

SOURCE: NEW STATESMAN AND NATION NUMBER
5 October 1946.
London. Page. 242.

JAPAN UNDER CONTROL

[The first part of this article appeared last week.]

It is open to question whether the democracy in Japan at which General MacArthur's early directives appeared to aim was compatible with the retention of the Tenno-sei or Emperor-system. Admittedly he has shorn away much of the divinity surrounding the Son of Heaven. He has abolished Shinto as a state religion (although it must be remembered that there are big discrepancies between Tokyo orders and the manner in which prefectural authorities carry them out), and he forced the Emperor publicly to deny his divinity. What would have been *l'ère majesté* a year ago to-day passes unheeded. Palace guards have become fractious, red flags have invaded the Palace grounds and agitators have forced the priests of the Ise Shrine, the home of the Sun Goddess herself, to release hoarded food.

Before the General Election Hirohito paid visits to various factories and chatted with workers, but while this was well received by the country press, the Communists were free to write, "the Emperor and all other war criminals should be banned from carrying out such a pre-election campaign". At the end of May, when the food situation was becoming serious, Hirohito made a broadcast of such futility that the whole press was dismayed. It showed about as much appreciation of the plight of the people as Marie Antoinette did when she advised them to eat cake. The *Asahi* reported that the public was very disappointed with the broadcast and that the Emperor evidently still lacked capable advisers. For the first time a newspaper, the Tokyo *Mimpo*, published a cartoon of the Emperor, depicting him without arms, standing before the microphone, and the caption was: "All that is left is a mouth to eat and make speeches." Nevertheless, as various small Gallup polls have indicated, a plebiscite now would show a very small percentage of the population in favour of a Republic, although if the Emperor is allowed to go on making speeches like his last one that percentage will rapidly increase.

Closely linked up with this question is the new constitution, which has just been passed by the Lower House. For months the various political parties had been trying their hands at making drafts, the Government draft being entrusted to Dr. Matsumoto, when suddenly like a bolt from the blue this new draft appeared with the double blessing of the Supreme Commander and the Emperor. Although Soviet writers, believing it to be the work of "the Shidehara bureaucrats", have called it "nothing but the old reactionary constitution of 1889 with a slight touch of democratic camouflage", the Japanese press was surprised to find it much more liberal than they would have expected from Matsumoto, the Emperor retaining less political power than the British monarch has.

The story told by Central News is more interesting than the Soviet version. According to it, MacArthur himself is the *deus ex machina*, the whole draft, including the extraordinary provision abolishing war as a sovereign right of the nation, having been written by himself and Brigadier-General Whitney in two weeks, without any reference to the Far Eastern Commission, after the Matsumoto draft had been scrapped and Matsumoto himself purged. Certainly in thought and expression it is more American than Japanese.

The hypocritical way in which it was represented as a Japanese product and the speed with which it was rushed through the Diet was probably MacArthur's method of ensuring the retention of the Emperor, by presenting the Far Eastern Commission with a *fait accompli*. Rumour says that the bargain made with the politicians was food imports in return for the constitution.

Two other fundamental problems demand solution if Japan is to become a normal, healthy

nation instead of the monstrosity she has been till now. One is the disposal of the Zaibatsu, or giant family trusts, and the other is agrarian reform. At the beginning of his reign MacArthur announced "the dissolution of the Zaibatsu is a primary step in the democratisation of Japan's life", but beyond accumulating data showing how they were able to make vast fortunes out of the war, little else has been accomplished. His plan is to compensate the families with government bonds and then, through a Holding Company Liquidation Commission, offer their shares to the general public. A disquieting factor is that the solvency of many of the subsidiary companies—mostly munitions works—depends on payment of war damage claims, and S.C.A.P. has not yet made it clear whether it favours such payments. Further, the international connections of some of these concerns make one doubtful whether S.C.A.P. can really succeed in eliminating them.

The Allied Council in Tokyo turned down a proposal by the Soviet delegate, General Derevyenko, that the lands of the great landowners—most of whom are war criminals anyhow—should be confiscated as they have been in the Soviet zone of Korea and distributed to tenant farmers. Subsequently a modified land reform programme was agreed to by the Allied Council, but was rejected by MacArthur. All that has been done is to pass a law making rents payable in money instead of in rice and compelling non-producing landlords to sell their land at fixed prices. Critics have pointed out that the second measure would enable landlords to unload their property at a time of inflation on their already debt-ridden tenants and later avail themselves of distress sales. In the meantime, unrest grows in the cities because peasants refuse to make rice deliveries, and more and more food is being imported from America. Having rejected the "hard" policy of drastic land reform, MacArthur has had to adopt the "soft" policy of spoon-feeding.

Perhaps I shall be accused of being too sympathetic to the Japanese in these articles. Certainly even the common people have some measure of responsibility for the war, and S.C.A.P. has rightly forced the press and the radio to report a true history of the war and of Japanese atrocities. But I know enough of the old Japan to realise that the people had very little chance.

When one views as a whole the past year of occupation, it seems that, with the worsening of American-Soviet relations a marked change (which can be dated about May, 1946) occurred in MacArthur's attitude towards "democratisation" of Japan, just as it did in U.S. policy towards China, Korea and the Philippines. He evidently began to wonder what would happen if Japan, instead of continuing "the wise middle course" approved by S.C.A.P., moved more to the Left. The May Day demonstrations, in which a million participated, were extremely orderly, but Atcheson, the U.S. delegate on the Allied Council, who is so rabidly anti-Soviet that with him even the simplest matter becomes an ideological wrangle, tried to make the petition which the Tokyo demonstrators handed to S.C.A.P. into a second Zinoviev letter. During the course of what was called Food May Day, on May 19th, there were minor disorders which gave MacArthur an excuse to warn the people that "while every possible rational freedom of democratic method was permitted. . . the physical violence which undisciplined elements are now beginning will not be permitted to continue". Since then, the Japanese Government, on MacArthur's instructions, has issued an order against sit-down strikes, and there has been an all-round "tightening up" against the Left.

The result is that, with the "purge" begun last January now more or less suspended, the original genuine up-surge of popular democratic enthusiasm has been largely aborted. Rumours spread by interested parties of the imminence of conflict between Russia and America have been

exploited by reactionary elements to their own advantage. There is still a large Fascist section in Japan that would be only too delighted to be asked to form a legion of mercenaries to help America fight the Soviet Union.

Yet the political ground gained by the Japanese people in the early months of the occupation still counts for something. It was as if a blast of fresh air had suddenly been let in to an entombed people. My mind goes back to the early 'thirties, when every month one or two of my students—often the brightest boys—would disappear into the clutches of the political police and never return to the classroom. I remember watching the May Day procession in 1931 where the police arrested one after another of the bystanders who dared to wave to the column marching into Ueno Park; but even though scores were arrested, others continued to wave. I remember the continuous atmosphere of fear when every night for four years I expected the police to come to my house, until it was almost a relief when they did come. Later in the police cells I saw how the fortitude of the boy and girl "thought offenders" shed a radiance that affected even the most besotted dope-pedlars and gangsters imprisoned with them. In particular I shall never forget a young Korean, a leader of the Korean Free Labourers' Union, who for eleven months had been allowed no soap, no exercise, and was weakened by every conceivable torture that he had to grasp the bars to totter to the lavatory, yet still had enough courage to smile and whisper to me as I went to my examinations, "Doshi, gambarre!" "Comrade, stick it out!"

Democracy in Japan may still be half-fledged, and the latest developments of MacArthur's method of interpreting America's imperialist mission may hardly conduce to its further growth. Nevertheless, the oppressed Japanese peasants and workers have been shown the possibilities of political and economic freedom, and will not lightly be persuaded to give up the hopes they were at first encouraged to hold.

MAX BICKERTON

London, England, October 10, 1946

UNRESTRICTED

No. 1988

Subject: New Statesman Article on "Japan Under Control."

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

For the information of the Department, I have the honor to enclose copies of two articles published in the New Statesman and Nation in its issues of September 28 and October 5, 1946, under the title of "Japan Under Control." The articles, written by Max Bickerton, a correspondent of this Leftist British weekly, are strongly critical of aspects of Allied, and particularly American policy in Japan.

Respectfully yours,

For the Chargé d'Affaires a. i.:

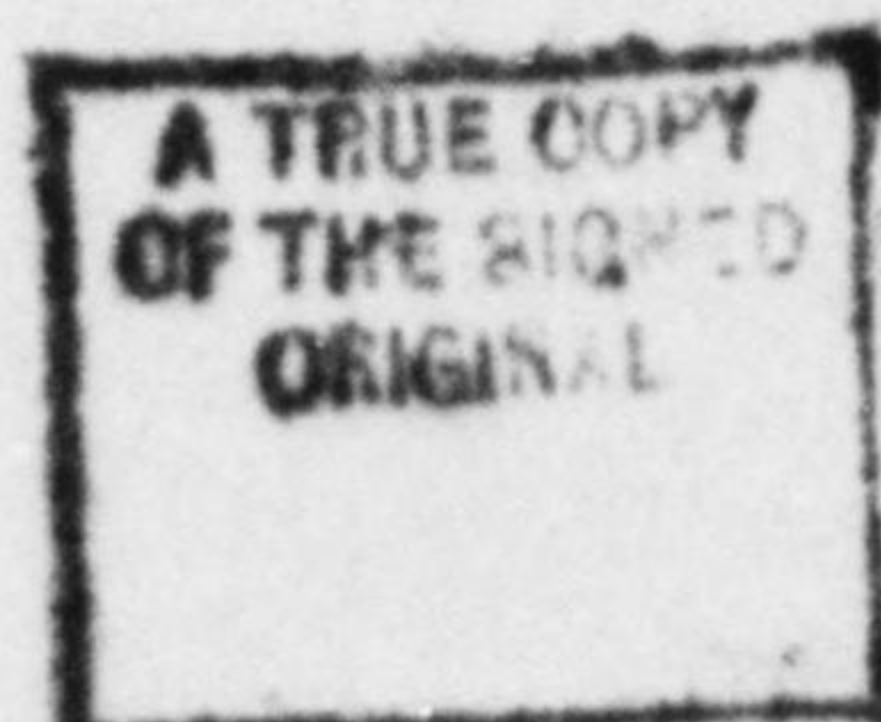
Dorsey Cassaway Fisher,
First Secretary of Embassy

Enclosures:
Clippings from New Statesman and Nation
of Sept. 28 and Oct. 5, 1946

Copy to CINCAFPAC, Tokyo.

Original and 4 copies to Department

DGFisher:jn



PREPARING OFFICE WILL INDICATE WHETHER

OUTGOING TELEGRAM

PREPARING OFFICE WILL TYPE HERE CLEARLY THE CLASSIFICATION OF THE MESSAGE:

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Washington

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Charge to

1126

SUPREME COMMANDER FOR THE ALLIED POWERS

TOKYO

INFO: WAR DEPT CHIEF OF STAFF

FOR POLITICAL ADVISER

NOV 6 1946

740.00119 Control (Japan) 10-10-46

Your airgram A-78, August 26, 1946 and telegram 462

of October 10.

1. Since 1945 term United Nations customarily used to mean parties to United Nations Charter rather than 1942 Declaration. Therefore substitute word Charter for phrase Declaration dated etc., omit Iceland, and add Argentina, Byelorussian Soviet Socialist Republic, and Ukrainian Soviet Socialist Republic. Although Iceland signed neither Declaration nor Charter and is not a United Nation, it can be classified as QUOTE associated with the United Nations in the war UNQUOTE. Use term Republic of the Philippines rather than Philippine Commonwealth.

2. In connection with all definitions except that of United Nations omit words QUOTE meaning and UNQUOTE in phrase QUOTE meaning and including the following

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740.00119 CONTROL (JAPAN) / 10-10-46
OS/MM 10-10-46

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Department of State

Charge Department:

Washington

Charge to

-2-

nations UNQUOTE, because a list might vary according to different definitions of what constitutes a nation.

3. Classify following as Nations Having a Special Status: Austria, Italy, Finland, and Siam. Austria is regarded as a liberated country subject only to controls reserved to occupying powers in control agreement of June 28, 1946. Until conclusion of a treaty of peace, state of war technically continues to exist with Italy. Italy was recognized as a co-belligerent, however, and diplomatic relations between U. S. and Italy were resumed. Finland is in technical state of war against Czechoslovakia, Soviet Union, United Kingdom, and Dominions but not against U. S. Diplomatic relations with Finland were severed by the U. S. but reestablished. Siam declared war against U. S. and United Kingdom, but U. S. did not declare war against Siam and regarded it as enemy occupied territory.

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In August 1945 Regent of Siam proclaimed this declaration as QUOTE null and void UNQUOTE, and/

U.S. resumed diplomatic relations. United Kingdom, India,

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Charge Department:

Washington

Charge to

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Australia have ^{treaties} and ~~London~~ signed ~~peace~~ ^{peace} ~~treaty~~ ^{treaties} with Siam.

4. Regarding present United States attitude towards Austria with special reference to the application of the German Vesting Decree against bona fide Austrian interests, the position of this Government is that this Decree has no application against bona fide Austrian interests. Furthermore on July 10, 1946 U. S. publicly announced that it was prepared to enter into negotiations looking towards renunciation of United States' share of German assets in Austria as part of a general settlement.

Johnson
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(DPR)

TELEGRAPH
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RE: ~~EC~~ Crane:hw

10-29-46

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NOV 6 1946

DEPARTMENT OF STATE

~~DIVISION OF RESEARCH AND PUBLICATION~~Division of Historical Policy Research
October 31 1946

Since the original reply by airgram of September 18 was delayed so long on its routing through the Department and since Tokyo has sent a follow-up telegram of urgency, it now seems necessary to send this reply by telegraph in spite of its length.

K. Crane

DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE INCOMING TELEGRAM

ACTION COPY

11

Action: FE
Info :
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RESTRICTED

Control 4074

No paraphrase necessary

SECSTATE

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Tokyo via War

Dated October 10, 1946

Rec'd 7:04 p.m., 11th

~~JA~~
RP

OCT 11 1946
DEPARTMENT OF STATE

Office of FAR EASTERN AFFAIRS
OCT 12 1946
10:45 AM
Department of State

462, October 10

Reference our airgram 78, August 28, regarding status of various countries. Have not received publication entitled "Status of Countries in Relation to the War, August 12, 1945" which is merely "an informal guide", which is not definitive and in which, for example, no mention is made of present status of Austria. Would therefore appreciate early reply to airgram under reference giving Department's views in the premises.

ATCHESON

MJF:GWP

RESTRICTED

DEPARTMENT OF STATE
File Telegram Oct 30 1946
OCT 15 1946
DIVISION OF RESEARCH AND PUBLICATION

740.00119 CONTROL (JAPAN) / 10-11-1946
NOV 12 1946

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Department of State

UNRESTRICTED

Charge Department:

Washington

Charge to

SUPREME COMMANDER FOR THE ALLIED POWERS

OCT 10 1946

TOKYO TENN

INFO: WAR DEPT CHIEF OF STAFF

FOR POLITICAL ADVISER

SCAPS comments requested on following message to Philippine Embassy, Washington, received from Secretary of Foreign Affairs, Quirino, Manila:

XR800.88 Reservations

QUOTE Department informed of desperate circumstances of eleven Filipinos in Tokyo whose rations have been cut and cannot procure food except in black market where prices are beyond their reach. Their names are: Joe Eagle wife and three children Teodulo Jansalin wife and four children Gavino Leuterio wife and one child Felix Marzan wife and child Emanuel Valdes Beinvenido Callanta Loreto Gustilo wife and child Leonard Manalang and wife Teodoro Rodriguez Eugenio Feniquito Mariano Maulain. Kindly

DISTRIBUTION DESIRED (OFFICES ONLY)

take up matter with State Department with view to asking SCAP to extend appropriate assistance to them in securing transportation from Tokyo to Manila and in obtaining food and other necessities pending their departure. ~~Letter follows.~~ UNQUOTE

JA:HL;cy; xa

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Acting

Acheson (JCP)

740.00119 CONTROL (JAPAN)

CS/W 740.00119 Control (Japan) 10-1046

OCT 10 1946 P.M.

STANDARD FORM NO. 64

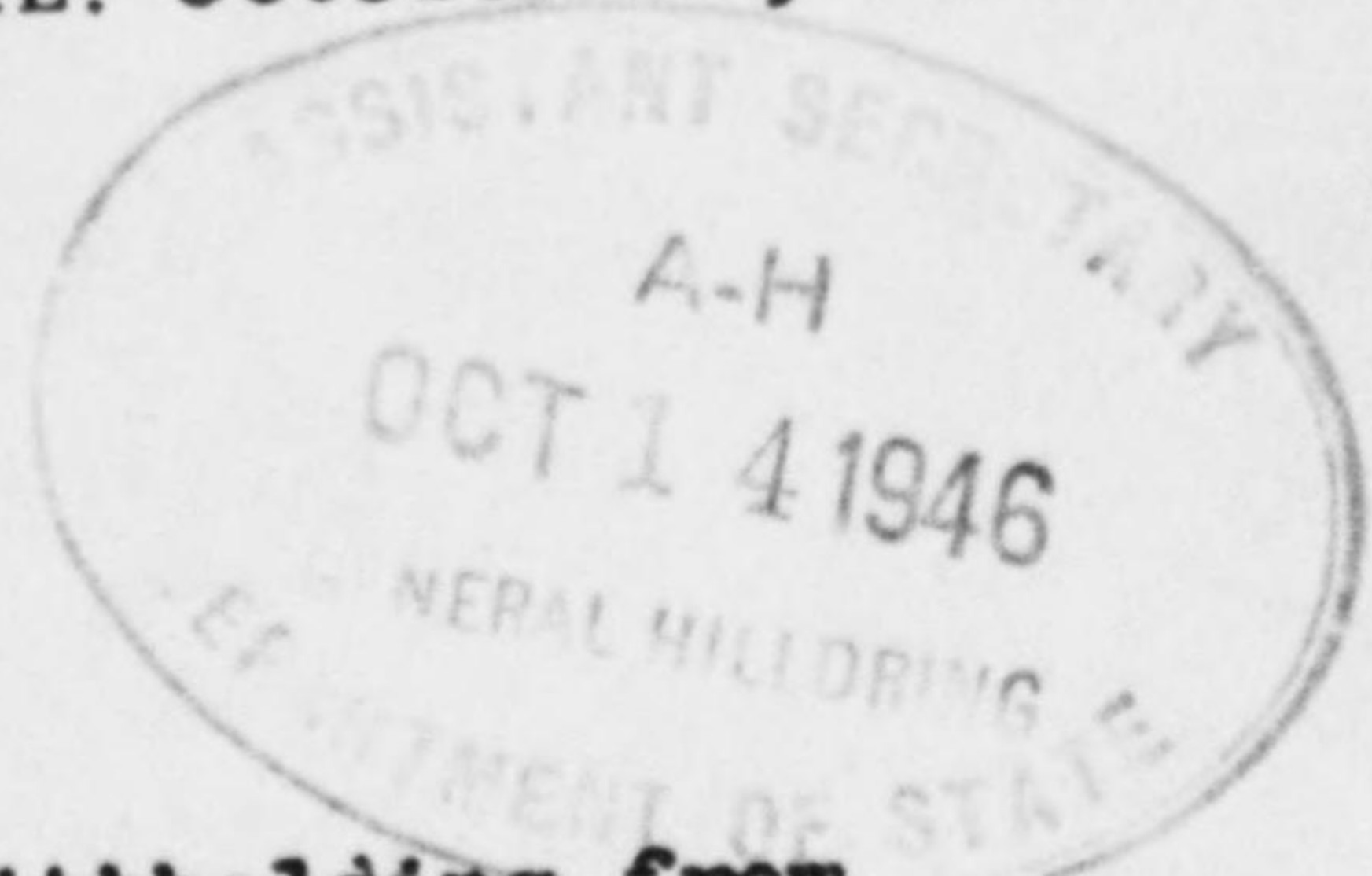
Office Memorandum • UNITED STATES GOVERNMENT

TO : General Hilldring

FROM : H. H. Collins, Jr. *may*

SUBJECT: War Crimes, Germans in Shanghai - See OM-IN 6014

DATE: October 11, 1946



War crimes trials in Shanghai in October are withholding from repatriation some 100 Germans who should be repatriated immediately thereafter, i.e. end of October. OM-IN 6014 asks how this is to be achieved.

