GHQ/SCAP Records(RG 331)
Description of contents

THE
NATIONAL ARCHIVES
OF THE
UNITED STATES

(1) Box no. 2240

(2) Folder title/number: (23) (end)
SANACC - JCS - FEC

(3) Date: Jan. 1948 - May 1949

(4) Subject:

Classification	Type of record
020	n

(5) Item description and comment:

(6) Reproduction: (Yes) No

(7) Film no. Sheet no.

23
(end)

SECRET

SANACC - JCS - fec

JANUARY 1948 to 31 MAY 1949

SECRET

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

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UNCLASSIFIED
ROUTINE

28 May 49

FROM : DA (CSCAD)

TO : CINCFE

NR : WCL 44171

Statement by Philippine member to FEC on 19 May on Japanese reparations and level of industry is subj.

"On Mar 17, a little over 2 mos ago, I made here on behalf of the Philippine Govt a gen statement of the problem of Japanese reparations. I deplored the prolonged delay in the solution of the problem of reparations, pointing out that this in itself was the result of our vacillation in defining the basis upon which a Japanese peacetime economy should be built. Because of its special responsibilities as the occupying power in Japan, I addressed an earnest appeal to the US to help out the vicious circle in which the Com was doomed to travel so long as we could not make up our minds as to the future of Japan."

On May 12, the US representative on the Com made a Statement on Japanese reparations and level of industry. In that statement he announced that the US Govt was "impelled to rescind it's interim directive of Apr 4, 47, bringing to an end the adv trf program called for by that directive," "to withdraw it's proposal of Nov 6, 47, on Japanese reparations shares," and to state "that it has no intention of taking further unilateral action under it's interim directive powers to make possible add reparations removals fr Japan." He gave 4 reasons for this action:

First, the need of stabilizing the deficit economy of Japan and permitting it to move towards self support;

Second, the reluctance of American tax payers to cont underwriting this deficit;

Third, the failure of the FEC to agree on a schedule of national reparations shares;

Fourth, the fact that Japan has already paid substantial reparations through the expropriation of it's former overseas assets and under the adv trf program."

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FROM : DA NR : WCL 44171 28 MAY 49 CONT'D CSCAD

"Out of our anxiety and perplexity, we addressed 2 mos ago a ques to the US Govt. Today we have the answer before us. When first informed of the dicision of the US Govt, my immediate personal reaction was as rptd in the press. I said that I was "flabbergasted." I used a colloquialism which those who are familiar with the nuances of their American idiom know to signify a combination of chagrin, astonishment and unbelief. My reaction was personal and individual, like that of a man who, having pleaded with his friend for help and recd some assurances that it would be given, is informed in the end that while his need is indeed great, that of the common enemy of the two of them is greater still."

"But this problem, Mr Chairman, is of vital importance to the people of my country and I would be recreant to my dy if I did not try to establish before this Com by means of this preliminary statement the basis, beyond the level of personal sentiment, upon which the attitude of my Govt rests. Candor, therefore, compels me to state that the people and Govt of the Philippines are greatly disturbed by the decision of the US Govt, that they protest in the strongest possible terms against it, and that they cont to have faith that this decision, whatever its immediate effect, will not bar the Com fr reaching a just and satisfactory solution thru the means that are still open to it."

"The effect of the US statement of May 12 is that there is now neither a policy nor a program on Japanese reparations. The slate has been wiped clean. The vicious circle to which I have previously referred has not been cut; it has been swept away altogether. The partial, makeshift solutions have been discarded, and we are now face to face with the basic problem as we were in the beginning."

"The basic principles governing the ques of reparations are familiar to the Com. They were reviewed in the US statement of May 12, and I do not propose now to make an extended exposition of them."

"At the core of these principles stands Para 11 of the Potsdam Declaration, issued on Jul 26, 45, defining the terms of the surrender of Japan: 'Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind, but not those which would enable her to re-arm for war.'"

"This gen principle was spelled out in dtl in Part 4 of the basic post-surrender policy for Japan adopted by the FEC on Jun 19, 47. While making prov to avoid "acute economic distress" among the Japanese people which might militate

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against the long-range objectives of the occupation itself, the Com laid down the principle in Sec 1, Part 4, that: "The existing economic basis of Japanese military strength must be destroyed and not be permitted to retive." The Com then decreed in Sec 4, that one aspect of this principle would be carried out by means of reparations: "For acts of aggression commited by Japan and for the purpose of equitable reparation of the damage caused by her to the Allied Powers and in the interests of the destruction of the Japanese war potential in those industries which could lead to Japan's rearmament for waging war, reparations shall be exacted fr Japan."

"Standing like an arch over the whole structure of reparations policy is this solemn declaration to be found in Sec 3: "The plight of Japan is the direct outcome of its own behaviour, and the Allies will not undertake the burden of repairing the damage. It can be repaired only if the Japanese people renounce all mil aims and apply themselves diligently and with single purpose to the ways of peaceful living. It will be necessary for them to undertake physical reconstruction and basically to reform the nature and direction of their economic activities and institutations."

"The whole policy on reparations, therefore, was based on a philosophy of stern justice tempered by a sober regard for the welfare of the Japanese people themselves and the success of the Allied occupation."

"Accordingly, the FEC took several steps towards an overall reparations settlement, incg a series of policy decisions establishing an interm removal program, selection of plants for reparations, setting up criteria to be used in determing shares for each claimant country, and determining the peaceful needs of Japan."

"The Com, Mr Chairman, has worked hard and long at these policy decisions. It is true that it has not always been possible to work out a satisfactory formula on every aspect of the reparations problem, and that on one point in particular, that of the scd of national percentage shares, we have so far

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failed to come to an agreement. But I beg to point out that the FEC has reached agreement on a number of vital matters much more often that have the analogous bodies concerned with the occupation of Germany or, indeed, than similar political organs of the UN with whose work I happen to be familiar. When, therefore, the US Govt gives this instance of our failure as one of the reasons for its decision, I am constrained to suggest that while such a stow of impatience may confirm ones sense of virtue and satisfaction, in the end it accomplishes nothing. I refer to the Com as a whole when I say that a good surgeon does not amputate a whole arm because of an infected finger; nor is it a good thing as the saying goes, for a man to cut off his nose in order to spite his face."

Strangely enough, the spirit underlying the interim directive unilaterally issued by the US Govt on Apr 4, 47 was also one of impatience, that is, with the members of the Com who could not agree on their respective shares quickly enough to suit the generous temper of the US. The US Govt was anxious to get on with the business of reparations, and in order to give it a firm push forward, the adv trf program was established. That was fine and logical; but now, we are virtually being told that one and the same fact, namely, the failure of the Com so far to adopt a scd of reparations shares, may justify two completely contradictory acts."

"As a matter of fact, therefore, while there may be various subsidiary factors that have contributed to the new US policy on reparations, there is only one reason behind it; namely, the desire to stabilize the deficit Japanese economy in order to permit it to move towards self-support. The argument has been angled to catch the eye of the American tax payer, that anonymous yet politically potent being who has carried on his broad shoulders the Herculean burdens of lend lease, the Marshall Plan, the Alantic Pact, and the Berlin Airlift, but who is not prepared to carry one moment longer the crushing burden of the deficit Japanese economy. The further argument that a strengthened Japan would be a factor of some importance in the struggle for power in Asia may, of course be assumed as corollary to the first."

"The desire to prop up the Japanese economy is understandable, and far be it fr me to wish that there shall be no diminution in the heavy financial commitments of the US. But I believe that the American tax payer is entitled to know all the

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facts about the economic cond of Japan, particularly the reasons why it's economy is not recovering as fast as it should. The American layman who reads in his newspaper that Japanese reparations are being stopped because otherwise the US would have to spt Japanese economy to the tune of one billion dollars every year, is apt to jump to the conclusion that the American people are in fact sptg Japan in order that she in turn may be able to pay reparations to other counties."

"As is well known, Mr Chairman, the total reparations so far removed fr Japan and delivered to the 4 countries amt to about seventy million dollars. These have incd for the most part machine tools and laboratory and pilot plant equipment. Not one single industrial plant has been removed. Now we are told that succesive surveys conducted by various American investigators have necessitated 'progressive upward adjustments of earlier etsimates' of Japan's future industrial requirements, and therefore, correspondingly progressive downward adjustments of earlier ests of the excess plants and equip that could be earmarked for repar."

"With all due respect for the opinions of these American experts, I would like to say that so long as vital and far [illegible] reaching policies affecting not America alone but other countries as well were to be based on the findings and recms of these investigators, it would have been a wise thing to have sent mixed multi-national missions to Japan and thus ensure a certain degree of controls and counter-checks on their findings. It should be noted that three different American surveys have given three different ests of the peacetime industrial requirements of Japan. Apart fr the objective factors that could so markedly affect the ests of three different gps, all of them composed of Americans, there would have been a certain insurance against error and partiality in the participation of non-Americans in such surveys. It is reasonable to suppose that the ests of Chinese or Filipino experts who come from their little industrialized and devastated countries would serve as a corrective factor in the ests of American experts who are apt to judge Japan's peacetime requirements on the basis of the massive and prosperous industrial plant of the US."

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FROM : DA NR : WCL 44171 28 MAY 49 CONT'D CSCAD

"My first point about these survey rpts, therefore, is that there is no way of checking them, and the fact that they vary so considerably fr one another leaves the accuracy and validity of any one of them open to serious doubt."

"My second point concerns the internal pressures within Japan itself that have contributed to her critical economic cond. I have already stated that the basic post-surrender policy for Japan lays down the stern doctrine that "the plight of Japan is the direct outcome of it's own behaviors, and the Allies will not undertake the burden of repairing the damage." The policy goes on the state: 'it will be necessary for them (the Japanese) to undertake physical reconstruction and basically to reform the nature and direction of their economic activities and institutions.'"

"Now, we are told that the Japanese economy is in so critical a cond that the whole reparations program must be scrapped, since, in the words of the US delegate, 'the Japanese must be enabled to spt themselves at a tolerable standard of living,' and since 'no one could reasonably suggest that Japan should be abandoned to economic despair.'"

"No, Mr Chairman, we could reasonably suggest such a thing, but we could more than reasonably suggest that the critical economic cond of Japan is due to it's own behaviour in a war of it's own making, and furthermore, that it's failure to revive economically is in large measure due to a deliberate conspiracy of it's own industrial leaders, the Zaibatsu, and their political agents in Govt to sabotage such industrial recovery."

