ of the Japanese Communist Party, as being sound and essentially in Japan's best interests, some comment upon the work of the Mission itself appears to be in order. In our opinion, the Shoup Mission has been singularly successful, owing in large part to the competent leadership afforded by Dr. Shoup as well as by the high level of assistance given him by the other members of the Mission, by officials of the Internal Revenue

* Omission indicated in the source despatch.
Division, Economic and Scientific Section, and by other officials in General Headquarters. Dr. Shoup himself was the subject of widespread and favorable Japanese press comment, special attention being devoted to his great zeal for getting at the crux of the Japanese taxation problem, his unquestioned sense of fairness and ability to solicit and to consider opinions from all strata of Japanese society, and an ability to work in close harmony with Japanese Government officials concerned with the taxation problem. We consider that his work in Japan, which in a large degree serves to supplement the work in the field of Japanese economic stabilization done here last spring by Mr. Joseph M. Dodge, financial adviser to General MacArthur, should be considered a significant service for the Occupation of Japan.

Respectfully yours,

W. J. Sebald

740.00119 FEAC/9–849

Memorandum by the Director of the Office of Far Eastern Affairs (Butterworth) to the United States Representative on the Far Eastern Commission (McCoy)

RESTRICTED

[WASHINGTON,] September 8, 1949.

Should the other members of the Far Eastern Commission query the United States Member as to the basis for the recent press reports that consular arrangements are to be established between the United States and Japan, the United States Member is authorized to reply as follows:

"As the members of the Commission know, the United States on April 21, 1949 introduced into the Commission a proposal that SCAP, subject to his discretion and continued control, should permit Japan to participate with other nations or groups of nations in such international relations, conventions, meetings, consular arrangements or other bilateral or multilateral accords as Japan may be invited to enter into, accede to, attend or participate in and as SCAP shall consider to be in the interests of the occupation."

"It is the hope of my Government that the other member governments of the Far Eastern Commission will soon agree to take action indicating the desire of the Far Eastern Commission to encourage the progressive resumption by Japan of some international responsibilities. One of the principal aims of the occupation is to encourage the development in Japan of respect for the rights of other nations. This aim can be more readily achieved if Japan is permitted, under the guidance of SCAP, to engage in certain international relationships. "My Government understands that SCAP has been undertaking studies to determine in what way the Japanese Government under his control may enter into arrangements with other governments for the appointment of trade representatives and officers having consular type functions who could take care of the numerous property and citizenship matters which have accumulated since the war."
Should the United States Member be pressed to indicate whether the United States Government would enter into arrangements of the above nature with the Japanese Government even though the Far Eastern Commission fails to approve a policy decision to that effect, the United States Member is authorized to reply as follows:

"I cannot give any indication now as to the future action of the United States Government in this connection. However, as you know, the position of my Government is that SCAP already has sufficient discretionary powers under existing policy decisions of the Far Eastern Commission to permit Japanese participation in international relationships. Nevertheless, the United States Government hopes that the Far Eastern Commission will assume the leadership in this matter."

W. WALTON BUTTERWORTH

740.00119 Control (Japan)/6-1649

The Secretary of State to General of the Army Douglas MacArthur

SECRET

WASHINGTON, September 9, 1949.

My Dear General MacArthur: Your letter of June 16, 1949 was, as I said in my brief acknowledgment, both timely and welcome. Problems of our policy in the Far East are taking a large part of our thought. I have asked Ambassador Jessup, Dr. Raymond Fosdick and President Case of Colgate to assist Mr. Butterworth and me in a thorough review and reappraisal of our actions and objectives throughout the Far East as a preparation for consideration and recommendations to the President by the National Security Council. So I was particularly happy to have your letter.

First, may I allay the concern expressed in the opening sentence of your letter. You say, "I have been rather disturbed recently over recurrent Washington datelined dispatches reflecting a trend of thought in official circles that a change in the regime of control in Japan, patterned after the plan now being implemented for the United States Zone of Germany, would not only be a desirable development but susceptible of accomplishment with no less difficulty".

I remember seeing some newspaper stories along these lines. But so far as I know they do not reflect any trend of thought in official circles—certainly not in the Department of State.

As you very correctly state, the situation in Germany was and is very different from that in Japan. In Germany the country was divided into four zones, in each of which the only government was that pro-

1 Sent with the concurrence of the Secretary of Defense (Johnson) and the approval of President Truman.

2 For announcement on July 30 regarding this consultation, see Department of State Bulletin, August 22, 1949, p. 279.
vided by the forces of the occupying power. The machinery for providing central and unifying control by the four military commanders broke down completely. So the evolutionary process of creating a German area sufficient to attempt economic recovery and a German government to administer that area, under Allied control, began by the fusion of the British and United States Zones; then progressed to the inclusion of the French Zone; and is now coming to the creation of a German government for this area. This government must function under the control of a tripartite High Commission—even then the Russian Zone remains separate and inaccessible.

Japan, as you say, fortunately is united and administered by a Japanese government. The regime of control is not centered in a commission, but in the Supreme Commander for the Allied Powers.

Equally fortunately, the preeminence of United States interests has been recognized and maintained in this regime of control.

The United States, as you know, can if its interests so require, veto any undesirable policy proposal in the FEC, prevent the FEC from adversely reviewing any action of the Supreme Commander for the Allied Powers, and on matters of urgency issue an interim directive to the Supreme Commander. The purely American as well as the international character of the Supreme Commander was explicitly recognized in the Moscow decision which provided that the Supreme Commander (or his Deputy) should be the Chairman "and United States member" of the Allied Council. The terms of reference of the Far Eastern Commission also provide that the Commission "will respect existing control machinery in Japan, including the chain of command from the United States Government to the Supreme Commander . . ." This position was further strengthened by the Far Eastern Commission as late as June 1947, when it adopted the Basic Post-Surrender Policy for Japan (FEC-014/10) which provides inter alia that the United States alone, and without the concurrence of any other government, may appoint the Supreme Commander for the Allied Powers. These facts taken together with the recognition in the Moscow Agreement of 1945 of the broad powers of the Supreme Commander as the sole executive authority for the Allied Powers in Japan place the United States in a peculiarly favorable position.

In a situation so different from that in Germany and so much more favorable from the point of view of accomplishment of United States policy, no one in a position of responsibility would, I think, find developments in Germany a pattern. These newspaper stories to the contrary were what newspapermen call "think pieces"—with little or no stress on the "think".

* Omission as indicated in the source letter.
Second, what has been occupying our thoughts, as I know it has been occupying yours, is to find the true path of progress toward a Japan firmly attached to American interests in peace, security and freedom from Communist domination in the Far East.

It seems to me that here there is not a dichotomy between a peace treaty and occupation. Both might well be used to accomplish the same purpose.

The great problem about a peace treaty is that we are not alone in negotiating it. The Russians raised the matter of a Japanese treaty in the Paris meeting. Their plainly stated position was that by the Potsdam Agreement the Council of Foreign Ministers plus China was the instrumentality required to prepare the treaty. Neither the British, French nor our Government would even consider such a proposal, utterly without legal foundation as it was. Whether any other possible procedure, especially one which did not give the United States a veto, would operate to our benefit is a moot question. Perhaps the whole question of a veto is academic in view of the right of every nation participating in a peace conference to accept or reject any treaty drafted by the conference.

At any rate we now have this treaty question under active consideration. It seems not at all improbable that it will prove impossible to draft a treaty acceptable to us and to all of the other interested powers. Certainly this possibility must be contemplated. In this event certain very clear questions arise as to our course. Before long I should like to send one of our most trusted officials to discuss some of these questions with you, in the highly probable event that I cannot get away from Washington myself. He can bring me your views in more satisfactory detail than correspondence permits.

Finally, pending a treaty, the present policy of the occupation of training the Japanese to responsibility under free government by giving them increasing responsibility can continue and perhaps be accentuated. This, as I understand it, was the thought underlying NSC 13/3, to the formulation of which you contributed so helpfully. Here, again, we in the Department of State would be greatly helped by a thorough talk with you. (In this connection I am conscious of a defect, without being able to suggest a remedy, in the liaison with you.)

I am sorry to inflict upon you so long a letter. I have written it myself to share with you personal rather than institutional thoughts. Your own kindness in giving me your own reflections, as well as your thoughtful invitation to come and see for myself, I most deeply appreciate.

Most sincerely yours,

DEAN ACHESON
Memorandum of Conversation, by Mr. Marshall Green of the Division of Northeast Asian Affairs

SECRET

[WASHINGTON,] September 9, 1949.

Participants: Mr. Dening, Assistant Undersecretary for the Far East, UK Foreign Office
Mr. Meade, Counselor, British Embassy
Mr. Ford, First Secretary, British Embassy
Mr. Butterworth, Director, FE
Mr. Allison, Deputy Director, FE
Mr. Merchant, Deputy Director, FE
Mr. Green, NA

Mr. Dening opened the discussion by expressing concern over what he termed the relatively minor emphasis of US foreign policy on the Far East as opposed to Europe. This, he felt, stood in unhappy contrast to Soviet policy which places equal emphasis on Europe, the Middle East and the Far East, and is ever probing for weaknesses in the Western Powers' position in all those areas. According to Mr. Dening, Mr. Bevin plans to point out frankly to the Secretary that the lack of a clear US–UK Far Eastern policy is placing Mr. Bevin in an increasingly difficult political position, with his parliamentary critics making the most of this issue prior to probable early general elections.

Mr. Butterworth agreed that US Far Eastern policy has lacked the community approach of its European policy but that this has been due to the vast areas involved and to the backwardness, factionalism, poverty and strife among and within the countries concerned. Nevertheless, he added, the sum of US aid to the Far East has been formidable, even though it may suffer by comparison with Marshall Plan aid wrapped up in one large conspicuous package.

Mr. Dening said that his Government continues to regard an early Japanese treaty as essential largely because of growing Japanese restiveness under the prolonged occupation and because the Japanese can go on consuming dollars indefinitely without becoming any more friendly to the US or capable of funding for themselves. In Mr. Dening's opinion a fresh Congress might react to this situation by a refusal to appropriate adequate relief and rehabilitation funds for Japan, causing the latter to seek accommodation with Communist Asia.

Mr. Butterworth stated that the Department, aware of the desirability of an early Japanese settlement, had taken the initiative two years ago in calling a peace conference, but that a common procedural

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1 Initialed by the Director of the Office of Far Eastern Affairs (Butterworth).
denominator had not been found. Since then, he added, Communist victories in East Asia raised two questions of major substance: (a) Should the US proceed with treaty negotiations knowing that the USSR and Communist China will almost certainly reject treaty terms vital to US interests? (b) Would a peace treaty compromise US security interests in the Western Pacific?

Referring to question (a), Mr. Dening replied that notwithstanding the fact that there can be no meeting of the minds between the Western Powers and the USSR on a treaty draft at this time, the Western Powers should go ahead on their own, as they did in Western Germany, summoning a conference with the realization that the Soviets will not agree with the treaty terms of the Western Powers. Referring to question (b), he felt that US security interests could be guaranteed through a US-Japanese bilateral pact providing for post-treaty US base facilities in Japan in return for US protection of Japan; that such an arrangement would seem acceptable to the Japanese who want protection as much as they do a peace settlement. Mr. Dening added that US security interests in the Western Pacific might be further safeguarded by a US trusteeship of the Ryukyu Islands, as recommended by the Canberra Conference in 1947.

Mr. Butterworth observed that, given the quixotic attitude of certain friendly FEC countries, the US would indeed be ill-advised to enter any peace conference without the veto unless it had firm advance assurances of support from friendly countries on the principal points of content the US would seek in that treaty. Meanwhile, he added, the US has been taking numerous steps to prepare Japan for peace treaty status—clearing up property matters, reducing the size and role of SCAP Headquarters, stabilizing the Japanese economy, and, in the face of FEC opposition, attempting to re-admit Japan gradually into the world community.

Mr. Dening replied that he was fairly certain the Commonwealth countries would have no objections to post-treaty US bases in Japan and that they could be induced to accept the liberal, non-punitive type of treaty which the US evidently has in mind. But, he said, Whitehall shares the Commonwealths' opposition to current US piecemeal steps to do what the peace treaty should do.

Mr. Butterworth reiterated that all the steps he enumerated the US as taking or attempting to take in advance of a treaty were part of the treaty problem: the sooner they were cleared up, the simpler the treaty negotiations would be and the easier Japan's transition to sovereign status. He ventured that a treaty concluded a year or two ago without these advance steps might well have been premature. Mr. Butterworth expressed some doubt that the representatives of countries like the Philippines, whose hostility to Japan is deep-seated, could be induced to accept a liberal draft, that through fear of Japa-
nese military resurgence they might even support the USSR and China in demanding treaty provisions requiring the destruction of all military installations in Japan including those which the US might wish to maintain in the post-treaty period.

Asked if it is still British policy to impose treaty limitations on Japanese industry and merchant shipping, Mr. Dening replied in the affirmative, though Mr. Ford noted that the UK is proposing no limitations on the Japanese textile industry. Mr. Dening asserted that a change in UK policy on this question is possible although the ministerial committee responsible would not do so unless there were broad policy considerations involved such as a US proposal for a peace treaty.

Mr. Allison asked whether it was Mr. Dening's estimate that the Commonwealth countries would be willing in the post-treaty period to take more of Japan's exports as a preventative against solid economic and subsequent political ties between Japan and Communist Asia. Mr. Dening indicated that the whole question of post-treaty economic relations between Japan and Communist Asia had not been fully explored in London. It was his feeling, however, that Japanese exports to non-Communist areas would increase as wartime animosities abated since there are heavy demands in these areas for the capital goods which Japan can most economically produce. Mr. Dening did not see any point in attempting to prevent Japanese trade with Communist China. He believed that the Western Powers should be resigned to the bad political influence which that trade would perforce have on Japan.

Mr. Butterworth stated that before entering a treaty at this time—a step he said he was not necessarily advocating—the US would have to reckon with other questions, such as: (1) Would the US Congress slash economic aid to Japan once the US occupation terminated? (2) What are the dangers inherent in the conclusion of a treaty without Japan's two big neighbors participating? (3) Whether or not the USSR participated in the peace conference, how could the US be assured of gaining its security requirements in the treaty?

Mr. Dening replied to question (1) by saying that the Congress would probably continue a measure of aid to Japan as long as the US had important commitments there such as base facilities. Referring to question (2), he argued that the only real danger of concluding a treaty without the USSR and Communist China would be Soviet propaganda directed principally toward Japan. This danger seemed to him largely mitigated, however, by what he termed the strong dependence of Japan on the US for defense, economic aid and trade. He felt that in any propaganda war over Japan the balance would be "heavily" in favor of the US. As for question (3), Mr. Dening contended that advance diplomatic-level conversations with friendly FEC
countries would probably develop the necessary support for the main provisions the US would seek in the treaty; that, having assurances of such support, the US could then call a conference which the USSR could hardly refuse on procedural grounds to attend; that if the USSR refused to accept the will of the majority of countries present, the majority should proceed with the conclusion of a treaty with Japan, on their terms, without the USSR; and that, in any case, the US would actually have the power of veto through its ability to refuse to ratify the treaty.

Mr. Butterworth questioned whether the balance in the propaganda war for Japan would be "heavily" on the US side, although he granted that a liberal, non-punitive treaty between the democratic powers and Japan would strengthen the US hand immeasurably in any such propaganda war. He also questioned whether it could be fairly stated that through ratification the US and other countries possess the final power of veto, it being current practice in treaty-making to provide that the treaty will come into effect when half (or two thirds) of the participating powers ratify it.

It was generally agreed that there is no entirely satisfactory formula for deciding which countries should be invited to the peace conference. Mr. Dening was prone to favor the invitation of the FEC countries plus Pakistan and Burma—the latter because they had applied some time ago for FEC membership. Recognizing the possibility of the emergence of Indonesia and/or Indochina as sovereign states, Mr. Meade considered that all countries which had actually waged, not just declared, war on Japan should be asked to the conference. Mr. Butterworth pointed out that this formula would admit Mexico and possibly other countries having remote interests in the Far East, a situation which would be resented by the Asians. Mr. Butterworth also called attention to the probability that the USSR would demand Chinese Communist participation in the peace conference and that the USSR would have good propaganda material for ridiculing any conference to which representatives of the de facto government of Japan's greatest neighbor were not invited.

In reply to a question by Mr. Merchant, Mr. Dening disclosed that a special Whitehall planning group had at one time worked on a Japanese treaty draft but that this group had been dissolved about 18 months ago when treaty prospects dimmed. He indicated that his Government has at present no draft treaty to discuss with the US.

(The conversation turned at this point to the subject of Formosa.)

The Acting Political Adviser in Japan (Sebald) to the Secretary of State

TOP SECRET

Tokyo, September 9, 1949.
[Received September 26—10:40 a. m.]

A-227. A special briefing was held on September 7 at the office of the Chief of Staff for Mr. Malcolm MacDonald, Commissioner General for the United Kingdom in Southeast Asia. An officer of this Mission attended the briefing.

A part of the morning session was devoted to the military and political situation in the Far East, consisting of a Top Secret presentation of latest intelligence information by Major General Charles A. Willoughby, Assistant Chief of Staff, G-2. This part of the briefing was concerned entirely with Soviet and Chinese Communist capabilities in the Far East and the possibilities of communist containment by the United States. Emphasis was placed upon what General Willoughby described as the Main Line of resistance against communism, namely, the holding of positions through the island chain of Japan, the Ryukyu Islands, and the Philippines. General Willoughby included Formosa within the Main Line of resistance but with the qualification that its effective incorporation within this line was contingent upon political factors and decisions outside the scope of the Far East Command.

At the end of General Willoughby’s presentation, Mr. MacDonald raised a number of questions about Formosa. He stated that he and his military staff place top priority on preventing Formosa from falling into communist hands, intimating that he hoped the United States and Britain would reach an early and positive decision on this problem. Mr. MacDonald referred several times in the ensuing discussion to the strategic importance of the island from the standpoint of dealing with communist expansion on the continent. In the course of the discussion, General Willoughby pointed out that the Chinese Communists could offer no valid claim to the island, since its status is still undetermined, notwithstanding the present treatment of the island as an integral part of China by the Chinese National Government. General Willoughby also expressed the belief that for the present at least the Chinese Communists could seize Formosa only by extensive fifth column operations within the island combined with external attack.

Mr. MacDonald expressed deep appreciation for the scope and character of the intelligence briefing and said that it is his hope that a regular exchange of information and views on the communist problem in the Far East can be effected.

Sebald
Memorandum of Conversation, by the Secretary of State

Extracts

TOP SECRET

[WASHINGTON,] September 13, 1949.

Subject: Conversation with Mr. Bevin on the Far East

Participants: Mr. Bevin
Mr. Dening
Mr. Acheson
Mr. McGhee
Mr. Butterworth
Ambassador Jessup
Ambassador Douglas
Mr. Satterthwaite

Japan

We have been thinking about what role Japan should play and about the Peace Treaty. As far as the Treaty is concerned, procedural problems are extremely difficult. If the writing of the treaty were put in the Council of Foreign Ministers, it would undoubtedly get stuck and in any case such a procedure would offend the other States that fought the Japanese war. We cannot have a treaty written for us which we have to sign or which goes into effect anyway if we don’t like it. The only way out we can see is advance preparation with the United Kingdom and the Commonwealth and prior agreement among us on all the principal provisions. We think we should try to get together through diplomatic means with the Commonwealth countries on what should be in the treaty. We realize there may be difficulty with Australia, but we must try to overcome it.

Bevin said that he thought the Canberra conference 2 of the Commonwealth countries had made a beginning on Japan, though perhaps we didn’t like it possibly because he hadn’t told us enough about it in advance. He said that at that time India was just on the point of leaving the Commonwealth and the situation was very delicate. He said he thought that any meeting with the Commonwealth countries on the subject of the Japanese Peace Treaty should be held in Australia, where the Prime Minister would be present, which would be much

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1 For other portions of this memorandum, see vol. ix, pp. 81–85.
2 The Commonwealth Conference at Canberra met from August 26 through September 2, 1947. For related documentation, see Foreign Relations, 1947, vol. vi, pp. 446–595, passim.
better than if Evatt* were to come to Washington or elsewhere. Bevin said the problem was to get the Commonwealth to underwrite and agree on a treaty for Japan, acceptable to us, so the United States does not need to have veto power. The forthcoming November election in Australia might complicate things, but the Australians have been complaining that the scheduled Commonwealth Foreign Ministers meeting due Australia has not been held. Bevin said he thought he could get the Commonwealth together to write the basic provisions of the treaty which would be satisfactory to us. We should tell the British in advance what our requirements are. After some discussion it was agreed that January might be a good time for the Commonwealth meeting and that meanwhile we could line up our military and other elements of our Government and let Bevin know what sort of treaty we wanted. Bevin then discussed the difficulties which Russia would bring forward on the issue of China and what government of China would take part in the talks on the treaty with Japan. Naturally Russia wants a Communist government of China recognized and while Russia will fight for the Council of Foreign Ministers writing the treaty, they might come in for wider conference of all who were in the war against Japan. Will we permit the Communist government to represent China at the Peace Treaty discussions and will Russia permit a Non-Communist government to represent China? I asked Mr. Bevin if Russia would come to the Peace Conference without veto power. Bevin said he thought they would in order to seize the opportunity thereby afforded of causing trouble in Asia. Russia can give away everything in Japan while the United States cannot. I said we don’t want to have to agree to a treaty which Russia approves. Mr. Bevin agreed and then suggested that I talk to Nehru. He pointed out that India needs food, is 6 years behind on its irrigation projects, and needs our help. Perhaps under the circumstances Nehru can help us on the Japanese Treaty. I told Mr. Bevin that Mrs. Pandit hasn’t said what Nehru will raise when he comes to Washington. Bevin then said that he did not think that Nehru would go against us and reiterated that there would be a meeting of the Commonwealth in January, (this time he mentioned Colombo rather than Australia) and that the British would need our views before then. I agreed to give them to him.