The enclosed proposed draft cable notes that a C-4 converted troopship will leave Japan for Germany late in October with Germans from Japan. It is suggested that CG, China Service Command, and American Consul, Shanghai try to coordinate with SCAP so that these Germans in Shanghai may be sent back to Germany on this C-4.

War Department concurrence for this draft has been secured. Your approval for its dispatch is requested. This matter was handled by Mr. Fisher in CAD.

Attachment

*Phoned to
Mr. Fisher
10-14-46
7:53 P.M.
By S.M.*

*Incl dispatched
as
War 833 46
(17 Oct 46)*

740.001193 Central (Japan) 11-0-1146



UNITED STATES POLITICAL ADVISER FOR JAPAN

Handwritten initials and stamps: "B", "E", "file DC/R", "NOV - 1 1946", "DEPARTMENT OF STATE", "OFFICE OF JAPANESE AFFAIRS".

Tokyo, October 11, 1946

Unrestricted

DEPARTMENT OF STATE
DIVISION OF FOREIGN REPORTING SERVICES
OCT 29 1946

No. 645

SUBJECT: Policy on Requisitioning of Real Property in Japan.

RECEIVED
DEPARTMENT OF STATE
NOV 10 1946
BRANCH

The United States Political Adviser has the honor to enclose a copy of Circular No. 9, dated September 18, 1946, issued by General Headquarters, Supreme Commander for the Allied Powers, relating to the requisitioning of real property in Japan owned or occupied by Allied, Neutral and Enemy Nationals and private rental or lease facilities.

In the case of United States, Allied or Neutral Nationals the following policy will be followed:

- (a) Acquisition for use by Occupation Forces of such property which is owned but not occupied will be avoided insofar as possible; and
- (b) Owner-occupied property will not be requisitioned except in the event of extreme military necessity.

The property of Enemy Nationals is liable to requisitioning when required by the Occupation Forces.

Members of the United States Armed Forces and War Department civilian employees are prohibited from entering into agreements or leases in all occupied areas and all other personnel of the Allied Occupation Forces and personnel accredited thereto, are required to obtain authority before entering into rental agreements or negotiating leases.

Enclosure: *Handwritten initials*

Copy of Circular No. 9

711.3

GAbbey:cbk

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894.52

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31 Oct 1946

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**GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS**

CIRCULAR)
NO.....9)

AGO 500
18 September 1946

REQUISITION OF REAL PROPERTY IN JAPAN OWNED OR OCCUPIED
BY ALLIED, NEUTRAL AND ENEMY NATIONALS
PRIVATE RENTAL OR LEASE OF FACILITIES

Section

I
II

I. REQUISITION OF REAL PROPERTY IN JAPAN OWNED OR OCCUPIED BY ALLIED, NEUTRAL AND ENEMY NATIONALS. 1. Real property acquired in Japan for use by the Occupation Forces will be obtained by Procurement Demand placed upon the Central Liaison Office, Imperial Japanese Government, in the manner prescribed by Circular Number 7, General Headquarters, Supreme Commander for the Allied Powers, 23 August 1946, subject: "Procurement Regulations and Procedures within Japan." Property will not be obtained on a lease basis regardless of whether it is owned by United States, Allied, Neutral or Enemy Nationals. Procurement demands will be issued for any property of United States, Allied, Neutral or Enemy Nationals which has already been acquired by lease or by means other than procurement demands if the retention of such property is desired and its retention is within the scope of paragraph 2 below.

2. The following policies are announced with reference to the acquisition of real property in Japan owned by United States, Allied or Neutral Nationals.

a. Property owned but not occupied by owner:

The acquisition of such property for use by the Occupation Forces will be avoided in so far as practicable.

b. Property owned and occupied by the owner:

Such property will not be requisitioned except in the event of extreme military necessity.

3. Almost without exception, title to property owned by Allied Nationals, at the time Japan entered into war with the various Allied Nations, is now registered in the names of Japanese Nationals since the Japanese Government, under their Enemy Property Law, ordered all such properties liquidated. In cases where the ownership of property is questionable, the records of the Prefectural Courts should be checked to determine whether or not the property was liquidated by the Japanese Government, and if so, the legal owner will be considered as the person in whose name the property was registered on the date on which Japan entered into war with the nation of the Allied National concerned.

4. The property of Enemy Nationals (including non-Japanese Enemy Nationals) may be requisitioned when required by the Occupation Forces, regardless of whether the owners are present in Japan and occupying the property.

5. The following policies are announced with reference to the requisition of property in Japan leased or rented by United States, Allied or Neutral Nationals:

a. Property occupied in its entirety by United States, Allied or Neutral Nationals:

The requisitioning of such property for use by Occupation Forces will be avoided in so far as practicable in these cases where the occupant assumed such occupancy prior to 2 September 1945. In cases where the occupant assumed occupancy after 2 September 1945, due consideration will be given to hardship which might be caused by the requisitioning of such property for use by the Occupation Forces.

b. Property partially occupied by United States, Allied or Neutral Nationals but predominantly occupied by Japanese Nationals:

Such property may be requisitioned when required by the Occupation Forces. Partial United States, Allied or Neutral occupancy will not constitute a reason for exemption.

6. Paragraph 5 does not apply to United States or Allied military personnel, civilian employees of the War Department, or other United States and Allied civilian personnel imported into Japan and accredited to Supreme Commander for the Allied Powers. Such personnel is not permitted to occupy property in Japan except as prescribed in Section II.

II. PRIVATE RENTAL OR LEASE OF FACILITIES. 1. Effective immediately members of the United States Armed Forces and War Department civilian employees will not be permitted to make agreements or negotiate leases in occupied areas for the rental or lease of private property for personal use.

2. Personnel of the Allied Occupation Forces and personnel accredited thereto, other than those enumerated above, will not make agreements or negotiate leases for the rental or lease of private property for personal use in occupied areas, except:

a. Upon prior approval of General Headquarters, United States Army Forces, Pacific, for the Tokyo area.

b. Upon prior approval of the Commanding General, Eighth Army, for all Japan except the Tokyo area.

3. In order that available facilities may be equitably allocated and used in housing dependents of personnel serving with or accredited to the Occupation Forces, the approval for private rental or lease of facilities to personnel indicated in paragraph 2 will be given only in exceptional cases.

AG 601(18 Sep 46)GD

BY COMMAND OF GENERAL MacARTHUR:

PAUL J. MUELLER,
Major General, General Staff Corps,
Chief of Staff.

OFFICIAL:

/s/ John B. Cooley
JOHN B. COOLEY,
Colonel, AGD,
Adjutant General.

STANDARD FORM NO. 64

Office Memorandum

• UNITED STATES GOVERNMENT

TO : JA: Mr. Borton
FROM : JA: Mr. Fearey

DATE: 10-14-46

SUBJECT: Attached Report on "Japanese Cancellation of War Indemnities"

It would be well for JA to be acquainted with at least the following facts brought out in the attached report:

- 1) The Japanese Government had obligated itself by July, 1946 to indemnify individuals and corporations for various types of war losses to a total of 75 billion yen. Probable future claims for losses from confiscation of overseas assets and domestic removals for reparations would be in addition to this figure.
- 2) Large indemnity payments were made immediately following surrender, until in November 1945 SCAP directed that such payments should be made only into blocked account, and that payments above 5000 yen since August 15, 1945 should be redeposited in blocked account.
- 3) Criticism of indemnity payments has been on grounds of their inflationary effect, the burden they impose on already strained government finances, and the primary benefits accruing to firms in the Zaibatsu category, held to have shared responsibility for and to have profited from the war. Continued payment of indemnities has been defended on the grounds that cancellation would bankrupt large sections of the industrial and financial world and slow recovery. Those of this conviction argue that cancellation would not have the claimed, healthy therapeutic effect of wiping out large amounts of fictitious capital, but rather would further accentuate the capital shortage now hampering recovery.
- 4) SCAP has long favored general cancellation, but as in other matters possessing important political implications and relatively little related to Japanese demilitarization and reform, has been reluctant to issue a specific directive. Pressure was exerted on the Japanese Government, however, to follow the proposals submitted by Leo Cherne, SCAP consultant, calling inter alia for: (1) immediate implementation of the proposed capital levy on the property of individuals and the proposed tax on wartime increases in the value of property owned by individuals, and (2) abandonment of the proposed capital levy and war profits tax on corporations in favor of cancellation of all corporate claims against the government arising out of the war.
- 5) The Japanese Government is now reported planning to submit a Wartime Indemnities Special Tax Bill at the

740.00119 Central (Japan) / 10-14-46

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DIVISION OF ASIAN AFFAIRS
DEPARTMENT OF STATE

File JA

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next session of the Diet which, if passed, would result in cancellation of 40-50 of the total of 75 billion individual and corporate war claims, the bulk of cancellations being in the corporate field. Obviously, this would both be a large cancellation and would leave a large uncanceled residue. It is further reported that the Government has already or will at that time introduce measures to prevent the economic and financial chaos which might otherwise follow cancellation. These would include a three year guarantee of certain types of bank deposits, and measures for the provision of needed liquid capital for industrial reconversion.

6. The report concludes that the Government's program is still in too early a stage for proper appraisal but at best will be somewhat less than thoroughgoing, less than many industrial and financial leaders had feared. "Unhealthy adjustments" between creditor financial institutions and debtor corporations, too, are likely to detract from the plan's effectiveness. And the question of compensation for reparation losses and removals abroad and at home will still remain.



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US Officials only

DEPARTMENT OF STATE
DIVISION OF RESEARCH FOR FAR EAST
SITUATION REPORT - JAPAN

_____ Comments on Current Intelligence _____
No. 3479.15 - September 27, 1946

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The Japanese Cancellation of Wartime Indemnities	1

Note: No. 3479.14 of this series was published on August 16, 1946.

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Copy No. _____ 26

DRF
September 27, 1946

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SUMMARY OF CONTENTS

Page

The Japanese Cancellation of Wartime Indemnities. Under wartime regulations, the Japanese Government undertook to indemnify individuals and corporations for various types of losses occasioned by the war. Early in August 1946, however, the Japanese Government announced that it would prepare legislation designed to repudiate a large part of the total claims estimated at 75 billion yen. A part of these claims are still pending; the remainder have been paid in cash, into blocked accounts, or into blocked accounts and later released. The decision to repudiate claims was made after considerable delay and in consequence of SCAP as well as Japanese pressure for action which would help counteract inflationary tendencies, strengthen Japan's financial structure, and prevent realization of wartime gains. The actual repudiation is expected to involve some 40 or 50 billion yen. Because of the financial chaos that might result affecting industry, banks and insurance companies, legislation has been designed to carry out large scale adjustments in corporate finance. These adjustments will probably result in a lessening of the impact of indemnity cancellation, but are not expected to result in any permanent financial reform.

1

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CONFIDENTIAL/CONTROLDRF
September 27, 1946THE JAPANESE CANCELLATION OF WARTIME INDEMNITIES

Under wartime legislation, the Japanese Government undertook to indemnify individuals and corporations for various types of losses occasioned by the war. Claims arising under this legislation are estimated to total about 75 billion yen or about 90 percent of the gross national product for the last complete fiscal year of war 1944-45.^{1/} Early in August 1946, however, the Japanese Government announced that it would submit to the Diet legislation designed to repudiate these claims, some of which have already been paid in cash, into blocked accounts, or into blocked accounts and later released. The War Indemnity Special Taxation Bill, soon to be submitted to the Diet, is designed to cancel these claims by taxation. Cancellation and recapture of these large wartime claims, unless supported by other legislation, would probably result in a series of bankruptcies affecting industrial and financial concerns. For this reason, a series of ministerial ordinances and legislative bills that are designed to carry out a smoother transition to a peacetime economy and accelerate the progress of large scale adjustments of the former munitions industries and financial concerns have been prepared or are in the process of preparation.

Origin of the Claims

The Enterprise Readjustment Act of 1943 provided for the indemnification of owners whose plants were converted to war industry, forced to cease production as non-essential,^{2/} or destroyed or taken over as a result of air raid precaution measures.^{2/} The primary objective of this legislation, according to the Oriental Economist, was the suspension of all enterprises not indispensable to the war effort.^{3/} The Munitions Corporation Law of October 1943, designed to increase the production of

1. The Japanese Gross National Product for fiscal 1944/45 is estimated at 82.4 billion yen according to a preliminary report of the Overall Economic Effects Division of the United States Strategic Bombing Survey.
2. SCAP, Summation of Non-Military Activities in Japan and Korea, No. 2, November 1945, pp. 112-3.
3. The Oriental Economist, August 1944, p. 355.

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munitions, provided that the Japanese Government might, if necessary, subsidize or indemnify munitions corporations or guarantee their profits.^{1/} Additional provisions for indemnification were established by several other laws and ordinances.

A second source of claims was created when the Japanese Government guaranteed claims against insurance companies arising from war damage. The establishment of a comprehensive system of war damage insurance with Government guarantee of payments of loss came early in the Pacific War under the Temporary Management of War Insurance Law^{2/}, which was later supplanted by other regulations. To provide further support for the insurance companies with the advent of the B-29 raids, the Central Insurance Corporation was organized and capitalized entirely by the Government. This corporation wrote war risk insurance and acted as a reinsurance agent, reimbursing insurance companies for claims paid.

In 1943, the Special Law for Disposing of Funds set up a system of blocked or special accounts for the payment of indemnification and war risk insurance claims in order to channel these payments into war industry and to prevent them from aggravating inflation.^{3/} Under this law, funds were released from blocked accounts for tax payments and retirement allowances, for the purchase of shares of stocks where businesses were amalgamated, for purchase of equipment, and to pay off bank loans. It has been reported that by the end of August 1945, 18.9 billion yen had been paid into blocked accounts of which 5 billion yen had been released.^{4/}

Amount of Indemnity Claims

In July 1946, SCAP revealed that Japanese indemnity claims against their government approximated 74,954 million yen, not including claims that may arise as a result of losses of overseas assets or of reparations removals, which are not under consideration at this time. This estimate was compiled from statements prepared by the Ministry of Finance and was based on claims filed against the Government as of April 1, 1946. About

- 1/ The Oriental Economist, December 1943, pp. 558-560. Munitions Corporations included concerns in almost every phase of industrial activity connected with war production.
- 2/ Keizai Toseiho Nempo, 1943, pp 129-131.
- 3/ Summation of Non-Military Activities in Japan and Korea, November 1945, p. 143.
- 4/ Ibid.

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28 percent of the total, or 21,034 million yen, represents claims of individuals for war damage insurance for household damage and destruction (19,046 million yen), and Government indemnity for forced evacuation of individuals from urban areas (1,988 million yen). The bulk of the claims (53,920 million yen), however, are industrial. Table 1 shows the amounts involved in the munitions indemnities and the claims that have already been paid either in cash, into specially blocked accounts, or in releases from blocked accounts up to April 1946.

Early Post-Surrender Situation

Indemnity claims against the Government increased in volume following the surrender. This was due in part to the great increase in air raid damage during the last stages of the war. In addition, the munitions industry of Japan was now faced with cancelled contracts, unwanted products, and needlessly expanded facilities. The payment of these claims by the Japanese Government, which was already overburdened with war-incurred debts, meant a further unbalancing of Japanese finances in support of a now non-productive munitions industry. In November 1945, therefore, SCAP directed the Japanese Government to make no payment itself and to permit no payment to be made upon any claims arising from the production or supply of war materials, except into blocked accounts. This directive also provided for a continuation of the system of payment into blocked accounts of claims arising from war damage or from the construction or conversion of industrial plants to wartime production. Payments in excess of 5,000 yen made to any one claimant since August 15, 1945 were required to be redeposited into a blocked account. Provisions were also made for releasing part of such an account, subject to the prior approval of SCAP. Later restrictions included a directive in May 1946, which stopped interest payments on amounts credited to blocked accounts as well as interest payments on loans made by banks to insurance companies if the purpose of the loan was to supply funds to pay wartime claims.