"The responsibility of Japan for the critical cond of it's economy is thus a double responsibility: The original one of being fully responsible for the consequences of it's own criminal act of aggression, and the secondary one of being mainly responsible for the deliberate attempt to create financial chaos and to slow down production in order to embarrass the occupation auth and win the sympathy of the Allies, especially the US of America."

"There was no re to Japanese responsibility in the US statement of May 12, and I feel therefore that this responsibility must be stated and fixed in order that it might become utterly clear to the world that what we ought to do is not to give the impression that Japan must be protected fr the greedy reparations claims of other countries but rather that Japan needs above all to be saved fr it's own folly."

"There is a chapter in the book 'Prospects for Democracy in Japan' by T.A.Bisson, recently published under the imprint

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FROM : DA NR : WCL 44171 28 MAY 49 CONT'D CSCAD

to the institute of PAC relations, which the Com will find interesting reading. Mr Bisson has written with considerable auth of the subjs and he brought to the writing of this volume first had knowledge and experience which he gathered as an important member of the Govt Sec of Gen MacArthur Hq in Tokyo. The Com will find highly pertinent to this ques of Japanese responsibility certain observations of Mr Bisson. I quote fr Chapter 6 on "The Struggle on the Economic Front:' 'The occupation authorities were well aware of the necessity for far reaching changes in the Japanese economic structure. But while they were drafting long-range programs it soon became apparent that the Old Guard (the Zaibatsu, that is) was waging it's shrewdest battle against the occupation on the economic front."

"As far as reparations were concerned, virtually no removals of Japanese industrial plants had actually occured, and here again it was old business gps that were most disturbed by the prospect of such removals."

"The economic crises in Japan reflected the opr of a more broadly determining factor. Stated in it's simplest terms, this was the failure of the occupation to achieve a sufficiently rapid and thorough destruction of the Zaibatsus power, with the result that the leaders of these great combines were left in a position where they could effectively sabotage efforts to expand productions and curb inflation."

"The author conts, and I am still quoting: 'To obtain production of essential basic materials and consumers goods, strict allocations of materials to essential industries were obviously nec. Prudent fiscal policies were also needed. Such a program, however, did not suit the requirements of Japan's business leaders, and they had the power to prevent it's application. As the occupation began, the Zaibatsu concerns had control of Japan's industrial plant and the bulk of her commodity stocks. Their power incd not only opnl control of fiscal measures, but also the ability to block any program looking toward the controlled allocation of materials."

"Fr these vantage points, they even fought to secure Govt indemnities for the losses suffered in destruction and damage to their munitions plants. The Zaibatsu firms had made vast

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profits during the war, and it was obvious that by seeking indemnities, they also hoped to escape the burden of paying for a war that they had lost by shifting the burden to the shoulders of the Japanese people."

"I should add, at this juncture, Mr Chairman, that, having passed the burden on to the Japanese people, the Japanese industrialists would indeed be very happy to see that the burden is next passed on the the victims of Japanese agression in other lands."

"In the next chapter on 'Recent Economic Trends,' Mr Bisson goes on to say: 'Inasmuch as the economic machinery of Japan was left in the hands of Japanese that were bent on sabotaging industrial recovery so long as American control remained in force, this policy imposed a contd financial drain on the US. This situation gave American Army and banking interests a plausible excuse to deplore the heavy financial burden placed on the US as a result of Japan's failure to achieve industrial recovery and economic stability. Their proposed solution of the problem was to restore Japan to what was, essence, her pre World War II industrial status, with one notable difference henceforth American capital would be a partner of the Zaibatsu in prewar-style international cartels, or would simply take over certain key Japanese industries by means of large direct investments.'"

"I have given rather extensive quotations fr this timely book, Mr Chairman. Of them I am not in a postion to state that they are in all respects accurate or true, but only that they are pertinent to the ques of whether it is reasonable to ask the FEC to accept as fact the statement that reparations must be discontd because Japan is an impoverished country, so long as there is evidence that the Japanese economic crises has been deliberately brought on by the Japanese themselves in order to arouse American sympathy and ensure American assistance."

"The Com does not need, I am sure, to be told with what jubilation the news of the new US policy was recd in Japan. The Mainichi of May 13 had an editorial saying: 'The latest Wash announcement has saved Japan's face in relation to the world. We feel that we can stand square-shouldered in front of the countries which may suspect us of attempting to rearm ourselves.'"

"Nor need I tell you, Mr Chairman, that in Manila the same news was recd with dismay, even with bitterness. The Phillippine Under Secy of Fgn Affairs was quoted as saying over

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FROM : DA NR : WCL 44171 28 MAY 49 CONT'D CSCAD

the radio that the Philippine Govt considers itself specially entitled to Japanese reparations, and that the US and other members of the FEC will readily see the justice and fairness of our claims. The Philippines, he said, has not lost hope of winning it's case before the Com. Somewhat more realistically, the National Economic Council of the Philippines met in a hurry to study the effect on the industrialization program of the American decision to curtail Japanese reparations."

"I can recall, sir, only one instance in recent years of a news rpt which created jubilation in Tokyo and consternation in Manila, and that was the news of the Japanese sneak attack on Pearl Harbor. Times must indeed have changed very much since then to produce this curious duplication of events in reverse. Or perhaps, we should say that this a new sneak attack, only an infintely more insidious one-a delayed action attack that will someday explode in the very faces of those who now deplore the cost of the Japanese occupation, in the form of another massive effort of containment and perhaps war that will cost a billion dollars for every ten millions that are now being spent to sustain the Japanese economy."

"If I speak with some bitterness, I would beg you, Mr Chairman, to understand that I but reflect in moderation the sentiments of the Filipino people. I beg you also to believe that these sentiments spring fr no blind vindictive passion directed against the Japanese people. Our interest in their political and economic reformation is genuine, just because they are our immediate neighbors and we are eager in future that they shall live at peace with us. The US can stay or pull out of the FE as it pleases, but we have no choice, we shall always be there. In a very important sense, therefore, we have a stake in a peaceful and democratic Japan far more intimate and real than yours. For us it is not, as it is for you, a mere matter of forgetting the past and overcoming a deep and justifiable resentment toward Japan. It is rather a ques of making absolutely certain that Japan will never again be a menace to our security and liberty."

"With the whole world clamoring for American prod, the US had no reason to fear, now or in the predictable future, the revival of Japanese industry. But we have. The US can -

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regard without alarm the prospect of Japan becoming the 'Workshop of Asia,' but we can't. For we know that mil power is a concomitant of industrial power, and the wilful and wily Zaibatsu class which is engineering the re-emergence of Japan as an industrial power will soon, we have no doubt of it, be clamoring for an Army and Navy. The time to stop them is now, before we become weary of the burdens of occupation, specially of the thankless task of watchdog and overseer. And the way to stop them is to take away the instruments of power fr their hands. If we do this resolutely and refuse to fall into the snares and deceptions which are their stock-in-trade, we shall be serving not only our own interests but the interests as well of the Japanese people. For us there shall be no security and for the Japanese people themselves no peace and no prosperity while these ambitious and ruthless men remain in power."

"The problem of reparations is not a problem of Japanese-American relations. It is not a ques of Soviet-American power of the states of the Com that have a stake in the future of Asia. It must, therefore, be solved on that basis, and a just solution must start not on the premise that reparations must be curtailed in order to permit Japanese industrial recovery, but rather on the premise that the remedies which lie within resources of the Japanese economy itself must first be explored and exhausted in some such manner as I have indicated. The Japanese must first help themselves to the utmost before we are asked to help them thru abstention fr reparations."

"Mr Chairman, I will conclude. No one can ques the right of the US Govt to rescind the program of interim reparations which it intiated unilaterally, of it's own free will. This offer, for which my Govt is endlessly grateful, was a gesture of magnanimity and as such may be withdrawn at any time by the same hand that bestowed it. However, in international relations there are considerations beyond those of legal rights that ought, in our opinion, to be taken into acct in ques of this kind. A decision, even if unilateral and voluntary in the beginning, creates in the course of time a whole system or relations between the parties which subsequently limits the freedom of action of either of them. Neither may then withdraw fr that new system of relations with the complete freedom, the Arbitrary Liberty of choice with which they first entered into the relation."

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FROM : DA NR : WCL 44171 28 MAY 49 CONT'D CSCAD

"If I should seem to draw a thin line of moral responsibility across this ques, I beg you, Mr Chairman, to believe that I do so with the greatest diffidence and only because it is difficult for me to be completely objective and to cast out my mind the special ties of affection and loyalty that bind my country to yours. My country was one of the 4 that benefitted fr the US program of interim Japanese reparations, but it was not the first act of the kind that had taken place during the period of our long association, in peace as well as in war. It is not out of place, I trust, for a Filipino to express, even in this gathering of various nations wherein the US must speak impartially on a ques of high policy, the hope that since this policy gravely affects the interests of my country, some means will ultimately be found to make it conform to the established pattern of generous American action towards the Philippines."

"I have made this preliminary statement on behalf of my Govt, reserving my right to make subsequent submissions to the Com either on the proposals that the US representative has announced he will adv at a later time or on proposals of our own that we hope to be able to bring to the attention of this body."

NO SIG

ACTION : CIV PROP CUST

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, GOVT, ECON & SCI, DIPLOMATIC

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ROUTINE

28 May 49

FROM : DA

TO : SCAP (USPOLAD)

INFO : CSUSA

NR : 271043 Z (MSG FROM STATE DEPT DTG 262306 Z) (STATE SEL 233, MAY 26, 7 PM SIGNED WEBB)

Summary Steering Comite mtg May 17 fishing and aquatic industries in Japan (SC-271/14) Comite agreed substitute "above-mentioned" for "present" in 2d line.

B. Where it says "expand present Jap fishing and other commercial aquatic activities" labor policy in Japan (SC-318/17).

USSR member stated it was quite clear US authorities deliberately violating FEC 045/5 and these violations should be stopped. Australian member requested US position on his proposal. US member replied US not in position support Australian proposal as now worded and that neither paper nor effect of paper on present labor legislation in Japan had been adequately discussed.