* Dr. Herbert V. Evatt, Australian Minister for External Affairs.
Confidential


Discussion with the President


After the Cabinet meeting I outlined to the President and Mr. Early, who was representing Mr. Johnson, the thoughts which had been going through our minds and which we had discussed with Mr. Bevin as to a possible procedure for going forward with the Japanese peace treaty, stressing the fact that these were purely exploratory discussions and that nothing had been or would be agreed to until, with proper staff work, it had gone to the President for his approval.

I said that as a first step we were going to ask the NME to ask the Joint Chiefs to advise us on the essential security requirements from the United States point of view and that my talk this morning was merely an explanation of the reasons for that request. Mr. Early said that the matter would be given prompt attention. It was understood that if we wrote a letter, it would contain merely the request for advice. Mr. Early thought it was unnecessary to write, but the President was inclined to believe that the question might be sharpened for consideration if it were reduced to writing and that it might be useful to have a record of the request.

1 Topics unrelated to Japan are omitted. Item 3 was marked for the attention of Mr. Rusk and Mr. Butterworth.
2 Stephen T. Early, Deputy Secretary of Defense.
3 In a letter of October 3, 1949, to Secretary Johnson, Under Secretary Webb summarized this discussion with the President and solicited the advice of the Defense Department "... with respect to our essential security requirements should we, in the near future, attempt to negotiate a peace settlement with Japan." Mr. Webb continued in part:

"Mr. Early has doubtless informed you of the circumstances which render our studies of the problem of a Japanese peace treaty of considerable urgency. Mr. Bevin informed Mr. Acheson during their recent conversations that if the United States Government would submit a draft of a Japanese treaty to the U.K. Government for consideration in advance of the Commonwealth Foreign Ministers Conference in January, he would, assuming the draft were acceptable to the U.K., endeavor at the Commonwealth Conference to enlist the support of the Commonwealth Governments for the draft. To provide such a draft in time, our two Departments would probably have to agree on its provisions by mid-November, so that the draft, as approved by the NSC and the President, might be presented to the British in early December." (711.94/10-349)

Enclosed with Mr. Webb's letter was a copy of the enclosure to the note by Sidney W. Souers, Executive Secretary of the National Security Council, to the Council, October 4, 1949, p. 870.
Memorandum of Conversation, by the Secretary of State

Extract

TOP SECRET

[WASHINGTON,] September 17, 1949.

Subject: Conversations with Mr. Bevin and Mr. Schuman on Far East

Participants:
Mr. Bevin
Mr. Barclay
Mr. Dening
Mr. Schuman
Ambassador Bonnet
Mr. Clappier
Mr. Acheson
Mr. MacArthur
Mr. Merchant
Mr. Butterworth
Mr. Satterthwaite
Mr. O'Sullivan

Japanese Treaty

I reviewed our thoughts on the Japanese Peace Treaty, as I had done to Bevin in a previous meeting. I said that we were in favor of working out a Treaty soon, that our interests were so great in Japan that we could not get ourselves in a position in which we had to approve a treaty we did not like, or in which our failure to approve would result in a treaty going into effect without our consent. We would like help from the British and the French in laying the groundwork with the Commonwealth and other countries so that there would be assurance that a satisfactory treaty could be written. Schuman replied that the French thought a situation should develop in Japan, as it had in Germany, in which conditions approximating a treaty exist, without there actually being one. I agreed, and said that Japan should be allowed to send out trade representatives and have more freedom internally. Butterworth said that we had been trying to get Japanese representatives into various international organizations, and that while most of the members seemed to agree in principle, when it came down to actual admission they resisted in individual cases. Perhaps the British and the French could help in the Far Eastern Commission? Bevin said that the people who live near the Japanese, are anxious about them. We all should give more attention and thought to Japan.

1 Other portions of this memorandum are printed in vol. ix, pp. 88-91.
Memorandum of Conversation, by the Acting Political Adviser in Japan (Sebold)¹

TOP SECRET

Tokyo, September 21, 1949.

In an informal conversation held on September 20, 1949 with General MacArthur on the subject of a peace treaty with Japan, the General said that he had completely changed his views regarding post-treaty controls for Japan. He recalled that during discussions on this subject some two years ago, he had in general concurred with suggestions made at that time that a Council of Ambassadors, Commission of Inspection, and similar bodies be formed for the purpose of carrying out certain control functions in the post-treaty period.

In view of the changed world situation and developments in Japan since the early drafts of a proposed peace treaty, he felt that above all else the substantive provisions of the treaty of peace should be as simple as possible and phrased in general terminology, and should be designed solely to bring about a state of peace with Japan. He thought that the concept of exercising controls over Japan consequent upon a peace treaty would merely result in substituting a new SCAP setup at a time when efforts should in fact be made towards the reconstitution and strengthening of Japan’s sovereignty.

On the other hand, the General felt that the question of Japan’s security is one which must be given most careful consideration. He was inclined to believe that if Soviet Russia would join in an absolute guarantee of non-aggression and neutrality for Japan, such a guarantee would be sufficient and all troops withdrawn. When I interposed a remark to the effect that possibly the Japanese would not be too happy to have the Russians act as a guarantor of their sovereignty and neutrality, the General said that he would not envisage the continuation of any occupation should such a guarantee be feasible, especially as the United Nations would become the guardian of Japan. The question of strengthened police forces and perhaps allowing them some light arms could be worked out at the peace table. Lacking a guarantee, however, he felt that some arrangement must be made to continue a protective military force in Japan for the indefinite future, such force to comprise United States troops. This arrangement, he felt, should be outside the provisions of the main treaty itself, and might be on a bilateral basis between the United States and Japan, preferably at the latter’s request. While the main treaty should make no mention thereof, the General said that the way must be left open in the treaty to accomplish this contingency.

¹Copy transmitted to the Department in despatch 664, September 23, from Tokyo, not printed; received September 29.
On the assumption that the United States Government will in due course proceed with invitations to other interested Powers to frame a treaty of peace, General MacArthur said that he strongly recommends that Tokyo be the situs of the conference. He suggested that he, as the Supreme Commander for the Allied Powers, should be nominated as a neutral chairman of the conference on the theory that as the representative of all the FEC nations, he would have the greatest influence over the participants to the conference, and, at least theoretically, could be neutral in conducting the proceedings. As chairman, he would not, of course, be entitled to a vote in any of the proceedings. General MacArthur said that his suggestion has many merits: all the records, files, and experts are in Tokyo and would be available immediately upon request to be consulted and heard by the conferees; the United States would have an advantage in that one of its nationals would be permanent chairman of the conference; SCAP would be able and willing to provide a full secretariat for the conference; full logistic support to the conferees could be provided by the United States Army and its facilities in Japan. Additionally, General MacArthur said that by holding the conference in Tokyo, the Japanese people would immediately become aware of what is being done. He also felt that world-wide attention would be focused upon the Far East as a whole and Japan in particular, and political gains to the United States would be great. Finally, should the conference fail, the onus for such failure would not fall upon the United States as a host.

In the above connection, General MacArthur recalled that during the visit to Tokyo of Dr. Evatt, the latter had suggested Tokyo as the best place to hold a peace conference. At that time, he told Dr. Evatt that Tokyo was not adequately equipped to handle the conference in view of the crowded conditions then existing. He now felt, however, that the situation has eased to the extent where it would be a simple matter physically to take care of the delegations and the conference in an adequate and appropriate manner.

General MacArthur said that if the United States Government were agreeable to his suggestion, the proper procedure, in his opinion, would be for the United States to issue invitations to the Powers concerned containing these suggestions.

Arising out of the above conversation, I suggested to General MacArthur the necessity for preparing the Department of State Mission in Tokyo for an eventual resumption of its proper functions in Japan. I pointed out that it appeared essential to me that the staff of USPolAd be gradually strengthened by the addition of experienced and carefully selected officers and personnel, so that it would be possible without undue friction and delay for Department of State personnel to function as an American Embassy here. I further said
that I envisaged the necessity for having a considerably enlarged staff to carry on many of functions which are now carried out by GHQ, SCAP, such as political negotiations; economic, financial, agricultural, and labor reporting and assistance; cultural and education programs (USIE work); etc. General MacArthur replied that, without wishing to be invidious or critical, it was his opinion that the staff of USPolAd needs strengthening now. He said that he felt that Tokyo was "at the end of the line" and perhaps for that reason the Department has not seen fit to assign more experienced Foreign Service officers to carry on its functions here.

With regard to increasing the effectiveness of the USPolAd staff, both in personnel and numbers, General MacArthur said that he would leave the matter entirely in my hands, and be guided by my recommendations. He said that this is an internal Department of State matter, administrative in character, and that if I now felt the necessity for building up the staff here and if the Department of State agreed, he had no objections whatsoever.

When it becomes apparent that a peace conference is to be convoked, General MacArthur said that he would immediately give instructions to have a study prepared by his staff regarding a take-over in due course by the Department of State. He said that the Department could rest assured that he would do everything possible to assist in this connection, and that his in opinion a take-over could at that time take place "without a ripple." He suggested that the Department of State might perhaps he well advised prior to a take-over carefully to select a number of civilians presently serving as experts in various SCAP Sections, as such civilians could most readily contribute towards proper continuity of effort and in any event would be more familiar with the background of the many problems which will arise in the immediate post-treaty period.

Regarding the re-establishment of the American Embassy, General MacArthur said that as of the date of the signing of the treaty of peace, the Embassy would be ready for immediate occupancy by the senior Department of State representative in Japan.

W. J. Sebald
740.00119 FEAC/9–2349 : Telegram

The Acting Secretary of State to the Acting Political Adviser in Japan (Sebold)

CONFIDENTIAL  WASHINGTON, September 23, 1949—1 p. m. 462. Subj is 164th FEC Mtg, 15 Sept.

Release of Earmarked Gold in Jap.¹

W94334 Sept 15 reported US statement and result of voting. NZ, Chi, Phil, Indian, Sov and Austral Reps made various statements calling for withholding issuance of US directive until matter cld be considered and decided by FEC. Austral motion to this effect defeated by negative vote of US.

Level of Economic Life in Jap.

Sov Rep noted that provisions of Para 9 of FEC 084/21 on maximum productive capacity in war supporting industries expires on 1 Oct 1949 and proposed that Comm adopt a new policy decision or extend expiring date. Action postponed.

Restitution of Looted Property.

Phil Rep noted that under Para 8 of FEC 011/51, 1 Oct 1949 is the date for distribution of the proceeds from secured funds of unidentified looted property. He proposed extension date until 1 Jan 1950. Ad Hoc Commite appointed to prepare recommendation to Comite.

Sov Queries re Fishing Area Inspection.

This data furnished in W94426, 17 Sept.

WEBB

3 See letter of September 1 to General McCoy, p. 844.

894.628/9–2349

The Acting Political Adviser in Japan (Sebold) to the Secretary of State

CONFIDENTIAL  Tokyo, September 23, 1949.

No. 665  [Received September 30.]

Sir: I have the honor to transmit to the Department a copy of a General Headquarters memorandum to the Japanese Government (Scapin 2046), dated September 19, 1949,¹ concerning the area authorized for Japanese fishing and whaling.

Scapin 2046 rescinds Scapin 1033 of June 22, 1944, by which the authorized fishing area was originally established, and Scapin

² Not printed.
1033/1 of December 23, 1948, by which the boundary of the fishing area in the waters between Hokkaido and the Habomai Islands was more accurately defined. By the new memorandum to the Japanese Government, the authorized fishing area is extended eastward from 165° east longitude to 180° east longitude between 24° and 40° north latitude. In addition, Japanese vessels operating within the fishing area are now permitted to approach to within three miles of any land area not under the present administration of the Japanese Government lying within the authorized fishing area. Under Scapin 1033 Japanese vessels were not permitted to approach closer than twelve miles to any non-Japanese territory within the fishing area. The only land areas presently affected by the change from a twelve- to a three-mile limitation are the Ryukyu and Bonin Islands.

In a statement to the press on September 21, Mr. W. C. Herrington, Acting Chief of the Natural Resources Section, said that the extension of the area and the reduction of the twelve-mile to a three-mile limitation were authorized "in recognition of the effective work being done by the Japanese Government and [fishing] industry to control violations and over-fishing". The Natural Resources Section estimates that the new waters added to the fishing area will produce between 60 and 70 million pounds of fish annually, principally albacore and tuna. While this increase represents only a small percentage of Japan's annual catch, estimated at seven billion pounds, tuna and albacore are classified as luxury fish which not only bring high prices in the domestic market but are also suited for export.

Mr. Herrington also indicated in his statement to the press that patrol craft of the newly-established Fisheries Inspection Fleet will patrol the new area. He also revealed that 33 Japanese fishing vessels have been seized by Chinese patrols and that two have been sunk, while at least ten Japanese craft have been seized by Soviet patrols. Mr. Herrington further stated that some of the Japanese vessels confiscated by the Chinese were within the limits of the authorized fishing area at the time of seizure (this Mission's despatches no. 553 of August 13, no. 573 of August 23, and no. 683 of September 15, 1949).

The reduction of the twelve-mile limitation to three miles is based in part upon the necessity to bring Japanese fishing operations within the authorized area into conformity with internationally accepted principles and the policy of relaxing restrictions upon Japanese activities wherever such restrictions are no longer necessary. The twelve-mile limitation was originally imposed in Scapin 1033 primarily as a security measure, the need for which is considered no longer to exist. Moreover, the twelve mile limit as prescribed by Scapin 1033 would have constituted a serious obstacle in the event it is decided to extend

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* Brackets appear in the source despatch.
* None printed.
the fishing area in the Hokkaido–Kuril–Habomai area (this Mission’s despatch no. 594 of August 29, 1949 *).

Japanese reaction to extension of the authorized fishing area has been most favorable. Five copies of editorial comment from the *Nippon Times* of September 23 are enclosed. This editorial especially notes that General Headquarters had previously in June 1949 rejected a Japanese request for enlargement of the fishing area. The present action by General Headquarters is, therefore, interpreted as recognition of the efforts being made by the Japanese Government and the fishing industry to prevent violations of the fishing area by Japanese fishermen and to enforce a sound conservation program which will prevent over-exploitation of the authorized fishing grounds.

Respectfully yours,

W. J. Sebald

*Not printed.*

740.00119 FEAC/9-2749

**Memorandum of Conversation, by the Director of the Office of Far Eastern Affairs (Butterworth)**

**CONFIDENTIAL**

[WASHINGTON,] September 27, 1949.

Mr. Reuchlin called at his request. He opened the conversation by referring to the fact that he, as Chairman of the Far Eastern Commission Steering Committee, had not called a meeting of his Committee this week because there was nothing to discuss.

He continued to say that he thought the Far Eastern Commission was a useless organization and that nothing could be accomplished within the frame of reference of the Commission until a peace treaty with Japan had been negotiated. He then asked, apparently on instruction, for an indication of the direction which the conversations between the Department and British officials had taken in respect to a Japanese peace treaty. I replied in general terms that Mr. Bevin had initiated conversations on the subject; that the British were aware as we are that the present situation is unsatisfactory; that the possession by certain powers of a veto will make negotiation of a peace treaty very difficult; and finally, that a re-examination of the prospects for a peace treaty with Japan was desirable and should be undertaken immediately. I added that Mr. Bevin and the Secretary were agreed that one of the most important prerequisites to the successful negotiation of a peace treaty with Japan was a precise understanding with all the friendly, interested powers before negotiations were undertaken. I interpolated at this point that the Department has considered the Dutch attitude in the Far Eastern Commission far more helpful than that of certain other powers. Mr. Reuchlin replied that he thought certain other powers—he cited Australia—would be less dif-
Difficult if represented by more responsible officials and if engaged on
operations, the importance of which they fully understood.

In recapitulating the conversation, Mr. Ruchlin said he under-
stood that no immediate developments could be expected in the way
of a peace treaty with Japan but that serious and active consideration
of a new approach to that treaty was under consideration at the
present time.

740.00119 FEAC/9-2949: Telegram

The Acting Secretary of State to the Acting Political Adviser in
Japan (Sebold)

CONFIDENTIAL

WASHINGTON, September 29, 1949—8 p.m.

472. FEC Steering Comitee meeting, Sep 20—Fishing and Aquatic
Industries paper amended and forwarded to Comm as FEC 271-25.
US, China, and USSR oppose. US proposal accepted for adding
statement that "Nothing in this paper shall be interpreted to apply
to Japanese whaling activities." US proposal for amending Para 2b
as indicated in SC 271-24 not accepted. Instead final sentence in Para
2b was deleted by the Steering Comitee.

FEC meeting, Sep 22—Restitution of Looted Property.

Phil Member proposed fol amendment Para 8 of FEC 011/51:
"The secured fund shld finally be distributed among the countries
herein specified in accordance with a schedule of shares to be agreed
upon among themselves, payable in US dollars or, at the discretion
of the Supreme Commander for the Allied Powers, in Fon exchange
acceptable to the recipient countries concerned. The secured fund
shall be made available for distribution to the recipient country not
later than 1 Apr 1950." Action postponed.¹

Fishing and Aquatic Industries in Jap (FEC 271/25).

No action. Gen discussion. Chi Del stated dissatisfaction with
Western boundary of Jap fishing area as proposed in paper. Sov
Del reintroduced proposed amendment that Para 2b read: "No ex-
tension of Jap fishing or other commercial aquatic activities beyond
the foregoing area should be permitted without prior authorization
by the FEC." Also inquired about press report in New York Times
22 Sep that SCAP had expanded the Jap fishing area. Austral Rep
stated that Para 5 cld be interpreted that Jap need not apply conser-
vation measures to whaling industry. Phil Del said that Para 2b
should be amended to make SCAP obtain prior authorization from
countries indicating concern for the particular area.

¹ See Department of State Bulletin, November 11, 1949, p. 790.
Level of Econ Life in Jap.

Sov Rep introduced fol motion:

“The FEC decides as a matter of policy that the provisions of Para 9b of the FEC policy decision ‘Reduction of Jap Industrial War Potential’ (FEC-084/21) regarding productive capacity maxima in war-supporting industries are hereby extended until the adoption by the FEC of a decision on the level of Econ life in Jap.”

US Member issued statement of objection to such amendment referring to points made in May 12 reparations statement.


Sov Rep presented the fol inquiry:

“On Aug 3, 1949, SCAP Headquarters issued a statement to the effect that the dissolution of large industrial corporations and the elimination of excessive concentration of Econ power in Jap had, allegedly, now been completed.

“In this connection the Sov Del considers it necessary that the Supreme Commander provide the FEC with info regarding the results of the implementation of the program for the dissolution of large industrial corporations and the elimination of excessive concentration of Econ power in Jap.

“It is desirable that the fol questions be clarified in the info:

1. What large industrial and banking corporations (Zaibatsu) have been dissolved?
2. The aggregate capital of the dissolved companies placed at the disposal of the holding company liquidation Comm?
3. The amount of shares already distributed and the principle upon which this distribution was based?
4. The amount and value of shares of the dissolved companies, acquired by foreigners and foreign companies; and specifically by which foreign companies?
5. Which foreign firms have already drawn up business contracts with Jap companies?
6. How many large industrial and banking companies, included in the category of ‘restricted’ companies, were subjected to deconcentration in each branch of industry and the names of these companies?
7. The result of the purge in Econ and financial organizations provided for in Part IV, Para 2a, of the policy decision of the FEC-014/9 ‘Basic Post-Surrender Policy for Jap.’

“Besides that, the Sov Del deems it desirable that the members of the FEC be provided with the full text of the report of the Deconcentration Review Board submitted to the Supreme Commander according to the New York Times report of Aug. 4, 1949.”

Pls advise if these telegraphic summaries of FEC meetings may be discontinued without great inconvenience. Minutes of meetings can
be sent by air pouch fol day. Considering fast courier service and expense discontinuation suggested.

740.0111 PW (Peace) /9-3349; Airgram
The Acting Secretary of State to the Embassy in the United Kingdom
SECRET
WASHINGTON, October 4, 1949.

A-1043. Reference Embassy's telegram 3813 of September 23.¹
In course of recent conversations on Far East between Secretary and Mr. Bevin, latter suggested that US Government draft a Japanese peace treaty for confidential discussion with the UK Government late this November or early December. Mr. Bevin further proposed that, if UK agrees with the US draft, he would then undertake to enlist the support of other Commonwealths to that draft at the Commonwealth Foreign Ministers Conference in Ceylon in January 1950. His proposal was accepted.

Department assumes that "the meeting in the near future" mentioned in Embassy's telegram 3813 refers to the Ceylon meeting scheduled for January, and trusts that Bevin is not planning to discuss treaty with other Commonwealths before US and UK have agreed on a draft. To do so might result in a solidifying of Commonwealth views on substantive treaty matters in advance of Commonwealth consideration of the US draft.

¹Not printed.

Executive Secretariat Files
Note by the Executive Secretary (Sowers) to the National Security Council

TOP SECRET
[WASHINGTON,] October 4, 1949.
NSC 49/1

The enclosed comments by the Department of State, on the report by the Joint Chiefs of Staff entitled "Current Strategic Evaluation of U.S. Security Needs in Japan" (NSC 49),¹ are circulated herewith at the request of the Acting Secretary of State for the information of the National Security Council.

SIDNEY W. SOWERS

¹ Of June 15, p. 773.
TOP SECRET

[WASHINGTON,] September 30, 1949.

In the light of recent conversations with the British Foreign Secretary and other developments bearing on policy toward Japan, the Department of State offers the following comments on the views of the Joint Chiefs of Staff regarding U.S. security needs in Japan (NSC 49):

With respect to paragraph 5 of the JCS paper, the Department of State would add that, from the political, as well as the military point of view, our essential objectives with respect to Japan are its denial to the Soviet Union and the maintenance of Japan’s orientation toward the Western powers.

The Department of State would emphasize the inter-relation between these two objectives. The denial of Japan to the USSR depends not only on the military capabilities and intentions of the U.S. but also on the attitude—the orientation—of the Japanese people. The effectiveness, cost and duration of the U.S. effort required to insure a denial of Japan to the USSR are directly affected by the attitude of the Japanese.

The Department of State does not doubt that, in the event of an overt Soviet attack on Japan in the foreseeable future—the contingency which must necessarily be foremost in the thinking of the JCS—the military effort of the U.S. would be the decisive factor. The Department of State believes that the JCS would agree, however, that the degree of effort required of the U.S. would be radically conditioned by the orientation of the Japanese.