Opposition to Payment of Claims

Criticism of continued payments of indemnities to munitions concerns arose soon after the surrender. Advocates of complete cancellation of war indemnities to corporations argued that these payments constituted a tremendous drain on Government finances and, therefore, on the resources of the people for the benefit of big business and financial interests. It has also been maintained that the groups

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Table 1. AMOUNT AND DISPOSITION OF JAPANESE INDUSTRIAL CLAIMS^{a/}

(In million yen)

	Paid in cash or released from blocked accounts	Paid into blocked accounts (not released)	Special Debt Certificates ^b	Total Unpaid Paid Claim
War risk non-life insurance ^{c/}	4,671	15,760	0	20,431 3,32
Contract cancellation claims	6,000 ^{d/}	0	870	6,870 3,75
Direct government indemnity for commandeered shipping	1,664	1,064	259	2,987 2
Claims against the Industrial Equipment Corporation ^{e/}	0	0	0	0 90
General industrial indemnity claims ^{f/}	0	0	0	0 15,64
Total	12,335	16,824	1,129	30,288 23,63

a) Estimated as of April 1, 1946.

b) These payments are in effect the same as payments into blocked accounts.

c) War damaged plants

d) The contract cancellation claims were settled principally by offset against materials, and equipment previously advanced by the Government to enterprise

e) Claims for industrial equipment privately constructed upon condition that it be re-purchased by the Government Industrial Equipment Corporation.

f) Claims arising from plant construction and enlargement guaranteed to be purchased by the Government but which have not been purchased, evacuation of plants, depreciation and obsolescence guarantees, dividends and miscellaneous guaran

Source: Compiled from a SCAR report to the Allied Council for Japan. Verbatim Minutes of the Ninth Meeting of the Allied Council for Japan, July 10,

Table 1. AMOUNT AND DISPOSITION OF JAPANESE INDUSTRIAL CLAIMS^{a/}

(In million yen)

	Paid in cash or released from blocked accounts	Paid into blocked accounts (not released)	Special Debt Certificates ^b	Total Unpaid Paid Claims	Grand Total
risk non-life insurance ^{g/}	4,671	15,760	0	20,431	3,321 23,752
contract cancellation claims	6,000 ^{d/}	0	870	6,870	3,750 10,620
direct government indemnity for seized shipping	1,664	1,064	259	2,987	20 3,007
claims against the Industrial Equipment Corporation ^{e/}	0	0	0	0	900 900
General industrial indemnity claims ^{f/}	0	0	0	0	15,641 15,641
Total	12,335	16,824	1,129	30,288	23,632 53,920

Estimated as of April 1, 1946.

These payments are in effect the same as payments into blocked accounts.

War damaged plants

The contract cancellation claims were settled principally by offset against cash, materials, and equipment previously advanced by the Government to enterprises.

Claims for industrial equipment privately constructed upon condition that it would be re-purchased by the Government Industrial Equipment Corporation.

Claims arising from plant construction and enlargement guaranteed to be purchased by the Government but which have not been purchased, evacuation of plants,

depreciation and obsolescence guarantees, dividends and miscellaneous guarantees.

Source: Compiled from a SCAR report to the Allied Council for Japan. Verbatim Minutes of the Ninth Meeting of the Allied Council for Japan, July 10, 1946.

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benefiting most from the payment of indemnities are those coming within the Zaibatsu category, who bear considerable responsibility for Japan's present plight and who profited most during the war. According to data submitted to SCAP by the Japanese Government 245 concerns that are on the list of restricted companies and that are controlled by the 22 largest Zaibatsu holding companies reported war damage and other indemnity claims in excess of 21 billion yen as shown in Table 2.

TABLE 2. WAR DAMAGE AND GENERAL INDEMNITY CLAIMS OF
245 RESTRICTED CONCERNS
(in million yen)

	War Damage	Other Indemnity	Total
Claims paid since July 5, 1945	1,305	237	1,542
Claims filed and not paid	3,978	11,241	15,219
Claims in process or expected to be filed	211	4,112	4,323
Total	5,494	15,590	21,084

Source: Compiled from a SCAP report to Allied Council for Japan.
Verbatim Minutes of the Ninth Meeting of the Allied Council
for Japan, July 10, 1946.

A comparison of these amounts with total industrial claims as shown in Table 1 reveals that 23 percent of the war damage claims and 52 percent of the other indemnity claims were submitted by 245 restricted Zaibatsu companies. That total Zaibatsu claims exceed these percentages is shown by the fact that over 1200 concerns are now listed as restricted, in comparison with the limited survey of 245 companies mentioned above.

It is also argued that the indemnity payments have had a highly inflationary affect. The large amounts that have been paid out (See Table 1) have not only increased the Government's debt and further unbalanced the budget but also have inflated bank deposits and increased the amount of money in circulation. This situation would be aggravated by the payment of the still larger amounts involved in claims not yet settled. Moreover, the assets of the munitions companies, whose claims constitute a major portion of the total, are inflated and bear no reference to productive ability. In some cases, the plants have been largely or entirely destroyed.

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Thus, it is argued that, with total cancellation as a turning point, the Government should move toward reconstructing Japanese economy by wiping out fictitious capital through such methods as a decrease of capitalization or reorganization.

Arguments Against Cancellation

One of the principal arguments used against total cancellation of war indemnities has been the fear that it will force many industrial and financial corporations into bankruptcy and so cause a complete collapse of the Japanese economy. The Federation of Economic Bodies, which opposes cancellation, has estimated that major corporations expect indemnities in excess of twice their average present capital. If indemnity payments are cancelled and past payments recouped by the Government, such corporations will be in difficult straits and their unsound financial structure will preclude their ability to secure funds through loans or investments for future peacetime expansion. In addition, the loss to the corporations of this expected revenue would result in wholesale depreciation of corporate assets, outstanding securities, and advanced loans. Such depreciation could be expected to have wide repercussions on the entire credit structure of Japan, affecting banks, insurance companies, and other private and semi-public investors. The loan position of the banks, for example, is to some extent revealed in Table 3. Of the total loans of amounts over one million yen approximately 40 percent were made to insurance companies in support of war damage claims and 56 percent were made to corporations.

TABLE 3. LOANS OVER 1,000,000 YEN
EIGHT LARGEST ORDINARY BANKS^{a/}, DECEMBER 31, 1945
(in million yen)

Loans to other banks	46.4
Loans to insurance companies	19,149.9 ^{b/}
Loans to other financial institutions	957.4
Loans to individuals	1,141.4
Loans to corporations	<u>27,063.2</u>
Total	48,358.3

a/ Tokyo and Osaka offices only

b/ Virtually 100 percent against war claims

Source: Bank of Japan. (Extracted from Summation of Non-Military Activities in Japan and Korea, No. 4, January 1946 p.215)

1. Asahi Shimbun, June 25, 1946.

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For the 48 billion yen total, the following tabulation gives an estimate of the sums involved, classified by type of Government guarantee:

	Milli n yen
Loans by Government order with guarantee	2,326
Guaranteed munitions advances	20,053
Loans at bank's discretion	3,513
Partial Government guaranteed loans	22,466
	<hr/>
Total	48,358

There have been some advocates of continued indemnity payments who argue for selective payments of indemnities on the assumption that partial suspension is inevitable. One such proposal gives the following basis for selection:

1. Indemnities to those corporations which were founded solely for carrying out 'aggressive' war should be repudiated entirely.
2. Indemnities should be paid to the greatest possible extent to those firms which were forced contrary to their will and selection to convert their business to some field of munitions production.

The Cherne Recommendations

The question of cancellation of indemnities was brought into sharp focus in May 1946 as a result of a study of the proposed capital levy and war profits tax made by Leo Cherne, then serving as tax consultant to SCAP. Cherne criticized the Japanese tax proposals as they applied to corporations on the grounds that they created an indefensible fiscal loss by providing for the payment to corporations of wartime indemnities totalling almost 55 billion yen, while recouping only 22.8 billion yen through the capital levy and war profits tax. Cherne made no reference to cancellation of the wartime claims of individuals. He did, however, propose that the program for a capital levy on property owned by individuals and the tax on the wartime increase in value of property owned by individuals be implemented without further delay. In the place of a capital levy and

1. The Oriental Economist, July 13, 1946, p. 450.

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war profits tax on corporations, Cherne proposed a 100-percent tax upon all corporate claims against the Government arising from the war. This proposed tax would recapture the full amount of claims already paid into blocked accounts, while those claims still unpaid would be repudiated. According to newspaper reports, representatives of SCAP exerted pressure on the Japanese Government to carry out the intent of this proposal but a definite directive on this issue was avoided.

For some time there was division of opinion within the Yoshida Cabinet on this issue, with the Minister of Commerce and Industry, HOSHIJIMA Jiro, reportedly favoring cancellation of all compensation payments and the Minister of Finance, ISHIBASHI Tanzan, holding an opposing although not clearly defined view.¹ Early in August, the Government through the Minister of Finance finally announced its intention of carrying out the cancellation of indemnities, largely through a 100-percent tax, and of presenting a series of laws designed to prevent the economic and financial chaos that might otherwise follow this cancellation. Although a detailed proposal has not yet appeared, the cancellation plan appears to be more limited in scope than the total cancellation envisaged by Cherne.

Extent of Proposed Cancellation of Indemnities

According to Japanese newspapers and radio reports, the Japanese Government will present to the Diet a Wartime Indemnities Special Tax Bill (Senji Hosho Tokubetsu Zeihoan). This measure is reported to provide for a 100-percent tax on individual and industrial indemnity claims both paid and pending payment, which total about 75 billion yen.² Claimants of wartime indemnities and persons who received payment on their claims to wartime indemnities will be subject to the tax. It is expected, however, that the proposed tax bill will not apply to compensation paid prior to the end of the war.³

In consequence, it is possible that either the 19 billion yen paid into blocked accounts prior to the surrender, or the 5 billion yen which was released may be exempt from the tax.⁴ A further exemption is expected

1. FBIS, Daily Report, May 30, 1946.
2. FBIS, Daily Report, August 25, 1946.
3. Tokyo Shimbun, August 10, 1946.
4. It is probable that an unknown additional sum was paid out without being subject to blocked payment.

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to include post-surrender payments or claims for payment of less than 50,000 yen for individuals and of less than 10,000 yen for corporations. This provision, if adopted, can be expected to free from the tax almost all but the very largest individual claims since results of a survey of claims as of April 1, 1946 showed that the average individual war damage insurance claim was for about 10,000 yen.¹ Post-surrender claims of industrial concerns will be much harder hit both in war damage insurance claims, which this same survey reports as averaging 43,500 yen, and in other indemnity claims, which probably reach a much higher average figure. There is some possibility, however, that even further concessions may be given to corporations either in specific articles of the law or in articles granting wide discretionary powers over exemptions to the Minister of Finance. The latter feature is common to many, if not all, past Japanese financial measures. One Japanese source ventures the estimate that of the 75 billion yen total indemnities, the amount to be cancelled would be no more than 40 billion yen.² Rough estimates, on the basis of apparently reasonable assumptions³ in combination with certain Japanese official statements,⁴ lead to the general conclusion that the announced indemnity cancellation program would result in cancellation of 40 to 50 billion yen out of the total of 75 billion yen. In either case, the uncanceled balance would amount to a very considerable sum, though far less than the total. Examination, of ordinances and statutes in support of the cancellation is necessary, however, to determine the full effects of the tax on industry.

Supporting Legislation for Adjustment of Corporations

In order to provide some control over the finances of companies to be affected by the cancellation of indemnity payments, the Government introduced a "Bill on Emergency Measures for Corporations' Accounts", which was passed and promulgated on August 15, 1946. Under this law corporations are required to divide their accounts into "new" and "old"

1. A survey conducted by the Ministry of Finance and reported in the Verbatim Minutes of the Ninth Meeting of the Allied Council for Japan, July 10, 1946.
2. Yomiuri Shimbun, August 21, 1946.
3. Including the assumption that considerable SCAP pressure will be continued until cancellation has been effected.
4. For example, the Finance Minister, ISHIBASHI, Tanzan, stated that the extent of cancellation can be demonstrated by the fact that out of 43 billion yen war damage insurance, 17 billion would be exempt from cancellation. FBIS, Daily Report, August 14, 1946.

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to include post-surrender payments or claims for payment of less than 50,000 yen for individuals and of less than 10,000 yen for corporations. This provision, if adopted, can be expected to free from the tax almost all but the very largest individual claims since results of a survey of claims as of April 1, 1946 showed that the average individual war damage insurance claim was for about 10,000 yen.¹ Post-surrender claims of industrial concerns will be much harder hit both in war damage insurance claims, which this same survey reports as averaging 43,500 yen, and in other indemnity claims, which probably reach a much higher average figure. There is some possibility, however, that even further concessions may be given to corporations either in specific articles of the law or in articles granting wide discretionary powers over exemptions to the Minister of Finance. The latter feature is common to many, if not all, past Japanese financial measures. One Japanese source ventures the estimate that of the 75 billion yen total indemnities, the amount to be cancelled would be no more than 40 billion yen.² Rough estimates, on the basis of apparently reasonable assumptions³ in combination with certain Japanese official statements,⁴ lead to the general conclusion that the announced indemnity cancellation program would result in cancellation of 40 to 50 billion yen out of the total of 75 billion yen. In either case, the uncanceled balance would amount to a very considerable sum, though far less than the total. Examination, of ordinances and statutes in support of the cancellation is necessary, however, to determine the full effects of the tax on industry.

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accounts and to name special custodians for the supervision of such accounts. Corporations affected are those capitalized at 200,000 yen or more that have wartime indemnity claims or that have overseas assets. The "new" account will contain movables, immovables, credits, and such other assets as are necessary for the continuance of the corporation's enterprises or for the promotion of post-war industries, leaving other assets in old accounts. The enterprise will continue to operate on the basis of the new accounts, with the old accounts held in abeyance pending adjustment. The decision as to the disposition of assets from old to new accounts is to be made by custodians, two selected from company officials and two selected by the creditors, subject to Government review.

This plan will keep some essential industries in operation during the period of uncertainty and may pave the way for the final financial overhaul of industry. Adjustment of accounts, however, is apparently proceeding without the formulation of an overall plan for reducing assets and liabilities in proportion to the limited present productive capacity of industry.

A further difficulty is that the adjustment of accounts will be carried out primarily by company and bank officials who may have close economic ties. It is difficult to envisage such a combination arriving at a financial decision that might be injurious to either of the parties concerned. In addition, the method of evaluating assets will do much to determine effects of cancellation of indemnities. If current market values are used in evaluating inventories and other assets, as has been

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1. The introduction of overseas assets into "old" accounts has no bearing on the Government's intent to pay future claims for possible loss. It is more of an attempt to keep this item separate from the "new" or going account.
 2. Oriental Economist, August 31, 1946, p. 571.
 3. A final settling of accounts is to be provided for in an "Industrial Reconstruction and Readjustment Bill", which has not been presented to the Diet as yet.

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strongly intimated by the Minister of Finance,^{1/} much of the loss arising from cancellation of indemnities may be compensated for by assigning inflated values to "new" accounts. It is this possibility that has aroused considerable discussion in Japan. Although some major corporations may be forced into bankruptcy by the effect of indemnity cancellation and a consequent inability to meet debts, the impact may be somewhat softened by this emergency readjustment measure.

Measures Designed to Protect Financial Concerns

At the same time that the Government's intention to cancel indemnities was announced, the Finance Minister put forth several proposals designed to protect financial concerns from a collapse precipitated by the inability of former munitions concerns and insurance companies to make good a substantial share of bank advances. One of the first measures taken was a revision in August 1946 of the Emergency Financial Measures Ordinance, which had been put into effect in February 1946 as part of the currency conversion program. This revision, effective August 11, 1946, provides for a division of the restricted bank deposits into two categories and thus creates a group of "second blocked deposits", amounting to some 50 billion yen which cannot be drawn upon except under extreme circumstances.^{2/} The purpose of this blocking is to maintain a more effective moratorium than has existed heretofore in a substantial volume of bank deposit liabilities until some arrangement has been made to deal with the damage to bank assets expected to result from the cancellation of indemnities.

To provide the banks with further support in meeting losses due to the cancellation of indemnities as well as to initiate an adjustment of bank finances, an "Emergency Measure for Financial Institutions' Accounts Law" was passed.^{3/} This act establishes a division of assets and liabilities of banking and other financial institutions into "new" and "old" accounts, leaving the "old" accounts in abeyance pending adjustment.^{4/} The "old" account probably includes certain advances to munitions companies, second blocked accounts, and other items that will be subject to readjustment.

1. FBIS, Daily Report, August 21, 1946.
2. FBIS, Daily Report, August 14, 1946.
3. This is to be followed in the future by a "Financial Organizations Readjustment and Reconstruction Bill".
4. The Oriental Economist, August 31, 1946, p. 572.

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Even with this adjustment a few banks that have bad debts far in excess of realizable assets may fail. There have been reports that, as a measure of protection to depositors, the Government will guarantee deposits classified in new accounts for a period of three years. Similar action is being taken with respect to insurance companies.

New Industrial Funds for Reconversion

The repudiation of wartime indemnities and the proposed general financial overhaul of industry and banks can be expected to have an adverse effect on the Japanese capital market. Industry is in need of funds, which may be difficult to secure during the period of general reorganization. As a result, the Japanese Government has introduced a measure into the Diet for the creation of a Reconstruction Finance Bank. This bank is to supply industrial funds for capital equipment as well as working capital when such funds are unavailable from other financial institutions and are badly needed for the promotion of economic reconstruction. The capital of this bank is to be 4 billion yen initially and 10 billion yen ultimately. The initial amount is to be supplied entirely by the Government and the remainder is to be paid in accordance with the decision to be reached by a Reconstruction Finance Committee. The bank is to supply funds to organizations on sound banking principles with the object of full repayment of loans over a short period. The Industrial Bank of Japan as a temporary expedient will finance industrial companies in need of reconstruction funds until the Reconstruction Finance Bank starts operations. Although no detailed plans are known to have been formulated for financing small business, the Finance Minister has indicated that the Reconstruction Finance Bank will operate in this field.

1. Asahi Shimbun, August 11, 1942.
2. Nippon Keizai Shimbun, August 20, 1946.
3. Nippon Keizai Shimbun, August 26, 1946.

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Japanese Government officials have estimated that about 750,000 workers will become unemployed as a result of the cancellation of indemnities and the consequent industrial reorganization. This number will add considerably to an estimated 4,160,000 workers currently unemployed.^{1/} In addition to its general program for unemployment relief, the Government proposes to guarantee payment of dismissal allowances to workers whose discharge is a result of indemnity cancellation.^{2/} Anticipated mass discharges have provoked some labor groups to criticism of the Government's indemnity cancellation program, particularly that phase which provides for industrial reorganization under the direction of representatives of management and creditors without provision for labor participation.