He pointed out that trade union policy decision was statement of gen principles which SCAP was to interpret and en force and that SCAP in his interpretation of directive had acted within proper limits of his executive discretion. He added that for FEC now to pass policy that workers in govt enterprises have normal, unrestricted right to strike wld discredit SCAP. He stated US apprehensive Australian resolution wld first and foremost require permanent legislation which wld authorize govt worker to strike in essential industries. He concluded that on basis of info available it was his understanding that not 1 of member govts of FEC was willing by law and/or practice to give unrestricted right to strike to workers in govt enterprises.

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Handling and transmission of literal plain text of this message as correspondence of the same classification has been authorized by the War Department in accordance with the provisions of paragraphs 16-C, 18-E, 53-A, 53-D (1) (2) (3), and 60-A (1) (2) (3) (4), AR 380-5, 6 March 1946.

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FROM : DA (USAPOLAD) NR : STATE DEPT DTG 262306 Z 28 MAY 49
CONT'D

Australian member insisted his proposal did not call for "unrestricted" right to strike as right to strike in Japan was governed by actions of SCAP. He pointed out that practice of compulsory arbitration in his country did not exclude right to strike and that no distinction was made between workers in private enterprise and workers in govt enterprise. He could not accept contention his govt was trying to impose on Japanese something which it was not prepared to impose on its own people. He concluded he could not associate himself, with suggestion of USSR member that SCAP had deliberately violated FEC policy decisions. Rather FEC was at fault for passing policy decision capable of another interpretation. Replacement of lost cultural objects (SC-272/12).

Chinese member requested US reply to other points raised in Chinese statement.

Japanese assets in neutral countries (SC-295/6).

Positions of Philippines and US reserved and USSR opposed. Removal of aircraft and private munitions plants from Japan (SC-312) no discussion.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

NOTE : Duty Officer Comm Center states this msg delay due to service.

ADDED DIST : GOVT, ECON & SCI, NAT RESOURCES, CIV PROP CUST (28 May 49)

RECEIVED
28 MAY 1949
TOO : 291043 Z
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INCOMING MESSAGE

UNCLASSIFIED
ROUTINE 29 May 49

FROM : CSCAD FE

TO : SCAP

NR : WCL 44268

Folg statement on reparations made by Philippine member to FEC on 26 May 49:

"On May 19, I made a preliminary statement on the question of Japanese reparations on behalf of the Philippine Govt. Upon further instrs fr my govt, I would like to present today the folg arguments and obsns in further elucidation of the Philippine attitude.

"This attitude is based primarily on the folg points:

"1. The reversal in reparations policy is a flagrant repudiation by the US of its commitments under the Potsdam Declaration.

"2. The Philippine claim for a share in Japanese reparations constitute a valid entitlement duly recognized in the basic post-surr policy for Japan.

"3. The US decision would nullify both the ltr and spirit of the terms of re of the FEC as well as the series of policy decision on the problem of reparations laid down by the Com, particularly those bearing on the disposition of interim reparations assets covering 11 categories of Japanese industries.

"4. The US decision would be contrary to the gen intent of the Philippine Rehabilitation Act of 1946 which was apd by the US Congress before the Independence of the Philippines, and which was promised in part on the payment of Japanese reparations.

"5. Of all the Asian countries, with the probable exception of China, the Philippines sustained the heaviest loss and damage fr enemy action and is therefore entitled to preferential treatment in the matter of reparations.

"6. Japanese reparations assets have been assigned a vital strategic role in the implementation of the post-war Industrial Development and Recovery Program of the Philippines, and the cessation of the expected reparations payments would

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cause a serious disruption in the economic development time-table of the Republic and a grave dislocation of its economic structure.

"In connection with the first argument, I cited in my preliminary statement the pertinent provs of the Potsdam Declaration which categorically set the pattern for the exaction of reparations in kind fr Japan.

"In spt of the second argument, I quoted the applicable provs of the basic post-surr policy for Japan, which established the validity of the reparations claims of the Philippines and other allied countries under Sec 4 thereof. I also recalled the various policy decision on reparations adopted by the Com which laid down the basic principles governing the apportionment of reparations shares among the different claimant countries. In particular, the FEC Policy Denision of 8 May 1947, div of reparations shares, in setting up the criteria to be used in determining the shares of each country, explicitly recognized the valid entitlement of the Philippines and the other allied countries to reparations fr Japan, in these words:

"The shares of particular countries in the total sum of the reparations fr Japan shall be determined on a broad political basis, taking into acct the scope of material and human destruction and damage suffered by each claimant country as a result of the preparations and execution of Japanese aggression, and taking also into due acct each country contribution to the cause of the defeat of Japan, incg the extent and duration of its resistance to Japanese aggression."

"On both counts-the material and human destruction suffered by each claimant country and its contribution to the war effort against Japan-my govt affirms most categorically that its entitlement to reparations is beyond doubt or cavil and cannot be inpugned on grounds of mere prudence or convenience.

"The American decision also constitutes, in the view of my govt, a violation of the terms of re of the FEC relative to the Grant of Unilaterial Interim Directive powers to the US, specifically, Sec 3, Para 3 thereof, which reads as follows:

"3. The US Govt may issue interim directives to the Supreme Comdr pending action by the Com whenever urgent matters arise not covered by policies already formulated by the Com; etc."

The suspension of further removals under the Interim Reparations Program clearly violates this provison since the US declaration of May 12 would not only rescind the US Unilateral

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FROM : CSCAD FE NR : WCL 44268 29 MAY 49 CONT'D

Decree of 4 Apr 1947, but would have a similar effect upon the Interim Reparations Policy decisions unanimously apd by the FEC, incg the policy decisions adopted long before the US Directive to SCAP was issued; in particular, the series of policy decisions of May 13 to 6 Dec 1946 ear-marking residual equipment in 11 categories of Japanese industries aval for reparations.

"In spt of the fourth point concerning the Philippine Rehabilitation Act of 1946, I would like to go back to the historical basis of that enactment. In fulfillment of the repeated pledges of liberation and material assistance which he had solemnly given to the Filipino people in wartime, President Roosevelt called upon the US Congress on 6 Oct 1943: 'To make prov to determine the adjustments nec in the existing provs of law which govern the economic relations between the US and the Philippines so as to assist in making the Philippines, as an independent nation, economically secure.'

"Accordingly, the US Congress after the war apd the Philippine Trade Act of 1946 and the Philippine Rehabilitation Act. The prevailing sentiment of Congress was expressed by majority floor leader Congressman John McCormack, in these words: 'America, speaking thru their President in the early days of the war, uttered no mere idle words. The help to be extended to the Filipinos to enable them to live in peace and independence was to be real, not imaginary, actual not theoretical. America has never broken bond. America will not fail in the matter of Philippine rehabilitation.'

"In signing these enactments on 30 Apr 1946, President Truman recalled the previous pledges of President Roosevelt, incg the recm to Congress already cited. He said: 'That recm was made in the heat and desperation of struggle. It climaxed promises made to the people of the Philippines that not only would their land be liberated fr the tyranny of the enemy, but that they would be given their full independence and would be rehabilitated fr the ravages of war.'

"Now, the act itself, while authg the aprop of $520,000,000

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for war damage payments to the Philippines, public and pvt prvd only for partial compensation of such damage and did not constitute a quitclaim or waiver of reparations. The Philippine Govt, considering its total reparations bill of $5,000,000,000 exclusive of goods and svs obtained by the Japanese occupation forces, could not have agreed to such a waiver and no such consent may be implied fr the Philippine acceptance of the benefits under the act.

"Indeed, the act itself envisaged the payment of reparations. Sec 106 (B) of that act provs that any money or bulletin recd by the US fr the Japanese Govt by way of reparations shall be paid into the US Treasury until it shall have fully reimbursed itself to the extent of the $520,000,000 in war damage payments to the Philippines. The act goes on to say that any such Japanese reparations in excess of the amts paid out by the US shall be used to satisfy in full the unpaid balance of any pvt or public claim of the Philippines.

"Under long-established rules of International Law, the Govt of the Philippines would normally have had the right, on its behalf and on behalf of its citizens, to claim and collect reparations fr Japan. However, by virtue of the Rehabilitation Act, the US Govt took it upon itself to adv certain funds to the Philippines on the understanding that the first reparations recd fr the Japanese Govt should go to repay the US Govt before being used for any other reparations claims. It therefore modified the normal rights to reparations of the Philippine Govt and of the citizens of the Philippines by subrogating their claims to the prior claim of the US under the act, therefore, the Philippine Govt agreed that the US shall have a priority in reparations payments fr Japan. It thereby, in effect, gave the US Govt full power and auth to act for it in connection with its claims for reparations against the Japanese Govt; and in return the US Govt implicitly undertook to act as such agent and to collect reparations at least to the extent of the balance of the war damage claims of the Philippines, pub and private, not paid for out of the US Treasury. The US decision to halt all further reparations fr Japan deprives the people of the Philippines of their just rights. Although the Philippine Rehabilitation Act represents an act of unprecedented generosity, it must be remembered that it at the same time deprived the govt and

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FROM : CSCAD FE NR : WCL 44268 29 MAY 49 CONT'D

people of the Philippines of rights to reparations which they would otherwise have against Japan, and in return it involved an implicit agreement by the US Govt that it would undertake to act as agent for the Philippines to collect reparations to the extent of the balance of the war damage claims not covered by the $520,000,000 advanced to the Philippines by the US under the act. That balance amts to 4-1/2 billions dollars. This, Mr Chairman, is the sum--4-1/2 billions dollars--which the US Govt in principle obligated itself, under the Rehabilitation Act, to collect for the Philippines in reparations fr Japan. This is the sum of which the Philippine Govt and the citizens of the Philippines who suffered property damage at the hands of the Japanese would be deprived by the US decision to halt reparations.

I have laid stress upon this argument because, as Philippine resident Commissioner to Wash when this law was passed, I was able personally to examine and follow the underlying principles of this enactment with respect to the fifth and sixth points, the US decision would in effect raise insurmountable obstacles to the Economic Recovery Program of the Philippines. The gravity of this problem can be seen in the fol figures:

The Philippines has so far recd in reparations removed fr Japan, machine tools and pilot plant equipment valued at $11,000,000. This is an infinitesimal portion of the overall reparations claim of the Philippines, estimated at $8,000,000,000. Of this overall reparations bill, as stated before, $5,000,000,000 represent damage to private property and industrial establishments, while the balance of $3,000,000,000 represent the value of goods and svs obtained by the Japanese during the occupation of the Philippines and paid with Japanese mil notes.