In the event that the present world situation continues much as at present, the denial of Japan to the USSR constitutes a problem of combatting, not overt attack and invasion, but concealed aggression. The threat to Japan in these circumstances comes from agitation, subversion and coup d’etat. The threat is that of a conspiracy inspired by the Kremlin, but conducted by Japanese. It is essentially a conspiracy from within—and whether it succeeds depends primarily on the political, economic and social health of Japan itself. It is these problems which are foremost in the thinking of the Department of State in planning U.S. policy toward Japan for the present—and the foreseeable future.

The orientation of any people toward a foreign country is a subjective political-psychological condition. It is the product of domestic political, economic and social factors, together with the nature and quality of a nation’s relations with foreign countries. This being the
case, the U.S. can neither impose nor enforce a pro-western orientation on any foreign people, including the Japanese. We can contribute to such an orientation only through (a) fostering in Japan, so far as we are able, conditions conducive to a pro-western orientation and (b) conducting our relations with Japan in such a way that, in the developing scene within Japan, we continue to be respected and, if possible, regarded with favor.

A word of caution should be advanced at this point regarding Japanese pro-western orientation. Such an orientation is, of course, our optimum objective. There are, however, many gradations between a pro-western orientation and the other extreme—an anti-U.S. and pro-Soviet attitude. The history of Japan and the ominous difficulties which lie before that country cause the Department of State to question whether this optimum objective can be realistically regarded as attainable. It is suggested that we may eventually find it necessary, through force of circumstances, to adopt the objective of a strongly nationalist, anti-Soviet Japan which we would regard without favor but as decidedly preferable to a Japan oriented toward the USSR.

In the meantime, the Department of State concurs with the opinion expressed by the JCS in paragraph 8 of its paper that the U.S. should do everything possible in an attempt to assure a continuance and development of the present generally favorable attitude of Japan toward the West. It is also in accord with the JCS conviction that Japanese internal security is more important than ever and that Japan’s capacity for self-defense must at the proper time be developed. It shares the belief of the JCS that the spreading chaos on the mainland of Asia * heightens the importance of Japan to us.

The Department of State does not wholly concur with the opinion of the JCS that

“a peace treaty would, at the present time, be premature since the continuing Soviet policy of aggressive communist expansion makes it essential that Japan’s democracy and western orientation first be established beyond all question, and since global developments are still in such a state of flux that measures leading to the risk of loss of control of any area might seriously affect our national security.”

The Department of State dissents from this judgment and the first of the two reasons advanced in support of it because they are, in terms of political realities, mutually exclusive. The only hope for the preservation and advancement of such democracy and western orientation as now exist in Japan lies in the early conclusion of a peace settlement

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*The JCS reasoning in paragraph 7 that the debacle in China could not have been taken into account in the drafting of NSC 13/3, dated May 6, 1949, is difficult to follow. NSC 34, dated October 13, 1948, forecast the general course of the debacle and was, in so far as the Department of State was concerned, taken into account in the drafting of NSC 13/3. [Footnote in the source text; NSC 34, not printed.]
with that country. From the political point of view, the achievement of our objectives with respect to Japan are now less likely to be thwarted by proceeding promptly to a peace treaty than by continuance of the occupation regime, provided that essential U.S. military needs in Japan are assured in the treaty or other concurrent arrangements.

The problem before us, the Department of State would submit, is to contribute through a peace treaty and a new relationship with Japan to the development within that country of indigenous resistance to Communism and of spontaneous orientation toward the west, while at the same time making sure that our essential military requirements with respect to Japan are provided for and that the Japanese are given sufficient military strength of a police nature to check infiltration and to withstand efforts of Kremlin-inspired groups to seize power by force or intimidation.

Secondary Comments

The Department of State is not persuaded by the argumentation in paragraph 6-ç relating to the disposition of occupation forces throughout Japan. From the political point of view, it is considered that, following a peace settlement, the continued dispersal of American forces in many Japanese cities and towns would constitute an irritating and not a stabilizing influence on the Japanese population.

For reasons set forth in the body of this memorandum, the Department of State dissents from the condition laid down in paragraph 10-ç as being politically unrealistic.

The Department of State is in full accord with paragraph 10-ô and would add that it has ever since the issuance of NSC 18 persistently pressed for an expansion and strengthening of the Japanese police establishment.

With respect to paragraphs 10-ç and -ô, the Department of State appreciates and is in sympathy with the security needs for strengthening Japan's capacity to defend itself pari passu with a phased withdrawal of U.S. forces from the islands.
CONFIDENTIAL

WASHINGTON, October 6, 1949—6 p. m.

485. [FEC mtg, 9/29:] 1

Restitution of Looted Property (FEC 011/55)

Re Phil amendment Para 8 of FEC 011/51, Chi member stated that
he favored extension of date of distribution of secured fund, but wld
vote against proposal to effect that distribution schedule shld be agreed
upon among seven countries directly concerned on grounds that such
countries shld discuss matter first. After consultation with Chi Rep
Phil Rep stated that his proposal did not intend to discard method
of distribution specified in policy decision as it stands but only to
widen scope of clause so as to include other possible methods. First
phrase of Phil proposal wld therefore read: “The secured fund shld
finally be distributed among the countries herein specified in accord-
ance with the percentage mentioned above, or in accordance with a
schedule of shares to be agreed upon by such countries . . .” US
Member stated he cld not agree with motion as proposed at this time
but cld vote on question of date alone. Comm accepted last sentence
Phil proposal which reads: “The secured fund shall be made available
for distribution to the recipient countries not later than 1 Apr 1950,”
by vote of 9 in favor with 2 abstentions (Neth and USSR). 2

Jap Reparations and Level of Industry (FEC 340)

Indian member made statement favoring US position on Jap repair-
ations. Pertinent sections fol:

“Successive estimates have tended to modify the surplus industrial
capacities in Jap considered available for distribution as reparations.
We appreciate the growing anxiety on the part of the US to limit
accordingly reparations removals from Jap to the minimum consistent
with Jap’s peaceful needs.

“We have a good deal of sympathy for the Amer taxpayer who has
to bear the burden of the cost of balancing the deficit economy of Jap
for the past four years, and we feel that, if the position in Jap is as
critical as has been stated in the US statement, there is a good case for
allowing Jap to retain higher industrial capacities which will be de-
voted to production for peaceful purposes.

“We have never been actuated by a desire to suppress Jap’s stand-
ard of living to a level which will retard the attainment of the Allied
objectives as set forth in the Potsdam Declaration and the Basic Policy
of the FEC. We have consistently been of the opinion that for the

1 Brackets in the source text.
2 A draft directive for SCAP based on this amendment was sent to the Depart-
ment of the Army on October 3 (740.00119 PW/9-2949).
successful functioning of a viable democracy in Jap the standard of living of her people shld be maintained at the level agreed upon by the FEC. We feel that the Allies, in their own enlightened self-interest, shld waive the claims for reparations from Jap's industrial facilities, the removal of which may jeopardize her attainment of a self-sustaining economy within a reasonable period of time and thus open up the possibility of a growing unrest and a resurgence of Jap's militarism.

"We are at the same time anxious, like our colleagues around the table, that efforts shld be made to prevent Jap from reviving her war-making capacity. We are glad to note the assurance in the statement of the US Govt that in no circumstances such a possibility wld be allowed to materialize. In order to achieve this objective—that is to eliminate from Jap the possibility of a military resurgence—we wld like the Supreme Commander to exercise general supervision of all Jap's industries to ensure that none is diverted to war-like purposes.

"Turning now to the economic results of the retention in Jap of her industrial capacities, we feel that steps shld be taken to ensure that Jap does not again resort to such devices as currency depreciation, exchange manipulation, excessive economic concentrations which restrict competition, or unfair labour practices to produce goods which may endanger the standard of living of her neighbours. We suggest it shld be the duty of SCAP to exercise the necessary supervision in the matter.

"The US Govt has suggested that Jap's external assets in the FEC countries shld be retained by these countries. This proposal is acceptable to us and I hope it wld be acceptable to other countries as well.

"However, I wld like to raise the question of the disposition of assets in neutral countries. There is, I understand, a proposal now before the Steering Comite which will permit marshalling of Jap's assets in some neutral countries. I notice from the draft policy of the FEC that there is no proposal for the disposition of such assets. I wld urge the Comm to proceed to determine the nature of the ultimate disposal of such assets as early as possible. I wld venture to suggest that such assets shld be available for distribution to the countries eligible for reparations and that concrete steps shld be taken to achieve this objective.

"Finally, I understand that the question of the disposition of Jap assets in Siam has not yet been taken up in the Comm. I wld suggest we proceed to an early examination of this matter."

Level of Econ Life in Jap (FEC 212/32, FEC 297/10)

Substance of discussion transmitted SCAP in W-94950, Sep 29, 1949.

Under Other Business. USSR Member reiterated request for full text of conservation program and not just titles of some measures. USSR Member also referred to inquiry re fisheries inspection fleet.
The Acting Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, October 6, 1949—9 p. m.
487. Reurtel 387, Oct 4. In case USSR shld question right of Chi Rep to sit for China in Allied Council our Rep might state that Rep of Natl Govt of China is duly accredited Rep of China on Council; that USSR is only Govt on Council which has withdrawn recognition from Natl Govt; that other nations represented on Council all continue to recognize Natl Govt as Govt of China; and that this Govt perceives no reason to question right of duly accredited Rep of China to sit.

Sovs did not raise question Oct 6 meeting FEC. US Rep prepared to reply as above.

Webb

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The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, October 12, 1949—7 p. m.

Restitution of Looted Property (FEC 271/25)

Comm agreed to amend penultimate sentence of Para 8, FEC 011/51, as fol: "The secured fund shld finally be distributed among the countries herein specified in accordance with the percentages mentioned above, or in accordance with a schedule of shares to be agreed upon by such countries, payable in US dollars or, at the discretion of the Supreme Commander for the Allied Powers, in Fon exchange acceptable to the countries concerned," by vote of 10 in favor with 1 abstention (USSR).

Chi member expressed hope US wld participate in discussions to be held by seven countries to determine schedule of shares. It appeared to be gen consensus of Comm that agreement reached by Comite of seven countries need not be referred to Comm for its approval, that Comite was not mtg under auspices of Comm, but that Comite might notify Comm of its results so that necessary directive might be issued to SCAP.

Fishing and Aquatic Industries in Jap (FEC 271/25)

US member distributed FEC 271/28, reply to Sov query of Sep 15 on fishing inspection and FEC 271/29, reply to Sov query re NY Times art on expansion by SCAP of area authorized of Jap fishing. US
member reintroduced its amendment to Para 2b that had been defeated in Steering Comite. Austral member stated US amendment not acceptable to his Govt since it required assurance that SCAP wld do more than attempt to reach an agreement with country which felt it had a direct concern in area in which further expansion of fishing area was contemplated. He stated his Govt cld accept Para 2b as it appears in FEC 271/25 with US statement of understanding if that was wish of majority. Chi member proposed that all of Para 2b after words “FEC” in fifth line be deleted and replaced by fol: “claims a direct concern in respect to fishing or other commercial aquatic activities, SCAP shall secure consent of such country to an agreement reasonably calculated to protect the legitimate interests of such country and to benefit the Jap economy.” Comm agreed to refer item back to Steering Comite.

Level of Economic Life in Jap (FEC 242/32, FEC 297/10)

Sov member stated his proposals were not inimical to development of peaceful branches of Jap industry and requested that Comm consider them. Indian member pointed out he cld see little difference between substance of US position presented on May 12, 1949 and Para 1 of USSR statement in FEC 232/37. No further discussion.

Jap Participation in Internatl Relations (FEC 339)

Re Jap’s adherence to UPU, USSR member stated his Govt believes that as matter of principle it is possible to permit Jap to adhere to Universal Postal Convention, but that such permission shld be granted by FEC. Therefore his Govt believes that Jap’s adherence to the Universal Postal Convention was performed in violation of Terms of Reference of FEC and therefore cannot be recognized as legal until appropriate decision on question has been reached by FEC.

Under other business Sov member reiterated inquiry re Econ deconcentration. Phil member inquired as to report in N.Y. Times that earmarked gold had been delivered to Fr and Thailand. Deputy SYG pointed out directive issued by US on subj was in process of being circulated.

ACHESON

740.0011 PW Peace/10-1449

Memorandum by Mr. Robert A. Fearey, of the Office of Northeast Asian Affairs, to the Deputy Director of the Office (Allison)

SECRET

[WASHINGTON,] October 14, 1949.

Attached are the last 14 pages of the treaty and the 9 Annexes. The first ten pages you already have. The draft is based on that of Jan-

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1 Draft not printed.
uary, 1948, but with changes of varying degrees of importance in almost all Articles and Annexes. The technical Articles and Annexes have been carefully reviewed by the experts and revised as necessary. Mr. Hamilton left for New York yesterday before the draft was completed but had approved almost all of it. You may wish to postpone reading the treaty until it has been reviewed by Meeker, but I doubt if he has many important changes to suggest in view of the care with which it has been gone over by the experts here.

Since Mr. Butterworth was so emphatic in his desire to have the non-security Articles and Annexes ready by October 15 I have left a copy in FE. Although I doubt whether he will wish to do anything with it this week end, he may have had some reason of which I am unaware for wanting it by that date.

I will be writing a commentary early next week explaining why the various Articles and the key sections of the Annexes are as they are. Mr. Davies has suggested that a meeting attended primarily by Mr. Butterworth, Mr. Kennan and someone from the top ranks of the Economic Offices be held next week to resolve points of difference on major substantive issues in the draft which have developed or may develop. I should think that the attached draft, after necessary revisions by NA and FE, and a commentary should be distributed to the participants before such a meeting.

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2 Leonard C. Meeker, Office of the Legal Adviser.

894.623/10-2049
Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth)

CONFIDENTIAL

[WASHINGTON, J October 20, 1949.

Subject: Plan to Use US Navy to Enforce Japanese Fishing Area

Information has been obtained from a telegram (Tab A) from the Commander of the Seventh Task Fleet that effective October 23 an operation plan will be put into effect to patrol the Japanese fishing area authorized by SCAP. The plan provides that any attempt to violate the rights of Japanese fishing vessels by any ship either in or outside of the authorized area will be considered an act of piracy, and that force may be used if necessary to free the Japanese fishing vessel and escort the offending vessel back to Japan. It appears from the telegram that the patrol will only be in those fishing areas near

1 Addressed to the Secretary of State, the Under Secretary of State (Webb), and the Deputy Under Secretary of State (Rusk).
2 Not attached to file copy.
the China coast and not those bordering on the Kuriles. It is believed that your attention should be called to this matter as the Navy action may get us into some, although probably not serious trouble. The Department was not consulted in this matter.

The decision to use the US Navy as a patrol is undoubtedly the result of a previous request from SCAP to the Department of the Army for assistance in this connection. During 1948 and 1949 a total of 67 seizures of Japanese vessels both inside and outside the authorized area by the Chinese and the Soviets has been reported. The worst offenders have been the Chinese who in many instances have held the vessels for operations in the civil war, and who in some instances have resorted to sinking the vessels and killing the crews. The Soviets have in some cases not returned the vessels or crews.

CONFIDENTIAL

WASHINGTON, October 21, 1949.

DEAR MR. WEST: Reference is made to your letter of June 27, 1949 in which you point out that the Department of the Army is in complete agreement with General MacArthur's recommendation that the Far Eastern Commission policy decision of August 15, 1946, Exercise of Criminal and Civil Jurisdiction over Nationals of Members of the United Nations, be amended so that the Japanese could exercise concurrent criminal jurisdiction over United Nations nationals with the exception of official occupation personnel and in which you furthermore request that the Department of State introduce an appropriate proposal on this matter into the Far Eastern Commission.

The Department of State concurs in principle with the recommendation of the Department of the Army, but on the basis of present information questions the advisability of establishing concurrent jurisdiction on the part of Japanese and occupation courts over non-exceptioned classes of United Nations nationals. The Department of State is of the view that overlapping jurisdiction of this type might lead to uncertainties in procedure and a hesitancy on the part of the Japanese Government to assume fully its responsibilities. Failure to establish such concurrent jurisdiction would not preclude SCAP from retaining authority over the extent to which the Japanese Government might exercise criminal jurisdiction over United Nations nationals. The Department has prepared a preliminary proposal to be submitted to the FEC, if concurred in by the Department of the Army and SCAP, which provides that assumption of responsibility by the Japanese courts would be subject to the progressive relaxation of con-
trol by SCAP in cases where these courts have not previously exercised such jurisdiction.

The Department also concurs in the proposal that paragraph 2 should be accordingly modified to permit the Japanese to take into custody those United Nations nationals over whom they may exercise criminal jurisdiction, subject to the control of the occupation authorities. In view of the awkwardness involved in amending the several paragraphs of the policy decision, the attached preliminary proposal has been drafted in such a form that it would supersede the present policy decision on the Exercise of Criminal and Civil Jurisdiction over Nationals of Members of the United Nations.

In this connection, the Department has redrafted the provisions of the present policy decision which concern the jurisdiction of Japanese courts in civil matters as follows:

"The jurisdiction of the Japanese courts in civil matters shall extend to civil actions in which United Nations Nationals are parties plaintiff or defendant, except that the Japanese courts shall exercise no jurisdiction in actions brought against occupation force personnel as defined in paragraph 1a–d above."

Upon receiving the concurrence of SCAP and the Department of the Army, the Department of State intends to approach informally the UK and France through the diplomatic channel in order to solicit their views on this matter before submitting the proposal to the Far Eastern Commission.

The Department of State therefore requests the concurrence of the Department of the Army in the attached proposal.

Sincerely yours,

JOHN M. ALLISON

1 Not printed.

702.9411/10–2149: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebald)

CONFIDENTIAL

WASHINGTON, October 21, 1949—3 p.m.

529. (1) Further FEC discussion of establishment Jap offices abroad performing trade and quasi-consular affairs appears desirable before taking steps proposed urtell 417. Such a course of action would broaden other countries' understanding of need for Jap overseas offices, wld offset resentment on part certain countries toward course of US action claimed to be unilateral, illegal; might influence certain FEC countries enter similar bilateral arrangements with Japan.

1 October 14, not printed.
(2) FEC Subcomite discussions on FEC-339 have progressed to point where several countries appear willing accept a policy decision along these lines:

“The FEC decides as a matter of policy that Japan, with SCAP approval, shld be permitted to enter into bilateral arrangements with other countries for the purpose of establishing in those countries Jap offices charged with trade promotion, econ reporting and, to the extent deems necessary by the parties concerned, with handling matters affecting the civil status and property rights of Jap nats residing in the areas in which these offices are located. The precise extent and nature of the activities to be undertaken by these offices shall be determined by agreement between the parties concerned with SCAP approval.”

(3) Dept therefore believes we may have to look for division of FEC-339 into two separate policy decisions, one dealing with Jap attendance at Internat'l conferences, and other with estab of Jap overseas offices; that such division of FEC-339 is logical and will permit FEC focus its attn at this time on more urgent problem of establishing overseas offices, but without suggesting to FEC that US is any way abandoning Internat'l conferences aspect of FEC-339.

(4) Dept is further of opinion that, if as result these FEC discussions, a policy decision were proposed along lines set forth in (2) above, US eld scarcely refuse support it, although it might deem it advisable read into record statement pointing out that in US opinion SCAP already possesses auth to authorize such arrangements.

(5) On other hand, if after several more weeks FEC consideration this question there is no likelihood agreement, Dept proposes proceed without FEC sanction with exchange of notes with Jap Govt along lines suggested urtel 417. This is step which will probably not be taken without first bringing to attn other Govts at high Dipl level and in convincing manner reasons for our proposed action and requesting other countries fol our lead this matter.

(6) Dept appreciates initiative taken by PolAd and SCAP in this matter. It agrees with limitations SCAP proposes place on Jap overseas offices and with proposed locations of offices initially to be established in US. Certain reservations are held, however, over use of terms “consul” or “consular” in describing Jap overseas reps or their offices. Since latter are to perform only certain consular-type functions, wld appear desirable, if possible, avoid these terms which it is believed wld occasion unwarranted alarm among other countries.

(7) Foregoing coordinated with Dept of Army.

Acheson
The Secretary of State to the Acting Political Adviser in Japan
(Sebald)

CONFIDENTIAL

WASHINGTON, October 21, 1949—7 p.m.


Fishing and Aquatic Industries in Jap (FEC 271/33)

Sov amendment to Para 2b providing that "No extension of Jap fishing or other commercial aquatic activities beyond the foregoing area shld be permitted without prior authorization by the FEC" reintroduced and defeated by vote of 1 in favor 7 against and 3 abstentions (Chi, India, Phil). FEC 271/33 defeated by vote of 8 in favor, 3 against (Chi, USSR and Phil).

Jap Participation in Internal Relations (FEC 339)

USSR member stated that in connection with US reply of Oct 13, 1949 (FEC 339/12) to his statement on question Jap's adherence to UPU, his Govt considered arguments advanced by US as to legality of Jap's adherence to UPU unfounded. Sov Del confirmed statement of Oct 6 that Jap's adherence to UPU cannot be recognized as legal until appropriate decision has been reached by FEC. US member pointed out that views of his Govt had been circulated.

Under Other Business Neth member suggested removal of inactive items from agenda. Upon objection of USSR, Chi, Indian, Austral members, no action taken at this mtg.

ACHESON

Major General Carter B. Magruder, Deputy to the Under Secretary of the Army, to the Assistant Secretary of State for Far Eastern Affairs (Butterworth)

TOP SECRET

WASHINGTON, 21 October 1949.

Subject: Department of Defense Policy Toward Japanese Industry

1. By letter of 8 July 1949 the Secretary of State requested the position of the Department of Defense, in light of United States security requirements and our over-all strategic plan for Japan, with respect to any restrictions to be imposed in the post occupation period on non-armament industry in Japan, particularly in the manufacture of aircraft and the type and size of the manufacture of marine vessels for use or export.

2. This matter has been the subject of protracted study in the Department of Defense. In addition to a study by a joint Army-Navy-
Air working group, the opinion of the Joint Chiefs of Staff has been obtained.