Conclusion

Proposals for a wholesale repudiation of wartime indemnities have met with the strong opposition of certain Japanese interests, in many instances for the same reason that it has been vigorously supported by other interests. A complete cancellation would deal a severe blow to the large wartime munitions companies and in turn to their creditors, the large city banks. Such an action would thus mean a considerable loss to the Zaibatsu. In the absence of controls, this cancellation would mean the bankruptcy of the most important Japanese debtor-creditor groups and could finally result in the complete collapse of an economy already partially paralyzed. On the other hand, thoroughgoing cancellation would remove the inflationary pressure exerted by what would otherwise be a vastly increased Government debt tending to inflate credit and increase the volume of money in circulation without increasing production. It is at this point, also, that a determined government could enforce an overall plan designed to reduce banking and industrial finance to a level commensurate with present productive potential. Strong measures would be required to remove from private accounts "fictitious" capital based on wartime activities and non-productive assets.

The present plans of the Japanese Government for cancelling paid and pending indemnity claims and for carrying out an adjustment of corporate finances, however, appear to be somewhat less than thoroughgoing. Since the major portion of the overall program is still in the formative stage, lacking in detail and subject to revision, it is too

1. From a statement by Welfare Minister KAWAI as reported in FBIS, Daily Report, September 2, 1946.
2. Tokyo Home Service, August 5, 1946.

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early to make an adequate appraisal. It may tentatively be stated that the actual cancellation would be much less than the total cancellation feared by industrial and financial groups and might amount to between 40 and 50 billion yen out of the total 75 billion yen of indemnity claims. This loss, although much less than the total involved, is still a substantial sum and can have a severe effect on industry and finance. A considerable part of the losses to industry resulting from non-indemnification may actually be regained by a reappraisal of company assets based on inflated values of inventories and other movables and immovables. Since readjustments are to be carried out in the first instance by company and bank officials that have had a very close inter-relationship in the past, "unhealthy" adjustments to prevent hardship to either of the parties concerned may result. This development appears possible since present Government plans do not point to any formulation of a policy for an overall adjustment of industrial accounts based on production but indicates that evaluations would be made on the basis of current inflated values. Financial institutions, which would supposedly be heavy losers in a cancellation plan, may be protected by Government guarantee of certain liabilities, i.e. free and first blocked accounts of almost 200 billion yen, possible postponement in meeting Bank of Japan advances, possible scaling down of deposit liabilities such as second blocked accounts of about 50 billion yen, and other types of Government aid. In addition, financial institutions have been gaining increasing control over the Japanese economy -- first, as a result of their initial control over the disposition of deposits and loans subject to general Government regulation and supervision and, now, because of their important voice as creditors in all the major industrial reorganizations. Where bankruptcy of a corporation -- industrial or financial -- appears inevitable, one or more second companies may emerge. These second companies will probably be more limited in size and scope of activity than the predecessor companies and would constitute a Japanese version of receivership lacking many of the restraints of an American receivership. The Government, faced with the necessity of promoting reconversion, may be expected to provide support either in the form of direct loans through Government banking institutions or in the form of subsidies or guarantees, if the "new" firm should experience a dearth of funds. In addition, the fact that a policy has not yet been formulated on adjusting claims for loss of overseas assets or on indemnity payments for reparation removals gives industry and finance some hope of recovering a substantial part of their losses resulting from war. However, this element of uncertainty in present financial policy still remains a deterrent to overall planning. A final element of caution is necessary in evaluating any planned or even formulated program since Japanese history provides many examples of plans which were one thing in the books and quite another in actual practice.

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DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE

INCOMING TELEGRAM

Tokyo via War

Dated October 16, 1945

Rec'd. 5:15 p.m., 16th

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OCT 17 1945
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469, October 16

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Office of FAR EASTERN AFFAIRS
OCT 17 1946
R. L. GARR
DIRECTOR
Department of State

1. Following is excerpt from stenographic record of this morning meeting of Allied Council:

"The Chairman: The Soviet Member has made some very broad statements and allegations apparently based chiefly upon newspaper reports. I do not know whether it is his intention to show that the elections of April 10 were a failure or not. For my part, I consider that they were a great success. As a matter of fact, those elections conducted under the close observation of the occupying forces were remarkably free of major corruption or irregularity. As stated by the Chief of the govt section in his report of April 22, it demonstrated to the people of the world a free, honest and orderly election, such as few, if any, of the western democracies can boast to a more complete degree. Both the investigation of violations of the law and the action taken thereon were, of course, a matter of internal administration by the Japanese Govt. It is understood that as a result of the action by the Japanese Govt, the prosecution of approximately 1000 such cases resulted in sentences ranging from fines to imprisonment. (****) With 1000 prosecutions arising out of the voting of 26,000,000 people, I think that the Japanese Govt can be proud of its record in the conduct of these elections. According to the reports received, not a single candidate was affected by irregularities at the polls. I concur with the view of the chiefs of the govt section that in all probability in no country having elections can a record of better efficiency in the conduct of these elections be shown. I may say that I often wonder at the continued allegations and charges made

against

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-2- #469, October 16, from Tokyo via War

against the Japanese authorities in connection with their efforts under the occupation. They seem never in this Council to receive credit for the good work that they do. The occupation authorities are endeavoring to assist the Japanese people in building a new nation for membership in the world commonwealth under law which we envisage for all peace loving peoples. When a job is well done, I think that they merit some credit. I think for example that the Japanese Govt in carrying out the purge directive accomplished its task in a very admirable manner on the whole. In passing, in connection with the Soviet members mention of the election of members subject to purge, I would like to repeat what I have said a number of times here, that if any member has any evidence of illegal activities on the part of Japanese agencies or Japanese officials, the Supreme Commander would greatly appreciate receiving it without delay. And again, on the question of the activities of the Japanese Govt under the occupation, I would say that the occupation authorities, by their attitudes and policies and their ideals have obtained ready and willing Japanese cooperation. In fact, the time has come when Japanese aims have become virtually identical with allied aims. It seems to me that if this Council is to have influence upon the Japanese and is to set an example to the Japanese, that we ourselves must always be just and fair-minded men".

2. It is understood some correspondents are playing up remark in regards to Japanese and allied aims as a new statement of American policy. No statement of policy was made and none was intended. What was made was a statement of fact, as we in this headquarters see it, that the occupation authorities receive willing cooperation from the Japanese because the Japanese have come to realize that the allied objectives are in Japan's interests as well as ours and that accordingly they are seeking the same goals.

ATCHESON

M.F:MES

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DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE
INCOMING TELEGRAM

DIVISION OF JAPANESE AFFAIRS
memo 10/18/46
OCT 18 1946
ACTION COPY
Office of
FAR EASTERN AFFAIRS
OCT 18 1946
Stetson
Department of State

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Tokyo via War
Dated October 16,
Rec'd 11:35 a.m., 17th

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PRIORITY

470, Sixteenth

Following is another excerpt from the record of this morning's Allied Council meeting, part of which is understood to have made the basis of press stories:

"The Chairman: I think that we may assume that the responsibility of the Japanese Government will profit by the experience gained from the April 10 election and will remain alert against all irregularities in future elections, both national and local. The Supreme Commander through his field agencies, will continue to observe closely future election.

Do any of the other members have any comment they wish to make?

Mr. Ball: Mr Chairman, I should just like to say that I agree wholly with you that the members of this Council should try to be just and objective in their assessment of developments here. I would also like to go on record as saying that I would not, without very careful further consideration, be able to identify myself with your expressions of cordiality and confidence toward the present Japanese Government.

The Chairman: I am sorry, I didn't hear your last words.

Mr. Ball: I should not like to identify myself with your expressions of cordiality and confidence toward the present Japanese Government.

The Chairman:

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-2- #470, Sixteenth, from Tokyo via War

The Chairman: I do not think, Mr. Ball, that you will find on the record that I have made any expression of cordiality or confidence in the present government. I made a plea for recognition of merit where merit exists.

Mr. Ball: I should only be very glad, indeed to join with you, Mr. Chairman, in any recognition of merit where merit exists.

The Chairman: Does the spokesman for the British Commonwealth imply that no merit exists in connection with the conduct of the elections or other activities of the Japanese Government?

Mr. Ball: I think that the member for the US has expressed the view that the members of this council are reluctant to express appreciation of the good work of the Japanese Government where it does good work. And I think I have noticed in the last few months that when any member of this council has raised questions which might possibly be construed as a criticism of the Japanese Govt that the US member has been very quick and eager to defend the work of the Japanese Govt. All I am wanting to say, today, Mr. Chairman, is that I should not wish to identify myself with the attitude that you have expressed until or unless I have received much fuller evidence, much more complete information, about the actual course of affairs in Japan today.

The Chairman: I shall continue to bespeak recognition of merit where merit exists in activities of the Japanese Govt under the occupation. An example in point is the question of the demobilization board which we discussed at the last meeting. I am told by officers wholly competent to know who have observed the work from a professional point of view, the demobilization board has done a magnificent job. I do not see why we should not be willing to recognize merit of that sort. If we wish to encourage the

Japanese to

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-3- #470, Sixteenth, from Tokyo via War

Japanese to build a new Japan, it seems to me that when they deserve encouragement they should be given that encouragement, and that the Allied Council for Japan should not always be an instrument of discouragement.

Mr. Ball: Do you suggest, Mr Chairman, that it has been an instrument of discouragement?

The Chairman: I commend the record to you, Mr Ball".

ATCHESON

DES:JB

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UNITED STATES POLITICAL ADVISER FOR JAPAN

B E

Tokyo, October 17, 1946

SECRET.

RECEIVED DEPARTMENT OF STATE
OCT 28 1946
DIVISION OF FOREIGN REPORTING SERVICES

655

SUBJECT: Seventeenth Meeting of Allied Council for Japan, October 16, 1946.

PO Mr Long - J A
War + Navy
Ch
10/28/46

Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to this Mission's telegrams nos. 469 and 470 October 16, 1946, enclosing excerpts from the record of the meeting of the Allied Council for Japan on that day, and to forward as an accompaniment five copies each of the Agenda and Corrected Verbatim Minutes of the meeting in question (Seventeenth Meeting, October 16, 1946).

The first subject on the Agenda under Official Matters was "Policy with Regard to Ownership of Coal Mines and Subsidy Financing of Coal Production" which had been proposed by the Supreme Commander for initial discussion in the meeting of September 18, 1946. This subject had been held over for the second time at the request of the Soviet Member possibly with a view to giving aid through his recommendations in the matter to Japanese coal miners recently on strike. He presented a long list of recommendations which appear on page 7 et seq. of the minutes and which paralleled to a degree the demands of the strikers. As it happened, the strike had terminated a day before the meeting and many of the demands of the strikers had already been met.

The second Official Matter, proposed by the Soviet Member, was "Elections of the Local Administrative Organs of Japan". The general purport of the Soviet Member's remarks was to the effect that the general elections of April 10 had been characterized by widespread corruption and irregularities, which was not the case. The elections had been closely observed by officers of this Headquarters and, according to the official report of the Government Section, no more than one-fourth of one per cent of the electorate were disenfranchised as a result of irregularities, some 26,000,000 people having gone to the polls. The Soviet Member's allegations, which as usual were in effect an attack upon the Occupation authorities, called forth from me the remarks quoted in this Mission's telegram no. 469 of October 16. I think it will be clear from the context that, as mentioned in the telegram under reference, there was no statement of

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Tokyo's Despatch no. 655
October 17, 1946.

policy involved in my remarks. It is a fact, as we in this Headquarters perceive it, that the Japanese in general have come to realize that the aims of the Occupation are in the interests of Japan as well as of the Allies and that accordingly the Japanese are seeking the same goals. It would indeed be most unfortunate if the situation in this country had developed to the contrary and if the Japanese were opposing Allied objectives for Japan. The remarks which I made in this connection appear on page 12 et seq. of the minutes.

2/ With regard to this Mission's telegram no. 470 of October 16, quoting an exchange of remarks with the British Commonwealth Member, I may say that Mr. Ball's attitude on this occasion provides an apt reflection of his general attitude of seeking not only to cast the Occupation in an unfavorable light but also to misinterpret remarks made in Council by me and even to place in my mouth words which I have not said. It is with considerable regret that we have come to the conclusion that Mr. Ball's actions in this respect are both deliberate and malicious. In this connection there is enclosed a copy of a press story sent to the Chicago Tribune on October 16 by Mr. Walter Simmons, Tokyo correspondent of that paper, who mentions the considerable pain which Mr. Ball causes to Britons in Tokyo and makes, among others, the statement that:

"Ball....in opinion of observers never loses opportunity to criticize American position or side with Soviet Member...."

I may add that just as I was closing this despatch I was called upon by Lieutenant General H. C. H. Robertson, the Australian Commanding General of the British Commonwealth Occupation Forces, who said that, as "the senior British Commonwealth representative in Japan", he had come to express his "horror" at Mr. Ball's actions and attitudes in Council meetings and to ask if there were any possible way in which he could be of assistance in that connection. The substance of General Robertson's remarks are being reported to the Department by telegram.

Respectfully yours,

George Atcheson, Jr.
George Atcheson, Jr.

Enclosures:

1. 5 copies each, Agenda and Corrected Verbatim Minutes, 17th Meeting
2. Copy of press story to Chicago Tribune

Original and hectograph to Department.

Copies to: American Embassy, Moscow
American Embassy, London
American Embassy, Nanking
American Legation, Canberra
American Legation, Wellington
American Mission, New Delhi

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GAtchesonJr:vs

"UNITED STATES POLITICAL ADVISER FOR JAPAN"

Enclosure No. 2 to despatch No. 655 dated October 17, 1946, from the United States Political Adviser for Japan, Tokyo, on the subject "Seventeenth Meeting of Allied Council for Japan, October 16, 1946."

(To Chicago Tribune
from Tokyo Correspondent
Walter Simmons)

16 October 1946

Press collect
Chicago Tribune New York via PREWI

162330. Simmons. Ball. Tokyo. Behavior of former Australian debating society member who now represents British Commonwealth on Allied Council for Japan has caused considerable anguish to Britons here. Criticism which so far has been confined to pained remarks in private rose to new pitch today when Australian W. MacMahon Ball again indulged in his practice of sniping at George Atcheson, Jr., American Chairman of Council.

Atcheson had just answered question raised by Lieutenant General Kuzma Derevyanko, Soviet Member who charged Japanese general election held last April was "failure". Atcheson defended election as "great success". He went on to suggest Japanese should receive credit for work well done and observed:

"I would say the Occupation authorities by their attitudes and policies and their ideals have obtained ready and willing Japanese cooperation. In fact the time has come when Japanese aims have become virtually identical with Allied aims. It seems to me that if this Council is to have influence upon the Japanese and set an example to the Japanese that we ourselves must always be just and fairminded men."

Ball,

Enclosure No. 2
to Tokyo's No. 655, Oct. 17, 1946

Ball, who in opinion of observers never loses opportunity to criticize American position or side with Soviet Member, replied:

"I shouldn't like to identify myself with your expressions of cordiality and confidence toward the present Japanese Government."

Atcheson protested that he had merely made plea for "recognition of merit where merit exists" but Ball's quick objection had high-lighted remark and made it subject of controversy. Within hour leftist circles in Tokyo were buzzing with angry denials that Japanese governments and allied aims were becoming parallel. Ripped from its context, statement had entirely different meaning.

Add one 162330. Simmons. Ball. Tokyo. Atcheson said later he was not enunciating any new American policy but merely stating as fact that recent Japanese moves toward democratization seemed sincere and coincided with Allied desires.

British sources which requested anonymity said they had long been embarrassed by Ball's tactics, which they ascribed to debater's eagerness to make point. In Australia Ball is regarded as radical liberal academician who succeeded in politics due to his glib tongue. Facile public speaker who as young man studied under Harold Laski, later head of British labor party, Ball joined Australian labor party and became speech writer and righthand man of Dr. Herbert V. Evatt.

When

Enclosure No. 1
to Tokyo's No. 655, Oct. 17, 1946

When Dr. Evatt became Minister for External Affairs in current labor government he rewarded his aide with Allied Council post, choice political plum which pays ten thousand dollars annually and expenses. In one bound, as Britons point out, obscure theorist became international figure.

Although offering no program of his own, Ball has made so many petty objections to General MacArthur's plans that two weeks ago Acheson remarked wearily "I still hope that at some time British Commonwealth representative and myself may see eye to eye on some subject."

Under empire setup Ball is supreme in Council matters and makes his reports directly to Canberra. Curiously, however, Britain has two other envoys of ambassadorial rank in Tokyo. They are Ambassador A. D. F. Gascoigne and General C. H. Gairdner, personal representative of Prime Minister Atlee. End. Simmons.

Enclosure No. 1 to Tokyo's Despatch No. 655, October 17, 1946, subject:
"Seventeenth Meeting of the Allied Council for Japan, October 16, 1946."

17-1016

AGENDA

for the

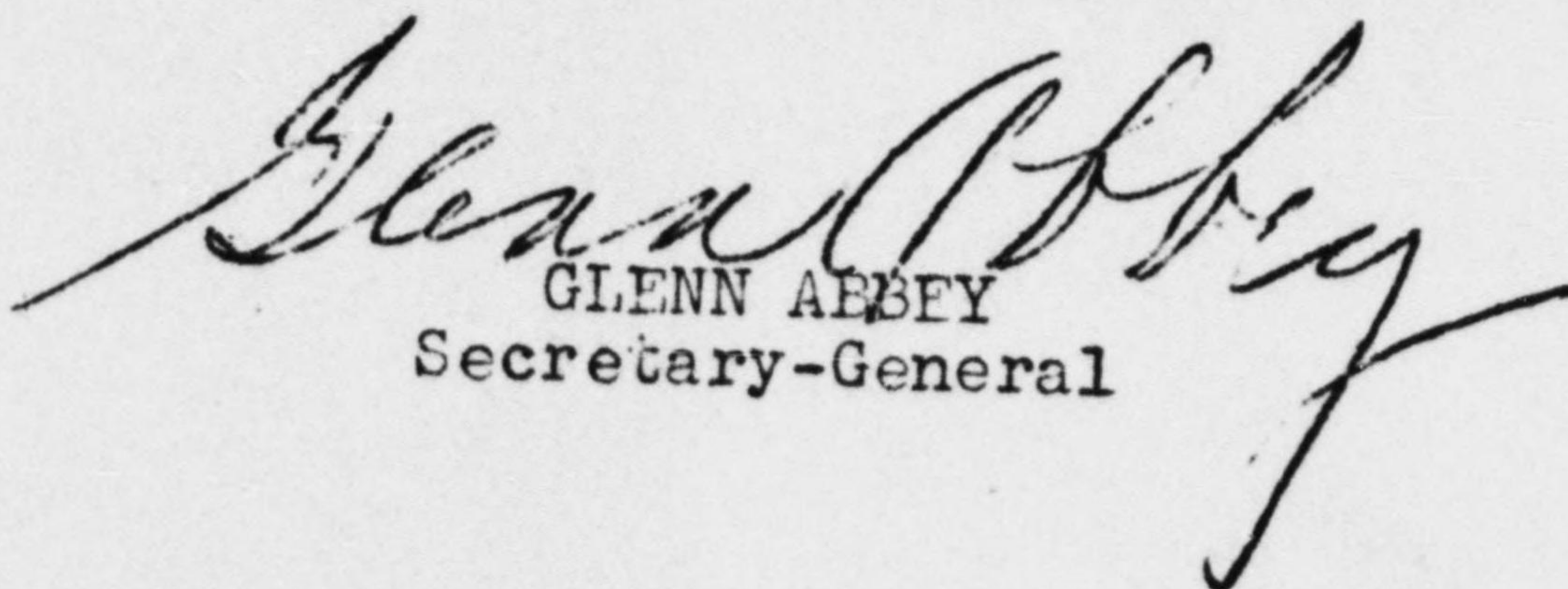
SEVENTEENTH MEETING

ALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo,
Wednesday, 16 October 1946 at 1000 Hours.