The various amts that we have so far recd in reparations fr Japan valued at $11,000,000, in Japanese assets expropriated in the Philippines valued at $50,000,000, and in war damage payments and other benefits recd fr the US amtg to $600,000,000, together total less than 3/4 of a billion dollars, or about 9% of our total reparations bill.

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31 MAY 49

The severity of the destruction, both human and material wrought by the Japanese aggression in the Philippines cannot be matched by any country in Asia, with the probable exception of China. The Philippine position after World War II is comparable to that of Belgium after World War I, and the Philippines would be logically entitled to the same preferential treatment that was accorded to Belgium. At that time Germanys resources were also considered to be inadequate to meet the total reparations claims of the allies. However, because of the extraordinary damage sustained by Belgium, the reparations claims of that country were given priority. Equity would dictate that the claims of the Philippines be accorded similar recognition.

The American declaration halting further reparations pmts to the four allied countries, including the Philippines, would jeopardize the peacetime Economic Recovery Program of the Republic. The Philippines has launched a 5-year Industrial Program in the hope of attaining a modest industrial level and evolving a fairly self-sufficient economy in the years to come. We are now in the midst of a total industrial and economic mobilization, the signal for which was dramatically given by President Quirino early this year in a supreme effort to brace the Philippine economy against such contingencies as the cessation of US war damage pmts next year, and the curtailment of free trade relations with the US in 1952. The grant of the Philippines share of Japanese reparations, to be sure, will not of itself solve our current economic delemma; neither can Japanese reparations equipment be expected to furnish all the requirements of a going industrial concern in the Philippines. However, Japanese reparations assets will materially help plug the gaps in our war-torn economy. Japanese reparations, particularly those scheduled for future disposition, including thermal electric power, steel and chemical plants, would serve the purpose of a modest industrial base whereon the Republic may build an industrial structure commensurate with its requirements and to meet the pressure of more highly industrialized economics in the Pacific area, including Japan .

The argument in the US statement of May 12 that allied countries have already profited through the proceeds fr Japanese overseas investments that have been confiscated and through the territories already in the possession of the allies does not apply to the Philippines. Japanese properties in the

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FROM : CSCAD FE NR : WCL 44368 29 MAY 49 CONT'D

Philippines with an aggregate value of $50,000,000 have largely remained in the hands of the Allied Property Custodian and have not yet been transferred to the Philippine Govt. We only have usufructuary rights over these properties and the title thereto shall not vest in the Philippine Govt until after the treaty of peace with Japan has been signed. No Japanese territory has been ceded to or fallen into the possession of the Philippines.

The comparative reparations figures for Germany and Japan after World War II are instructive. The value of German factories and other properties removed fr Germany, excludive of the SAAR, by the allies as of December 1947 was approximately $25,000,000,000. The corresponding reparations actually removed fr Japan proper, exclusive of Manchuria, and recd by the four claimant countries inclg the Philippines was approximately $70,000,000. Even if it be granted that the industrial wealth of Germany was 5 or 6 times as great as that of Japan before the war, that relative disparity would, in any event, have been cancelled by the much heavier damage which German industry sustained during the war. That would leave the disparity in reparations paid out by Germany and Japan considerably in the latters favor and to the disadvantage of those States that have reparations claims against it.

The Philippine Govt fully appreciates the sp responsibility of the US in Japan which was imposed upon it the enormous burden of shouldering by itself the costs of the occupation. The Philippine Govt also appreciates the US insistence upon the principle that the recovery of Japan is essential to the recovery of the rest of Asia. However, I mentioned in my previous statement, we believe that it should be possible to reduce the burdens of the occupation without suspending the reparations program by exploring the resources of the Japanese economy itself and exploiting those resources towards self-support. On the basis of the testimony of American observers in Japan, I have raised the issue that the Japanese industrial leaders, the Zaibatsu class, may have deliberately conspired to create an economic crises in order to embarrass the occupation and to arouse American sympathy

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and assistance. I believe that this point should be clarified, since my govt consideres that it would be manifestly unjust to demand restraint and further sacrifice on the part of the victims of Japanese aggression so long as there is evidence that the Japanese themselves are deliberately tampering with their economy, slowing down production, and creating monetary inflation in order to make their country an object of pity, to whose rescue the American people would then be expected to come.

The Philippine Govt is unable to understand why the US should so suddenly come to the conclusion that the needs of the 11 member nations of the Far Eastern Commission should be subordinated to the needs of the former enemy country. The Philippines shares the US concern for a just peace with Japan, but a just peace does not mean a "soft" peace. A just peace does not mean leaving the victims of Japanese aggression to shift for themselves while Japan is to be coddled and permitted to reestablish itself as the dominant industrial power in the Far East. A just peace means that the Japanese people will be afforded full oportunity to reform their political and economic structure so that they may live up to that solemn provision of the Japanese Constitution under which they have renounced war forever as an instrument of national policy.

The bitter lessons of Versailles are still fresh in the memory of all nations. It is a favorite argument of American Foreign Policy that the reason for the failure at Versailles was because the treaty guaranteed justice for the allies and left nothing but despair and misery for defeated Germany. We do not want a repetition of this tragic failure. We want justice for Japan, but justice within the framework of a policy that will prov for the victims of Japanese aggression the opportunity to rise and to stand on their own feet, free fr the domination of Japanese industrial power as well as fr the menace of Japanese mil might.

In my previous statement to the Com, I made an observation which is a common place in history that mil power is a concomitant of industrial power and that the "Zaibatsu class, which is engrg the re-emergency of Japan as an industrial power, will soon...be clamoring for an Army and Navy." In the issue of the NY Times of May 24, 1949, there appeared a news item under the headline "US pushes plan to rebuild Japan; formation of defense unit studied. I quote fr the item: 'The US is determined to

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FROM : CSCAD FE NR : WCL 44368 29 MAY 49 CONT'D

push strongly ahead with plans for the economic rehabilitation of Japan despite some doubts and objections by other allied powers in the Pacific 'at the same time it has become known that the plan first proposed by Lt Gen Robert L Eichelberger, former Commander of the US Eighth Army under Gen Douglas MacArthur, for the formation of a Japanese National Defense Force is under what is described as 'vigorous study' here."

This so-called "defense force" numbering 120-5 thousand to 150 thousand men, without an Air Force, Navy or heavy weapons, is modest indeed compared to the Japanese mil juggernaut of the last war, but this is only a beginning. Presumably it will be composed of veterans of the last war and officered by the same men who planned and executed the Japanese invasion of the South Pacific and gained all the knowledge they need to have on the beaches and jungles of Asia. Nobody knows better than American technicians themselves how easy it is to re-tool so called "peacetime" industries for wartime purposes, and American Gens should know better than anyone else how equally easy it is to convert a so called "National Constabulary" or police force of experienced fighters into the live core of an expanding mil establishment.

I have referred to the Faiasco of the treaty of Versailles. That failure was due less to the overous terms of the treaty itself than to the fact that the allied powers too soon grew weary of the burdens of occupation and too quickly relaxed the controls that were nec to give the German people time to remould their political and economic institutions along peaceful and democratic lines. If, because of the shifting power relations in Asia and the Far East, the US should feel compelled to accelerate the rebuilding of Japan, we who are Japans im neighbors and former as well as potential victims have yet a right to insist that our interests and our welfare be not sacrificed to readily to the calculations of one group of men, however well intentioned. We have a right to demand that we be consulted, that our views be considered in order that policies which involve our very

existence may be carefully examined in the light of the threats that confront us fr various directions.

All the countries in the Pacific are thus confronted by dangers, internal as well as external. Of the last kind, there is more than one that we fear. We of the Philippines who know Japan as the Americans can never hope to know it have reasons of our own to insist that this natural and logical fear of Japanese power be not ignored as if it were a mere figment of the imagination, unworthy of serious attention.

The solicitous concern of the US for Japan does credit to the generous good-heartedness of the American people. It is however, proof also of a possible miscalculation that can have the most terrible consequences. It does the American people great honor to be able so soon to forget Pearl Harbor, Corregidor and Bataan. But have we any right to assume that the Japanese people have equally forgotten the 2 atomic bombs that the US dropped on Hiroshima and Nagasaki? We Filipinos think we know both the Americans and the Japanese equally well, and we would be very much surprised indeed if an identical attitude of "forget and forgive" has replaced the bitter resentment and vindictive spirit which is natural in all defeated peoples but which is greatly accentuated in a people as proud and arrogant as the Japanese have shown themselves to be throughout their history.

So, if we help Japan to stand on its own feet once more and, on top of that, place in its hands the weapons of war as a faithful and valiant ally, we run not only the peril of having those weapons turned against ourselves by an unregenerate nation, but short of such treachery, we run the additional peril of placing Japan in a position where it can use, for purposes of blackmail, its newly acquired strength to wrest further concessions fr us and to play against each other the two powers that are now competing for its adherence and support.

Beyond the legal rights and moral obligations that are implicit in this question, I would like to express the keen regret of my govt that the US Govt should not have considered it practical and wise to have given us advance notice of its intentions.

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FROM : CSCAD FE NR : WCL 44368 29 MAY 49 CONT'D

It is customary, I believe, for countries that regard each other as allies, and it is certainly almost obligatory for countries so closely related to each other as are the US and the Philippines, to seek mutual concel and reassurance before a policy of such far reaching importance as this is publicly announced and embarked upon.

The US Govt has, no doubt, rightly expressed concern for the American tax payer. But we may well question the implication that the American tax payer, who is spending billions for the Marshall Plan, is so unwilling to pay one cent more for the occupation of Japan that he would ap of any measure whatever that would relieve him of this obligation, even if it should mean condemning his friends and allies to a life of fear and potential subjection to the self same enemy against whom so lately they fought together. I refuse to believe, Mr Chairman, that American generosity toward a former enemy can go so far as to cancel or displace the loyalty of the American people to their friends and allies.

In the meantime, my govt finds itself in the difficult position of having to allay an aroused and embittered pub opinion in the Philippines. For us, unfortunately, it is not merely a question of pleasing over burdened tax payers. It is a question of telling people who lost all they had during the Japanese occupation, who sacrificed parents, children and all in the struggle against the enemy, who kept the American Flag flying in their hearts for 3 long desperate years on Bataan and in the hills--it is a question, I say, of telling them and making them believe that America has not abandoned and forsaken them for the favors of a new found friend.