3. In view of the fact that we are now initiating preparations for negotiations on a Japanese Peace Treaty, Under Secretary of the Army Tracy S. Voorhees, who is deputy to the Secretary of Defense for occupied areas, decided that this information should be furnished to you directly. We regret the length of time consumed by the Department of the Army in effecting this study.

4. In accordance with the above instructions, I enclose two copies of the study prepared by the Army-Navy-Air working group and two copies of the action of the Joint Chiefs of Staff upon the assumption that you will wish to provide one to Mr. Howard as part of the reference material he will use.

CARTER B. MAGRUDER
Major General, GSC

[Annex 1]

Staff Study Prepared by Joint Army-Navy-Air Working Group

TOP SECRET

[WASHINGTON, 9 September 1949.]

DEPARTMENT OF DEFENSE POLICY TOWARDS JAPANESE INDUSTRY

PROBLEM

1. To determine the position of the Department of Defense with respect to the restrictions, if any, which should be imposed on peaceful but possibly war supporting industries in Japan, particularly civil aircraft operation and manufacture, merchant shipbuilding and ship repair, and the merchant marine.

FACTS BEARING ON THE PROBLEM

2. Reasons for considering the problem at this time are set forth in the letter of 8 July 1949 from the Secretary of State to the Secretary of Defense, Appendix A hereto. (Also reproduced as appendix to JCS 1380/69.) This letter requested the views of the Department of Defense with regard to restrictions to be imposed in the post-occupation period on non-armament industries in Japan.

[Here follow three numbered sections on policies pertinent to the problem in NSC 13/3, FEC policy decisions pertinent to it as well as proposed policies and U.S. recommended action toward them, and SWNCC policy decisions establishing U.S. positions but not controlling on SCAP, pertinent to the problem.]

1 John B. Howard, Special Assistant to the Secretary of State.

* Copy transmitted by Major General Magruder on September 9 to the Chief of Staff, U.S. Army, for submission to the Joint Chiefs of Staff.
6. Although Paragraph 4, NSC 13/3, states that a final U.S. position concerning the post treaty arrangements for Japanese military security should not be formulated until the peace negotiations are upon us, and it should then be formulated in the light of the prevailing international situation and the degree of internal stability achieved in Japan, nevertheless to assist in solving the present problem it is necessary to make three basic assumptions:

a. That the United States will not permit Japan to become Soviet dominated either through conquest or subversion.

b. That, in the event of war between the United States and the U.S.S.R., Japan will be a country occupied by U.S. forces, a friendly non-belligerent, or an active ally of the United States.

c. That, if there should be an enduring peace between the United States and the U.S.S.R., Japan would not be permitted to have any military establishment or primary war facilities which would constitute a threat to the security of any country.

7. Obviously, if the United States is unwilling to take all steps necessary to satisfy the first two assumptions, Japan could go to the U.S.S.R. by default and would become a serious threat to the security of the United States and to all other non-Soviet nations. If the United States should decide not to protect Japan, then from a strategic point of view U.S. interests would best be served by seeking the closest approximation possible to a depopulated and devastated Japan. Otherwise, any Japanese potential would be available for use against the United States and our friends. However, failure to protect Japan would be illogical and such a course is not considered here.

8. An economically strong, friendly and western-oriented Japan would be of great value to the security of the United States. Consideration will need to be given to the eventual establishment of limited Japanese armed forces to maintain internal security and to assist in local defensive action in event of an emergency.

9. "Second only to U.S. security interests, economic recovery should be made the primary objective of United States policy in Japan." The two objectives go hand in hand. As long as the United States is responsible for Japan, any deficits in its economy will ultimately be paid for in dollars by the U.S. taxpayer. Japan has been stripped of its colonies, and access has been closed to many of its nearest and best markets. Many large, fast ships are needed to reach more distant markets and sources of raw materials. Civil air transport in a modern society has become as much an essential service as rail or road transport and therefore is necessary to Japan in promoting trade and accruing foreign exchange. If a reasonable prosperity can be created, not only will the burden on the U.S. taxpayer be removed, but repre-
sentative government in Japan will have a more fertile field in which to grow.

CONCLUSIONS

10. It is concluded that:

a. There should be no limitations or restrictions on Japan's commerce, communications or peaceful industries. In answer to specific questions couched by the Department of State, the position of the Department of Defense is as follows:

(1) Manufacture of civil aircraft—Manufacture should be limited to types and numbers which would not constitute a threat to the security of the United States.
(2) Operation of civil aircraft—Operation should be limited to an extent which would not constitute a threat to the security of the United States.
(3) Merchant marine—No limitations.
(4) Merchant shipbuilding and ship repair—No limitations.

b. So far as practical, the foregoing should apply both to the present and the post-occupation period.

c. All pending policy papers which have been introduced by the United States into the FEC which are inconsistent with the foregoing should be withdrawn.

d. The United States should propose to the FEC, regardless of the improbability of favorable consideration, that FEC policy decisions which are inconsistent with the foregoing should be amended to conform or be repealed.

e. All SWNCC and SANACC policies inconsistent with the foregoing should be superseded by new controlling documents.

f. Where inconsistent with the foregoing, NSC 13/3 should be amended.

RECOMMENDATIONS

11. It is recommended that:

a. This study be referred to the Joint Chiefs of Staff for comment from the military point of view.

b. Upon receipt of the comments from the Joint Chiefs of Staff, this study be amended in light of such comments, and, if approved, that the study be then transmitted by the Secretary of Defense to the Secretary of State as indicative of the views of the Department of Defense.

[Annex 2]

Memorandum by the Chairman, Joint Chiefs of Staff (Bradley) to the Under Secretary of the Army (Voorhees)

TOP SECRET

WASHINGTON, 12 October 1949.

Subject: Department of Defense Policy Towards Japanese Industry

This memorandum is in response to your memorandum to the Chief of Staff, U.S. Army, dated 9 September 1949, on the subject of De-

a Not printed.
partment of Defense policy towards Japanese industry, in which re-
quest was made that an attached staff study 4 be called to the attention
of the Joint Chiefs of Staff and that they be asked to comment thereon
from the military point of view.

The Joint Chiefs of Staff perceive no objection from the military
point of view to those conclusions in the staff study which contain
military implications, namely, subparagraphs a and b of paragraph
10. They suggest, however, that in implementing these conclusions
appropriate safeguards be established to preclude any possibility of
the restrictions, when enforced, jeopardizing our national security
interests in Japan.

The Joint Chiefs of Staff invite attention to their strategic evalua-
tion of United States security needs in Japan which was forwarded
to the Secretary of Defense on 9 June 1949 (copy enclosed). 5 The
following summarizes views contained in the evaluation which are
pertinent:

a. It is essential, from the military point of view, that Japan be
denied to the Soviets and that Japan maintain her orientation toward
the Western Powers.

b. The terms of the peace treaty for Japan should not be such as
to preclude bilateral negotiations for base rights in the Japanese main
islands;

c. In order that the Far East communistic expansion of the Soviets
may be held in check, at least as far as Japan is concerned, Japan’s
internal security forces must be adequate not only for maintenance
of order but also for protection against sabotage of vital installations.
This may involve stronger internal security forces than were thought
to be essential prior to the current overrunning of China; and

 d. Japan’s capacity for self-defense must be developed against the
time when it may be determined by the Soviets that overt aggression
by them or their satellites is their only means for gaining control over
Japan.

For the Joint Chiefs of Staff:
OMAR N. BRADLEY

4 See above.
5 Ante, p. 774.

740.00119 FEAC/10–749

The Secretary of State to the Chargé of the Soviet Union

The Secretary of State presents his compliments to the Chargé
d’Affaires ad interim of the Union of Soviet Socialist Republics and
refers to his notes of January 19, 1949 and February 9, 1949 1 regarding
the applications, respectively, of Pakistan and Burma for membership
in the Far Eastern Commission.

1 Neither printed.
The Government of the United States has been informed by the
Ambassadors of Pakistan and Burma that the Soviet Government has
advised them that it has no objection to the admission of Pakistan
and Burma to membership in the Far Eastern Commission. In view of
the fact, therefore, that in accordance with paragraph V, 1 of the
Terms of Reference of the Far Eastern Commission, the participating
powers, including the United States, the United Kingdom, Union of
Soviet Socialist Republics and China, have now agreed to the admis-
sion of Pakistan and Burma, the Government of the United States
intends to request the Secretary General of the Far Eastern Commiss-
ion to issue an invitation in the near future to the Governments of
Pakistan and Burma to become members of the Far Eastern
Commission.

Copies of this note are being transmitted to the Ambassadors of
Pakistan and Burma.

WASHINGTON, October 28, 1949.

740.00119 FEAC/10–3149 : Telegram

The Secretary of State to the Acting Political Adviser in
Japan (Sebold)

CONFIDENTIAL

WASHINGTON, October 31, 1949—6 p. m.

Fol is Summary FEC Mtg, Oct 27, 1949.
Mr. Butterworth presided as Chairman in Gen McCoy’s absence.

Level of Econ Life in Jap (FEC 242/32, FEC 297/10)

USSR member asked that Sov proposals be discussed. No comment
from other members.

Jap Participation in Internatl Relations (FEC 339)

US member urged that subcomite considering this item press for-
ward its work as rapidly as possible.

Labor Policy in Jap (FEC 318/20)

USSR member made fol statement:

"In the statements of the Sov Del on the question of labor policy
in Jap there have been adduced sufficient examples showing that the
revised labor laws were in contradiction with the policy decisions of
the FEC.

"By these examples the Sov Del proved the futility of the attempts
made by the US Del to deny indisputable facts. The Sov Del believes
that as a result of the lengthy discussion on this Subj all the Dels had
opportunity to convince themselves that the labor policy which is
being carried out by the US occupation authorities and the Jap Govt
as expressed in the revision of the Natl Public Service Law, the adop-
tion of the Public Corporations Labor Relations law and the revision of the Labor Union and Labor Relations Adjustment Laws is in contradiction with the Potsdam Declaration and the policy decisions of the FEC.

"Recent reports from Jap show that the Jap Govt has not confined itself to the anti-labor measures already adopted. It is known, for instance, that by means of mass discharges of workers the Jap auths are removing from enterprises and institutions first of all leaders and active members of trade unions. Thus, for example, under the disguise of reducing the public payroll there were dismissed the progressive leaders of the railway workers union, the communication workers union, the Ministry of Agri and Forestry Union and other trade unions of Govt workers. On Sep 17 the Jap Govt published a new decision according to which the workers of Govt and public utility enterprises and institutions are prohibited from engaging in polit activities.

"By means of this new decision the Jap Govt has deprived workers of Govt and public utility enterprises of their elementary polit rights, having thus openly violated the Potsdam Declaration and the policy decisions of the FEC on the democratization of Jap.

"These examples do not in any way cover all the measures directed towards the suppression of legal activities of the Jap trade unions and the depriving of Jap workers of their elementary democratic rights. Unfortunately, the FEC has not up till now been able to adopt a decision on this question.

"The Sov Del considers that the FEC, being confronted with undeniable evidence that the revised labor laws are in contradiction with the Potsdam Declaration and the policy decisions of the FEC, cannot permit such a situation in which its policy decisions directed towards the democratization of Jap wld be ignored and not fulfilled.

"I express the hope that the members of the FEC will approach the proposal of the Sov Del on this matter as set forth in FEC 318/22 with due attention and will support this proposal."

No further discussion on this subj.

Dept requests your comments on above statement as basis for possible rebuttal of USSR criticism in FEC.

Under other Business. Sov member reiterated request for info on deconcentration measures in Jap. US member pointed out that US still in process of obtaining info. Re Sov inquiry on conservation of fisheries, US member stated that he wld give to SYG for circulation reply received from SCAP.

ACHESON
The Acting Political Adviser in Japan (Sebald) to the Secretary of State

SECRET

No. 759

Tokyo, November 1, 1949.
[Received November 10.]

Sir: I have the honor to refer to this Mission's despatch no. 594 of August 29, 1949, concerning informal discussions with the Natural Resources Section of General Headquarters with respect to a proposed northern extension of the Japanese fishing area which would embrace Etorofu and Kunashiri Islands in the southern Kuril chain and the Habomai and Shikotan islands.

In a communication to this Mission dated October 1, 1949, the Natural Resources Section has initiated action on the proposed northern extension as described in this Mission's despatch under reference. A copy of the Natural Resources Section's communication of October 1, together with its enclosures consisting of a draft memorandum to the Chief of Staff and a draft letter to the Soviet Member, Allied Council for Japan, are enclosed. There is also enclosed a copy of this Mission's reply in its capacity as Diplomatic Section, General Headquarters, to the communication of the Natural Resources Section of October 1. In this Mission's reply it is pointed out that the northern extension, notwithstanding the likelihood of Soviet objection, appears desirable in order to place on record the fact that SCAP does not regard the present boundary of the fishing area in the vicinity of Hokkaido and Kuril Islands as a permanent boundary. This Mission, however, is withholding concurrence on the present proposal for a northern extension of the fishing area until the Department's views on the problem are known. It would be appreciated, therefore, if the Department would advise this Mission of its position as soon as may be practicable since the Natural Resources Section has expressed its desire to take up the proposed northern extension of the fishing area at the earliest possible date.

Respectfully yours,

W. J. Sebald

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2 Not printed.
3 Enclosures not printed.
4 In airgram A-219, December 1, to Tokyo, the Department agreed to northward extension of the fishing areas and found no objection to the proposed letter to General Derevyanko (894.628/11-149).
Memorandum of Conversation, by Mr. Robert A. Fearey, of the Office of Northeast Asian Affairs  

SECRET

[WASHINGTON,] November 2, 1949.

Subject: General MacArthur's Views on a Japanese Peace Treaty

Participants: Major General Carter B. Magruder, Chief, Civil Affairs Division
Col. C. Stanton Babcock, Member of General MacArthur's Staff
Lt. Col. J. J. Wagstaff, Plans and Operations Division
Lt. Col. D. D. Dixon, Plans and Operations Division
Mr. Butterworth—FE
Mr. Hamilton—FE
Mr. Allison—NA
Mr. Howard—S
Mr. Fearey—NA

General Magruder, deputy to Mr. Voorhees for the Japanese peace treaty project, Colonel Babcock, Colonel Wagstaff, and Colonel Dixon called for the purpose of meeting Mr. Butterworth and members of FE working on the treaty. General Magruder suggested that Colonel Babcock, who had arrived a week or so ago as General MacArthur's personal representative to assist in the treaty preparations, outline General MacArthur's views on the treaty problem. Explaining that his remarks would be based on a number of conversations which he had had with General MacArthur regarding the treaty just before his departure from Tokyo, Colonel Babcock summarized General MacArthur's views as follows:

1. Timing and Procedures

General MacArthur considers the treaty long overdue. He had wanted a treaty as early as 1947 but had not been too disappointed when we failed to achieve one at that time, the occupation having then lasted less than two years. It has now lasted four and a half years, however, and he believes it of the greatest importance that a treaty now be concluded.

General MacArthur fully approves the method for going forward with a peace treaty by endeavoring first to work out agreement with the British and other Commonwealth Governments. He thinks it important that voting at the peace conference be by two-thirds majority, preserving a democratic flavor, but that we must make certain, through prior commitments, that such a voting procedure does not prevent us from securing our essential requirements. He naturally considers procedural questions of this sort outside his field of competence or responsibility.

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General MacArthur believes that a real effort should be made to secure the Soviet Union’s participation in the treaty. He feels that the Soviets have been considerably disturbed by their inability to influence the course of the occupation and that they strongly desire a treaty. He does not consider that we should sacrifice any of our desiderata to obtain Soviet participation. His point is simply that we should make a real effort to secure their participation and not merely a gesture.

2. Security

Neutrality—General MacArthur believes that unarmed neutrality, guaranteed by the great Powers, is from every point of view Japan’s most desirable course. Japan has renounced the right to bear arms in its new Constitution and General MacArthur considers that it would be highly undesirable for the Allies to require or suggest in the treaty that Japan should abandon this position. The result would be to confuse the Japanese and to put them in doubt regarding our entire reform program. General MacArthur fully recognizes, however, that a Soviet guarantee of Japanese neutrality could not now be relied upon, and that this will remain the case until the Soviets undergo a basic change of heart. Although he accordingly does not consider disarmed neutrality under a system of great Power guarantees to be a practical solution to Japan’s security problem at the present time, he continues to regard it as the optimum long-run solution when world conditions permit.

3. Basic Strategic Concept

With disarmed neutrality under a system of guarantees impractical for an indefinite period, General MacArthur’s basic strategic concept is for the U.S. to retain naval and air bases in Japan after a treaty for the primary purpose of making it unmistakably clear to the USSR that aggression against Japan will mean all-out war with the United States. He does not believe it necessary or advisable to supplement these bases with Japanese defense forces. If it is made clear that the result would be war with the U.S., General MacArthur believes there is little chance of the Soviets undertaking a local attack on Japan. If, on the other hand, the Soviets on the basis of their over-all strategic plans deliberately launch a general world war, any Japanese defense forces which might have been authorized would, in his view, be of almost negligible military value in denying Japan to the Soviets.

Colonel Babcock did not make clear whether General MacArthur believed that U.S. military strength in Japan should be maintained at a level which might offer some hope of holding Japan for the U.S. in the event of a general war. He did indicate, however, that under General MacArthur’s concept the U.S. would keep itself free to add to its military strength in Japan after the treaty to any extent it considered necessary and desirable.
U.S.-Japan Military Agreement—Colonel Babcock stated that General MacArthur believes that arrangements for U.S. bases in Japan after the treaty should be arrived at by negotiation on an equal basis with the Japanese, and should be incorporated in a separate U.S.-Japan agreement which would come into force simultaneously with the coming into force of the treaty. The latter document would leave the U.S. and Japan free to conclude such an agreement. The base areas, defined in the agreement, would be located at points of maximum strategic advantage and would be secured by the requisite number of U.S. forces. The bases would be self-supporting on a pay-as-you-go relationship with the Japanese, although the Japanese Government would be obligated to provide our forces, after proper payment, with resources required for the bases’ proper functioning. General MacArthur’s thought has been that the present occupation forces would be gradually reduced until at the time of coming into force of the treaty all surplus forces would have been withdrawn and the forces remaining would be established in the prescribed base areas. Asked how the number of our forces in Japan after the treaty might compare with the present number, Colonel Babcock stated that he had raised this question with General MacArthur but that the General had not attempted an estimate and thought the question should be determined by the Joint Chiefs of Staff in light of our over-all strategic planning.

Although he had not discussed the point with General MacArthur, Colonel Babcock stated that the State Department position that U.S. forces retained in Japan after a treaty should be stationed in “remote” areas was unrealistic from a military point of view. He agreed with the State Department, and he was confident that General MacArthur also agreed, that our forces should not be scattered throughout Japan as at present. It was necessary, however, that they be adjacent to the base areas which they were assigned to protect, and these base areas were for military reasons usually near though not actually within population centers. The forces would have dependents with them, but Colonel Babcock did not think this would present a problem considering that all U.S. personnel would live in the base areas and that the burden of supporting them would not fall on the Japanese economy.

Japanese Defense Forces—General MacArthur’s opposition to the establishment of Japanese defense forces is based not only on the above-mentioned Constitutional provision and on his belief that such forces would serve no useful military purpose, but also on the fact that Japan will for some time to come be unable to afford their cost. Colonel Babcock stated that in his discussions with General MacArthur the General had made no reference to authorization of defense forces even at some future period. He believed, however, that General
MacArthur would probably approve a treaty provision calling for reexamination of Japan’s security position five or ten years after the treaty. The General considers it important if and when the Japanese are permitted an army that it not be run by the “old crowd” and in the old way but that, as Colonel Babcock put it, it be a “democratic army.” Colonel Babcock stated that although some Japanese undoubtedly desire the reactivation of Japanese defense forces, most are at present thoroughly disillusioned with military methods and actively support a course of continued disarmament for Japan. He was confident that the great majority of Japanese would welcome a U.S.-Japan agreement providing for the retention of U.S. forces in Japan after the treaty.

4. Japanese Internal Security

General MacArthur believes that the Japanese should be permitted in the treaty to develop a constabulary armed with rifles and machine guns and other comparable equipment to enable the Japanese Government to deal with Communist or other internal attacks. He believes they should also be permitted an adequate coast guard. The treaty, in his view, should contain no reference to Japanese civil police forces, leaving the Japanese free to establish these forces at any strength they think wise.

5. Industrial Restrictions

General MacArthur believes that the treaty should impose no restrictions on industries not exclusively devoted to the production of armaments, so that Japan may have the largest possible opportunity to develop its peaceful economy. He does believe, however, that Japan should not be permitted civil aviation activities nor the right to manufacture aircraft. He feels that Japan should be permitted to develop its merchant shipping and merchant shipbuilding industries without limit as an important source of foreign exchange.

6. Post-Treaty Inspection

It is General MacArthur’s view that with Japan forbidden an army, navy, and air force, and with the retention of U.S. bases in Japan, any major violations of the treaty’s disarmament provisions would be apparent without need for a post-treaty inspection system within Japan.

7. The Reforms

General MacArthur believes that the various reforms introduced under the occupation have now won sufficient popular support so that they can be expected for the most part to stand on their own feet. In his opinion the treaty should either require the Japanese to preserve all the reforms or should make no mention of them at all. If the second course is followed, however, he believes it should be made clear to the
Japanese that the Allies approve what has been done, so that the Japanese do not gain the impression that we are repudiating the reforms.

8. Formosa

General MacArthur considers it of the greatest importance that Formosa not fall under Communist control. He does not believe it essential that we control the island, but believes that "by hook or by crook" we must keep it out of Communist hands. When Mr. Butterworth observed that this view was widely shared but that the "hook or crook" was difficult to devise, Colonel Babcock stated that General MacArthur had no suggestions on this point. The General thought that, rather than permit Formosa to go to the Communists, it would be better to return it to Japan. He remains of the view that we should retain the Ryukyus as another essential link in the offshore island chain. Colonel Babcock mentioned that General MacArthur agreed with the JCS evaluation in NSC 49\(^2\) of our security requirements with respect to Japan but had not yet seen the State Department's comments on that paper in NSC 49/1.\(^2\)

General Magruder indicated briefly that he and certain others in the Pentagon did not share General MacArthur's view that reactivation of Japanese defense forces at this time was unnecessary and undesirable. This school of thought holds that Japanese ground forces could be of military value in the defense of Japan, and that their establishment would release U.S. forces for service in other areas where they would be badly needed in the event of war.