- I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE
SIXTEENTH MEETING (1 Session, Numbered 16-1002).
- II PROCEDURAL MATTERS
- None held over or submitted as items for this Agenda.
- III OFFICIAL MATTERS
1. Policy with Regard to Ownership of Coal Mines and
Subsidy Financing of Coal Production (Inclosure #1).
 2. Election of the Local Administrative Organs of
Japan (Inclosure #2).

By Direction of the Chairman:


GLENN ABBEY
Secretary-General

- 2 Incls:
1 - Agenda Item 14-904-1 (Revised)
2 - Agenda Item 17-1016-1

11 October 1946

ALLIED COUNCIL FOR JAPANProposed Discussion Agenda

- I AGENDA NO. 14-904-1 (Revised 11 October 1946).
- II PROPOSED BY: THE SUPREME COMMANDER FOR THE ALLIED POWERS
- III SUBJECT FOR DISCUSSION: Policy with Regard to Ownership of Coal Mines and Subsidy Financing of Coal Production.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 16 October 1946.
- V SCOPE OF INFORMATION DESIRED: Comments of Members of the Council.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:
None requested.
- VII REFERENCES:
1. Partial Staff Study, "Policy with Regard to Ownership of Coal Mines and Subsidy Financing of Coal Production." (Inclosure A to Inclosure 2, Agenda 14-904, Fourteenth Meeting, Allied Council for Japan).
 2. Memorandum to Chief, Economic and Scientific Section from Secretary-General, Allied Council for Japan, 4 September 1946 (Inclosure A-4 to Agenda 15-918, Fifteenth Meeting, Allied Council for Japan).
 3. Memorandum, file AG 463.3 (12 Sept 46) ESS/IN, to Secretary-General, Allied Council for Japan, from Chief, Economic and Scientific Section, 12 September 1946 (Inclosure B-4 to Agenda 15-918, Fifteenth Meeting, Allied Council for Japan).

Inclosure #1

ALLIED COUNCIL FOR JAPANProposed Discussion Agenda

- I AGENDA NO. 17-1016-1
- II PROPOSED BY: LIEUTENANT GENERAL KUZMA N. DEREVYANKO
Member for the Union of Soviet Socialist Republics.
- III SUBJECT FOR DISCUSSION: Election of the Local Administrative Organs of Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 16 October 1946.
- V SCOPE OF INFORMATION DESIRED:
1. Was the investigation of the case of the infringers of the electoral law during the elections on April 10, completed and what measures were taken by the Japanese Government with regard to these infringers?
 2. What measures are being taken by the Japanese Government for carrying out of the elections of the local administrative organs and for prevention of the violations, which took place during the elections on April 10?
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:
None requested.
- VII REFERENCES: None.

17-1016

RESTRICTEDCOPY NO. 53

CORRECTED
VERBATIM MINUTES
of the
SEVENTEENTH MEETING
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 16 October 1946 at 1000 Hours.

MEMBERS PRESENT

The Honorable George Atcheson, Jr., Deputy for the Supreme
Commander, Chairman, and Member for the United States

The Honorable Yorkson C. T. Shen, representing the Member
for China

The Honorable W. Macmahon Ball, Member representing jointly
the United Kingdom, Australia, New Zealand and India

Lieutenant General Kuzma N. Derevyanko, Member for the Union
of Soviet Socialist Republics

SECRETARY-GENERAL

Mr. Glenn Abbey

Office of the Secretariat
Allied Council for Japan
18 October 1946

THE CHAIRMAN: Gentlemen, shall we please come to order?

The Verbatim Minutes have been circulated among the Members for correction. I assume that they have been approved by all the Members. If that assumption is correct, the Minutes will be recorded as approved.

Are there any procedural matters?

MR. BALL: No.

THE CHAIRMAN: The first subject on the Agenda under Official Matters, "Policy with Regard to Ownership of Coal Mines and Subsidy Financing of Coal Production," was proposed by the Supreme Commander and was held over for further discussion at this meeting at the request of the Soviet Member. Since the last meeting, the Soviet Member has requested additional information and in response to that request COMMANDER FREILE of the Industry Division of the Economic and Scientific Section has kindly consented to be with us in order to provide the information requested. May I introduce COMMANDER FREILE, who will endeavor to answer the Soviet Member's request for additional information. (To COMMANDER FREILE) You might read the questions and then give your answers to them.

COMMANDER FREILE: I will endeavor to answer the three questions which have been posed by the Member for the Union of Soviet Socialist Republics. I will read the question and then endeavor to answer it.

Question: "Has the General Headquarters, Supreme Commander for the Allied Powers or the Japanese Government any plan concerning the nationalization of the coal industry of Japan?"

Answer: SCAP has conceived no plans for the nationalization of coal mines in Japan. SCAP neither recommends for nor against nationalization of coal mines. SCAP invites comments on the subject.

Second question: "What is the financial situation of the coal industry at present?"

Answer: The financial position of every coal company in Japan today is extremely poor. The present estimated cost of production averages 360 yen per ton. Advanced payments from the Japan Coal Company, which is the control association, are 220 yen per ton.

SOVIET INTERPRETER: Would you mind repeating this?

COMMANDER FREILE: Repeat? Certainly. Advanced payments from the Japan Coal Company, which is the control association, are 220 yen per ton. (Continues) The coal industry therefore operates at a loss. This situation precludes repairs and rehabilitation; therefore, the present condition of the mines is inefficient and production is low. In September 1946, the Japan Coal Company borrowed 350,000,000 yen.

SOVIET INTERPRETER: Would you mind repeating the figure?

COMMANDER FREILE: 350,000,000 yen. (Continues) And in October 1946, again borrowed the same amount. Repayment of this money is due in December 1946, and payment is to be made from the proceeds of government subsidies, totaling approximately 840,000,000 yen. These subsidies are due the coal companies in November. In addition, the coal companies themselves are reported to have borrowed from their own banks something in the neighborhood of 600,000,000 yen. This money was to be used to cover operating deficiencies. It is obvious, therefore, that the selling price of coal plus the Government subsidies can be considered in the nature of a self-liquidating loan. The difference between the total funds accrued from selling coal, plus Government subsidies, and the actual cost of production, is in effect a non-liquidating loan and can be paid only from either future profits or by liquidation of company assets. The Bank of Japan estimates the credit

requirements for the coal industry at 6,727,000,000 yen, to be utilized for the following purposes: Reconstruction of war damage, expansion of present facilities, advance on cost of production, and a relatively small item for other items not classified. The budget of the Reconstruction Finance Company now provides for a total credit of 1,112,000,000 yen for credit to be extended to the coal industry. In considering the above statistics it must be kept in mind that production has a direct bearing on the financial picture.

The average output of coal per worker in Japan today is 7.6 tons per month.

SOVIET INTERPRETER: Would you mind repeating this?

COMMANDER FREILE: The average production per worker in the mines today is 7.6 tons per month. (Continues) The average production per man in the United States is almost five tons per day. Until such time as definite readjustments have been accomplished, giving the mines a clear start with funds for repairs and rehabilitation, a selling price for coal which will permit the companies to make a profit and an incentive to achieve operation, the financial condition of the coal industry in Japan will remain decidedly insecure.

Third question: "Has the Headquarters, the Supreme Commander for the Allied Powers, received the data from the mines concerning the technical conditions of the coal industry?"

At a previous meeting of this Council, it was said that a report was in the making on this subject. That question poses a very broad and complicated subject which, to be answered adequately, would necessitate a voluminous report. SCAP has been attempting to make a comprehensive study of this subject. Work is being carried on in Kyushu, Honshu, and Hokkaido. Therefore, I can only answer the question this morning in a superficial manner. When

the mentioned report is completed, it will be published. I will try to give you some superficial picture as we see it today.

In general, most coal mines in Japan show evident exhaustion of materials and absence of necessary repairs and maintenance. In addition to this condition there is almost complete lack of development and improvement for the future. Inferior substitute products are in evidence everywhere. In particular, this has reference to lubricants, ball and roller bearings, conveyor belts and chemicals. Daily mechanical breakdowns are abnormally numerous and replacements, where possible, are poor. For instance, the average life of bearings now obtainable is only from 60 to 100 days. Management claims that production can be increased 20 to 30%--

SOVIET INTERPRETER: Excuse me. Who claims?

COMMANDER FREILE: Management. Management claims that production can be increased 20 to 30% with present available labor, provided sufficient materials are made available. The critical items, briefly, are: iron, steel, insulated cable--(to Soviet Interpreter) Pardon me. (Continues) Lumber, lubricating oils and greases, ventilating equipment, electrical haulage equipment, medicines and soap. In the older and deeper mines where the effect of earth pressure and moisture on mine timbers and electrical wiring is greater, water and gas control are more difficult to maintain. These mines require more extensive rehabilitation. The large percentage of Japanese mines are in this category. Generally, power and electric lines and pumps need major replacements. Replacement and repairs in Kyushu are accomplished more easily than in Hokkaido. This is because of the proximity of the Kyushu mines to industrial manufacturing areas. Another contributing factor is the warmer climate, which provides more opportunity for outdoor repairs over

the year. Consequently, the general condition of mines in Kyushu is better than in Hokkaido. Housing in all areas is badly deteriorated. There has been no regular program for housing repairs in 10 years. New housing for families to attract more miners is a serious lack. These conditions have contributed largely to a reduction in man tonnage from 110 tons in 1941 to little over six tons just previous to the recent work stoppage. As an indication of the ratio of production, these companies in Hokkaido produced 25% of all coal mined in Japan; 17 other medium-sized companies and a number of small producers account for the remaining 75%. Therefore, the financial and physical condition of the smaller mines is the most important factor.

THE CHAIRMAN: Are there any further questions?

MR. BALL: MR. CHAIRMAN, there is just one point. I should like first of all to thank COMMANDER FREILE for the very clear and very objective report he has given us. In the early part of his statement he gave us some figures about cost. I would like to know whether those figures were provided by the Japanese mine owners, by the Japanese Government, or whether they have been carefully checked by General Headquarters. I seem to remember at an earlier meeting that a General Headquarters representative pointed out to us that there had not yet been any satisfactory method established for auditing or checking the figures and the costs given by the Japanese mine owners and/or by the Japanese Government.

COMMANDER FREILE: Sir, Japanese figures not only applied to coal costs, but in general, are notoriously inaccurate and variable.

MR. BALL: Does COMMANDER FREILE mean by variable, unreliable?

COMMANDER FREILE: Yes, unreliable, to a certain extent. I would like to respectfully point out, sir, that I said estimated costs.

MR. BALL: Yes, I realize that.

COMMANDER FREILE: SCAP has been working constantly checking these cost figures. We would hesitate to classify them as even reasonably accurate.

MR. BALL: Yes.

COMMANDER FREILE: One of the reasons why they are so hard to get accurate is the basic method of putting people on payrolls in Japanese industry.

SOVIET INTERPRETER: Putting people--?

COMMANDER FREILE: --on payrolls. Do you wish me to repeat that?

SOVIET INTERPRETER: Yes, please.

COMMANDER FREILE: I said, one of the reasons why it is so difficult to get figures accurately is because of the method of putting people on payroll in Japanese industry. In other words, you find a great many people on the payroll in almost every industry that you can't account for. You never know what they do.

MR. BALL: MR. CHAIRMAN. I should like to-- MR. CHAIRMAN, I would like to know COMMANDER FREILE's view, that if the sort of basic data on which General Headquarters must plan its coal program is, in fact, variable and unreliable, doesn't he feel that that in itself is a pretty strong case in favor of some kind of direct Government control and management?

THE CHAIRMAN: I think I can answer that. As COMMANDER FREILE pointed out, General Headquarters has not come to any conclusion and has no program--has not come to any conclusion as to what steps would be desirable or what steps would not be desirable in connection with nationalization or continuation of subsidy.

Are there any further questions? You wish to make some recommendations, GENERAL?

LIEUTENANT GENERAL DEREVIANKO: Yes, sir. First of all, I

would like to thank the reporter for the very extensive information which we have received today. Information that we have received today is an essential and very important reason for making the following recommendations:

The coal output plays a very important part in rehabilitation of the postwar economy of Japan, and it is natural that this field of national economy draws to itself our utmost attention. A normal output of coal in adequate quantities will solve many hardships of the Japanese economy and will contribute both to the higher standard of living of the population and general enlivenment of the Japanese economy. There is no guarantee that in view of the existing situation in the coal industry that this branch of national economy of Japan will cope with the task set before it without an adequate reconstruction. Approximately three-quarters of the Japanese coal mines in terms of capacity and output belong at present to the Zaibatsu companies and other limited concerns which are in the process of dissolution and liquidation. It is but natural that the working of these mines is being conducted by the companies concerned without due intensity because the companies themselves have already lost interest in the matters connected with their mines, being aware that these mines will be transferred to other owners. Small private mines, those not belonging to the Zaibatsu, are producing coal at a higher self-cost and receiving State subsidies in the same manner as bigger companies, are not interested in the reduction of self-cost and the increase of coal output by means of the improvement of methods of output as well as of the welfare of the workers.

At the same time the wages of the workers in the coal industry remaining at a very low level, are not adequate to the cost of living and do not stimulate the influx of labor and the increase of labor efficiency. On the other hand, the mines need a number

of critical materials and suffer from a shortage of skilled labor. All these difficulties may be overcome by means of the nationalization of coal industry as a result of which it will be possible in the beginning to increase the coal output in the most efficient mines. This also will provide a possibility to reassign, in planned order, the materials and labor on hand at the mines among the coal enterprises which are operated; to start a planned supply of critical materials; to create favorable conditions for work in the mines by means of the introduction of mechanization; to introduce more rigid safety rules, and the improvement of sanitary technique; and to raise the standard of living of the workers of the coal industry and thus to attract labor for work in the mines. On the basis of all mentioned above I make the following recommendations:

1. To direct the Japanese Government to nationalize all the coal mines irrespective of their ownership.

a. The mines belonging at present to the Zaibatsu concerns and to the restricted companies, to nationalize without any compensation.

b. All the other mines to nationalize with the payment to their owners of a reasonable compensation. To fix the time of such compensation depending upon the efficiency of each particular mine and on financial possibilities.

2. For the management of nationalized coal enterprises, the Japanese Government is to create a special governmental agency (evidently the Ministry of Trade and Industry), and to charge it with direction and control of all the matters pertaining to this industry. In order to stimulate the coal output, to effect the following measures:

1a. To introduce mechanization in the underground work in the mines.

- b. To establish vocational schools for the training of skilled workers and for the training of newly enlisted workers.
- c. To introduce more rigid safety rules.
- d. To improve underground sanitary conditions.
- 2a. To introduce higher wages for the workers of the coal industry.
 - b. To introduce higher wages for underground workers as compared with the surface workers.
 - c. To establish the practice of supplying the workers free of charge with working clothes.
 - d. To increase the food rations, both for the workers and their families.
 - e. To introduce production quotas for each worker in accordance with the local conditions of each particular mine, and in case of the overfulfillment of these quotas to pay premiums to the workers.
 - f. As the work in the coal mines is detrimental to health, to introduce a reduced working day (six hours) for the underground workers.
 - g. Due to the same reason, to introduce, besides one day off each week, a one month vacation with pay each year for mine diggers and three weeks' vacation with pay for other workers.
 - h. To introduce special social insurance system for the workers of the coal industry at the expense of the State.
 - i. In case a worker is injured or falls ill he should receive free medical treatment until complete recovery. During all the period of medical treatment the worker should receive wages at the rate of 75% of average annual earnings.
 - j. In case a worker is disabled due to the injuries sustained by him, he should be paid a life annuity at the rate of from 50 to 25% of wages depending upon the extent of inability

for work and on the basis of average pay during the past year.

k. In case a worker dies due to an accident which occurred while he was working, the family of the deceased should receive an allowance which should be determined by an agreement with the labor union. If there are disabled members or children in the family, an annuity from the rate of from 50 to 25% of average pay should also be paid, depending upon the number of persons in the family.

l. Measures should be taken to improve housing conditions of the workers of the coal industry.

That is all.

THE CHAIRMAN: Thank you very much, GENERAL. I am sure that your comments and suggestions will be very helpful, indeed.

And thank you, COMMANDER FREILE, very much.

Do any other Members have any comment?

MR. SHEN: I also thank for the report and explanation-- the detailed explanation--made by the SCAP representative, and I wish to state that I have been listening with great interest to the statement and recommendations made by Member for the Union of Soviet Socialist Republics. At a previous meeting, Member for China made a lengthy statement and certain concrete recommendations on this Agenda. In view of the great importance of this coal problem, I should like to know whether the recommendations made by Member for China are being studied by the appropriate authorities of SCAP.

THE CHAIRMAN: I don't need to assure you, MR. MINISTER, that the recommendations of the Members will be given the most careful and fullest consideration.

MR. SHEN: Thank you.

THE CHAIRMAN: Thank you, MR. SHEN. MR. BALL, do you have any comments?

(None indicated by MR. BALL.)