The voice of freedom that spoke to them over the radio fr Corregidor during the battle of Bataan and that continued to speak to them fr America after the surrender, calling upon them to keep up the struggle against the enemy because America would redeem her pledges when victory was won--that voice is silent now. What are we going to tell them, and how?

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FROM : CSCAD FE NR : WCL 44368 29 MAY 49 CONT'D

NO SIG

ACTION CIV PROP CUST

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, GOVT, ECON & SCI, DIPLOMATIC

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TOO : 290026 Z
MCN : AUD 09/29

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ROUTINE

27 May 49

FROM : DA

TO : SCAP (ACTING POLITICAL ADVISER)

INFO : CSUSA

NR : 271100 Z (WAR REIAYS MSG FROM STATE DEPT DTG 262331 Z)
(STATE SERIAL 234 MAY 26, 7 PM SIGNED WEBB)

Subj is Summary FEC mtg, May 19, 49 Jap membership in Internatl Convention of Telecommunications (FEC 334) Phil member expressed view that provision of basic post-surrender policy empowering SCAP at his discretion to authorize Jap Govt to exercise "All the normal powers of govt in domestic admin" did not confer on SCAP same discretionary power in field of internatl relations. He stated Jap could only accede to internatl conventions if authorized by FEC. He concluded since there was an accomplished fact before the comm, his del would abstain, but was not prepared to consider SCAP's action binding precedent in future cases. US member pointed out there was now a proposed policy before FEC on this subj and since 4 years had gone by since surrender provisions had to be made to bring Jap back into normal participation in internatl relations. Jap participation in Internatl Relations (FEC 339).

UK member stated his govt sympathized with broad objective of US proposal but cannot agree to it in its present form because,

(A) It is expressed in such broad terms that it could result in termination of state of war with Jap without recourse to signature of Treaty of Peace,

(B) There is no indication in it how Jap is to develop or what her status is to be, and,

(C) It cannot agree that SCAP should be sole arbiter as to degree of relationship which Jap shall be entitled to maintain with for powers outside Jap. His govt would, however, be prepared to give careful consideration to policy proposal designed to secure greater measure of Jap participation in internatl arrangements on technical level and which would

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FROM : DA NR : 271100 Z 27 MAY 49 CONTINUED

avoid above points to which it takes exception.

Furthermore UK member inquired of US del whether they contemplate that Jap cons be sent or expected to be received abroad. US member referred question to his govt, but pointed out SCAP auth would be exercised in conjunction with other govts which would have the right to refuse to issue visas to Jap.

In view of rather strong objection to US proposal to refer paper to Working Comite, paper was retained on FEC agenda, but also referred to comite for priority for patent application in Jap (FEC 333/7).

USSR member expressed disagreement with New Zealand views presented at last meeting. He inquired of US member whether the US considers rejection by comm of policy means absence of action on part of comm and whether this gives US right to issue interim directives.

US member stated that he had already stated position of his govt on this point. The chairman ruled that this item be removed from agenda. USSR member objected, but chairman replied that he considered this procedural matter and unless there was call for vote item would be removed from agenda Jap reparations and level of industry (FEC 340).

Phil member made 14 page statement which was released to press and which is being airpouched to you.

Chinese member stated that in spite of fact that his govt is fully aware of difficulties that US, as principal occupying country, has encountered in course of last 3 years, it still cannot endorse views expressed in US statement of May 12. His govt believed that these views were contradictory to internatl agreements in spirit and letter and would be grossly unjust to those countries which have fallen victims to Jap agression.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

NOTE : Corrected copy received AG Radio & Cable 280935 I.

ADDED DIST : GOVT, ECON & SCI, CIV PROP CUST (28 May 49)

U.S. ARMY
28 MAY 1949

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TOO : 271100 Z
MCN : 97892

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ROUTINE

21 May 49

FROM : DA (CSCAD FE)

TO : SCAP (US POLAD)

NR : WCL 42242

Request rpt on Japanese reaction to announcement that US has recmd to FEC a policy that would encourage resumption by Japan of some of her international responsibilities because of inaccurate accts of US proposal, Dept of State released folg clarifying statement on 6 May which has had considerable press coverage:

"The Dept of State has recmd to the Far Eastern Commission countries that, under SCAP's supervision, Japan be permitted to attend international meetings and conventions and to adhere to and participate in such international arrangements and agreements as other countries may be willing to conclude with Japan.

'It is now over 3 1/2 years since Japan surrendered and the allied powers began the process of establishing conds in Japan which would lead finally to the restoration of that country to a normal status in the family of nations. This is the pattern envisaged in the Potsdam Declaration and the basic Post Surrender Policy for Japan which was apd by the Far Eastern Com on 19 Jun 1947. The latter document states in part that one of the objectives to which policies for the Post-Surrender period for Japan should conform is 'to bring about the earliest possible establishment of a democratic and peaceful govt which will carry out its international responsibilities, respect the

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rights of others states, and support the objectives of the United Nations'

'It is important fr the point of view of developing responsibile govt in Japan that it should be given increasing dir of its own affairs in the international fld as well as in the dom fld as at present. That this process should develop under the guiding hand of the occupation has obvious advantages in developing a healthy international outlook among the Japanese and in averting the confusion that might well arise fr any abrupt removal of current restrictions after a peace treaty. The resumpton by Japan of some international responsibilities in such flds as trade promotion, citizenship and prop problems, cultural relations, technical and scientific arrangements and exchanges would provide a substantial contribution to the economic recovery of Japan."

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, CIV COMM, GOVT, ECON & SCI, LEGAL

23 MAY 1949

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TOO : 210021 Z
MCN : AUA 22/23

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INCOMING MESSAGE

Secret
ROUTINE

EMS

19 May 49

FROM : DA

TO : SCAP (ACTING POLITICAL ADVISER)

INFO : CSUSA

NR : 190248 Z (RELAYS MSG FROM STATE DEPT DTG 182254 Z) (STATE SRL 215, MAY 18, 6 PM SIGNED ACHESON)

Subj is summary FEC Mtg, May 12, 1949 Jap membership in Internatl Convention of Telecommunications. (FEC 334).

Phil member requested postponement Jap participation in Internatl Relations (FEC 339).

Re US proposal to Fr member stated his govt wld like to make clear that basic post-surrender policy did not provide that FEC be progressively deprived, as regards control of Japs on relations, of powers given it by Moscow agreement. Result of Amer proposal, as now worded, wld be to give SCAP discretionary powers in field of Jap for relations, thus depriving govts represented at FEC of right to be heard on these matters. Such discretionary powers cannot, however, be delegated to SCAP by FEC as neither comm nor individual govts possess such powers. In order to meet wishes of Amer Govt and Facilitate Task of occupation authorities, Fr Govt wld be willing to envisage extension of powers given to SCAP by policy decision, Jun 19, 1948 on attendance at Inter-Governmental Conferences subj fol conditions:

A. In each case, SCAP shld notify comm-for its info-of any decision taken re Jap participation in Internatl non-polit conferences;

B. Any commitments which might be subscribed by Jap Govt in bilateral or multilateral agreements of technical character shld be ultimately submitted to FEC for approval.

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Opinion of Fr Govt, such formula, while taking into account juridical considerations which cannot be overlooked, Wld have advantage of keeping statute of occupied Jap in line with present statute of Germ economic stabilization in Jap. No discussion level of economic life in Jap (FEC 242/32, FEC 297/10).

USSR Member urged that US present its position. US Member indicated he had statement to make under other business priority for patent applications in Jap (FEC 333/7).

USSR Member in reply to US statement of Apr 26, 1949 again attacked legality of interim directive and alleged that US accepts only those actions of FEC Which it considers acceptable to US, but that When FEC does not approve policy decided by US, US states that FEC is unable to act and under one or another pretext, orders SCAP to implement to policy desired by it.

NZ Member again suggested this item might Well be removed from agenda after lapse of Week other business.

US Member made statement on Jap reparations and level of industry Which Was transmitted to SCAP by Dept of Army in WCL 39888, May 12, 1949.

Only comment Was from Phil Member Who stated his del Was stunned by this announcement. They still believed in validity of reasons which prompted statement on Potsdam Declaration that Wld permit exaction of just reparations in kind in Jap and still hoped that Comm can Work out or develop policy decisions that will implement Potsdam Declaration.

UK Member stated UK supports US position that no further policies re deconcentration program are needed although he maintained vigilance and care shld be exercised in redistributing assets of Zaibatsu in accordance With relevant principles of basic post-surrender polics.

US Member invited attention to statement SCAP on second anniversary of Jap Constitution.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, ECON & SCI, CIV PROP CUST (19 May 49)

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ROUTINE

TOO : 190248 Z
MCN : 97525

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PRIORITY

14 May 49

FROM : DA (SAOAS)

TO : SCAP (PERSONAL TO MACARTHUR)

NR : WCL 39888

Statement by US Representative, FEC this date, on Japanese Reparations and level of industry is subj:

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

"In our discussions of the matter here in the Com we have proceeded fr the agreement contained in the Potsdam Declaration that reparations would be exacted fr Japan and that they should be in a form which would not impair the ability of the Japanese people to spt themselves. Fr the earliest days of the Far Eastern Com the US has been guided by a desire that the victims of Japanese aggression rec as reparations such of Japans resources as was possible without jeopardizing Japans ability to meet its own peaceful needs. The US has felt, further, that in order that the nations

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PRIORITY

FROM : DA (SAOAS) NR : WCL 39888 DTD 14 MAY 49 CONT'D

devastated by Japan might rec reparation while their need was greatest, in order that there might be removed fr the mind of the Japanese Govt and people uncertainty regarding the reparations ques, and in order that as many as possible of Japans post-War obligations might be disposed of during the period of the occupation, a reparations program should be worked out and put into effect at the earliest practical moment.