In closing his remarks, Colonel Babcock stated that the views which he had expressed were General MacArthur's personal opinions, and that although he was confident that these opinions would be considered, the decision as to U.S. security requirements in a Japanese peace treaty would of course be determined by the Joint Chiefs of Staff and the Secretary of Defense.

Mr. Butterworth thanked General Magruder and Colonel Babcock and stated that the State Department's present thinking corresponded closely with General MacArthur's.

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\(^2\) June 15, p. 773.
\(^2\) October 4, p. 870.

740.0011 PW (Peace)/11-449
The Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the Acting Political Adviser in Japan (Sebald)

SECRET

WASHINGTON, NOVEMBER 4, 1949.

DEAR BILL: As you know, it was agreed between Secretary Acheson and Foreign Minister Bevin during the latter's visit here in September that we would provide the British with a Japanese treaty draft by
early December, and that they, if they found the draft satisfactory, would attempt at the Commonwealth Foreign Ministers’ Conference early next year to persuade the other Commonwealth Governments to accept it.

As a first step in the preparation of the draft Mr. Webb as Acting Secretary wrote to Secretary Johnson on October 3 requesting the Department of Defense's views on the essential security requirements of the United States in a peace treaty with Japan. Work on this phase of the matter is proceeding.

Meanwhile, preparation of a treaty draft, minus the chapter on security, has proceeded within this Department as a matter of urgency. A first draft was compiled on October 13, and a second draft, prepared within the Bureau of Far Eastern Affairs with the participation of the Economic, Legal, and other concerned Offices and Bureaus and bearing their initial approval, has now been completed. The draft has not received the approval of Secretary Acheson.

The draft is presently undergoing a further hammering process which will doubtless continue up to the moment that it is presented to the British. In view of the limited time available, however, I am sending the enclosed copies ¹ to you at this stage for your comments and with the request that you show it at once to General MacArthur for his views and suggestions. It would be appreciated if your and General MacArthur’s initial impressions could be telegraphed as soon as possible, with more detailed and technical suggestions following as they become available. Copies of the draft are being furnished today to the Defense Department with the information that the draft is being provided at the same time to you and General MacArthur.

The draft is accompanied by a commentary setting forth its underlying concepts and containing a number of explanatory notes on particular articles.

W. WALTON BUTTERWORTH

¹ Dated November 2, not printed (740.0011 PW (Peace)/11–749).

740.00119 Control (Japan)/11–1049: Circular telegram

The Acting Secretary of State to Certain Diplomatic Offices ¹

RESTRICTED

WASHINGTON, November 10, 1949—1 p.m.

ReDepcirtel Apr 22, 9 a. m. Reps of FEC countries were invited to call individually at Dept for purpose explaining to them US reasons for wishing press forward with estab, in countries willing receive them,

² At nine posts, Canberra, Chungking, London, Manila, New Delhi, Ottawa, Paris, The Hague, and Wellington; also repeated to Tokyo for information only. 201–136—77—20
of Jap overseas offices for handling trade promotion, economic reporting and, where necessary, civil status and possibly other limited consular-type functions. These Reps are being handed identical aide-mémôire, substance of which folks:

US Govt recommended to FEC last Apr that under SCAP's supervision Jap be permitted attend internat'l mtgs, conventions and adhere to and participate in such internat'l arrangements as other countries might be willing conclude with Jap. At that time US Govt expressed hope that while SCAP already possessed sufficient discretionary powers under existing FEC policy decisions to permit Jap participation in internat'l relationships, leadership in bringing Jap back gradually into the internat'l community wld be taken by countries represented on FEC.

FEC subcommittee considering this question has focused its attention on two aspects overall problem: First dealing with Jap's attendance at internat'l mtgs and second concerning estab Jap overseas offices charged with trade promotion and other affairs. Without in any way minimizing importance which US attaches to first aspect, US wishes to emphasize urgency taking early steps establish Jap overseas offices.

Benefits which accrue to a country's internat'l trade by maintenance trade offices in other countries are too well known to need repeating. Additionally, in countries where there are large populations there is pressing need for some Jap agency handling civil status and other functions undertaken on practical basis for its natls resident those areas. Lack of competent Jap authorities to perform notarial services on behalf of countrymen abroad and advise them in matters Jap domestic law is confusing legal rights and depriving many persons of citizenship rights and property. Overseas offices wld also serve as agency for bringing to attention Jap residents abroad all SCAP directives and Jap laws and regulations with which they might be immediately concerned. Precise scope of activity overseas offices wld presumably have to be worked out on bilateral basis through SCAP between Jap and other country concerned.

SCAP has recently suggested to US Govt that it enter into arrangements with Jap Govt, through SCAP, for establishing Jap offices in New York, San Francisco and Los Angeles. SCAP added that if requests shld be received from other countries for establishing similar Jap offices SCAP wld give them sympathetic consideration on same basis.

US Govt therefore urges other FEC countries join in course of action designed improve facilities for handling trade and other matters of common concern to them and Jap. US, for reasons cited above, believes it must shortly respond affirmatively to SCAP's msg,

*Dated November 9 or 10. (740.00119 Control (Japan)/11-949)*
but it continues hope other FEC powers will also agree upon desirability such action.

Foregoing summary of aide-mémoire for your info in case matter raised by Govt to which you accredited.

Webb

740.00119 FEAC/11–1149 : Telegram

The Acting Political Adviser in Japan (Sebald) to the Secretary of State

CONFIDENTIAL

Tokyo, November 11, 1949.

488. Cite C-53492. ReDeptel 551, October 31. Since the Soviet representative’s latest statement at FEC 27 October meeting is obviously baseless propaganda largely repetitive of similar sweeping charges advanced at previous meetings and rebutted in the exhaustive analysis contained in SCAP message C-51198, 4 July 1949, believe no further detailed reply either necessary of [or] useful except possibly to two new and grossly inaccurate allegations contained therein:

First: “That by means of mass discharge of workers the Japanese authorities are removing from enterprises and institutions first of all leaders and active members of trade unions”.

Reply: Under Law No. 126 enacted by the Japanese National Diet in May 1949 in implementation of the economic stabilization program, which calls for rationalization of government employment in the interest of efficiency and economy, ceilings were established on the total personnel strength of Japanese governmental agencies which required a reduction of some 20 percent overall, resulting in the release, during the summer months, of about 10 percent of the personnel actually on the regular government payroll. In the execution of this program such pertinent factors as the employees’ seniority, work record, efficiency, attendance, and attitude toward their jobs all were weighed. It may be assumed that persons with records of frequent absence from their posts, nonattendance to duties or obstructionist and disloyal tactics were among those discharged. Some of these persons may have been active union members, but that certainly was not the criterion for discharge.

Second: That “on September 17 the Japanese Government published a new decision according to which the workers of government and public utility enterprises and institutions are prohibited from engaging in political activities”.

Reply: This obviously refers to Rule No. 17–4 of the National Personnel Authority issued on 19 September. No “new decision” is involved at all, nor are the workers of “public utility enterprises and institutions” affected by this rule, which applies only to government
civil service employees, the conditions of whose employment are governed by the National Public Service Law as enacted in 1947 and amended in 1948. Article 102 of this law states, "personnel shall not solicit or receive, or be in any manner concerned in soliciting or receiving, any subscription or other benefit for any political party of political purposes or engage in any political activity as defined by the rules of the authority other than to exercise the right to vote". Thus, the decision to exclude civil servants from active participation in partisan political activity was made by the people's elected representatives in the Diet many months ago. In Rule No. 17-4 the National Personnel Authority merely carries out its statutory duty to define for administrative purposes the meaning of "political activity".

The constitutional basis for both the law and the rule may be found in Article 15 of the Constitution of Japan which states in part, "all public servants are servants of the whole community and not of any group thereof". With the possible exception of the USSR where it is understood participation in political activity is directed under the totalitarian political concept, the prohibition against active participation in politics by civil servants is long-established and generally recognized in the US and other democratic countries. This is, of course, both necessary and beneficial, not only in the interest of good government but for the protection of civil service employees against pressure to work for or contribute to the support of special groups whether in or out of the government. Its constitutionality has been sustained whenever challenged in the courts. This prohibition thus provides a safeguard against the re-emergence in Japan of a totalitarian political machine.

Sebald

740.0011 PW (Peace)/11-1449: Telegram

The Acting Political Adviser in Japan (Sebald) to the Secretary of State

SECRET

Tokyo, November 14, 1949.

495. For Butterworth: General MacArthur and I have independently given careful study and consideration to the November 2 draft treaty forwarded under cover of your letter November 4, minus chapter 5 reserved for security provisions. General MacArthur submits the following observations:

a. That the provisions contained in Article 52 should be eliminated as contrary to the concept of a definitive peace enunciated in the preamble, and would be generally construed by both Japanese and the outside world as continuing restriction upon Japanese sovereignty, becoming a psychological barrier to the prompt, orderly and progressive
re-entry of Japan into a dignified place within the community of nations.

b. That Article 39 and annex 7 should be re-examined in the light of the bitterness which would be aroused if provision is made for the partial recovery from Japan for losses sustained by United Nations nationals resulting from damage to property in Japan, while losses sustained by United Nations nationals in areas occupied by the Japanese or in areas of the former Japanese empire to be ceded to other nations under terms of the treaty are excepted from claim or recovery. That such provisions are entirely inconsistent with the intent and effect of Articles 31, 32 and 36 of the treaty draft and could not fail to be challenged as a move designed to afford special protection to British and American investments in Japan, providing the Soviet and a Communist China with a major propaganda advantage. That the imposition of such a burden upon Japan would most seriously impair the chance for her economic rehabilitation and thereby eventually confront the American people with the possibility of having to assume this financial burden either directly or indirectly.

c. Article 41, paragraph 3 is considered unrealistic for the reasons not only that the Japanese economy most probably could not stand the tremendous drain consequent upon compensation for Japanese assets abroad, but also because it attempts to legislate upon a matter which might better be left for determination between the Japanese Government and its nationals.

I fully concur with General MacArthur’s observations set forth in a, b, and c above.

Although I propose to submit by airmail mission’s comments in greater detail and on an article by article basis,1 I believe it might be helpful to give our tentative reactions: While the mission is agreed that it would be preferable to have a shorter treaty with less emphasis upon technical matters, we feel that to a large extent the problem is one that must be solved in consequence of the needs, desires and recommendations of the many Washington agencies concerned, as well as with a view to presenting an acceptable draft to our Allies. On the other hand, we are somewhat concerned that the November 2 draft seemingly represents the maximum conditions which the United States seeks to place upon Japan, and that it leaves little room for bargaining purposes should a “harder” treaty be desired by our Allies. We are, of course, fully aware that the security provisions have not yet been formulated and that revisions of fundamental provisions in the draft may be affected thereby.

The following are our preliminary comments concerning those provisions which we consider of high importance:

Article 4: Presumably security provisions will effect eventual determination Taiwan and adjacent islands. Suggest consideration question of trusteeship for Taiwan consequent upon plebiscite.

1 Despatch No. 806, November 19, not printed.
Article 5, paragraph 2: Japan will unquestionably advance strong claim to Etorofu, Kunashiri, Habomai, and Shikotan. Believe United States should support such claim and due allowance made in draft for peculiarities this situation. Consider problem highly important in view questions permanent boundary and fisheries.

Article 6: Recommend reconsideration Liancourt Rocks (Taishima). Japan's claim to these islands is old and appears valid. Security considerations might conceivably envisage weather and radar stations thereon.

Article 14: Query: Should Japan be committed to recognize treaties of little or no direct concern to herself, or treaties which have not yet been concluded?

Article 19: Strongly recommend deletion this entire article.

Articles 33 to 37, inclusive: Suggest single article containing general statement referring these matters to annexes.

Article 38: Recommend deletion.

Article 41, paragraph 2: Consider this paragraph gratuitous.

Article 43: We are somewhat skeptical concerning proposed arbitral tribunal by reason of its being an extension into era of peace, presumably for many years, of forced means of adjudication.

Article 48: Recommend deletion or rewording this article to state a principle rather than an enforced administrative measure.

Article 49: Question the necessity for this article.

Sebald

740.00119 FEAC/11–1449

Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the Secretary General of the Far Eastern Commission (Johnson)

WASHINGTON, November 16, 1949.

The Government of the United States has been advised that in accordance with paragraph V, 1 of the Terms of Reference of the Far Eastern Commission which provides that “the membership of the Commission may be increased by agreement among the participating Powers as conditions warrant by the addition of representatives of other United Nations in the Far East or having territories therein”, all the member governments of the Far Eastern Commission have now agreed to the admission of Pakistan and Burma to the Far Eastern Commission.

Therefore, the Secretary General of the Far Eastern Commission is requested to issue invitations to the Governments of Pakistan and Burma to appoint representatives to the Far Eastern Commission and to participate as members in the discussions of the Commission.\(^1\)

The Secretary General is requested, at his discretion, to send copies

\(^1\) The Ambassadors of Pakistan and Burma were welcomed as new members of the FEC at its meeting November 17.
of his invitations to the Governments of Pakistan and Burma to the other member governments of the Far Eastern Commission.

W. WALTON BUTTERWORTH

Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the Secretary of State

SECRET

[WASHINGTON,] November 18, 1949.

You may wish to keep in mind the possibility that Australia may try to obtain a US security guarantee in return for concurring generally in the substance of our proposals for a Japanese peace settlement.

That Australia may try to obtain a price for its concurrence is suggested by Australia’s general attitude toward Pacific questions since 1945. Dening’s discussion of the Japanese peace settlement at Canberra following the recent Singapore conference and the circulation of rumors that the peace conference will meet in Canberra are all straws in the wind. That Australia may seek a security guarantee is suggested by Australia’s emphasis in the past on the dangers of a resurgent Japan as a reason for opposing proposals directed toward Japan’s economic recovery or the improvement of Japan’s international status.

The guarantee sought, while ostensibly directed against Japan and inspired by Australia’s narrow escape from Japanese invasion in World War II, would under existing conditions be in fact directed against attack by the USSR, directly or indirectly.

An Australian request would attract requests from the Philippines, Korea and other quarters and revive discussion of a possible Pacific Pact modeled on the Atlantic Pact.

There are strong reasons against undertaking a general security guarantee in the Pacific either through a Pacific Pact or independent of such a pact. We cannot give extensive additional military commitments without seriously diluting the effectiveness of those already given. Such commitments moreover reduce the flexibility of our foreign policy. The USSR operating both in European and Far Eastern areas is in position to take advantage of loss of policy maneuverability on our part through an over-extension of commitments. A US guarantee would also be likely to retard assumption of reasonable defense responsibilities by Australia and other states in position to contribute substantially.

There are also strong reasons against extending US security guarantees through a Pacific pact especially during the formative period of a Pacific association of states. The association would be transformed
from an organ for political, economic and social cooperation—as now contemplated—into an anti-Communist alliance. Such an alliance at the present moment would almost certainly be unacceptable to India, Burma and Indonesia and probably some other states. The effect of a US security guarantee would accordingly be divisive rather than cohesive.

There is, of course, serious question whether the Pacific states concerned will be able to build and maintain an effective union even for the limited purposes now under contemplation. If, however, we are now to assume failure on their part in advance and to consider building up a restricted union on a defensive basis among Korea, Japan, the Philippines, Australia and New Zealand with a few possible additions, we must face the implication that these are the states we intend to defend and that the rest are being abandoned. I do not believe that the time has come when we should draw such a dividing line in the Pacific, even if we had the disposable forces to back a guarantee.

For the above reasons I feel that we should not accede to any request from Australia at this time to provide a security guarantee.

The problem is, of course, complicated by the probability that no effective UN forces will be available in the foreseeable future. We have, however, made our defensive intent clear by bases in Japan, Okinawa, and the Philippines and by the extension of aid in various forms to other areas, without being tied by security commitments.

We might accordingly meet the Australian request under present conditions by taking the position that so long as we retain bases in Japan, there need be no fear of Japan’s military resurgence or Soviet occupation of Japan; that at such time as we withdraw our forces from Japan, the security problem so far as it relates to Japan will naturally be reconsidered; and that the security problem so far as it relates to the Pacific area generally is a separate issue not involved in the Japanese peace settlement.

W. W[ALTON] B[UTTERWORTH]

740.00119 PW/10–2149

The Assistant Secretary of State for Far Eastern Affairs (Butterworth) to Major General Carter B. Magruder, Deputy to the Under Secretary of the Army

TOP SECRET

WASHINGTON, November 21, 1949.

DEAR GENERAL MAGRUDER: I wish to thank you for your memorandum of October 21 setting forth the policy of the Department of Defense toward Japanese industry, and to offer the following com-

1 A copy was sent the same day to Under Secretary of the Army Voorhees.
ments on the Conclusions (paragraph 10) to the memorandum recommending action to bring U.S. policy proposals in the FEC and, to the largest possible extent, approved FEC policy decisions into line with the position stated in your memorandum.

The actions which you propose are substantially those envisaged in our May 12 reparations and level-of-industry statement in the FEC and in Secretary Acheson's letter of July 8 to which your memorandum is the reply. Since that time, however, procedures for moving forward with a Japanese peace treaty have, as you know, been discussed with the British Foreign Minister and possibilities of the conclusion of a treaty which would deal definitively with these problems have greatly increased. In these circumstances it would seem preferable for us to present our proposals on Japanese industry to the British in December, and to certain of the other friendly governments concerned, on a high-level, government-to-government basis in the context of our over-all security and other treaty proposals.

There are a number of considerations which would seem, indeed, to render this the only feasible course. You will recall, for example, that the provisions in your memorandum regarding the manufacture and operation of civil aircraft specify that such manufacture and operation should be restricted to an extent which "would not constitute a threat to the security of the United States." The exact restrictions which would be required, which would need to be specified in any proposals to the FEC, apparently remain to be determined. In this instance and in the case of merchant shipping and shipbuilding, moreover, the views of other agencies of the Government will need to be considered, making it unlikely that a final U.S. position on these questions could be obtained before we were ready to initiate discussions on the treaty as a whole with the British. Until decision has been reached within the Government on such basic treaty questions as the size and composition of the Japanese constabulary, and whether the Japanese should be permitted in the treaty to manufacture the arms for the constabulary, it will be impossible to submit new proposals regarding security limitations on Japanese industry to the FEC. It would appear that revision of NSC 13/3 and pertinent SWNCC and SANACC papers must also await decision on these basic questions.

I would appreciate hearing from you at your earliest convenience should you be unable to agree with these views.\^3

Sincerely yours,

W. Walton Butterworth

\^2 Dated May 6, p. 730.
\^3 General Magruder replied on November 22 that Under Secretary Voorhees and he agreed to presentation of the matter to other friendly governments as suggested (740.00119 FW/10-2249).
SECRET

WASHINGTON, NOVEMBER 23, 1949—7 P.M.

984. For Ambassador.¹ For ur conf info, current thinking in Dept is that all nations which declared war or state of belligerency against Jap shld be party to Jap peace treaty. It is envisaged 13 FEC countries wld be actual negotiating powers, with remaining 38 nations to participate in consultative capacity.

Present draft makes no provision for inclusion ROK in either category.

Dept wld appreciate ur views urgently as to whether and to what extent provision shld be made for Korean participation in Jap treaty, in terms both of domestic political considerations and of probable substantive effect on negotiation of peace settlement.

WEBB

¹ John J. Muccio.

SECRET


Subject: Southern Kurile Islands and the Shikotan Archipelago

1. Reference is made to your memorandum of November 22, 1949,² subject, Southern Kurile Islands, requesting a study of the legal aspects of the Japanese claim to the retention of Etorofu, Kunashiri, the Habomai Islands and Shikotan.

2. The basis of the Soviet claim to these islands is a passage in the Yalta Agreement of February 11, 1945, between the leaders of the Soviet Union, Great Britain and the United States: “The Kuril Islands shall be handed over to the Soviet Union”. While there are numerous historical ethnographic, political, economic and strategic reasons for Japanese retention of all of the islands above named, the only legal question involved is the definition of the words “Kuril Islands”, as used in the Yalta Agreement. Since all of these islands were without question part of Japan before the war, they should be retained by Japan unless they are part of the “Kuril Islands” within the meaning of the Yalta Agreement.

¹ Addressed to Maxwell M. Hamilton.
² Not printed.
3. It is believed that there is sound basis for the legal contention that the Habomai and Shikotan are not properly part of the Kuril Islands. Reasons follow:

a. Geographic: This group of six chief islands, although sometimes called the "Lesser Kuriles", is also known as the "Shikotan Archipelago", and the five smaller islands as the "Habomai Group" or the "Suisho" or "Goyoma" islands. It runs parallel to the Kuril chain, and is 35 to 40 miles distant therefrom. The Kurils are a string of volcanic islands which are rising from the sea; the Shikotan archipelago is geologically older and constitutes an extension of the Nemuro or eastern peninsula of Hokkaido. Consequently, the Kurils are rugged and often precipitous, while the Shikotan archipelago consist of low rolling hills.

b. Historical: While Russia has at one time or another claimed or possessed most of the Kuriles including Etorofu, it has never before claimed any part of the Shikotan archipelago. Early Russian explorers or settlers apparently erected markers on Etorofu, which the Japanese threw down in 1800, when they made settlement on that island. From that time on Russian expeditions continued their research from the north only as far as Uruppu. After a near century of dispute over Etorofu, in the Russo-Japanese Treaty of Amity of 1855, the frontier between Russia and Japan was drawn between Etorofu and Uruppu. Etorofu was to belong to Japan, and Uruppu "as well as all the Kurile Islands situated to the north of this island", were to belong to Russia. In the St. Petersburg Treaty of 1875, in exchange for all Japanese claims to Sakhalin, The Emperor of Russia ceded to the Emperor of Japan "the group of islands called Kuriles, which he possesses actually, together with all the rights of sovereignty derived from their possession, so that henceforth the said group of the Kuriles shall belong to the Empire of Japan. This group comprises the 18 islands named below["]", naming 18 islands north of Etorofu. While the language of this treaty indicates that the islands ceded to Japan were only one group of the Kuriles, the other group may well have been Etorofu and Kunashiri. Both of these treaties are evidence that Etorofu, at least, is part of the Kuriles, but neither of them gives any such indication as to the Shikotan archipelago.

c. Political: The Habomai Islands were never included politically in the Kurile Islands, but since 1915 have been administered by the Japanese as part of Habomai Village of Nemuro County of Hokkaido. The Kurile Islands in the possession of Japan were in Chishima County, another part of the Nemuro Branch Administration. Shikotan, however, appears to have been included with the south Kuriles for the sake of convenience.