THE CHAIRMAN: The next subject under Official Matters, "Elections of the Local Administrative Organs of Japan." This subject was proposed by the Soviet Member for discussion today. Under "Scope of Information Desired" there are set forth two questions: One, was the investigation of the case of the infringers of the electoral law during the election of April 10 completed, and--and what measures were taken by the Japanese Government with regard to these infringers? (To Soviet Interpreter): That is the second part of One.

The second question, what measures are being taken by the Japanese Government for carrying out of the elections of the local administrative organs and for prevention of violations which took place during the elections on April 10. In accordance with our established procedure, I will ask the Soviet Member if he wishes to make any introductory remarks in regard to this subject which he has introduced.

LIEUTENANT GENERAL DERFVYANKO: I would like to make a statement on this subject, sir.

THE CHAIRMAN: Surely.

LIEUTENANT GENERAL DERFVYANKO: MR. CHAIRMAN, Gentlemen. Taking into consideration the importance of the coming elections to the local administrative organs from the point of view of the democratic reorganization of Japan, the elimination of feudal relations in the country and widening the possibilities of the people to participate in the local self-government, it is necessary to take measures to prevent the repetition during the elections to the local government organs of those essential defects, which took place during the Diet elections on April the 10th, which were accompanied by the injurious practice of numerous violations of the electoral law due to which a great number of electors were deprived of the possibility of participating in the elections. Among candidates running for the Diet, there were a great many people who fell under the purge directive, many of whom were elected members of the Diet and only some of them were later on expelled from the Diet, but the majority of them are still members of the Diet up till now.

The essential violation of the electoral law may be seen from the following: According to the Nippon Times of April the 12th, 1946, 8,000 voters or 6.5 per cent of the town of Sendai, 30,000 persons or five per cent in Tochugi Prefecture, 6,000 persons in the town of Shinzuoka, 4,000 persons in the town of Aomori, were not included in the list of electors and did not receive electoral tickets. Because of the low capacity of the polling stations not all the electors could vote until 1800 hours, the time when in accordance with the rule, the polling stations were finishing their work. (For instance, the districts of Setagaya and Suginami in the city of Tokyo). Not in all electoral districts were created commissions for the reinstatement

in their electoral rights of those citizens in certain localities who lived in certain districts and who were not included in the lists.

The newspaper, Nippon Times, of June the 17th, 1946, wrote that according to the Home Ministry, by May 31st, 1,687 cases of the violation of the electoral law were recorded in the course of the pre-election campaign and the elections of April the 10th. 4,445 persons are suspected of the violation of the electoral law and their cases are being investigated. The Ministry further states that 31 candidates, 867 employees of the electoral commissions and 141 governmental officials are suspected either of bribing the electors or of receiving bribes. 2,101 persons sold their votes for the new yen.

The above-mentioned are just the most important violations of the electoral law. If we add to this numerous cases of poor organization during the elections and bad equipment of polling stations due to which many electors could not take part in the elections and in many cases the principle of secret ballot was violated, it becomes clear that it is necessary for Occupation authorities to take appropriate measures for making preparations for the coming elections.

The considerations and information contained in my statement today made me place these questions on the Agenda and I would like to have answers to these questions.

THE CHAIRMAN: The Soviet Member has made some very broad statements and allegations, apparently based chiefly upon newspaper reports. I do not know whether it is his intention to show that the elections of April 10 were a failure or not. For my part, I consider that they were a great success. As a matter of fact, those elections, conducted under the close observation of the Occupying Forces, were remarkably free of major corruption or irregularity. As stated by the Chief of the Government Section,

in his report of April 22, there was demonstrated to the people of the world a free, honest and orderly election, such as few, if any, of the Western democracies can boast to more complete degree. Both the investigation of violations of the law and the action taken thereon were, of course, a matter of internal administration by the Japanese Government. It is understood that as a result of the action by the Japanese Government, the prosecution of approximately 1,000 such cases resulted in sentences ranging from fines to imprisonment. The irregularities were in the aggregate of a very minor manner. The Chief of the Government Section also states in his report that on the basis of the reports received, less than four-tenths of one per cent of the electorate were disenfranchised by not having their names on the local electoral list. In connection with Sendai which the Soviet Member mentioned, it is stated in the report of the Chief of the Government Section that in Sendai the Mayor resigned as a result of the protests and in other cities detailed investigations were continuing. In Aomori, the only official protest made to Occupation and Prefectural authorities was filed on the afternoon of the election by a candidate who discovered that he was elected the next day. In the elections of April 10, if I recall correctly, some 26,000,000 people went to the polls, including women. With only 1,000 prosecutions arising out of the voting of 26,000,000 people, I think that the Japanese Government can be proud of its record in the conduct of these elections. According to the reports received, not a single candidate was affected by the irregularities at the polls. I concur with the view of the Chief of the Government Section that in all probability in no country having free elections can a record of better efficiency in the conduct of these elections be shown.

I may say that I often wonder at the continued allegations and charges made against the Japanese authorities in connection

with their efforts under the Occupation. They seem never in this Council to receive credit for the good work that they do. The Occupation authorities are endeavoring to assist the Japanese people in building a new nation for membership in the world commonwealth under law which we envisage for all peace-loving peoples. When a job is well done I think that they merit some credit. I think, for example, that the Japanese Government in carrying out the purge directive accomplished its task in a very admirable manner on the whole.

In passing, in connection with the Soviet Member's mention of the election of members subject to purge, I would like to repeat what I have said a number of times here, that if any Member has any evidence of illegal activities on the part of Japanese agencies or Japanese officials, the Supreme Commander would greatly appreciate receiving it without delay. And again, on the question of the activities of the Japanese Government under the Occupation, I would say that the Occupation authorities, by their attitudes and policies and their ideals, have obtained ready and willing Japanese cooperation. In fact, the time has come when Japanese aims have become virtually identical with Allied aims. It seems to me that if this Council is to have influence upon the Japanese and is to set an example to the Japanese, we ourselves must always be just and fair-minded men.

In regard to the second question put forth by the Soviet Member, I may say that, as the Members are doubtless aware, a comprehensive law has recently been passed by the Japanese Diet making all organs of local governments subject to popular election. I think that we may assume that the responsible agencies of the Japanese Government will profit by the experience gained from the April 10th election and will remain alert against all irregularities in future elections, both national and local. The Supreme Commander, through his field agencies, will continue

to observe closely future elections.

Do any of the other Members have any comment they wish to make?

MR. BALL: MR. CHAIRMAN, I should just like to say that I agree wholly with you that the Members of this Council should try to be just and objective in their assessment of developments here. I would also like to go on record as saying that I would not, without very careful further consideration, be able to identify myself with your expressions of cordiality and confidence toward the present Japanese Government.

THE CHAIRMAN: I am sorry, I didn't hear your last words.

MR. BALL: I should not like to identify myself with your expressions of cordiality and confidence toward the present Japanese Government.

THE CHAIRMAN: I do not think, MR. BALL, that you will find in the record that I have made any expression of cordiality or confidence in the present government. I made a plea for recognition of merit where merit exists.

MR. BALL: I should only be very glad, indeed, to join with you, MR. CHAIRMAN, in any recognition of merit where merit exists.

THE CHAIRMAN: Does the spokesman for the British Commonwealth imply that no merit exists in connection with the conduct of the elections or other activities of the Japanese Government?

MR. BALL: I think that the Member for the United States has expressed the view that the Members of this Council are reluctant to express appreciation of the good work of the Japanese Government where it does good work. And I think I have noticed in the last few months that when any Member of this Council has raised questions which might possibly be construed as a criticism of the Japanese Government, that the United States Member has been very quick and eager to defend the work of the

Japanese Government. All I am wanting to say, today, MR. CHAIRMAN, is that I should not wish to identify myself with the attitude that you have expressed until or unless I have received much fuller evidence, much more complete information, about the actual course of affairs in Japan today.

THE CHAIRMAN: I shall continue to bespeak recognition of merit where merit exists in activities of the Japanese Government under the Occupation. An example in point is the question of the Demobilization Board which we discussed at the last meeting. I am told by officers wholly competent to know--who have observed the work from a professional point of view--that the Demobilization Board has done a magnificent job. I do not see why we should not be willing to recognize merit of that sort. If we wish to encourage the Japanese to build a new Japan, it seems to me that when they deserve encouragement they should be given that encouragement, and that the Allied Council for Japan should not always be an instrument of discouragement.

MR. BALL: Do you suggest, MR. CHAIRMAN, that it has been an instrument of discouragement?

THE CHAIRMAN: I commend the record to you, MR. BALL.

MR. BALL: When you say the record, do you mean the first Minutes or the confirmed Minutes, MR. CHAIRMAN?

THE CHAIRMAN: I say the Corrected Verbatim Minutes, including paragraphs inserted and paragraphs deleted.

LIEUTENANT GENERAL DERFVYANKO: I would like to say a few words, sir.

THE CHAIRMAN: Surely.

LIEUTENANT GENERAL DERFVYANKO: I am surprised at the fantastic conception of my proposal as understood by MR. CHAIRMAN. When I placed those two questions on the Agenda of the Allied Council I haven't made even the slightest attempt to prove that the elections held on April 10th were a failure. The only purpose

of placing these questions on the Agenda was to take into consideration the official data published by the organs of the Japanese Government to point out certain defects which took place in the elections held on April 10th in order not to repeat these mistakes in the future elections. Does MR. CHAIRMAN want to disprove the official information published by the Japanese Government? If MR. CHAIRMAN so desires and can do this, I would require MR. CHAIRMAN to do so. I think the words of MR. CHAIRMAN himself say that if we want to set a good example to the Japanese, we should not encourage the mistakes and defects which took place in the course of conducting elections on April 10th and which were given in my statement today.

THE CHAIRMAN: I don't think there is any question of disproving the fact of irregularities. As I stated, we understand that as a result of the investigation there were some 1,000 cases prosecuted, resulting in fines and imprisonment. Any further comment?

MR. SHEN: MR. CHAIRMAN, I also admit that the last general election on April 10th was in general rather a success and was decidedly a stride to the democratization of Japan. However, it was not without defects, as in every phase of life and in every country. In view of the great importance of the coming election for the local administration which plays an important role in the democratization of Japan, it seems worth-while to consider some remedies on this subject. I should like to make the following suggestions for the study of SCAP and for the reference of the Japanese Government.

First, prior to the election, the names of those who are to be expelled by the so-called purge directives should be made public, say one month before the announcement of the result of election, in order to prevent them from possibly making certain political plots.

Second, the District Governors now in service should be advised to resign from their posts, say one month before the participation of the election.

Three, the coming election should be publicly and fairly managed so that the election may not be placed under the traditional feudal influence or controlled by money power, which seemed to have happened during the last general election on April 10th.

Fourth, at the last general election it was reported that over 200,000 persons who had rights to vote were left out. This should not be repeated.

SOVIET INTERPRETER: Would you mind repeating that statement, sir?

MR. SHFN: At the last general election, it was reported that over 200,000 persons who had the right to vote were left out.

It is hoped that the Japanese Government be reminded to take all the precautions possible along these lines, before the promulgation of laws and the decrees concerning the local election. In this connection, I wish to stress that the local administration could not get rid of the traditional feudal character unless the Japanese police system be simultaneously and radically democratized.

THE CHAIRMAN: Thank you, MR. SHFN. Specific suggestions made in a constructive spirit are always greatly appreciated by the Supreme Commander.

Is there any further comment?

LIEUTENANT GENERAL DEREVYANKO: I would like to make a proposal in connection with my statement made today.

1. The Japanese Government must make necessary preparations to conduct the elections to the local organs through its local administrative organs, and prepare and equip the ballot areas to provide all that is necessary for the secret ballot. It is

necessary to prepare lists of electors, and during elections to provide the appropriate setup for the purpose of correcting mistakes which are made in the lists of electors to enable all the electors to exercise their right to vote.

2. The Japanese Government must establish strict control over electoral law and immediately prosecute those who bribe the electors or violate the regulations for elections in any other way.

3. In order to control the political qualification of the nominated candidates it is necessary to create a commission composed also of the representatives of all public organizations.

4. To provide for all political parties and other public organizations the right of free agitation for their candidates not permitting the interference of police authorities with the organization of pre-election meetings, meetings, demonstrations, and subject to severe punishment all those who persecute political leaders by organizing all sorts of groups whose aim is to prevent people, by force and threats, from promoting the election of candidates to their liking.

5. To enable the representatives of the Members of the Allied Council to watch the elections.

That is all, sir.

THE CHAIRMAN: I thank you also, GENERAL, for your recommendations.

I think this concludes the business of our meeting. Let us, therefore, adjourn.

(The meeting adjourned at 1155 hours.)

ooOoo

SUMMARY OF RECOMMENDATIONS AND

SUGGESTIONS FOR SCAP

ITEM I -- "Policy with Regard to Ownership of Coal Mines and Subsidy Financing of Coal Production."

LIEUTENANT GENERAL DEREVYANKO made the following suggestions to SCAP:

1. To direct the Japanese Government to nationalize all the coal mines irrespective of their ownership.

a. The mines belonging at present to the Zaibatsu concerns and to the restricted companies, to be nationalized without any compensation.

b. All the other mines to be nationalized with the payment to their owners of a reasonable compensation. To fix the time of such compensation depending upon the efficiency of each particular mine and on financial possibilities.

2. For the management of nationalized coal enterprises, the Japanese Government should be directed to create a special governmental agency (evidently the Ministry of Trade and Industry), and to charge it with direction and control of all the matters pertaining to this industry.

3. In order to stimulate the coal output the Japanese Government should be directed to effect the following measures:

a. (1) Introduce mechanization in the underground work in the mines.

(2) Establish vocational schools for the training of skilled workers and for the training of newly enlisted workers.

(3) Introduce more rigid safety rules.

(4) Improve underground sanitary conditions.

b. (1) Introduce higher wages for the workers of the coal industry.

(2) Introduce higher wages for underground workers as compared with the surface workers.

(3) Establish the practice of supplying the workers free of charge with working clothes.

(4) Increase the food rations, both for the workers and their families.

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(3) Introduce more rigid safety rules.

(4) Improve underground sanitary conditions.

b. (1) Introduce higher wages for the workers of the coal industry.

(2) Introduce higher wages for underground workers as compared with the surface workers.

(3) Establish the practice of supplying the workers free of charge with working clothes.

(4) Increase the food rations, both for the workers and their families.

(5) Introduce production quotas for each worker in accordance with the local conditions of each particular mine, and in case of the overfulfillment of these quotas to pay premiums to the workers.

(6) Introduce a reduced working day (six hours) for the underground workers.

(7) Introduce, besides one day off each week, a one month vacation with pay each year for mine diggers and three weeks' vacation with pay for other workers.

(8) Introduce special social insurance system for the workers of the coal industry at the expense of the State.

(9) Institute free medical treatment until complete recovery in case a worker is injured or falls ill. During all the period of medical treatment the worker should receive wages at the rate of 75% of average annual earnings.

(10) In case a worker is disabled due to the injuries sustained by him, pay him a life annuity at the rate of from 25 to 50% of wages, depending upon the extent of inability for work and on the basis of average pay during the past year.

(11) In case a worker dies due to an accident which occurred while he was working, pay the family of the deceased an allowance which should be determined by an agreement with the labor union. If there are disabled members or children in the family, an annuity of from 25 to 50% of average pay should also be paid, depending upon the number of persons in the family.

(12) Take necessary measures to improve housing conditions of the workers of the coal industry.

ITFM 2 -- "Election of the Local Administrative Organs of Japan."

THE HONORABLE MR. SHFN made the following suggestions:

1. Prior to the elections, the names of those who are to

be expelled by the so-called purge directives should be made public, say one month before the announcement of the election, in order to prevent them from purposely making certain political plots.

2. The District Governors now in service should be advised to resign from their posts, say one month before the election.

3. The coming election should be properly and fairly managed so that the election may not be placed under the traditional feudal influence or controlled by money power, which seemed to have happened during the last general election on April 10.

4. In the last general election it was reported that over 200,000 persons who had the right to vote were left out. This should not be repeated and the Japanese Government should be reminded to take all precautions possible along these lines before the promulgation of laws and the decrees concerning local elections.

LIEUTENANT GENERAL DREVYANKO made the following proposals:

1. The Japanese Government must make necessary preparations to conduct the elections of the local organs and through its local administrative organs. They must prepare and equip the polling places with all that is necessary to guarantee secrecy of the ballot. It is necessary to prepare lists of electors and during elections to provide the appropriate setup for the purpose of correcting mistakes which have been made in the lists of electors in order to enable all the electors to exercise their right to vote.

2. The Japanese Government must establish strict control over electoral law and immediately prosecute those who bribe the electors or violate the regulations for elections in any other way.

3. In order to control the political qualification of the nominated candidates it is necessary to create a commission composed of the representatives of all public organizations.

4. All political parties and other public organizations must be given the right of free agitation for their candidates by not permitting the interference of police authorities with the organization of pre-election meetings and demonstrations, and by subjecting to severe punishment all those who persecute political leaders by organizing all sorts of groups whose aim is to prevent people, by means of force and threat, from promoting the election of candidates of their choice.

5. Representatives of the Members of the Allied Council should be allowed to watch the elections.

FND.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: 17 Oct. 1946

CONFIDENTIAL

TO : ES: Mr. Monsma
FROM : FC
SUBJECT :

~~Sutata~~
2. Silver
3. ~~Lead~~
4. ~~Manganese~~
Any further changes or amendments?
WBS
Lead
Sutata

20940.00119
Control (Korea)

The War Department has advised that it will shortly open up private communication channels to and from Japan and Korea and will institute a Civil Censorship similar to the AMG Censorship in Germany and Austria. Submissions will be made to the Department on the basis of the subjects we indicate we are interested in.

There is attached, as you requested a list of the subjects which you supplied to us a few weeks ago for inclusion in the Subject Matter Guide for Germany and Austria. Will you please let us have a supplementary list indicating any additional subjects of specific interest in connection with the Japanese and Korean areas?

The War Department has asked that we forward this information as soon as possible.

Attachment: As stated

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Unarmed + Ammunition
by phone. Jammie
and me
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10-17-46

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*Jap. - Post
Info*ES - Division of Economic Security Controls

Censorship submissions desired on the following subjects:

Communications between firms in Allied-occupied areas and firms in other countries - where there is indication of ownership or control; any information indicating ~~German~~ or Japanese interests in firms outside the occupied areas.

Communications dealing with Japanese ~~or German~~ assets located outside the occupied areas.

Financial or trade communications between persons or firms within the occupied areas and persons or firms in other countries.