"These factors led the US Govt to take the initiative in making a number of policy proposals to the FEC. In Apr 46 the US submitted to the FEC a pattern of proposals provg that there should be made im aval for reparations designated quantities of industrial facilities which were at that time considered to be clearly surplus to Japans peaceful needs. Between May and Dec of that yr the Com adopted a series of interim reparations policy decisions based upon these US proposals, but the subsequent inability of the Com to agree on a scd of shares for div of the facilities among the claimant countries prevented implementation of the decisions. In Apr 47 the US Govt offered further proposals, which would have had the effect of making known to Japan precisely, and on a final basis, that industrial capacity should be considered by that country to be immune fr removal as reparations and what should be eligible for removal. In the same month, the US because of its desire to work toward a settlement of this matter issued an advance transfer interim directive, under auth granted in Para 3, 3 of the terms of re of the FEC, instrg the Supreme Comdr to effect delv to 4 of the FEC countries of 30% of the facilities which the FEC itself had previously determined in the interim removals decisions to be aval for reparations removal. Issuance of this directive was motivated in part by a desire to assist those countries which had in the course of fighting against Japans aggression on their own territories suffered most grievously, but it was also motivated by a desire to prompt FEC move to agree upon a reparations program fr which all 11 countries might benefit.

"In Nov 47, the US Govt took the initiative once more in an effort to end the stalemate within the Com on the ques of reparations shares, a stalemate which contd to make it impossible for any of the Coms decisions on the reparations problem to take practical effect. This US proposal contained the provision that if the FEC countries would acpt the scd of percentages which had been worked out by the US Govt on the basis of prolonged exchanges of views among Com members as to the equities involved the US Govt, on its part, would make aval an

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PRIORITY
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GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

UNCLASSIFIED
PRIORITY

FROM : DA (SAOAS) _ NR : WCL 39888 _ DTD 14 MAY 49 _ CONT'D

important part of its own share for distr among the countries which could accept the US proposal as a whole. 16 months have passed and this proposal has not been acptd by the Com.

"I should like to emphasize at this point that the action of my govt, and, it is assumed, of the other member govts, in participating in the policy decisions which have been taken by the Com on the ques of reparations was predicated upon 2 basic assumptions, namely, that the resources to be removed fr Japan as reparations were clearly excess to the peaceful needs of a self-supporting Japanese economy and that there would be a shares scd acceptable to and agreed upon by the FEC countries which would determine in what proportions aval reparations should be divided.

"As I have already stated, and as the Com well knows, the second of these assumptions has not been realized and there seems little prospect of its being realized. As regards the first assumption, that reparations removals should be limited to facilities clearly excess to the needs of a self-sptg Japanese economy, successive studies during the past 18 months of Japans future industrial rqmts have necessitated progressive upward adjustments of earlier estimates of these rqmts. The first of these studies was that of Overseas Consultants, Incorporated, whose rpt was made aval to the Com, on 2 Mar 48, and the second was that of the so called Johnston Committee, whose rpt was made aval to the Com on 19 May 48. Both of these rpts came to the sober conclusion that the quantity of capital equip in Japan which could be properly considered in excess of Japans peaceful needs had been greatly overestimated. Both rpts indicated that for a variety of reasons the Japanese economy was contg to opr at a heavy deficit even though living standards remained at a minimum level, and that the end to these deficits is not in sight. The vidence contained in these rpts, and the common knowledge of all FEC countries, leads to the inescapable conclusion that the Japanese economy, can be made to bear add economic burdens, beyond those directly related to meeting its own rqmts, only by prolonging or increasing the staggering costs borne by the American taxpayer.

"The US has, since the time of the Japan surrender, carried the burden of preventing such disease and unrest in Japan as

(over)

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DECLASSIFIED PER PROJ SEC. 3(E) AND 3(D) OR (E) NNDB #

might jeopardize the purposes of the occupation. The critical economic conds with which it is now apparent, Japan is faced, and the prospect of contg deficits in Japans international pmts for some years to come, render meas of Japanese economic recovery of utmost importance. It is inescapable that if the basic purposes of the occupation are to be achieved, the Japanese people must be enabled to spt themselves at a tolerable standard of living. No one could reasonably suggest that Japan should be abandoned to economic despair. So to abandon Japan would be to undo the costly victory in the Pacific.

"I am sure that other Com countries agree with my govt that the Japanese people themselves must exert maximum efforts for the attainment of recovery. For some months the US Govt has explored means whereby this objective could best be achieved. In issuing its directive of Dec 10 regarding Japans economic stabilization, the US Govt took a maj stz towards rqg the Japanese people to exert their utmost energies in stabilizing their economy and rdg their dependence for subsistence on fgn subsidy. Under present circumstances in Japan the cost of dismantling, packing, and transg reparations facilities would conflict with the program of Japans economic stabilization and would constitute an add financial burden upon the US Govt. I do not wish to emphasize this point unduly, but the US Govt would be lacking in candor if it did not point out that the resources at its disposal to meet demands from all parts of the world are limited.

"It is now apparent to the US Govt that the first as well as the second of the two basic assumptions mentioned earlier, assumptions which underlay the policy decisions of the FEC having to do with reparations and are a precondition for an FEC reparations program, has not been realized. This fact has led my govt to several conclusions. Before stating them, however, I wish to emphasize that the US Govt maintains fully and categorically its support of the principle adopted by the FEC that Japans War-making capacity should be eliminated. As you know, all of Japans specialized War-making facilities have been destroyed. The US Govt believes that all other equip used for War purposes in the past should, if retained in Japan, be fully converted to the purposes of and utilized in Japans peaceful economy. Where this cannot be done, the US Govt believes that such equip should be scrapped. The US will not permit difficulties in reaching a solution of the

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GENERAL HEADQUARTERS, FAR EAST COMMAND
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INCOMING MESSAGE

UNCLASSIFIED
PRIORITY

FROM : DA (SAOAS) : NR : WCL 39686 : DTD 14 MAY 49 : CONT'D

reparations problem to be a means whereby Japans war capacity re-emerge.

"It may not be amiss at this point to recall that Japan has already been deprived not only of all its overseas territorial possessions, but also of substantial quantities of real property of Japanese ownership and origin in the former possessions and elsewhere aboard. This property constitutes a large part which the Japanese have already made towards satisfaction of their reparations obls. Unfortunately, fr the standpoint of equity, some countries have benefitted more than others in the reparations that they have obtained in this form. However, fr the standpoint of equity, some countries have benefitted more than others in the reparations that they have obtained in this form. However, fr the standpoint of Japan, the loss of properties, whatever the proportions in which they happen to have been distrd, drastically rds Japans ability to spt even a minimum level the needs of its people.

"In view of the above considerations, the US is forced to the fol conclusions:

"(A) The deficit Japanese economy shows little prospect of being balanced in the near future and, to achieve eventual balance, will req all resources at its disposal.

"(B) The burden of removing further reparations fr Japan could detract seriously fr the occupation objective of stabilizing the Japanese economy and permitting it to move towards self-support.

"(C) There is little or no prospect of FEC agreement on a reparations shares sod despite the repeated initiatives by the US over the past 3 years to assist the Com in reaching such an agreement. Without agreement on a shares sod the existing FEC policy decisions regarding reparations are incapable of implementation.

"(D) Japan has already paid in substantial reparations through expropriation of its former overseas assets and, in smaller degree, under the advance trf program.

"In light of these conclusions the US Govt is impelled to rescind its interim directive of 4 Apr 47 bringing to an end the advance trf program called for by that directive. It is impelled also to withdraw its proposal of 6 Nov 47 on Japanese reparations shares and I am so informing the Secretary General. Finally, the US Govt takes this occasion to announce

that it has no intention of taking further unilateral action under its interim directive powers to make possible add reparations removals fr Japan.

"I earlier stated my govts belief that maximum efforts should be exerted by the Japanese themselves for their economic recovery. It is the view of the US that all facilities, inog so-called "primary war facilities" presently designated as aval for reparations which can contribute to Japanese recovery should be utilized as nec in Japans peaceful economy for recovery purposes.

"With regard to "primary war facilities," all of which as I earlier stated were sometime ago stripped of their sp purpose equip and thus of their "war facilities" characteristics, it is the view of the US that SCAP, under the auth granted in Para 10 of the FEC decision of Japanese industrial war potential, should as rapidly as practicable rq the dismantlement, dispersion or other action for the utilization in Japans peaceful economy of such of these facilities as are required to meet the needs prominently inc economic recovery. Remaining "primary war facilities" should continue to be protected, in the sense of preventing loss or scrapping of individual items, pursuant to the above mentioned FEC decision rqg their "impounding." Impounding does not, however, inc rqmt that the facilities be kept in their present locations or that the Japanese devote resources to preserve their value of maintain them in working order.

"The US, it will be recalled, has repeatedly clarified its understanding that the "level of industry" proposals before the Com, excepting those levels which will lapse by FEC decision on 1 Oct 49, had application only to the ques of the quantities of industrial facilities which could be spared for reparations, and had no bearing on the matter of future levels of industrial capacity in Japan. Turning now to this latter ques, I have already emphasized my govts spt of the principle that Japans capacity to make war should not be permitted to reemerge. It is the considered view of the US Govt that this objective does not rq that Japans pdn for peaceful purposes be limited or that limitations be imposed on levels of Japanese productive capacity in industries devoted to peaceful purposes. This belief, coupled with the evidence of Japans present economic plight and the difficult problems Japan will face in future in attaining levels of industrial pdn and fgn trade sufficient to support its people

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INCOMING MESSAGE

UNCLASSIFIED
PRIORITY

FROM : DA (SAOAS) NR : WCL 39888 DTD 14 MAY 49 CONT'D

even at minimum levels, render it clearly advisable in my govts view that Japan be permitted to develop its peaceful industries without limitation. The problem facing us is not one of limitation of Japans peaceful industries but of reviving these industries to prov the peoples barest wants.

"The US Govt plans shortly to submit to the FEC for its consieration proposals for the rescission or amendment of existing and pending FEC reparations and "levels-of-industry" policy papers so as to bring FEC policies on these matters should the proposals be approved by the Com info conformity with the pos which I have set forth. My govt earnestly hopes that the other member govts will appreciate the considerations underlying this position and will be able to concur in the US proposals."

WEST

ACTION : SECY GEN STAFF

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, ECON & SCI, CIV PROP CUST

ADDED DIST : GOVT (14 Mar 49)

DECLASSIFIED EXCEPT THOSE SEC. 3(E) AND 3(D) OR (E) NNSG #

GEN L HEADQUARTERS, FAR EAST COM D
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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FEC

INCOMING MESSAGE

Confidential JLA
ROUTINE

14 May 49

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : 140225 Z (RELAYS MSG FROM STATE DEPT DTG 140020 Z) (STATE SERIAL 204 MAY 13, 6 PM SIGNED ACHESON)

Subject is summary Steering Comite Mtg May 10, 1949.
Fishing and aquatic industries in Jap (SC 271/14). US member stated that he was without instrs as to his govts interpretation of Para 2.