4. There seems to be no sound legal reason for claiming that Kunashiri and Etorofu are not part of the Kurile Islands. While, as indicated above, they have never been under Russian sovereignty since the Treaty of 1855, both that Treaty and the Treaty of 1875 indicate that they were considered to be part of the Kurile Islands. Mr. Fearey's memorandum of September 1947, summarizes the reasons why the
United States might wish to support Japan's claim to these islands, but there seems to be no legal support for the wish.

5. Note. That Shikotan and the Habomais are economically of importance to Japan is indicated by the fact that these islands produce 40 percent of Hokkaido's production of Kombu (edible sea-weed), which in turn accounts for 97 percent of Japan's total production. The waters of all of these islands yield crab, salmon, trout, cod, shark, scallop and whale, as well as the Kombu mentioned above. From 1935 to 1944 inclusive, Shikotan and the Habomais averaged 92,349 metric tons of these products annually, while Etorofu and Kunashiri averaged 118,850 metric tons. It appears, therefore, that if Shikotan and the Habomais could be preserved for Japan 45 percent of the total fishing potential of the area in question would be saved.

740.00119 FEAC/11-2849

Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the United States Representative on the Far Eastern Commission (McCoy)

CONFIDENTIAL

[WASHINGTON,] November 28, 1949.

With reference to C4–339/14, Japanese Participation in Technical Agreements and Conferences and C4–339/15, Appointment of Japanese Governmental Agents Abroad for Trade and Certain Other Purposes, the United States Representative should urge that these papers, particularly the latter, be forwarded to the Commission as soon as possible.

The United States Representative is requested to propose that paragraph 2 of C4–339/14 be amended to read as follows: "Japanese going abroad shall not engage in propaganda activities".

The United States Representative is authorized to approve C4–339/14, provided the substance of the foregoing amendment is accepted by the other members, and C4–339/15, but at the time of voting, should indicate that United States approval and support of these papers in no way prejudices the United States position that, in the absence of a Far Eastern Commission policy decision to the contrary, the Supreme Commander for the Allied Powers has the authority to permit Japan to participate in international relationships. The United States Representative should also point out that his Government has sought the approval of the Commission for these policies in the hope that the member governments of the FEC would assume the leadership in bringing Japan progressively back into peaceful contacts with other nations.

W. WALTON BUTTERWORTH
Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the Secretary of State

SECRET

[WASHINGTON,] November 30, 1949.

In your meeting with Mr. Voorhees today, you may wish to have in mind the following considerations favoring an early peace treaty:

1. The occupation some time ago passed its peak. Its popularity with the Japanese has diminished and will diminish further if the natural desire for a treaty, making adequate provision for Japanese security, is thwarted. If the cooperation which the Japanese have afforded the occupation should cease, our position in Japan would become untenable and the occupation accomplishments would be imperilled.

2. Japan’s friendly orientation toward the United States cannot be compelled but must arise from the feelings and considered interests of the people, which can be better appealed to through a liberal peace settlement than through continuation of an increasingly unwelcome occupation.

3. The Japanese are unlikely to display requisite responsibility and initiative and otherwise to work with maximum effectiveness for the solution of their nation’s pressing economic problems until restored to treaty status. With full responsibility for their own affairs the traditional energy and initiative of the Japanese can be expected to reassert themselves, while without it the tendency to lean on the occupation will continue.

4. The British, French, Australians and most of our other Allies strongly desire a treaty. Their unwillingness to approve piecemeal restoration of Japan to a normal international status obstructs revival of Japan’s foreign trade and its reorientation as a peaceful member of the family of nations.

It is believed of primary political importance that the U.S. be in a position of favoring and attempting to obtain a peace treaty, for the following reasons: (1) the desire of the Japanese for a treaty; (2) the desire of our Allies for a treaty; (3) to avoid a situation where the Soviets are for and we against a treaty; and (4) to obtain the full support of the American people and the people of the Far East in the event we have to go ahead without Soviet concurrence.

It is important in the light of these factors, of your understanding with Mr. Bevin, and of the short interval remaining before the Commonwealth Conference scheduled for January 9, that the Defense Department, in accordance with the understanding with the President, proceed urgently with the determination of U.S. security requirements to be incorporated in a draft peace treaty. The NSC and the President can then decide whether we should proceed with discussions with friendly FEC powers to determine whether or not a peace conference should be held on the basis of this draft treaty, notwithstanding the
probability that the USSR and Communist China would not participate.

740.00114 PW/11-3049

Memorandum by the Director of the Office of Northeast Asian Affairs (Allison) to the Assistant Secretary of State for Far Eastern Affairs (Butterworth)

CONFIDENTIAL [WASHINGTON,] November 30, 1949.

Bill Sebald has just forwarded to me two reports 1 (attached) entitled “Special Report” and “Soviet Use and Treatment of Japanese POWs”, both of which he had received on a confidential basis from General Willoughby, SCAP’s G-2. The two reports offer dramatic testimony of Soviet failure to carry out their end of the repatriation agreement. Both reports—the latter in greater detail—discuss at length such matters as the high death factor in Soviet POW camps, Soviet exploitation of Japanese POW labor, Soviet indoctrination of POWs, the crass disregard of the last batch of Communist indoctrinated POWs toward their families and fatherland.

Sebald understands that the “Special Report” is to be released to the press early this December after the Soviets have completed the repatriation of the last batch of 10,000 POWs they claim to be remaining in Soviet territory. (SCAP and Japanese figures show 400,000 Japanese POWs still remaining in Siberia, Sakhalin and the Kuriles.) The other report may be released later. Sebald points out that the idea of releasing this material originated with General MacArthur who ordered its preparation many months ago.

COMMENT

SCAP has long viewed the repatriation issue as the best anti-Communist theme in his book. He played it with notable success over the last summer when the pro-Communist returning POWs deserted their families awaiting them at the station in order to join Communist rallies. Evidently he has now decided to pull all the stops.

Sebald has not offered any comment, implied or otherwise, as to whether or not he believes the documents should be released. Viewed from NA, there would appear to be no objection to the release of the first document. Release of the second document is considered inadvisable because it presents raw intelligence which would probably be ineffective as propaganda and which might disclose sources of information and otherwise prejudice intelligence acquisition from Soviet areas.

After you have returned this memorandum and its attachments to NA I am planning to send them on to EE for comment, with a view

1 Neither printed.
to giving Bill Sebald our confidential, informal reactions to his letter for whatever action he may wish to take in the matter. Mr. Peake \(^2\) agrees with the above commentary.

\(^2\) Cyrus H. Peake, intelligence adviser, Bureau of Far Eastern Affairs.

The Australian Embassy to the Department of State

AIDE-MÉMOIRE

The Australian Government has carefully considered the arguments set forth in the Department of State’s aide-mémoire of 9th November \(^1\) concerning a proposed Far Eastern Commission policy decision which would permit official Japanese trade agents to maintain offices abroad and/or perform certain functions pertaining to the civil status and property rights of Japanese Nationals who are residing abroad, but is unable to support the proposed policy.

The Australian Government would not deny, now that two-way trade between Japan and other countries is gaining momentum, that the Supreme Commander for the Allied Powers can scarcely be expected to continue to control Japanese trade indefinitely without increasing his staff, and that, if there were no prospect of a peace settlement with Japan, some additional machinery or other facilities would in due course have to be established.

The Australian Government, however, is not convinced that the only way to develop trade between Japan and other countries is to allow the Japanese Government to establish trade promotion offices abroad and that the establishment of such offices is a matter of great urgency. Because of exchange difficulties, trade between Japan and its largest customers is likely for some time to remain subject to some form of Governmental control at each end, and it would not appear that a trade promotion campaign conducted by official Japanese trade agents abroad would give an immediate and appreciable stimulus to Japanese trade nor that this is a matter of extreme urgency.

It would also appear that it is not a matter of extreme urgency that official Japanese trade agents should be permitted to handle matters affecting the civil status and property rights of Japanese abroad. Such matters have presumably been dealt with under established procedures since the commencement of the war with Japan and it seems unlikely that they have increased in volume or complexity so suddenly as to call for the urgent establishment of new machinery.

The reasons advanced in support of the proposed policy, as set forth in the Department of State’s aide-mémoire, are, in the opinion of the

\(^1\) See footnote 2, p. 896.
Australian Government, arguments in favour of an early peace settlement with Japan. A resumption by Japan of normal international functions and responsibilities in advance of a general settlement could in its view be justified only if there were no prospect of concluding such a settlement. The Australian Government considers that an early peace settlement is desirable and feasible and that every effort should be made to conclude it with the least possible delay. Unless and until a settlement complete with appropriate safe-guards for the Japanese as well as for the Allies is shown to be impracticable, the Australian Government sees no need to raise unnecessary legal difficulties or run a future security risk by resolving in a piece-meal fashion matters which should properly be decided by a Peace Conference.

WASHINGTON, November 30, 1949.

740.00119 FEAC/12-149: Telegram
The Secretary of State to Acting Political Adviser in Japan (Sebold)

WASHINGTON, December 1, 1949—6 p. m.

621. Mtg of Steering Comite, Nov 29 cancelled. At Mtg FEC Nov 29 Canadian Amb. in name all members of Comm expressed appreciation to Gen McCoy for contribution to Internatl cooperation and work as Chairman of Comm. For urinfo Mr. Maxwell Hamilton was sworn in as US rep in afternoon.

Comite 4 on Nov 29 approved and forwarded to Steering Comite C4–339/14 by vote of 5 in favor (Netherlands with reservations, China with reservations, France, India and US with reservations), 3 opposed (Australia, New Zealand and Philippines), 4 abstentions (Canada, Burma, USSR and UK) and 1 absent (Pakistan). C4–339/15 approved and forwarded to Steering Comite by vote of 4 in favor (China, India, Netherlands, US), 2 opposed (Australia, Philippines), 6 abstentions (Burma, Canada, France, New Zealand, UK and USSR) and 1 absent (Pakistan).

Austral member stated C4–339/15 only justified in absence of peace treaty, but that peace treaty was not only desirable but possible.

For urinfo Pakistan and Burma have been approached through dipl channels along lines expressed Depcirtel Nov 10, 1949.

ACHESON

1 Hume Wrong.

2 On November 25 President Truman received General McCoy and thanked him for his services on the FEC. (740.00119 FEAC/11–2549)
SECRET

SEUL, December 3, 1949—1 p. m.

1455. Deptel 984, November 23. We are strongly of view ROK should be included in some capacity among nations participating in Japanese peace treaty. Koreans would like, of course, to be actual negotiating party, but we believe if Koreans can be given good reason why this impossible or impracticable they can be persuaded to participate in consultative capacity. Both official and non-official view is that Korea was a belligerent against Japan as evidenced by participation of Korean military units, fighting with Chinese armies, in war against Japan; fight waged in Manchuria by Korean guerrillas against Japanese over period of years; and existence in China of Korean Provisional Government which was apparently recognized by Korean military units there as their supreme authority. Department will be aware from public utterances President Rhee and other Korean officials that ROK definitely expects to participate in Japanese peace settlement. Should ROK be entirely excluded, prestige of government would be seriously impaired and such action could logically be regarded as backward step by US and UN in fostering ROK. Apart from foregoing considerations, it appears essential to have Japan committed by peace treaty, to which Korea is a party, to reaffirm relinquishment of all sovereign rights to Korea.

Although ROK has advanced unrealistic claims against Japan going back to 1905, we believe Koreans can be persuaded to accept existing allocation of Japanese property, public and private, situated in Korea as total Japanese reparations, provided that _bona fide_ Korean property interests in Japan are treated in accordance with ordinary property laws. Accordingly, we do not anticipate Korean participation in negotiation of peace settlement would be serious source of embarrassment to other negotiating powers. Before extending any invitation to ROK to participate we could, if desired, privately inform ROK invitation contingent upon not presenting further reparations claim. In this connection we feel Korean eagerness to be signatory is such that ROK would agree to foregoing terms.

Another consideration persuading US toward Korean participation is our feeling Japanese-Korean problems can better be resolved through international forum than through bilateral negotiation.

Muccio
Memorandum by the Assistant Secretary of State for Far Eastern Affairs (Butterworth) to the Secretary of State

CONFIDENTIAL

WASHINGTON,] December 12, 1949.

In commenting upon Mr. Oliver’s report\(^1\) you asked whether more push is necessary to remedy the situation in the Ryukyus.

Mr. Voorhees visited Okinawa in September, having been briefed before his departure by Mr. Oliver. He was extremely dissatisfied with the situation as he found it, and has personally directed many of the measures now being taken. The most important of them are set forth below.

They represent only the start of an adequate program in the Ryukyus. Questions which require greater attention are the recruiting of competent personnel, including the possibility of putting in a civilian as head of the civil administration; and the scale of pay-as-you-go by the military which presently omits land rental and provides extremely low wages. The Department of the Army appears to be doing all that can be expected at the moment, however, and I do not think that more pressure would be useful.

1. There is a new top administration on the Islands and some of the worst officers have left. Although he has not yet been able to recruit an able staff, General Sheetz, unlike his predecessor, has taken a strong interest in his military government responsibilities.

2. At my instance, the Department of the Army has sent a proposed new directive, substantially as drafted in the Department of State to CINCFE for comment requesting urgent consideration (copy attached). This directive covers most of the abuses which have been reported and even before formal issuance should afford badly needed guidance to the field.

3. A $73,000,000 construction program, including $22,000,000 for housing, is under way with procurement of materials and services being made as far as possible in the Ryukyus and Japan. Although primarily for military purposes, this will have considerable effect on the civilian economy.

4. A revised program has been developed for the expenditure of GARIOA appropriations in the current fiscal year, amounting to approximately $25,000,000, largely for economic rehabilitation and including housing for military government personnel. The latter is basic for the recruiting of able personnel.

5. A trade agreement has been made with SCAP under which purchases up to $9,000,000 will be made by the Ryukyus and up to $1,000,000 by Japan.

\(^1\) See letter of July 29, p. 815.
6. An agricultural mission sent out by the Department of the Army has made an excellent report to the Commanding General late in November which he declared his intention to carry out. The report stresses the administrative measures necessary to improve the condition of the Ryukyuan economy, which is almost entirely agricultural. The principal such recommendation is that a central native administration be established with responsibility for the entire area, and that the military administration establish parallel divisions. The report also stresses the necessity to keep land occupancy by the military to a minimum.

7. A financial and general economic team from GHQ, SCAP went to the Ryukyus several weeks ago to make recommendations for a coordinated economic and fiscal plan, covering problems of the exchange rate, Ryukyus budget, wage levels, pricing of imports, etc. In view of the varied types of U.S. expenditures and their significance for the total economy, these are extremely complicated problems, and FE is seeking further information in order to be of any possible assistance. It is understood that Mr. Dodge decided not to undertake a study along these lines, because he did not have opportunity to do it justice.

W. W[Alton] B[utterworth]

[Annex]

Proposed Directive by the Joint Chiefs of Staff to the Commander in Chief, Far East (MacArthur)

SECRET

OUSFE

[WASHINGTON,] 30 November 1949.

PROPOSED DIRECTIVE FROM THE JOINT CHIEFS OF STAFF TO CINCFE ON CONDUCT OF CIVIL ADMINISTRATION IN THE RYUKYUS

A. Responsibility

1. As a result of the terms of the surrender of the Empire of Japan to the forces of the Allied Powers, and the principles of international law governing the rights and duties of occupying powers, the Government of the United States is responsible for the civil administration of the Ryukyu Islands, South of Latitude 29° North. This responsibility is delegated to you and will be executed pursuant to this directive and other instructions from your government. The government of this area by the United States will be termed "U.S. Civil Administration of the Ryukyu Islands."

2. You are authorized to redelegate the responsibility of U.S. civil administration of the Ryukyu Islands to a subordinate official designated as "Director for U.S. Civil Administration of the Ryukyus"
and to issue to him appropriate instructions consistent with this and subsequent directives.

B. **General Policy**

3. It is the policy of the United States to develop and maintain on a long-term basis the facilities in the Ryukyu Islands by reason of the importance of the Islands to the interests of the United States. U.S. civil administration will be conducted on the assumption of long-continued interest in such manner as to develop and maintain the well-being of the civil population and not prejudice ultimate decisions with respect to the international status of the Islands and their form of government.

4. The objective of the U.S. civil administration of the Ryukyu Islands will be the establishment of a stable political and economic structure stemming from and responsive to the will of the people as exerted through democratic processes. The U.S. civil administration will further the:

(a) Economic and social well-being of the Ryukyus, accomplished to the maximum extent by the efforts of the Ryukyuans themselves, in order to insure civil tranquility and to reduce to a minimum the deficit in the native economy.

(b) Broadening of the base of self-government through legislative, executive and judicial organs established in accordance with democratic principles, and the adoption of basic laws promulgated by elected representatives.

(c) Execution of a cultural and educational program designed to foster development of the arts and sciences and enlightened civic consciousness, with due regard for the existing culture of the inhabitants.

C. **Civil Administration**

5. To the maximum extent compatible with U.S. objectives, U.S. civil administration will be indirect and will operate through Ryukyuan governmental authorities. To this end and pending developments of higher organs of Ryukyan self-government, provisions will be made for:

(a) The establishment of responsible native government at the municipal level, subject to general supervision of the U.S. civil government.

(b) The establishment as soon as feasible of responsible native government at the provincial level subject to the general supervision of the U.S. civil administration. Pending the development of such government, native advisory bodies, preferably elected, will be established.

(c) Appointment of a representative advisory council at the highest level of Ryukyuan government to make recommendations upon questions referred to it by the U.S. civil administration.

(d) Appointment or election of native counterparts to the principal officers in the U.S. civil administration.
D. Legal

6. You will cause the review of existing laws in effect in the Ryukyus, both Japanese and military, and the codification of all enactments supplementary to the basic Japanese Code, making the rescissions and amendments and enacting the new legislation necessary to effectuate the objectives set forth in this directive.

7. Priority will be given to the registration of land titles and the establishment of judicial machinery for the settlement of disputes in connection therewith.

8. The necessary courts to enforce the criminal law and to try and to determine civil disputes will be established, with appropriate appellate tribunals. Subject to such regulations as may be prescribed, native courts will have jurisdiction over violations of the criminal law by other than nationals of the Allied and associated powers. The jurisdiction of such courts may be extended to offenses by such nationals. Courts of the U.S. civil administration will be maintained with such civil and criminal jurisdiction and codes of procedure as circumstances may require.

E. Civil Liberties

9. Procedures will be established whereby the Ryukyuan people will be guaranteed the basic liberties of democratic countries, including freedom of speech, assembly, petition, religion and the press, and security from unreasonable searches, seizures and detention without trial.

F. Economic and Fiscal

10. A coordinated long-range economic plan will be developed in consultation with appropriate U.S. departments and agencies with maximum participation by the Ryukyans with the object of achieving Ryukyuan self-support at a level of living appropriate to the achievement of United States objectives. It should include:

(a) Sound policies for the utilization and conservation of Ryukyuan natural resources, including land reclamation and improvement based on accepted principles of land classification and use.

(b) A program for developing on a long-range basis those Ryukyuan industries which can be sources of exports or reduce import requirements.

(c) Full and equitable compensation by U.S. Forces and other U.S. Government agencies stationed on the Islands for the contribution to their support by Ryukyuan labor and other economic resources.

(d) Such foreign trade controls, e.g., export-import licensing and exchange controls, as are appropriate in view of the relative merits of minimizing governmental controls to encourage free private trade, and the need to make the most effective use of Ryukyuan resources.

(e) Measures designed to stabilize the financial structure of the economy, e.g., an adequate and equitable system of taxation to support necessary Ryukyuan governmental activities without recourse to def-
licit financing; a sound banking and currency system; a single rate of exchange appropriate for all foreign transactions; and the establishment of a counterpart fund in the Ryukyuan budget control of which shall be exercised by the U.S. civil administration with the object of promoting economic development and fiscal stability.

(f) An adequate statistical agency.

G. Travel and Communication

11. Subject to necessary regulations in the interest of military security and to availability of facilities, travel and communication to and from the Ryukyus will be freely allowed. Emigration will be encouraged subject to necessary international agreement.

H. Education and Information

12. In view of the objectives outlined above, encouragement will be given to the following:

(a) Facilities for education with particular emphasis on personnel and physical equipment.
(b) Facilities for dissemination of public information; and
(c) A program to develop intelligent participation in the responsibilities of democratic citizenship.

I. Relationships Among the U.S. Forces, the Civil Administration and the Native Population

13. Proclamations, ordinances, orders, etc., of the U.S. Forces affecting the inhabitants or the local economy, will normally be issued by or under the authority of the Director of the U.S. Civil Administration.

14. The native police may be authorized to arrest and detain members of the U.S. Forces and nationals of the Allies and associated powers observed in the commission of a felony in the absence of military police. In such an event, the arrested person will be turned over to the nearest military installation immediately.

15. In view of the acute shortage of arable land to support the local economy, the occupancy and use of such land by the U.S. Forces, will be kept to the absolute minimum consistent with the accomplishment of U.S. military objectives.

16. All U.S. Forces personnel and dependents stationed in the Ryukyus will be made aware of the basic U.S. objectives in the Ryukyus to the end that a mutual feeling of friendship and respect is fostered between the natives and U.S. personnel.