Communications indicating plans for the departure from Japan of persons who previously were deported or repatriated to Japan from other countries.

Communications indicating restoration to or preservation for a Japanese inside Japan of property held by ~~another~~ person ~~outside~~ Japan i.e. cloaking.

Interested in Truman stuff too

FILED
JUN 29 1955

Confidential File

545-4619

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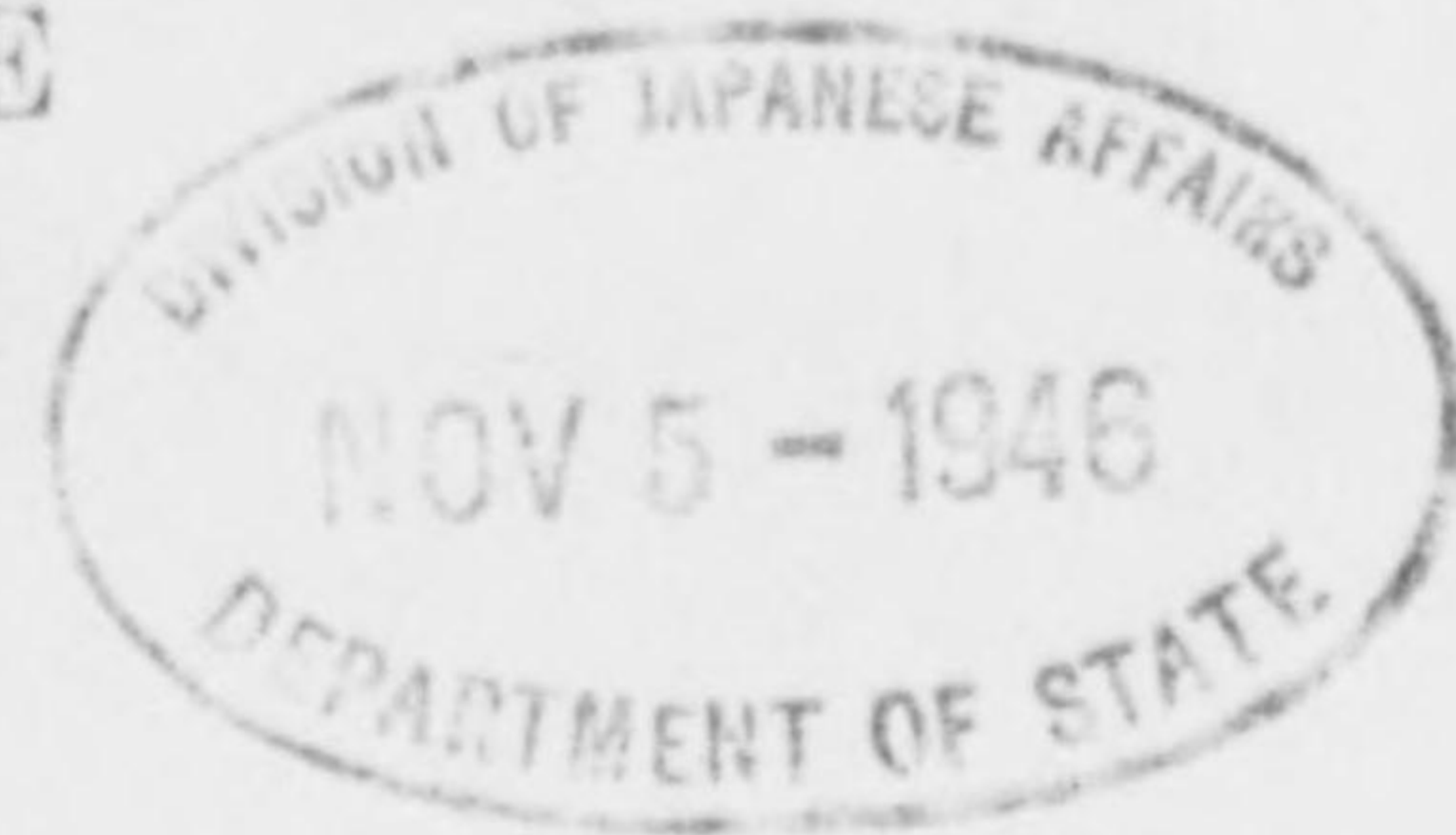
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DEPARTMENT OF STATE

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FROM: Tokyo via War

TO: Secretary of State

NO: 476, October 18

Rec'd November 5, 1946 11:10 a.m.

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10-746

NC

Lt Gen H C H Robertson, Australian Commanding General of British Commonwealth Forces in Japan, (Subject is Allied Council for Japan. Re MYTELS 469 and 470, both October 16, also MYTEL 454, October 7. Conversations with Gascoigne) called on me at his instance this morning. He said he wished to express his "horror" at actions and attitude of Mister MacMahon Ball on Allied Council and to ask if there were anything he could do to improve the situation. He said other British Commonwealth officials here, such as Ambassador Gascoigne, "held up their hands in horror" at Mister Ball's statements and attitude in Council meetings; that Mr Ball apparently felt he must always cap remarks of anyone else and could never refrain from opposing American position and siding with Soviet member. General Robertson said all this was extremely painful to him and that as "Senior British Commonwealth Representative in Japan" he was going to try to do something about it. He indicated he and other British Commonwealth officials here realized Mr Ball was injuring rather than furthering British Commonwealth interests, that he himself was in accord with policies and activities of occupation authorities and we must set the Japanese a good example, encourage them to look to the future.

In thanking him for coming to see me, I remarked that General MacArthur had worried a great deal over Council, as had I also, and we felt it most unfortunate that Japanese should so constantly be presented with picture of apparent Anglo-American discord whereas in fact the

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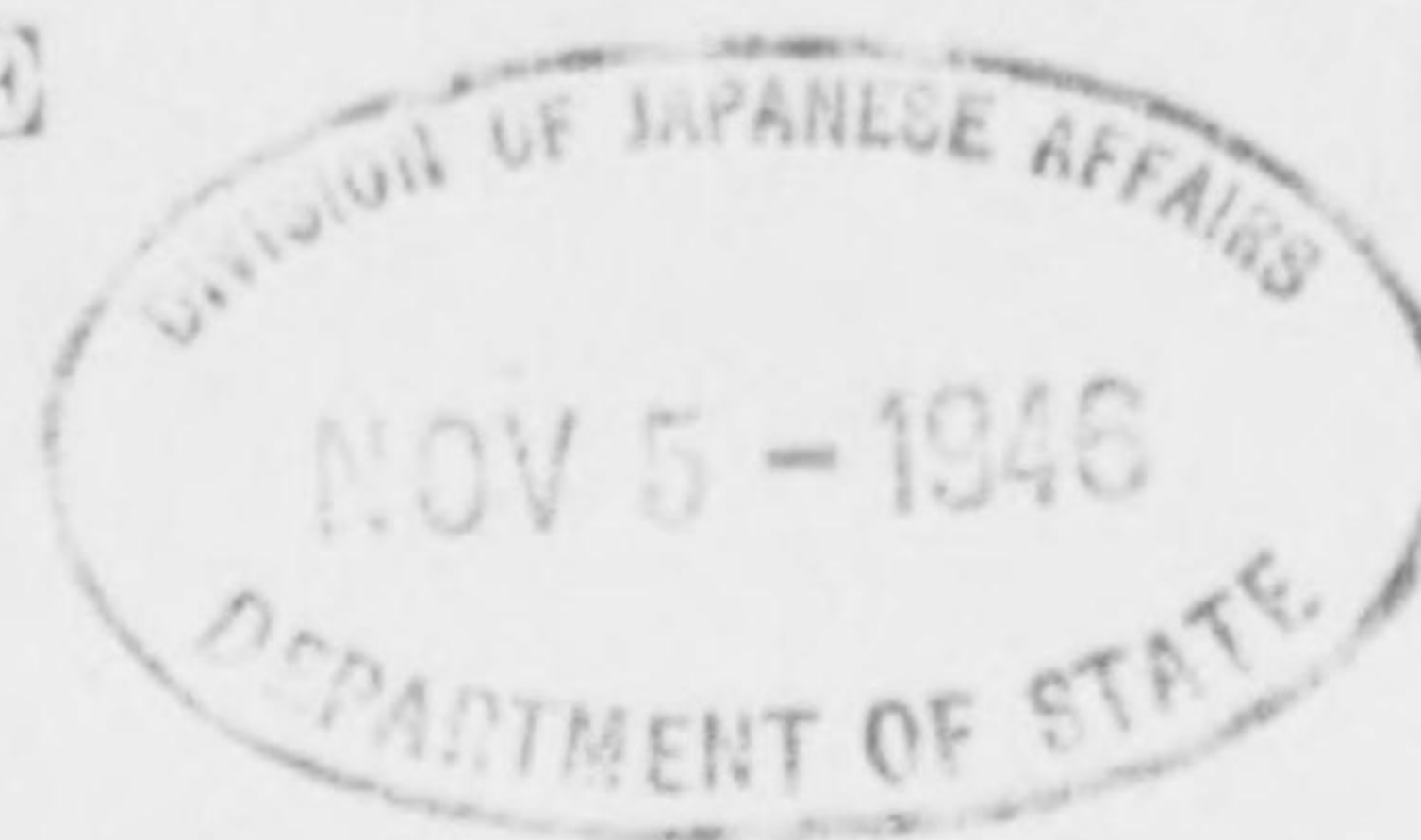
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DEPARTMENT OF STATE

INCOMING TELEGRAM

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Action: FE

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DCR

FROM: Tokyo via War

TO: Secretary of State

NO: 476, October 18

Rec'd November 5, 1946 11:10 a.m.

File no action HB

10-706

NC

Lt Gen H C H Robertson, Australian Commanding General of British Commonwealth Forces in Japan, (Subject is Allied Council for Japan. Re MYTELS 469 and 470, both October 16, also MYTEL 454, October 7. Conversations with Gascoigne) called on me at his instance this morning. He said he wished to express his "horror" at actions and attitude of Mister MacMahon Ball on Allied Council and to ask if there were anything he could do to improve the situation. He said other British Commonwealth officials here, such as Ambassador Gascoigne, "held up their hands in horror" at Mister Ball's statements and attitude in Council meetings; that Mr Ball apparently felt he must always cap remarks of anyone else and could never refrain from opposing American position and siding with Soviet member. General Robertson said all this was extremely painful to him and that as "Senior British Commonwealth Representative in Japan" he was going to try to do something about it. He indicated he and other British Commonwealth officials here realized Mr Ball was injuring rather than furthering British Commonwealth interests, that he himself was in accord with policies and activities of occupation authorities and we must set the Japanese a good example, encourage them to look to the future.

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-2- #476, October 18, from Tokyo via War

objectives of the British Commonwealth for Japan and American objectives were the same, in which remark General Robertson concurred.

Despatch follows.

ATCHESON

JM:JWM

TOP SECRET

476 from Tokys ²³
The original of this
message was
returned to Mr Neigel
in FE. (War Dept. message)

Miss Mullen

Nov-5, 1946



UNITED STATES POLITICAL ADVISER FOR JAPAN

DEPARTMENT OF STATE
NOV - 1 1946
DIVISION OF FOREIGN REPORTING SERVICES

SECRET

No. 658

SUBJECT: Remarks of Commanding General, British Commonwealth Forces, on Actions and Attitudes of British Commonwealth Member of Allied Council for Japan.

DIVISION OF JAPAN
NOV - 7 1946
DEPARTMENT OF STATE

Tokyo, October 18, 1946.

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DEPARTMENT OF STATE

OCT 30 5 13 PM '46

The Honorable
The Secretary of State,
Washington.

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11/4/46

DIVISION OF JAPANESE AFFAIRS
NOV 15 1946
DEPARTMENT OF STATE

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Control (P)

I have the honor to refer to this Mission's telegram No. 476, of October 18, 1946, in regard to remarks by Lt. General H. C. H. Robertson, Commanding General, British Commonwealth Forces in Japan, concerning the actions and attitudes of the Honorable W. Macmahon Ball, British Commonwealth Member of the Allied Council for Japan. General Robertson's remarks were mentioned briefly in our despatch No. 655, October 17, 1946, on the subject "Seventeenth Meeting of Allied Council for Japan, October 16, 1946".

There is now enclosed, in supplement to the telegram under reference, a copy of a memorandum of my conversation of October 18 with General Robertson on which telegram no. 476 was based.

Respectfully yours,

George Acheson, Jr.

Enclosure:

- 1. Memorandum of Conversation, dated October 18, 1946.

Original and hectograph to Department
Copy to American Embassy, Canberra
American Embassy, Nanking
American Embassy, London
American Embassy, Moscow
American Legation, Wellington
American Mission, New Delhi

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Gatcheson, Jr./blc

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Enclosure No. 1 to Despatch No. 658, dated October 18, 1946, from the United States Political Adviser for Japan, Tokyo, on the subject, "Remarks of Commanding General, British Commonwealth Forces, on Actions and Attitudes of British Commonwealth Member of Allied Council for Japan".

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Diplomatic Section

18 October 1946.

SECRET

MEMORANDUM OF CONVERSATION

SUBJECT : Actions and Attitudes of British Commonwealth Member
in Allied Council Meetings.

PARTICIPANTS: Lt. General H. C. H. Robertson,
Commanding General, British Commonwealth Forces in Japan;

Mr. Atcheson.

General Robertson (an Australian) called on me at his instance at my office this morning. He said that he did not ordinarily interfere in other people's business but he wished to express to me his "horror" at the actions and attitude of the Honorable W. Macmahon Ball, the Australian official who represents the British Commonwealth on the Allied Council for Japan, and to ask if there were anything he could do to improve the situation. He said that other British Commonwealth officials here, such as Ambassador Gascoigne, "held up their hands in horror" at Mr. Ball's statements and attitudes in Council meetings; that Mr. Ball was an academic dreamer surrounded by other dreamers and apparently felt that he must always cap the remarks of anyone else; that apparently Mr. Ball could not ever refrain from opposing the American position and siding with the Soviet Member of the Council.

General Robertson said this was all extremely painful to him and that, as the "senior British Commonwealth representative in Japan", he was going to try to do something about it. He indicated that he and other British Commonwealth officials realized that Mr. Ball was injuring rather than furthering British Commonwealth interests in Japan and that he himself was in accord with the policies and activities of the Occupation authorities. He indicated also that there was still a great deal of bitterness in Australia against the Japanese and the Australian people as a whole had not yet come to the point of thinking of assisting the Japanese in any way; but he himself realized that we must look to the future and that if the Japanese were to adopt our ideas it was necessary for them to like and admire us and we should encourage them and set them a good example.

General Robertson said he was expecting to have Mr. Ball to dinner this evening and he would try to bring some influence to bear upon him. He remarked also that while he and some officers of this Headquarters had had some rather "hot sessions" over housing and other matters, he believed that his personal relationships with them were of the friendliest and that no matter what discussions they might have in private, he was shoulder to shoulder with them in public; he believed that this was the attitude that any British Commonwealth representative should take.

Encl. No. 1 to
Tokyo's No. 658,
October 18, 1946.

- 2 -

I thanked General Robertson very cordially for coming to see me and remarked that General MacArthur had worried a great deal over the Council, as I had also, and that we felt it most unfortunate that the Japanese should so constantly be presented with a picture of apparent Anglo-American discord, whereas in fact the objectives of the British Commonwealth for Japan and American objectives were the same. He concurred in this statement.

(General Robertson)
He said that Mr. Ball's only complaint was that we sometimes took him by surprise in the Council. I replied that I did not recall any occasion on which any surprise was sprung on the Council except at the meeting in which I put forth our proposal that other Allied representatives be invited to sit informally with the Council. I remarked that as regards that matter, we hadn't thought of the question of surprise and had realized that in any case the other Members would wish to consult their Governments before entering into any definitive discussion. I added that my personal relations with Mr. Ball outside of Council meeting had been pleasant and that I did not entertain any personal feelings against him. I said that I felt, of course, that from an official point of view the situations which Mr. Ball created in public meetings were most unfortunate and certainly no one would be happier than I to have them alleviated. I said also that I had come to dread Council meetings and had lost a great deal of sleep over them.

General Robertson said that Mr. Ball had not been very well and he had been urging him to go away for a time but that Mr. Ball was afraid that his deputy (Lt. Colonel E. E. Longfield Lloyd) could not adequately replace him for one Council meeting. General Robertson said he had pointed out to Mr. Ball that his deputy had formerly been Australian Commissioner in Japan and was a good solid fellow and in any event all the deputy had to do in case some difficult subject came before the Council was to ask that the discussion be postponed until the next succeeding meeting.

I said that as Chairman I would be quite agreeable to such postponement and hoped that Mr. Ball might get away for some rest and relaxation.

George Atcheson, Jr.

OCT 18 1946

TOP SECRET

No. 283

To the
United States Political Adviser to
The Supreme Commander for the Allied Powers,
Tokyo.

The Acting Secretary of State encloses for the
information of the Political Adviser copies of SWNCC
documents as listed below.

- Enclosures:
1. SWNCC 255/18, copy no. 45.
 2. Status of Papers, SFE,
10 October, copy no. 2.

TOP SECRET

TOP SECRET

740.00119 CONTROL (JAPAN) / 10-1846

TO: Mr. Unit
FROM: [Signature]
SUBJECT: [Signature]
DATE: [Signature]
DIST: [Signature]

A true copy
of the signed
original.

OCT 17 1946 F.M.

FE:JKPenfield:hst
10-17-46

KJB
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Confidential File

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DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE
INCOMING TELEGRAM

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referred to
OCT 20 1946

Tokyo via War

Dated October 18, 1946

Rec'd 3:57 p.m., 19th

DIVISION OF JAPANESE AFFAIRS
OCT 21 1946
DEPARTMENT OF STATE

Office of
FAR EASTERN AFFAIRS
OCT 20 1946
DIRECTOR
Department of State

474, October 18

740.00119 Control (Japan) / 10-1846
All persons mentioned in message (REDEPTEL 519, October 10, Filipinos in Japan) from Foreign Office have confirmed that they have been offered opportunity to repatriate to Philippines but are voluntarily remaining in Japan for personal reasons. (The wives mentioned are all of the Japanese race.)

Most of them are without documentation of any kind and have therefore encountered difficulty in obtaining special food ration to which entitled. Arrangements have now been made to assure that they receive such rations pending receipt of documentation.

Would appreciate instructions regarding establishment of Philippine citizenship and documentation of these and any other Filipinos in Japan.