Replacement of lost cultural objects (SC 272/12.

Re Chi statements on Apr 19 and 26, US member clarified US position that matter of replacement lost cultural objects by other similar cultural objects "cannot properly be dealt with during the occupation." He stated that has long been accepted in international law and practive that cultural objects occupy special status and it is believed that Chi Del will agree Jap cultural objects cannot legally be appropriated as war booty or as reparations. He pointed out it is felt that, view of body of world opinion which long placed cultural objects in class apart, questions of replacement of lost cultural objects with similar Jap objects be considered in connection with peace settlement, and that replacement program shld not be enforced by victorious powers during occupation period. All historic precedents for such replacements been provided in peace treaties. He concluded further believed that program of forcible removals of Jap art treasures for replacement purposes, if it shld be ultimately decided upon, wld arouse less bitterness and resentment among Jap and less criticism by world opinion, if it were agreed in connection with peace settlement than if it were arbitrarily imposed during military occupation.

NO SIG

70130 ROUTINE
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16—50735-1 GPO O—795839

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Confidential

ROUTINE

FROM : DA NR : 140225 Z 14 MAY 49 CONTINUED

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, CIV I & E, NAT RESOURCES, CIV PROP CUST
(14 May 49)

70130 ROUTINE TOO : 140225 Z
MCN : 97326

Confidential

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # _____

N/

CROSS REFERENCE

FILE UNDER: Fec, JCS, Radios

DATE: 14 May

FROM: DA
RADIO #- W-88565

TO: SCAD

SUBJECT: Review of Japanese constitution by State Dept.

DOCUMENT FILED UNDER: "W". Radios CLASSIFICATION

CABINET # 16 - D. 1

SHELF #

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG #

C R O S S R E F E R E N C E

FILE UNDER: FEC Radios

DATE: 13 May 1949

FROM: DA

TO: SCAP

SUBJECT: State advised of Views of W-87868

DOCUMENT FILED UNDER: Incoming "W" CLASSIFICATION

CABINET # 16 Drawer # 1

SHELF #

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG #

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

LRS
rmg

INCOMING MESSAGE

LRS

Restricted
PRIORITY

13 May 49

FROM : DA

TO : SCAP (JCS)

NR : W 88506

Ref W 95604 Apr 47.

The following Interim Directive Serial 104 regarding advance transfers of Japanese reparations and reparations allocation procedures for industrial facilities in Japan, received from the State and Army Depts in accordance with Paragraph III, 3 of terms of reference of FEC, is transmitted to you for necessary action.

"Interim Directive Serial 75 is hereby rescinded. Items already processed under that directive will, however, be made available for removal in accordance with terms of that directive.

NO SIG

ACTION : CIV PROP CUST

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, STAT & RPTS, ECON & SCI, DIPLOMATIC

ADDED DIST : GOVT (13 May 49)

69406

PRIORITY

Restricted

TOO : 121803 Z
MCN : 97229

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16—50735-1 GPO O—795839

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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

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EMS

UNCLASSIFIED
ROUTINE

12 May 49

FROM : DA (JCS)

TO : SCAP

NR : WCL 39171

Pursuant to FEC press release W 88090 is declassified.

NO SIG

ACTION : NAT RESOURCES

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT, ECON & SCI, CIV I & E, LEGAL

68929

ROUTINE
UNCLASSIFIED

TOO : 111526 Z
MCN : AUC 97/11

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG #

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GENE[illegible]. HEADQUARTERS, FAR EAST COMM[illegible]D
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

Confidential

ROUTINE EFF

10 May 49

FROM : DA

TO : SCAP (ACTING POLAD)

INFO : CSUSA

NR : 100120 Z (RELAYS MSG FROM STATE DEPT DTG 092352 Z) (STATE SERIAL 192 SIGNED ACHESON DATED MAY 9, 7 PM)

Subj is summary FEC Mtg, May 5, 1949 review of Jap Constitution.

USSR member stated although Sov Del not agree views of Constitution given by SCAP in FEC 326/6 and believes Constitution cld have been bettered in direction of its further Democratization, Sov Del considers at present time essential question not so much question review of Constitution as fact that those few Democratic provisions contained in it being systematically violated by US occupation authorities and Jap Govt. Sov Del believes FEC shld adopt matters for actual provision of normal conditions for development of Democratic tendencies in Jap and therefore wld abstain on voting on FEC 326/28 (FEC 326/28 approved by vote 7 favor, 4 abstentions) India, Phil, USSR, US.

Indian member stated that considering limited period during which Constitution had been in operation, his govt felt no useful purpose be served by changing constitution at this present time and hoped SCAP wld continue to guide Jap people in carrying out both letter and spirit of Constitution. Austral member stated he was disappointed other points raised by his govt had not been sent by Comm to SCAP even though there was not majority support for them.

Comm does not plan release this paper to the press.

Jap membership in Internatl Convention of Telecommunications (FEC 334).

Phil member requested postponement as he was not yet prepared to present views on question.

Jap participation in Internatl Relations (FEC 339).

Reply to UK query on Apr 29, 1949 US proposed policy decision, US member called attention of UK member to provisions in preamble and Part I of basic post-surrender policy for Jap and pointed out it was these references in addition to overall objective of Allied Powers

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68259 ROUTINE

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16—50735-1 GPO O—795839

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ROUTINE

FROM : DA NR : 100120 Z 10 MAY 49 CONTINUED

to restore peacefully inclined and responsible Jap Govt to family of nations, implicit in Potsdam Declaration, that US nad in mind in drafting proposed decision item retained on agenda.

Under other business UK member indicated he planned to make statement on excessive concentration of economic power in Jap at next mtg.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : CIV COMM, GOVT, ECON & SCI (10 May 49)

11 MAY 1949
RECEIVED

58259

ROUTINE

Confidential

TOO : 100120 Z
MCN : 97079

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # [redacted]

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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

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UNCLASSIFIED
ROUTINE

7 May 49

FROM : DA (JCS)

TO : SCAP

NR : WCL 38060

1. Reference 87?91.
2. The State, Army, Navy, Air Force Depts requests that Directive Serial 10? be corrected to read as follows:

"The Far Eastern Commission decides as a matter of policy that the provisions of the FEC policy decisions entitled 'access to Japanese technical and scientific information in Japan' (FEC-?80/9, approved ?4 Jun 48) and 'access to Japanese technical and scientific information by non-FEC countries at war with Japan' (C-315/7, approved ?3 Dec 48) are hereby extended until 31 Dec 49."

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT, LEGAL, DIPLOMATIC

67395

ROUTINE
UNCLASSIFIED

TOO : 062020 Z
MCN : AUA 151/06

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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

(Confidential)
ROUTINE

SM
JRS

SM

7 May 49

FROM : DA

TO : SCAP (USPOLAD)

INFO : CINCUSA

NR : 070420 Z (MSG TRUE TOO 070050 Z FROM STATE DEPT) (STATE SERIAL 188 MAY 6. 7 PM SIGNED ACHESON)

Subj is summary Steering Committee DTG May 3. 1949 review of Jap Constitution (SC-326/24).

US member stated it was position is govt that under existing conditions it is inadvisable to recommend at present any ammendment to Jap Constitution. However US quite agreeable have views of majority of FEC sent to SCAP and wishes interprise no objections such a course. Understanding of US that paper taken as whole. on passage. will not represent action by FEC in sense of being a formulation of policy or requiring preparation of directive to SCAP. Understanding of US that paper is simply message from FEC to SCAP which US Govt agrees transmit thru usual channels. Para 1 of FEC 326/28. position of aliens under constitution approved by vote 8 favor 3 abstentions (India. USSR. US).

2. Power of supreme court in constitutional matters. approved by vote 5 favor (Austral. Canada. Chi. Fr. NZ) 1 opposed (US). 5 abstentions (India. Neth. Phil. USSR and UK). Re this point US member stated view his govt that Jap Constitution adequately clear as now stands.

3. Dissolution of House of Representatives. approved by vote 5 favor (Austral. Canada. Chi. Fr. UK) 6 abstentions.
Paper forwarded Comm Fishing Aquatic Indutries in Jap (SC-271/10)

Canad member revised amendment to para 2 B as follows:
"If such expansion will involve an area in which any member country of the FEC has a direct concern in respect to fishing or other commerical aquatic activities, prior authorization shall be obtained by SCAP from such country." This amendment was then by vote 9 favor, 2 abstentions (Austral, USSR). Chi, NZ, Canad and Neth members stated was their understanding SCAP will

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ROUTINE

FROM : DA NR : 070420 Z 7 MAY 49 CONT'D

inform member countries of the FEC before any expansion takes place and then countries have opportunity inform him as to whether they have direct concern.

US member stated his gov old accent paper if last sentence para 2 B deleted and if para 6 deleted including negative vote on UK amendment. US member stated para 6 unnecessary and re UK amendment SCAP quite cognizant of situation and dealing with it adequately. USSR member indicated while opposed para 6, they were not opposed to UK amendment. Re US proposal delete last sentence para 2 B. Indian, Fr, and UK members stated it was their understanding if member country of FEC states that a particular area of direct concern to it, that is a question of fact which SCAP will not be able dispute. US member stated he had no instructions on this matter. Further discussion postponed.

Jap assets in neutral countries (SC 295/6) retained on Agenda Labor Policy in Jap (SC 318/17) USSR member reiterated views that revised Public Corporation Labor Relations Law and that new drafts for revision Labor Laws are in contradiction to Potsdam Declaration and FEC Policy decisions FEC 014/9 and FEC 045/5 no ot eg comments.

Replacement of lost cultural objects (SC 272/12) US member stated he had no instructions yet on Chi query.

Removal of aircraft and private munitions plants from Japan (SC 312) retained on agenda.

NO SIG

8 MAY 1949 RECEIVED

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, JMIEF, JOINT STAFF

ADDED DIST : GOVT, ECON & SCI, NAT RESOURCES, CIV PROP CUST (7 May 49)

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ROUTINE

Confidential

TOO : 070420 Z
MCN : 96977

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ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

ROUTINE EFF

6 May 49

FROM : DA

TO : SCAP (ACTG USPOLAD)

INFO : CSUSA

NR : 060006 Z (RELAYS MSG TRUE TOO 051924 Z FROM STATE DEPT)
(STATE SRL 182, MAY 5, NOON SIGNED ACHESON)

Subj is Summary Steering Comite Mtg, Apr 26, 1949.