J. Appropriations

17. You will prepare and transmit to the Department of the Army, from time to time as requested, estimates, with complete justification, of appropriations from U.S. funds for government and relief in the Ryukyu Islands and economic rehabilitation necessary to defray any deficit in the Ryukyuan economy and will be responsible for the expenditure under approved procedures of funds made available for such purposes.
18. The effective utilization of all U.S. surplus and excess supplies made available to the civil economy is essential. Justification in budgets and programs will reflect the realistic usage of these supplies whenever received.

K. Vesting of Property

19. Title to property in the Ryukyus belonging to the Japanese Government, Japanese corporations, and Japanese individuals resident in Japan shall in general be vested in the U.S. civil administration and such property shall be administered and disposed of for the benefit of the Ryukyuan people. Legislation to this end, to be promulgated by the U.S. civil administration, containing such exceptions as may be appropriate for small individual holdings, corporations locally owned, etc., will be prepared and submitted to your government before promulgation. All other property which has been taken under control, except property under requisition by the Armed Forces, will be returned as soon as feasible to the control of the owners or their agents.

20. All objects of a cultural, religious, and historical character in the Ryukyu Islands will be preserved and protected.

L. Previous Directives

21. Any provisions of present directives conflicting with the foregoing are to be regarded as modified accordingly.

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740.00119 FEAC/12-1349: Telegram

The Secretary of State to the Acting Political Adviser in Japan (Sebold)

CONFIDENTIAL

WASHINGTON, December 13, 1949—3 p. m.

647. Subj is Summary FEC mtg, Dec 8, 1949.
Maxwell Hamilton elected permanent Chairman of Comm.

Sov member asked for discussion on his amendments FEC 242/32.
No comments.
No discussion other items on agenda.

Under Other Business Sov member made statement re participation Jap trade unions in interntl trade union conferences transmitted to SCAP War 97330, Dec 9. US member stated it was purpose FEC and SCAP to further democratic reforms in Japan and specifically referred to statements Sir George Sansom in reviewing MacMahon

1 Former British Minister and member of the British delegation to the FEC; retired.
Ball’s book on Japan and of SCAP on Fourth Anniversary of Japan’s Surrender.

Sov member stated that: “As it has been conveyed to the Govts of Burma and Pakistan, the Sov Govt is in agreement with the proposal that these countries be admitted to membership of FEC. At the same time the Sov del feels it necessary to note that in performing the admission of Burma and Pakistan to the membership of the FEC a violation of established procedure which provides for decision of such questions by the Govts of countries founders of the FEC, has been allowed.” US member pointed out that view his Govt that Burma and Pakistan had been admitted FEC accordance with prescribed procedure. UK, Austral, Canad and Neth members took position that no reg had been violated. Sov member hastily pointed out that he made statement for record and not for discussion. Sov member also made query re salvage sunken Jap ammunition transmitted SCAP in War 97321, Dec 8, 1949.

ACHESON

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W. MacMahon Ball, former British Commonwealth member of the Allied Council for Japan (Australia).

894.602/12-1649 : Airgram

The Acting Political Adviser in Japan (Sebald) to the Secretary of State

Tokyo, December 16, 1949.

[Received December 26—2:02 p.m.]

A371. With reference to Scapin 2058 of November 22, 1949, transmitted to Department under cover of Mission’s despatch no. 854, December 6, 1 on subject of removal of certain Japanese companies from Schedule of Restricted Concerns, following SCAP press release was issued on December 8, 1949, by Public Information Office, GHQ, FEC [sic]:

“Sixty-two more Japanese business and industrial concerns under restriction due to former Zaibatsu connections, have just been removed from restricted listings, having complied with all removal requirements, SCAP’s Fair Trade and Practices Division today announced.

“Criteria for the removal of these concerns were primarily the sale of former Zaibatsu-owned stocks; completion of reorganization if required under established Japanese laws; ascertainment that those companies in which United Nations nationals have claims for securities restitution have reserved shares for restoration in accordance with the law, and completion of separation from the former Zaibatsu chain of capital, ESS officials explained.

1 Not printed. For Department press release of December 1 on eliminating trade restrictions, see Department of State Bulletin, December 12, 1949, p. 910.
“This leaves 707 concerns still to meet the criteria for removal from restricted listings, ESS officials said.

“Widespread business and industrial interests are included in this latest list of removals, among them the following types of firms: flour mills, lumber, real estate, cotton, hosiery, paper, aluminum, engineering, sheet-glass, warehousing, paint, collieries, shipbuilding, industry, construction, felt, pulp, optics, graphite, manganese, metals, harbor transport, alloys, cement, fibres, tea, rolling stock and locomotives, chemicals, marine transport, pump manufacturing, sulphur, light metals, mining, silk manufacturing, weaving and spinning, dyeing, machine manufactures, and diesel engines.”

SEBALD

740.00119 Control (Japan)/12-2140: Telegram
The Acting Political Adviser in Japan (Sebald) to the Secretary of State

RESTRICTED PRIORITY

TOKYO, December 21, 1949.

579. Immediately upon opening of regular Allied Council meeting this morning, Soviet member Lt. Gen. Derevyanko raised question of procedure charging that rejection his subject “on violation of the principles and unfulfillment of the problems of the democratization of Japan” proposed in his letter dated November 14, 1949, had been arbitrary and unjustified and that subsequent letter dated December 5 stating his intention to discuss “anti-democratic measures of Japanese Government” at forthcoming meeting of Council had been similarly rejected without reason. He also strongly protested against discussion of repatriation problem which I had placed on agenda for today APO’s meeting at Supreme Commander APO’s direction stating that proposed discussion of this subject not only was inappropriate but obviously constituted a part of campaign of hostility and propaganda conducted against Soviet Union by SCAP Headquarters. I pointed out that subject for discussion proposed in Soviet letter of November 14 had been rejected because, as phrased, it involved review of action taken by SCAP under directives issued to him in conformity with FEC policy decision and that such review was proper subject for FEC and not ACJ; also that letter of December 5 only stated an intention to place subject on agenda but contained no specific wording of subject. After further brief exchange during which Soviet member refused follow ruling of chairman and conducted himself in unruly manner, Soviet member stated he could not take part in meeting permitting discussion of Japanese repatriation and thereupon left meeting accompanied by staff.

1 Quote in telegram 498, November 16, from Tokyo, not printed (740.00119/11-1049).
I then proceeded with statement as outlined in my tel 569, December 16 \(^2\) (which Department has by separate means).\(^3\)

British Commonwealth member Ambassador Hodgson after a few remarks and questions on procedural issue strongly supported position taken in my general statement confirming propriety of discussion of repatriation issue by Allied Council, reviewing general problem of repatriation, stressing Soviet failure to challenge GHQ statistics on repatriation and strongly affirming necessity of securing information from Soviet Union regarding present status of repatriation. Pointing out ACJ APO's responsibilities for advising SCAP on repatriation problem and making constructive recommendations, he proposed that the Council recommend to SCAP that Soviet Government be reminded of obligations under 1929 Prisoners of War Convention and Geneva Convention signed by various nations, including Soviet Union on December 8, 1949, as well as other agreements, Potsdam Declaration, and UN Declaration of Human Rights, and invited conclude new repatriation agreement incorporating principles in these conventions and declarations, asking Swiss Government as protecting power or international organization such as Red Cross to make impartial investigations of conditions of Japanese remaining in USSR.

Chinese member General Chu Chih-ming spoke briefly expressing general interest of his government in repatriation program and pointing out that Chinese part of repatriation program had long since been completed.

**Sebald**

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\(^2\) Not printed.
\(^3\) For text, see Department of State Bulletin, January 2, 1950, p. 24.

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761.04114/12-2249: Telegram

*The Acting Political Adviser in Japan (Sebald) to the Secretary of State*

**Tokyo, December 22, 1949.**

582. Following is text of statement issued by General MacArthur to press at 3 p.m. today, Tokyo time:

"I have accepted the wise recommendation of the British Commonwealth member, made at yesterday's meeting of the Allied Council, to seek the help of a neutral nation such as Switzerland, or of the International Red Cross, to gather the fullest possible details of the tragic fate of the 376,000 missing Japanese prisoners. To this end I am requesting the United States Govt to attempt to negotiate the necessary arrangements. I can well understand the reluctance of the Soviet member yesterday to listen to so gruesome and savage a story in all its harrowing barbarity. It could well chill and sicken even a hardened old soldier."
"The Soviet member has now given to the press a letter containing charges of oppression by the Japanese Govt. These moth-eaten charges have been so often made by the Soviets and so often irrefutably shown to be completely prejudiced, if not actually false, that their continued repetition could well be ignored under normal circumstances as merely blatant propaganda. But when, as at this moment, they are again taken from the shelf and freshly dusted off to act as a smoke screen to distract attention from the investigation of the dreadful fate of hundreds of thousands of Japanese prisoners probably dead on Soviet soil, they represent a callousness of hypocrisy I cannot fail to denounce."

Sesbald

690.9431/12–2249: Airgram
The Secretary of State to the Acting Political Adviser in Japan (Sesbald)

RESTRICTED

A–242. The Department is planning to hold an economic-commercial conference at Tokyo the week of April 17 to 22, 1950 on the general subject of concrete proposals for increasing intra-regional trade in the Far East area with particular reference to increasing the volume of mutually beneficial exchanges of goods between Japan and the countries of south and southeast Asia. It is proposed that you will be Chairman of the conference and that it will be attended by the principal economic officer at each of the following posts: Manila, Seoul, Bangkok, Saigon, Singapore, Batavia, Hong Kong, Taipei, and possibly Rangoon, Karachi and New Delhi, as well as by such officers at Tokyo, Yokahama and Kobe as you may consider desirable. Representation from Washington has not yet been decided, but it appears that there will be not more than a total of six from the Department of Commerce and other concerned departments, thus making a total of approximately 19 persons excluding persons already resident in Tokyo. The Department would also desire that at least some of the sessions of the conference be attended by such personnel of GHQ, SCAP as you may consider desirable.

In order that planning for the conference may be completed as quickly as possible it would be appreciated if you would immediately approach SCAP to determine whether it will be possible to obtain suitable accommodations in Tokyo for the conferees during the period mentioned and promptly inform the Department by telegraph.

This matter has been informally discussed with and approved by the DA here.

Acheson
The Secretary of Defense (Johnson) to the Secretary of State

WASHINGTON, 23 Dec 1949.

Dear Mr. Secretary: On October 3rd, you wrote me requesting advice as to the essential security requirements of the United States in a peace settlement with Japan. This presented military questions of great seriousness and difficulty, which depended in some degree upon legal questions.

I regret that it has not been possible to answer your letter at an earlier date, but I know that you have been kept informed of the reasons which prevented this.

Inclosed is the opinion from the Joint Chiefs of Staff which I have just received. I concur in this opinion.

I am concerned about the psychological effect upon the Japanese—and therefore about the effect upon the success of our occupation—resulting from the widespread public discussion during recent months about an early treaty, including extensive debates in the Japanese Diet. This prospect has raised great hopes in Japan. I feel that we must promptly give consideration to the steps necessary to deal with this very real problem.

Sincerely yours,

LOUIS JOHNSON

[Enclosure]

Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Johnson)

WASHINGTON, 22 December 1949.

The Joint Chiefs of Staff have formulated the following statement of their views concerning negotiations, at this time, leading toward a Japanese peace treaty, together with a statement of United States treaty requirements for military forces and bases in Japan:

a. On 6 May 1949, the President determined it to be national policy that it was then premature to press for a peace treaty with Japan (NSC 13/3). On 9 June 1949, in response to an inquiry by the Department of State, the Joint Chiefs of Staff reaffirmed their view that a peace treaty with Japan was premature. This expression of views was forwarded on 14 June 1949 by the Secretary of Defense to the National Security Council (NSC 49).

b. The Joint Chiefs of Staff have again re-examined the military and national security factors involved in the matter of an early peace treaty with Japan, and in doing so have taken note of:

(1) The unsettled political and military conditions and uncertain military action in the Asian continental areas near Japan;

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1 See enclosure to note of June 15, p. 774.
(2) The highly unstable political and military situation in Taiwan and in southeast Asia, both subject to relatively rapid deterioration and change;

(3) The fact that a treaty consistent with the terms of the armistice by which Japan surrendered could not at this time assure the denial of Japan’s ultimate exploitation by the USSR or assure her orientation toward the western powers.

During this period of political and military instability in the Far East the following are the minimum military requirements of the United States as to forces and bases in the islands of the Japanese Empire, not considering Taiwan and the Pescadores:

a. The United States to be the only foreign power which would have military forces and base rights in any of the Japanese islands to the southward of Sakhalin and the Kurils Islands;
b. Arrangements whereby the United States strategic trusteeship over the Marianas, Caroline, and Marshall Islands would not be disturbed by any provision of the treaty;
c. The United States to secure exclusive long-term strategic control of the Ryukyu Islands south of latitude 29° north, Marcus Island, and the Nanpo Shoto south of Sofu Gan; and
d. The Joint Chiefs of Staff would expect that the United States forces to be stationed in Japan would be somewhat less than at present and that bases would be required:

(1) On Okinawa, together with such other facilities in the areas delineated in subparagraph c above as are deemed essential by the Joint Chiefs of Staff;
(2) At Yokosuka, as a protected naval base (NSC 13/3 and NSC 49); and
(3) In the four main islands of Japan, Army and Air Force bases generally as at present.

From the military point of view the Joint Chiefs of Staff consider that a treaty to be acceptable must include both the USSR and the de facto Government of China as party signatories to the document.

In light of the conditions noted in paragraph 1b above and since it is apparent that the minimum military requirements and the requirement that the USSR be a party signatory to the document are probably mutually exclusive, the Joint Chiefs of Staff reaffirm their previous view that negotiations now, leading toward a peace treaty with Japan, are still premature.

If, nevertheless, it is decided that peace treaty negotiations shall be undertaken, it is requested the Joint Chiefs of Staff collaborate in the formulation of those terms of the treaty having military implications.

For the Joint Chiefs of Staff:

OMAR N. BRADLEY
Chairman,
Joint Chiefs of Staff
TOP SECRET

[WASHINGTON,] December 24, 1949.

Participants: Gen. Omar N. Bradley, Chairman, Joint Chiefs of Staff
The Secretary, Mr. Rusk, G, Mr. Butterworth, FE
Mr. Howard, S, Mr. Howard, FE

The Secretary said he asked General Bradley and General Burns to come in in reference to the situation confronting us incident to the receipt of Secretary of Defense Johnson's letter of December 23 on the subject of the essential security requirements of the United States in a peace settlement with Japan. The Secretary commented that he did not want to discuss the letter this morning but before passing to another aspect of the situation would simply state his reaction to one feature of the JCS memorandum enclosed with Secretary Johnson's letter. In the JCS memorandum there was set forth the JCS's estimate of military requirements postulating the continued presence of U.S. forces in Japan and in various islands. Those requirements we could appreciate. At another point the JCS memorandum contained the statement that an acceptable peace treaty with Japan must include both the USSR and the de facto government of China as parties to the document. In view of these two conclusions, the view expressed by the JCS that negotiations leading toward a peace treaty with Japan are premature represents, in the Secretary's opinion, a masterpiece of understatement. The Secretary said that the JCS view really described a long-term, not a temporary situation. The Secretary continued that we would want to discuss this feature of the JCS memorandum and all its implications. This morning, however, he was merely calling attention to it.

The Secretary also pointed out that the JCS memorandum referred to one sentence in NSC 13/3 to the effect that this Government should not press for a treaty of peace at this time. The Secretary said he would like to read the whole paragraph in which this statement appeared. The Secretary then read paragraph No. 1 of NSC 13/3 as follows:

"1. Timing and Procedure. In view of the differences which have developed among the interested countries regarding the procedure and substance of a Japanese peace treaty and in view of the serious international situation created by the Soviet Union's policy of aggressive Communist expansion, this Government should not press for a treaty of peace at this time. It should remain prepared to proceed with the negotiations, under some generally acceptable voting procedure, if the
Allied Powers can agree among themselves on such a procedure. We should, before actually entering into a peace conference, seek through the diplomatic channel the concurrence of a majority of the participating countries in the principal points of content we desire to have in such a treaty. Meanwhile, we should concentrate our attention on the preparation of the Japanese for the eventual removal of the regime of control.”

The Secretary said that what we were doing was to follow out the procedure set forth in the above quoted paragraph. When Mr. Bevin was here in September, he and the Secretary had discussed the question of the Japanese peace treaty. As the procedure was so closely connected with the content of the treaty, it had been agreed that they would work toward an exchange of views on the content of a possible treaty. If they found that they could agree on the principal points of content, a procedure under which voting would be by two-thirds or by a simple majority might be feasible. This might eliminate the need for considering the veto. A conference might even proceed along pre-war lines where each country would be free to accept the conclusions of the conference or not to accept them. The British, Australians, Canadians and others have consistently advocated an early peace treaty with Japan.

In the light of Secretary Johnson’s letter of December 23, we are obviously not going to be able to meet the time schedule contemplated when the Secretary talked with Mr. Bevin in September. Some ten days ago Mr. Bevin had telegraphed the Secretary asking whether the Secretary could not give him some indications of the U.S. position on the treaty. The British Ambassador \(^1\) had also been in to see the Secretary. The British Government was obviously embarrassed by the lack of information from us in connection with the forthcoming Ceylon meeting. If we furnish the British nothing by way of information, the result is certain to be that the United States would be blamed by some of the Commonwealth Governments for dragging its feet. This was quite likely to become a matter of comment in the press. It would get to Japan and would have an unfavorable reaction upon the Japanese people, who are eager for a treaty, and consequently upon occupation. This point was mentioned in the last paragraph of Secretary Johnson’s letter of December 23. Thus, if we do nothing, the result would pretty certainly be unfortunate. The Secretary therefore had in mind asking the British Ambassador to come in and reading to him a statement which had been drawn up for that purpose. Copies of the statement were passed to General Bradley and General Burns. The Secretary then read aloud the proposed statement.\(^2\) The Secretary then said he would like to have the benefit of General Bradley’s and General

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\(^1\) Sir Oliver Franks.

\(^2\) *Infra.*
Burns' views as to the proposed procedure and statement. General Bradley said he thought the statement expressed the situation very well and would be useful to pass on to the British Ambassador for Mr. Bevin. General Burns said he also liked the statement and fully concurred in the proposed course of action.

The Secretary said he was glad to know that their views coincided with ours and he would proceed as planned and ask the British Ambassador to come in, at which time he would read the statement to the Ambassador and perhaps hand him a copy, not as a formal communication but as an informal record of what the Secretary had said.

The Secretary explained that we hoped by this statement to get the Commonwealth Governments to appreciate the security problems confronting the United States and to become really concerned about these problems which had a direct bearing on their own security.

During the interchange of comment, General Bradley remarked that they of course wanted a peace treaty with Japan as soon as feasible. A military occupation began to run down hill after two or three years. At present there were many uncertainties in the military situation in the Far East both on the mainland and in reference to Taiwan. Possibly in six months or a year the situation would change in such a way that we would know better where we stood.

General Bradley referred in passing to the fact that it would probably be necessary at some time to let Japan have armed forces and that it did not make any sense for an independent nation of 80 million people not to have an army to defend itself. He indicated agreement that at the present it was not feasible to permit Japan to rearm.

In the course of the conversation, the Secretary said that in the paper he proposed to read the British Ambassador there had been incorporated some of the thought underlying the Department of Defense's position. It was of course possible that something regarding the U.S. position would get in the press from the Ceylon meeting or from some of the attending governments. One of the reasons why the Secretary had asked General Bradley and General Burns to meet with him that morning was that he might acquaint them with that possibility. If some publicity resulted, the Secretary desired to have their concurrence in the procedure so that the Department of State would not be charged later by the Department of Defense with responsibility for a leak.

The Secretary thanked General Bradley and General Burns for coming in.
Informal Memorandum by the Secretary of State to the British Ambassador (Franks)¹

PERSONAL AND CONFIDENTIAL [WASHINGTON,] December 24, 1949.

I asked you in today in further reference to the subject of the Japanese peace treaty. As you know, since Mr. Bevin left we have been working intensively exploring possibilities to see whether we could come up with a preliminary United States position and whether we could find a way for going ahead with a treaty at this time. On a good many aspects we have been able to reach tentative conclusions, but unfortunately in the very important matter of security we have not as yet been able to find satisfactory answers to certain basic problems confronting us. I regret therefore that we are unable to meet the contemplated schedule. I feel it might be helpful for Mr. Bevin to know the general nature of some of our difficulties.

The United States has been acutely aware that the basic problem underlying a treaty is security; that is, to avoid any peace settlement which would weaken the United States security position in the western Pacific and therefore the security of all other like-minded powers in that area. The United States also appreciates that security clauses in the treaty must be dual in purpose: security against renewed Japanese aggression and security for Japan against Soviet-Communist aggression. The two aggressive threats appear closely related, however, for in its present state of complete disarmament Japan can be realistically regarded as a future threat only if allied or in cooperation with Soviet military might. Several background factors render this contingency serious.

The USSR is the great and expanding power in Asia, with its influence spreading well beyond the actual areas now under Soviet control. This situation has been abetted by Japan’s defeat which, ending the long-standing balance of power in East Asia, has paved the way for the striking extension of Soviet influence over continental East Asia witnessed in the past four years. Soviet pressures are certain to be intensified against Japan itself, for were Japan added to the Communist bloc, the Soviets would acquire skilled manpower and industrial potential capable of significantly altering the balance of world power.

To this end, the Soviets are already pursuing the familiar Communist patterns of infiltration, subversion and propaganda in Japan, backed up by important psychological advantages: (a) intimidation—playing upon disarmed Japan’s fear of Communist power which has already expanded to points within a few miles of Japan; (b) self-

¹ Handed by Mr. Acheson on December 24 to Sir Oliver Franks.
interest—playing upon Japanese desires to trade with areas upon which it is traditionally dependent for a sizable proportion of its raw materials and markets; (c) the structure of the Japanese society which is not antithetical to totalitarian doctrines, since the Japanese are communal people long accustomed to passive acceptance of leadership and subordination of individual interests to the state's.