ATCHESON

DM:NCB

PLAIN

10/24/46

PD has no interest in citizens of P.I. since July 4, 1946.

Waterman

NOV - 7 1946

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740.00119 CONTROL (JAPAN) / 10-1846

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WASHINGTONDC

263 DEPARTMENT INFORMED OF DESPERATE CIRCUMSTANCES OF ELEVEN FILIPINOS IN TOKYO WHOSE RATIONS HAVE BEEN CUT AND CANNOT PROCURE FOOD EXCEPT IN BLACK MARKET WHERE PRICES ARE BEYOND THEIR REACH PD THEIR NAMES ARE CLN JOE EAGLE WIFE AND THREE CHILDREN TEODULO JANSALIN WIFE AND FOUR CHILDREN GAVINO LEUTERIO WIFE AND ONE CHILD FELIX MARZAN WIFE AND CHILD EMANUEL VALDES BEINVENIDO CALLANTA LORETO GUSTILO WIFE AND CHILD LEONARD MANALANG AND WIFE TEORDORO RODROGUEZ EUGENIO FENIQUITO MARIANO MAULAIN PARA KINDLY TAKE UP MATTER WITH STATE DEPARTMENT WITH VIEW TO ASKING ICAP TO EXTEND APPROPRIATE ASSISTANCE TO THEM IN SECURING TRANSPORTATION FROM TOKYO TO MANILA AND IN OBTAINING FOOD AND OTHER NECESSITIES PENDING THEIR DEPARTURE PD LETTER FOLLOWS

QUIRINO.

DJR

The Secretary of State presents his compliments to the Charge d'Affaires ad interim of the Philippines and refers to a telegram left with the Department of State by the Philippine Embassy in regard to eleven Filipinos who were reported to be undergoing hardships in Tokyo.

In response to the request of the First Secretary of the Embassy that suitable inquiry be made as to the status of the Filipinos mentioned, the text of the Philippine Government's message was transmitted to Tokyo for investigation. The report of the office of the United States Political Adviser in Japan has now been received and is attached for the information of the Philippine Government.

The attention of the Embassy is invited to the last paragraph of the attached message. As it appears probable that this situation may arise in other areas, the Department of State would appreciate advice regarding the action which the Philippine Government desires representatives of this Government to take in the

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740.00119 CONTROL (JAPAN) / 10-1846

CS/A

740.00119 Control (Japan) / 10-1846

Handwritten initials and a signature in a box at the bottom of the page.

- 2 -

in the event persons claiming to be citizens of the Philippines,
but without documentation, request assistance.

Enclosure:

From Tokyo, no. 474,
October 18, 1946.

Department of State,

Washington, November 4 1946

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10/31/46

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RECORDS SECTION

NOV 4 1946

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FEB 5 - 1947

OFFICE

740.00119 CONTROL (JAPAN) / 10-2046

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DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE

INCOMING TELEGRAM

Dated October 20, 1946

10

Action: FE Info: PLAIN

1946 OCT 21 AM 9 33 Rec'd 4:42 p.m., 20th

S U Control 6930

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479, October 20

Walter Simmons, Tokyo correspondent CHICAGO TRIBUNE, has sent following news dispatch to his paper:

"Simmons. Ball. Tokyo. Behavior of former Australian Debating Society member who now represents British Commonwealth on Allied Council for Japan has caused considerable anguish to Britons here. Criticism which so far has been confined to pained remarks in private rose to new pitch today when Australian, William MacMahon Ball, again indulged in his practice of sniping at George Atcheson, Junior, American Chairman of Council.

Atcheson had just answered questions raised by Lt. General Kuzma Derevyanko, Soviet member who charged Japanese general election held last April was "failure". Atcheson defended election as "great success". He went on to suggest Japanese should receive credit for work well done and observed:

"I would say the occupation authorities by their attitudes and policies and their ideals have obtained ready and willing Japanese cooperation. In fact the time has come when Japanese aims have become virtually identical with Allied aims. It seems to me that if this Council is to have influence upon the Japanese and set an example to the Japanese that we ourselves must always be just and fair-minded men".

Ball, who in opinion of observers never loses opportunity to criticize American position or side with Soviet member, replied:

"I shouldn't lie to identify myself with your expressions of cordiality and confidence toward the present Japanese Government".

Atcheson protested that he had merely made plea for "recognition of merit where merit exists", but Ball's quick objection had high-lighted remark and made it subject of controversy. Within hour Leftist circles in Tokyo were

buzzing with

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940.00119 Control (Japan)/10-2046

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-2- 479, October 20, from Tokyo via War

buzzing with angry denials that Japanese Governments and Allied aims were becoming parallel. Ripped from its context, statement had entirely different meaning.

Simmons. Ball. Tokyo. Acheson said later he was not enunciating any new American policy but merely stating as fact that recent Japanese moves toward democratization seemed sincere and coincided with Allied desires.

British sources which requested anonymity said they had long been embarrassed by Ball's tactics, which they ascribed to debaters eagerness to make point. In Australia Ball is regarded as radical liberal academician who succeeded in politics due to his glib tongue. Facile public speaker who as young man studied under Harold Laski, later head of British Labor Party, Ball joined Australian Labor Party and became speech writer and righthand man of Doctor Herbert V Evatt. When Doctor Evatt became Minister for External Affairs in current labor government he rewarded his aide with Allied Council Post, choice political plum which pays \$10,000 annually and expenses. In one bound, as Britons point out, obscure theorist became international figure.

Although offering no program of his own, Ball has made so many petty objections to General MacArthur's plans that two weeks ago Acheson remarked wearily "I still hope that at some time British Commonwealth Representative and myself may see eye to eye on some subject."

Under empires setup Ball is supreme in Council matters and makes his reports directly to Canberra. Curiously however, Britain has two other envoys of ambassadorial rank in Tokyo. They are Ambassador ADF Gascoigne and General C.H. Gairdner, personal representative of Prime Minister Atlee."

ATCHESON

DM:EL

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DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

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DEPARTMENT OF STATE

Tokyo via War INCOMING TELEGRAM

Dated October 20, 1946

Rec'd 4:41 p.m., 20th

Office of EASTERN AFFAIRS OCT 21 1946 DEPARTMENT OF STATE OCT 21 1946 8:10 am Department of State

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Action: FE Info RESTRICTED

S U Control 6928

C EUR No paraphrase necessary

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477, October 20

1. Following repeated for Department's information is press telegram from American Embassy Canberra to SCAP:

"Following is Sydney DAILY TELEGRAPH October 8 editorial entitled "Policy in Japan":

The British Commonwealth of Nations occupies a subordinate position in Japan today. There is an Allied Council on which are representatives of the United States, the British Commonwealth, and Russia. The British representative is Mr. MacMahon Ball, from Australia, who is assumed to be able to interpret the wishes of the United Kingdom, Australia, New Zealand, Canada and South Africa. But the real power in the land is General MacArthur, who appears to have the powers the Emperor formerly possessed. The Allied Council is entitled to advise. General MacArthur is entitled to ignore that advice. And in the course of making up its mind what to advise the General about, the members of the Allied Council get on each others nerves. Mr. MacMahon Ball seems to sit between the glares of the American and Russian delegates, occasionally diverting snarls from each other to himself.

The British Empire and Australia in particular has a vital interest in the future of Japan. It should make up its mind on its conception of Japan's future. At present it appears to be content to differ both from the United States and Russia, working on a purely empirical basis, merely putting the brake on the ambitions of the other two Allies.

But even if the rest of the British Empire has lost interest in Japan we cannot afford to be indifferent. Parliament and the country should have a chance of finding out what it is we want in Japan and how we propose trying to get it."

2. Statement

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740.00119 CONTROL (JAPAN) / 10-2046

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-2-477, October 20, from Tokyo via War

2. Statement that Ball sits between glares of American and Soviet member is incorrect: He almost invariably supports Soviet member and receives from the latter only smiles of approbation.

ATCHESON

DM:EL

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740.00119 CONTROL (JAPAN) / 10-2046

DIVISION OF
COMMUNICATIONS AND RECORDS
TELEGRAPH BRANCH

DEPARTMENT OF STATE

INFORMATION
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RECEIVED INCOMING TELEGRAM
DEPARTMENT OF STATE

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1946 OCT 21 AM 9 33

Tokyo via War

Action: FE

Dated October 20, 1946

Info

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Rec'd. 4:42 p.m., 20th

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Control 6929

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No paraphrase necessary

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478, October 20

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We have through press sources received version of New York HERALD TRIBUNE editorial October 19 in regard to October 16 meeting Allied Council. The general tenor of this editorial is so far removed from fact that we are wondering whether there has been any general mis-interpretation of what was stated in the meeting in question. It has accordingly occurred to me that it might be useful, in case Department is queried, to make clear the following:

My defense of the conduct of the general election of April 10 under the close supervision of occupation authorities had no reference to present Japanese Government and could not have possibly had any such reference because present government was not responsible for conduct of elections, did not exist at time of elections; in fact came into being subsequent to those elections. There was no "chastizing of British, Russian and Chinese delegates"; the Chinese member expressed some surprise of our views. This kind of misinterpretation arises of course from Mister Ball's endeavors to put in my mouth words which I did not say.

As regards General MacArthur's wise policy of encouraging the Japanese to seek accomplishments of Allied goals which has resulted in growing realization by the Japanese people that those goals are also their own, I may say that it would be most unfortunate if the

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740.00119 Control (paper) / 10-2046

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-2-478, October 20, from Tokyo via War

contrary were the case and we were receiving opposition rather than cooperation, and were unable to report that the tendency among the Japanese was not along this favorable line.

ATCHESON

DM:MES

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DEPARTMENT OF STATE

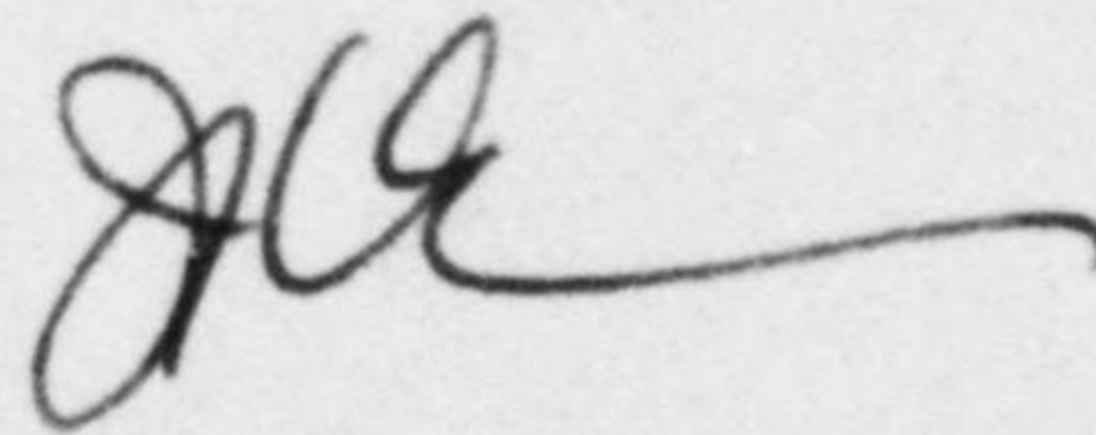
ASSISTANT SECRETARY

October 25, 1946

To : A-H

From : J-K Secretariat: Mr. Emmerson

It is requested that the
attached draft cable be transmitted
to the War Department for despatch
to SCAP.



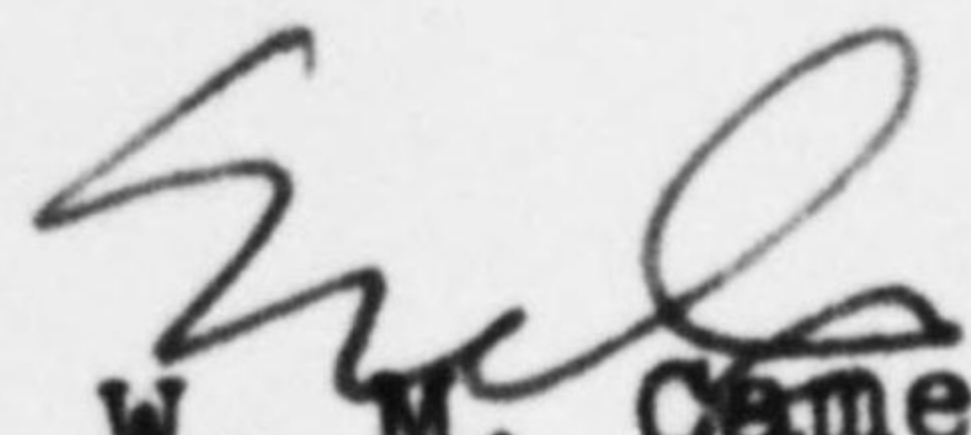
DEPARTMENT OF STATE

ASSISTANT SECRETARY

October 22, 1946

Mr. Emmerson:

In accordance with the established procedure, please have the request of General McCoy put into cable form for transmission to General MacArthur through the War Department.


W. M. Cameron

A-H 225

FAR EASTERN COMMISSION
2516 MASSACHUSETTS AVENUE, N. W.
WASHINGTON 8, D. C.

ASSISTANT SECRETARY
A-H
OCT 22 1946
GENERAL HILDRING
DEPARTMENT OF STATE

21 October 1946 *file*

The Honorable J. H. Hildring
Assistant Secretary of State
Washington, D. C.

My dear General:

I am enclosing a copy of a letter from Colonel Powles, to General McCoy, First Secretary of the New Zealand Legation and a member of the New Zealand delegation to the Far Eastern Commission, nominating Mr. C. M. Smith of New Zealand for appointment to the Forestry Division of the staff of the Supreme Commander for the Allied Powers, in accordance with the procedure laid down in FEC-069.

I would appreciate it if these nominations could be transmitted through the appropriate channels to the Supreme Commander for his decision, and I would also appreciate it if you could advise me when this decision has been made.

I am happy to note in Colonel Powles's letter nominating Mr. Smith the desire of the Government of New Zealand to do what it can within practicable limits to assist the occupation authorities in Japan, and to share in a small measure the responsibilities of the occupation, and I hope that this consideration will be borne in mind by the Supreme Commander in considering the nomination.

Sincerely yours,

Frank McCoy

Frank R. McCoy
Chairman

Enclosure

TO: _____
FROM: _____
SUBJECT: _____
DATE: _____
INITIALS: *LM*

DIVISION OF JAPANESE
OCT 25 1946
MEMO + Hildring enclosing
draft memo, to JHP
10/27/46 JHP
letter from General Hildring
to General McCoy

740.00119 CONTROL (JAPAN)
10-2146

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STATEMENT SHOWING THE OFFICIAL, MILITARY AND
ACADEMIC RECORD OF MR. C. M. SMITH, CHIEF INSPECTOR OF FORESTRY.

(1) OFFICIAL RECORD:

- 1922 : First appointed to the Forest Service as a
Temporary Forest Ranger.
1923 : First appointment made permanent.
1925 : Appointed Forest Assistant.
1926 : Appointed Conservator of Forests, Nelson.
1928 : Appointed Conservator of Forests, Attached to Head-Office.
1932 : Appointed Chief Inspector of Forestry under the
Forests Act, which position Mr. Smith still holds.

(2) MILITARY RECORD:

- 1915/18 : N.Z.E.F. (Egypt and France).
1918/19 : Education Officer in N.Z.E.F. Camps in England.
1919 : Granted N.Z.E.F. Scholarship.
1940/41 : Command of 2nd Bn. Nat. Mil. Reserve.
1942 : Command of 11th Bn. Nat. Mil. Reserve.
1942/43 : Zone Commander, Wellington Fortress Area.
- : Service in various Regiments of the N.Z. Territorial
Force.
- : Efficiency decoration.
- : A total service of 22 years as a Commissioned Officer
rising to the rank of Lieutenant-Colonel.

(3) ACADEMIC RECORD:

- (a) 1912 : Graduated B.A. (N.Z.) at Otago University.
1913 : Graduated M.A. (Hons) at Otago University.
1919 : Attended lectures London University & London School
of Economics (Post-war classes)
1919/22 : Granted N.Z.E.F. Scholarship and attended Edinburgh
University.
1922 : Graduated B.Sc (Forestry) (Edin).

- (b) 1918/19 : Education Officer in N.Z.E.F. Camps in England.
1924/25 : Part-time W.E.A. Lecturer - Invercargill.
1926/29 : External Examiner N.Z. University.

- (c) Ex President Royal Soc. of N.Z. - Wellington Branch.
Ex President N.Z. Institute of Forestry.
Member - Empire Forestry Association.
Life Member, Edinburgh University Forestry Society.

- (d) Publications:
Articles in N.Z. Journal of Forestry.

(4) ADDITIONAL PARTICULARS:

Mr. Smith was born in October 27, 1892, is married and has
one child.

His present salary is £900 per annum.

He holds the rank of Lt. Col. in the Reserve of Officers,
N.Z. Military Forces.

89/2
Col Powell to General McCoy

3613

we collect

You will recall that there have been numerous discussions, both formal and informal, in the Far Eastern Commission about the question of Allied personnel serving with the Staff of the Supreme Commander for the Allied Powers, ^{in Japan} and that you were ^{able} ~~about~~ to arrange for a definite procedure to be settled for a nomination of such personnel, which procedure is laid down in Paper FEC 069. The Government of New Zealand has long been desirous of doing what it can within the necessary practicable limits to give some tangible offer of assistance to the occupation authorities and to bear at least some - if a very small - share of the responsibilities ^{attendant} ~~intended~~ upon the execution ^{by} of the civilian sphere of the occupation policies in Japan. You will, of course, readily understand that the resources of New Zealand in personnel sufficiently qualified to serve upon the Staff of the Supreme Commander and at the same time available to so serve are extremely limited.

Nevertheless after very careful consideration ^{is} ~~in~~ being most desirous to take advantage of the willingness of the Supreme Commander to accept allied personnel on his staff, the Government of New Zealand has ^{desired} ~~desired~~ to make a specific nomination for this purpose in accordance with the procedure laid down in FEC069.

3613

10-29-46

A-H - General Hilldring

FE - Mr. Penfield

Draft Message to SCAP.

There is attached a draft message to the Supreme Commander for the Allied Powers regarding the nomination by the New Zealand Government of Mr. G. M. Smith to the Forestry Division of the Staff of the Supreme Commander for the Allied Powers.

It is requested that the attached message be transmitted to the War Department for despatch to SCAP.

JA: ALDunning:sg

FE

A-H