The United States therefore believes Soviet potentialities toward Japan must be given the most serious consideration and that, however much a treaty may be desirable, one which fails to give Japan adequate protection against Communist aggression, outright or subversive, may well be worse than no treaty at all.

In the present circumstances in Asia, we feel that it would be essential that there be retained United States forces in Japan, including the Ryukyu and Bonin Islands. If arrangements for the retention of these forces were to be concluded with Japan in a bilateral agreement between the United States and Japan, as suggested by Mr. Bevin, it would be necessary to specify the period of time for their retention and, possibly, their size. Because of uncertainties in the whole Far Eastern picture, the time limit and size of forces would have to be on the maximum side. This in turn raises the serious question of unfortunate psychological reactions in Japan and other Far Eastern countries.

No alternative desirable means for Japan's security exists. Neutrality is illusory in the context of East-West tensions. Thus, while Western Powers honored their obligation to observe Japanese neutrality, the Soviets would continue to pursue infiltration tactics, permitting them ultimately to turn Japan into an aggressive military threat. There are no United Nations security forces. The rearming of Japan for self-defense is not under present circumstances an acceptable alternative.

United States security requirements of the nature outlined rule out, in our opinion, any real prospect that the USSR or Communist China would be party to the treaty. At the present time, United States forces are in Japan performing security functions on the basis of agreed international instruments to which the USSR and China are parties. To sign a new agreement to which those two countries would not be parties and which would alter the existing legal basis raises the question of a less secure legal basis internationally for the continued presence of our forces.

These security points are not conclusions, but represent problems to which we have been unable as yet to find adequate answers. In view of the unsettled political and military conditions in Asian continental areas near Japan and in Southeast Asia, it is, of course, highly important that wise and soundly conceived conclusions be arrived at.

The United States and British Governments, as well as others, attempted in 1947 to bring about a peace conference and failed. When
Mr. Bevin was here in September, we renewed consideration of methods of accomplishing this and concluded that since procedure might well be closely connected with the desired content of a treaty we should exchange views on the latter. For reasons indicated above we are not yet able to do this concretely. Within the United States Government we intend to continue to work intensively at formulating a definite United States Government position. We propose to keep in the closest possible touch with the British Government about the matter.

740.00119 Control (Japan) / 12-2449

Memorandum of Conversation, by the Secretary of State

SECRET

[WASHINGTON,] December 24, 1949.

Participants: Sir Oliver Franks, British Ambassador
The Secretary
Mr. Butterworth, Assistant Secretary, FE

Following my talk with General Bradley and General Burns, I asked the British Ambassador to come to see me. I explained that in view of the imminence of Mr. Bevin's departure by boat for Ceylon, I wished to discuss with him what could be explained to Mr. Bevin about the nature of the problems with which we were faced in considering a possible Japanese peace treaty. I read him the prepared statement and emphasized its informal nature and the fact that it was addressed to him. I pointed out the adverse repercussions which would flow from any publicity emanating from the Ceylon Conference to the effect that the United States was holding back on proceeding with a Japanese peace treaty; that it was in all of our interests that it should be fully appreciated by everyone, including the Japanese, that it was the predatory and uncooperative attitude of Soviet Russia that was at the root of our difficulties. It was essential that the Japanese should understand this clearly and not be misled by any contrary propaganda. I also pointed out the undesirability of Mr. Bevin becoming at the Ceylon Conference the spokesman of the American point of view as defined in this memorandum. To all this the British Ambassador readily assented. He volunteered to send a telegram to Mr. Bevin explaining the whole situation to be followed by a letter enclosing the memorandum, it being understood that the memorandum was given to the British Ambassador personally and on the condition its use would merely be for Mr. Bevin's background and as guidance to him in leading the discussion at the Ceylon Conference into constructive channels. Sir Oliver Franks indicated he was sending the memorandum by mail so that it would not pass through the normal

1 Supra.
distribution channels and would merely be a personal communication from him to his Secretary of State.

Sir Oliver Franks went on to say that he thought the memorandum was a very helpful document and should be much appreciated by Mr. Bevin. He felt it would be useful in assisting Mr. Bevin in his conduct of the discussions at the conference; he felt he should say personally regardless of the trouble to which one went, in the last analysis how well the Ceylon Conference determinations went depended a good deal upon Mr. Bevin's state of health and vigor at the moment a matter over which he, of course, had no control.

I told him of my desire to apprise Ambassador Wrong for transmission to Mr. Pearson of the contents of this memorandum for Mr. Pearson's background. Sir Oliver Franks felt this was a desirable thing and perceived no objection to the procedure.

As he was leaving, the British Ambassador asked whether he could put this memorandum in the context of a remark that the U.S. conceived its interest in that area of the world as an arc which stretched from Japan through to India and that our interest was not merely a line so to speak drawn from California through Japan to China. I said that the arc concept fitted other discussions that we had had and at my invitation Mr. Butterworth elaborated by pointing out that some thought had been given in the Department to the desirability of discussing more precisely how that arc was made up in terms of the community of interests between the British Empire and the United States. In terms of that community of interests in the Japanese and Philippine area of that arc, we found ourselves bearing the major responsibility. We were likewise prepared to give a helping hand in Indonesia but that in the area north of Singapore, in Burma in particular, in a lesser degree in Thailand, and to some extent in French Indochina, the physical location of power points, custom, knowledge and circumstance made this area of primary United Kingdom and Empire concern; that however was not to suggest that the U.S. was not prepared to play a helpful role. Mr. Butterworth pointed out that perhaps at times the situation in that area of the arc suffered from the fact that there might be an inadequate realization on the part of the United Kingdom and the British Commonwealth or the U.S. as to the role of the other.

*Lester B. Pearson, Canadian Secretary of State for External Affairs.*
Memorandum of Conversation, by the Assistant Secretary of State for Far Eastern Affairs (Butterworth)

SECRET

[WASHINGTON,] December 24, 1949.

At the Secretary's suggestion, I called at Ambassador Wrong's residence this afternoon and handed him a copy of the memorandum which the Secretary had given to the British Ambassador this morning. I reviewed with the Canadian Ambassador the attempt this Government had made two and a half years ago with a view to bringing about a Japanese peace treaty and summarized the discussions with Mr. Bevin and the appropriate part of today's conversation with Sir Oliver Franks. Ambassador Wrong was appreciative of the step taken, indicating that he would send the memorandum to Mr. Pearson by confidential mail and would make clear that it was merely for his background guidance and not for specific reference at the Conference.

By recounting to the Canadian Ambassador that part of the Secretary's conversation with the British Ambassador which dealt with the Anglo-American arc of interest extending from Japan through the Philippines and Southeast Asia to India, I had an opportunity to reinforce the recent discussion which Mr. Rusk had had with Ambassador Wrong in terms of the Commonwealth taking greater initiative and responsibility for the mainland promontory of Southeast Asia. The Canadian Ambassador obviously had this question very much in mind because it was he who referred to Mr. Rusk's previous discussion with him.

740.0011 PW (Peace)/12-2749: Circular telegram

The Secretary of State to Certain Diplomatic Offices

SECRET

WASHINGTON, December 27, 1949—5 a.m.

In view forthcoming Ceylon mtg Commonwealth FonMins to discuss inter alia Jap peace treaty and original expectation, now appearing impossible of accomplishment, that US wld present Commonwealths with at least gist of its views on a treaty draft for Ceylon mtg, pls call on Min External Affairs of accredited Govt for purpose of orally confidentially presenting fol basic info re US thinking on Jap problem.

US and Brit Govts, and others attempted in 1947 bring about peace conference and failed. When Bevin was here in Sep subject was raised

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1 At Canberra, Colombo, Karachi, New Delhi, and Wellington. In the telegram to Colombo, it was added "that no decision yet made by this Govt as to inclusion or exclusion of Ceylon in Jap peace conference." In a further circular telegram to the same posts, December 28, 4 a.m., the Department requested no action be taken until new instructions were sent. (740.0011 PW (Peace)/12-2849)
again and conclusion reached, since procedure closely connected with desired content of treaty, to exchange views on latter. Since then US has been working intensively exploring what possible treaty would look like under present conditions. On good many aspects tentative conclusions reached, but in very important matter of security satisfy answers have not yet been found to certain basic problems.

[Here follows quotation based on text of Mr. Acheson’s memorandum of December 24 to the British Ambassador, page 927, from the second paragraph through the third.]

Sovs will use maximum pressure to communize Jap. Jap islands occupy such strategic position off Eastern Asiatic seacoast that Kremlin control thereof would extend Sov power into Western Pacific to alarming degree. Command of seas and air over the seas along Eastern Asia littoral would pass to Russians, and chain of islands leading southward as far as East Indies and Singapore would be definitely threatened. Govts throughout that area would be placed in great jeopardy by impact of militant Communism based on Jap islands. Effects could spread westward into Indian sub-continent areas.

Cardinal point in prescribed method of spreading Communism as enunciated by Sov writers is presence of Sov mil power along frontier common to that of next selected victim. Sov press boasts effect presence of Red Army in accomplishing sovietizing of Sov satellites. These successes contrast with Sov failures in countries where there exists no common frontier.

Spread of Sov system by such tactics constitutes forcible acquisition of territory just as definitely as territorial aggrandizement by open mil conquest. Inevitably in varying degrees of speed the new victim is shackled to Moscow direction and control.

[Here follows quotation based on the same text from the fourth paragraph through the ninth, concluding with the next-to-last sentence of paragraph ten.]

In 1947 Sov attitude on procedure prevented progress toward peace treaty. Since that time Sov penetration of other countries and tactics of indirect aggression have added to original Sov blocking in making difficult progress toward Jap peace treaty. Jap people are eager for treaty. Against this background it is highly important that nothing result from Ceylon mtg which would cause Jap people to feel that countries other than Sov Union are responsible for delay or difficulty in according Jap treaty status. US feels this point is psychologically of utmost importance.

ACHESON
Memorandum of Conversation, by the Director of the Office of North-east Asian Affairs (Allison)

SECRET

[WASHINGTON,] December 27, 1949.

Participants: Mr. James Plimsoll, Member, Australian Delegation to UN
Mr. John M. Allison, Director, NA

Mr. Plimsoll, an old friend from the time he was a member of the Australian Delegation to the FEC, dropped in to see me today and during the course of the general conversation had the following remarks to make concerning Japan and a possible treaty.

He stated that in his opinion it would be impossible to expect the USSR to sign any treaty which permitted the United States to retain bases or troops in Japan and that therefore, in view of the necessity from a security point of view of some such arrangement, he did not see how we could proceed with treaty negotiations. I stated that this was, of course, one of the problems of which we were acutely conscious and for which we were trying to find a solution. I then asked him what he thought would be the future course of action with respect to Japan if in fact it should prove impossible to obtain a treaty; and I reminded him of the reluctance of his Government and others to acquiesce in steps proposed by the United States for allowing Japan progressively to assume more international responsibilities. Mr. Plimsoll replied that in his opinion the new Australian Government would wish to go as far as possible in cooperating with the United States on Japanese matters, but that he was certain that such cooperation could be made easier if some sort of definite defense arrangements could be concluded regarding the Pacific between the United States and Australia. He went on to say that while the Australians recognize that Japan on its own could probably not become an aggressive menace for some years, nevertheless there was real fear in Australia that the United States might be building up the economic and industrial potential of Japan to a high degree, after which it might be taken over by the USSR and used against the other nations of Asia. It was this contingency as well as a resurgent militaristic Japan against which Australia wished to protect itself. He said that if Australia had assurances of joint action with the United States in case of trouble in the Pacific, there would not be nearly as much opposition to United States plans for a piecemeal treaty with Japan.

I made no comment other than to repeat that this whole problem of security in the Pacific, particularly as concerned Japan, was receiving the closest scrutiny by all concerned in this Government.

1 Robert Gordon Menzies, Prime Minister since December 19. Percy C. Spender succeeded Dr. Evatt as Minister for External Affairs.
Mr. Plimsoll has been for some time a Far Eastern expert in the Australian Ministry of External Affairs and was for a period closely associated with Mr. Evatt. It is believed that he is in a position to know the general feeling amongst at least the permanent element in the Australian Ministry of External Affairs and that he was reflecting its views in the above remarks.

740.00119 Control (Japan)/12–2849

Memorandum by Dr. George H. Blakeslee, Political Adviser to the Chairman of the Far Eastern Commission (Hamilton)\(^1\)

[WASHINGTON,] December 27, 1949.

JAPANESE PARTICIPATION IN TECHNICAL AGREEMENTS AND CONFERENCES (SC–339/20)

I. THE PROBLEM

To determine the position of the United States on SC–339/20, Japanese Participation in Technical Agreements and Conferences, in view of the approval of the policy paper by the Steering Committee including paragraph 2 which reads: "Japanese going abroad should not engage in political activities."

II. FACTS

1. United States position.

The United States Government approves the paper with the exception of paragraph 2, which it disapproves.

2. Action of the Steering Committee.

(1) To the original paragraph 2 the U.S. Member introduced an amendment which read: "Japanese going abroad should not engage in propaganda activities." The Canadian Member introduced a substitute for the U.S. amendment which read, "Japanese going abroad should not engage in political activities." This Canadian substitute was carried by a vote of 5 to 1 (United States).

(2) A motion of the U.S. Member to delete paragraph 2, as amended, was lost by a vote of 3 to 4.

(3) When the paper was voted on paragraph by paragraph, paragraph 2 was approved by a vote of 7 to 1 (United States).

(4) The paper as a whole was then passed by a vote of 5 to 4, with the United States Member voting in the opposition.

(5) The paper as a whole was then laid on the table until the next meeting.

3. Previous positions of the United States Government.

(1) The United States Representative voted for the FEC policy decision, "Travel outside Japan of Japanese Commercial Represent-

\(^1\) Initialed by Mr. Hamilton.
atives,” which was passed on October 21, 1948, and which contained the paragraph: “The activities of Japanese commercial representa-
tives abroad should be confined to trade. They should not be a cover for other activities such as for instance those of a political or propa-
ganda nature.”

(2) The United States Representative voted for the policy paper FEC–240/16, “Interchange of Persons between Japan and Other Countries for Cultural Purposes”, which contained the following paragraph, “Visits of persons who might engage in any political or propaganda activities should not be permitted under this program”.

4. Views of Other States.

(1) Opposition. The Philippine Republic is opposed to the paper and the Philippine member will doubtless vote against it. The United Kingdom Government “cannot support” the paper; the United Kingdom member, however, may abstain when a vote is taken. The Chinese Government was opposed to the original paragraph 2, but the Chinese member has asked new instructions in view of the adoption of the Canadian amendment. Australia and New Zealand are now opposed to the paper, but the new Governments may send different instructions.

(2) Several of the states wish this paper to be passed, since it would give FEC sanction to a procedure which now depends on SCAP, supported by the United States Government.

(3) Several of the members are awaiting original or revised instruc-
tions: Burma, China, Australia, New Zealand, and the USSR.

III. DISCUSSION

(1) Advantage to the United States.

It would be to the advantage of the United States to have a FEC policy decision which would give the approval of the Far Eastern Commission to Japan’s participating with other nations in interna-
tional agreements, conventions and conferences. Such a policy decision would probably meet the demands of a number of states which have insisted that Japan must receive the approval of the Far Eastern Com-
mission in order legally to become a member of such international organizations as the Universal Postal Union and the International Telecommunications Union. Some states, to be sure, are opposed to Japan’s becoming a full member of any international organization before a treaty of peace with Japan is signed and ratified. A sufficient number of states, however, would probably be satisfied by such a policy decision as SC–339/20 so that Japan would be admitted to such international organizations as the Universal Postal Union and the Inter-
national Telecommunications Union without particular difficulty.

Such a FEC policy decision as SC–339/20 would appear to be of further advantage to the United States since it would demonstrate the desire of the United States to cooperate with the other states on the
Commission. With a possible peace conference in the near future, it is obviously the part of wisdom to maintain the good will of our coming colleagues in the conference and not needlessly to arouse their opposition and antagonism.

(2) Paragraph 2 which reads: "Japanese going abroad should not engage in political activities".

The United States Government is at present opposed to this paragraph. Our Government, however, has previously twice voted for a similar paragraph (See II, Facts, 3). Our Government assumably does not wish Japanese abroad to engage in propaganda, espionage or political-organization activities. Our opposition is apparently based somewhat on the fact that the word "political" is so elastic in meaning that it might lead to differing interpretations and to misunderstanding (the sole reason advanced by the U.S. member in the Steering Committee); and even more on the fact that the paragraph would bar the Japanese Government from assigning political duties to its representatives to technical conferences. The paragraph would undoubtedly constitute such a bar, but this would be little more than an inconvenience; it would not bar the Japanese Government, if it had the approval of SCAP, from assigning political duties to specially appointed Japanese representatives nor from assigning such duties to the Japanese agents to be appointed to facilitate Japanese trade and to assist Japanese nationals in matters regarding their civil status and property rights.


On the basis of discussions both within and without the Steering Committee it seems probable that this policy paper will not pass in a form completely satisfactory to the United States. Whether it will pass at all will depend on the instructions to be received by the Soviet and Chinese members, and on whether the United Kingdom member, who "cannot support the paper", will abstain on the final vote. The amendments submitted by the United States in regard to paragraph 2 have been rejected by the majority of the Steering Committee who seem insistent on some statement which will bar the Japanese representatives from engaging in "political activities". The United States may have to decide whether to veto the paper or to make a concession to the views of our colleagues on the Commission.

IV. ALTERNATIVES

(1) No Policy Decision.

The situation would then remain as it is at present. The Japanese Government, with the approval of SCAP, would accept any desirable invitations to international conferences and would seek full membership. A strong opposition from many other states would be encountered. Even in regard to the International Telecommunications
Union, with the favorable vote of 10 to 5 in the Administrative Council, the issue of Japan's membership cannot be said to be settled. Some of the British Commonwealth members in the FEC have stated that the issue may be submitted to the plenary session of the Union at its next meeting. Without a favorable FEC policy decision Japan's membership in an international conference will remain possible but difficult and a matter of friction with some of the states which we regard as our best friends.

(2) A United States Interim Directive.

By an interim directive the United States Government would direct SCAP to permit the Japanese Government to accept invitations to international conferences. The ultimate authority would come from the United States rather than from SCAP, as at present. It is difficult to foresee what the effect of an interim directive would be upon the other states composing an international organization which Japan wished to join. Since the authority to issue an interim directive comes from the Terms of Reference of the Far Eastern Commission, other states might give more weight to such a directive than to an authorization derived solely from SCAP. On the other hand, if the interim directive should appear to be a procedure by which the United States attempted to disregard the Far Eastern Commission, it might strengthen the opposition of other states.

(3) A compromise by the United States.

The United States might accept paragraph 2 in some form which would be agreeable to the other states on the Far Eastern Commission. If the United States should decide to take this action, the first step would seem to be to ascertain by informal conference whether there may be any wording for the paragraph which would be mutually satisfactory to the United States and the other states on the Commission. If the other members should be insistent on some wording which would constitute a bar against "political activities" by the Japanese representatives to technical conferences, then the United States would state that, upon reconsideration and in deference to the views of the other members, it would accept the substance of the present paragraph 2 which forbids "political activities" by Japanese. The United States, further, might present a statement to be read to the Steering Committee or the Commission which would clarify and somewhat restrict the normal meaning of "political activities".
WASHINGTON, December 30, 1949—8 p.m.


"SecState presents his compliments to His Excellency the Amb of USSR and has honor to refer to fol statement contained in Potsdam Declaration, issued July 26, 1945 by heads of Govts of US, Great Britain and China, and subsequently subscribed to by SovGov: 'The Jap military forces, after being completely disarmed shall be permitted to return to their homes with opportunity to lead peaceful and productive lives.'

"From outset of occupation of Japan, Supreme Commander for Allied Powers instituted a program for repatriation of many millions of Jap from areas abroad. Excellent cooperation was forthcoming from authorities of Australia, China, France, Netherlands, New Zealand, Philippine Republic, UK and US, so that entire program with single exception noted below virtually completed during 1947. Exception relates to USSR which, many months after repatriation of Japs from other areas had been completed, still held several hundreds of thousands of Japs in detention.

"On May 20, 1949 a Sov statement reported by Tass News Agency declared at that time there was total 95,000 Jap prisoners in Sov-held territories remaining to be repatriated their homeland. This figure did not account for additional 376,929 Jap who, according to figures compiled by JapGov, were then, and still are, held in areas under Sov control.

"This discrepancy in no [number] unrepatriated Jap is too wide to be attributed clerical error or oversight. At same time, repatriation results from all other areas have uniformly attested to substantial reliability of JapGov statistics pertaining to Japs to be returned from those areas. JapGov's statistics relating to Japs detained in Sov-held areas further supported by letters from Siberia and by interviews with many hundreds of repatriates.

"Supposition therefore arises that discrepancy in question may only be explained by continued detention of large numbers of Japs in Sov-controlled areas and/or by abnormally high death factor among those who were to be repatriated. As to latter possibility, repeated efforts have been made by SCAP obtain precise info from Sov authorities re deaths Jap internees. Continued refusal Sov authorities even to transmit info on approximate no deceased internees has already imposed on families of all who not been repatriated many years of uncertainty and anguish. Withholding this info as well as prolonged detention prisoners after cessation hostilities in patent conflict with accepted Intl concepts of fundamental human rights and freedoms, and with humanitarian principles set forth Geneva Conventions of 1949 which were signed by some 45 Powers including Sov Union.

1 Not printed. Telegram 698 was repeated as 956, December 31, 1 p.m., to Moscow.
2 Alexander Semenovich Panyushkin.
“US Gov therefore urges, in interests of resolving an issue of long-standing concern to Allied Powers and Japan, that SovGov agree to designation of an Intl humanitarian body or organization which wd be charged with making complete survey of situation at first hand with view to obtaining exact info on Japs detained in areas under Sov control since cessation of hostilities. It is felt only through such means will it be possible, other approaches having proved unavailing, to settle a controversy which is causing unrest in Japan and concern everywhere.”

Dept requesting UK Gov to make parallel approach Sov Amb to London. Before press releasing text its note Dept wd appreciate your suggestions re timing release so as gain optimum publicity ur area. Pls reply soonest.

ACHESON