Agrarian reform in Jap (SC-335/7). AD HOC Sub-Comite revised proposed paper as follows-opening phrase Para 2 to read: "The FEC approves the basic principles underlying the fol steps which have been taken since the surrender with a view to securing a thorough going reform of the Jap agricultural system;" Subpara 3 A be deleted; Subpara 3 C to read: "To these ends, the basic principles underlying the measures set forth in Para 2 above, shld continue to be applied." In revised form paper approved by vote of 8 favor, 3 abstentions (USSR, Chi, Phil).

Review of the Jap constitution (SC-326/24). SC-326/24 contains proposed msg to SCAP re points which have arisen in course of review of Jap constitution. Several members had reservations on sections this paper. Steering Comite agreed to request views of comm as to interpretation Para 2, FEC 031/41, with particular reference to time limit for review by FEC or Jap constitution. Austral, Chi, Indian and Canad members favored extension by comm of period for review.

Fishing and aquatic industries in Jap (SC-271/10). UK member proposed fol be inserted at end of Para 6: "SCAP should take punitive steps against offenders reported to him and proved to have sailed in prohibited waters, and, irrespective of any action taken by member govts, permission

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ROUTINE

FROM : DA NR : 060006 Z 6 MAY 49 CONTINUED

to fish or undertake any aquatic activity should be withdrawn from the offending person and/or those responsible for his activities." Austral member proposed that phrase "has informed SCAP it has" be changed "informs SCAP it has." Item retained on agenda.

Jap assets in neutral countries (SC-295/6).

Labor policy in Jap (SC-318/17). No discussion.

Replacement of lost cultural objects (SC-272/12). Chi member asked for clarification of word "properly" as used in "cannot properly be dealt with" in US statement.

Removal of aircraft and private munitions plants from Jap (SC-312). Retained on agenda.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, ECON & SCI, NAT RESOURCES, CIV PROP CUST (6 May 49)

67034

ROUTINE

Confidential

TOO : 060006 Z
MCN : 96886

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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

Confidential

ROUTINE EFF

6 May 49

FROM : DA

TO : SCAP (ACTING USPOLAD)

INFO : CSUSA

NR : 060005 Z (RELAYS MSG TRUE TOO 051925 Z FROM STATE DEPT) (STATE SRL 181, MAY 5, NOON SIGNED ACHESON)

Sub is summary FEC met, April 28, 1949 review of Jap constitution (FEC-326/26) re interpretation time limit 2 FEC policy decision, review of Jap constitution, US member stated position his govt that review provided be completed prior termination 2-year period; since pendency review specifically called for by this decision unsettling factor Jap polit life, US opposed to any extension allotted period for review; this position, like provision policy decision Oct 17 without prejudice continuing jurisdiction FEC at any time to consider Jap constitution, but any review constitution subsequent May 3 must stand on own feet and not be review provided in this policy decision. As to paper before Steering Comite prepared within allotted period, US no objection deferring final vote this paper for week to enable reps receive instrs. Chi member considered it adequate review be initiated within 2 year period. Indian member thought extension period in order. UK thought 3 items paper before steering comite be dealt with in week. Fr, Canad and Austr. Members associated themselves with UK view. Chairman ruled, without objection, that Steering Comite consider subj review Jap constitution at next mtg and any proposals forwarded comm at that time be acted by comm on May 5.

Agrarian reform in Jap (FEC-335/8). USSR member again introduced proposal SCAP provide comm with materials and info re fulfillment Agrarian Land Reform Program in Jap.

67091

(over)

ROUTINE

Confidential

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16—50735-1 GPO O—795839

Confidential

ROUTINE

FROM : DA NR : 060005 Z 6 May 49 CONT'D

Proposal defeated by vote 8 opposed, 1 favor, 2 abstentions (Chi, Phil). FEC 335/8 approved by vote 10 favor with 1 abstention (USSR).

Jap membership in internatl convention of telecommunications (FEC 334) fr member stated re conference to be held Paris May 18-19, Fr govt instructed its mission in Tokyo inform Jap Govt, since no policy decision been taken this ressect by comm, Jap be invited to conference only as observers; accordingly, SCAP observer will attend conference accompanied by 2 Jap technicians for whom visas have been granted by Fr govt. Phil member stated he wld present views his Govt at next mtg.

Jap participation in internatl relations (FEC-339) UK member inquired if phrase "progressive resumption by Japan of its normal internatl responsibilities" referred to one of controlling documents or to policy of comm, US member stated he wld take question under advisement priority for patent applications in Jap (FEC-333/7) USSR member reiterated position that issuance by US this interim directive violated terms of reference FEC NZ member stated action US this instance entirely in order. US member gave statement to syg setting forth its position this question.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : CIV COMM, GOVT, NAT RESOURCES (6 May 49)

67091

ROUTINE

Confidential

TOO : 060005 Z
MCN : 96896

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

F.E.C.

LRS
rmg

INCOMING MESSAGE

JLA

UNCLASSIFIED
ROUTINE

6 May 49

FROM : DA (JCS)

TO : SCAP

NR : WCL 37698

Pursuant Declassification Directive Serial 82 W 81011 of June 1947 is declassified. W 88090 is declassified.

NO SIG

ACTION : NAT RESOURCES

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT, ECON & SCI, CIV I & E, LEGAL, DOWN GRADING BOARD

66972

ROUTINE
UNCLASSIFIED

TOO : 052107 Z
MCN : AUC 151/05

FEC

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

LRS
ewj

LRS

2nd Corrected Copy
in Gen. Whitney's file

Received

ROUTINE

5 May 49

FROM : DA (JCS)

TO : SCAP

NR : W 88090

declassified by
WCL 37698

Following directive regarding agrarian reform in Japan, Serial No 103, prepared by the State Dept to implement policy adopted by the FEC on Apr 28, 1949, under provisions of Paragraph II, A, 1, of its terms of reference, received from State Army, Navy, Air Force Depts, is transmitted for your guidance in accordance with Paragraph III, 1, of the Commission's terms of reference:

"1. In the view of the Far Eastern Commission an equitable and sound agrarian reform program is an important factor favoring the democratization of Japan.

"2. The Far Eastern Commission approved the basic principles underlying the following steps which have been taken since the surrender with a view to securing a thoroughgoing reform of the Japanese agricultural system:

a. The directives issued to the Japanese Government by the Supreme Commander for the Allied Powers, in particular that of 9th Dec, 1945;

b. The agricultural land adjustment law of 1938, as amended by the Japanese Government in 1945, 1946 and 1947, which, together with the ordinance relative thereto dated 25th Jan, 1946, contained provisions designed to an end the system of rents payable in kind and to prevent the exaction of exorbitant rents;

(over)

66519

ROUTINE

Received

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COPY No.

16—50735-1 GPO O—795839

Restricted

ROUTINE

FROM : DA (JCS) NR : W 88090 DTD 5 MAY 49 CONT'D

c. The land reform law (known also as the 'law concerning the special measure for the establishment of owner farmers'), enacted on 19th Oct, 1946, designed to bring about a large svle transfer of the ownership of land from the landlord class to the tenantry and thereby to create a numerous class of independent owner-farmers;

d. The creation of a network of agricultural land commissions governing the whole country to administer the reforms referred to above;

e. The partial execution of the land transfer program as witnessed by the latest returns of the Japanese Ministry of Agriculture and Forestry;

f. The agricultural co-operative association law enacted on 7th Nov, 1947, which facilitated the provision of credits to operating farmers and the extension of education in farming techniques.

"3. The Far Eastern Commission now decides as a matter of policy as follows:

A. The proper objectives of the reform should be to improve the economic status of all tenant farmers and as far as practicable to create a more numerous class of independent owner-farmers than has previously existed;

B. To these ends, the basic principles underlying the measures set forth in Paragraph 2 above, should continue to be applied."

The Commission agreed to release to press the policy decision upon which the foregoing decision is based after receipt by you, therefore request acknowledgement. This directive will be classified upon req.

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT, CIV I & E, LEGAL

RECEIVED
5 MAY 1949

66519

ROUTINE

Restricted

TOO : 041745 Z
MCN : 96815

FEC

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

LRS
mjo

INCOMING MESSAGE

Confidential JLA
ROUTINE

4 May 49

FROM : DA (CSCAD FE)

TO : SCAP

NR : W 88038

Reurad Apr C 68959 and ourad Aug 87238. Para-phase National Scty Council 13/2 fols.

"We should clear away during this intervening period as many as possible of the matters which might otherwise be expected to enter into the Treaty of Peace. This applies particularly to such matters as property rights, restitution, etc. Our policy for the coming period should be shaped specifically with this in mind. Every effort, consistent with the proper performance of the occupational mission as envisaged in this policy paper and with mil scty and morale should be made to reduce to a min the psychological impact of the presence of occupational forces on the Japanese population."

It is felt here that Tort claims by Japanese against occupation and other allied nations pers is subj which may be disposed of in adv of Peace Treaty. Further, that to permit a large accumulation of such claims without hope of redress to the injured indiv would be bound to have accumulative effect of serious proportions and arouse a needless feeling that the occupational forces are guilty of oppression.

FEC Policy Decision, 15 Aug 1946, "Exercise of criminal and civ jurisdiction over nationals of members of the UN".

3 reads, "Prov should be made that no civ jurisdiction of any sort will be exercised by the Japanese Courts with respect to nationals of members of the UN atchd to or accompanying the Armed Forces. Civ jurisdiction in these cases should be exercised in a manner determined by the Supreme Comdr".

(over)

66087

ROUTINE

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16—50735-1 GPO O—795839

Confidential

ROUTINE

FROM : DA NR : W 88038 4 MAY 49 CONT'D

It would appear feasible to info the Japanese Govt that there is no objection to the Japanese establishing coms with jurisdiction limited to Japanese Nationals for the purpose of determining whether or not in what would normally be considered a Tort action involving a United Nations National, a Japanese National has been injured through no fault of his own. Further, that for such cases the Japanese Govt could aprop Yen to compensate for the injuries recd by the Japanese provd such compensation was in accordance with a reasonable sch defining amts to be recd for specific injuries or, in other words, in a manner comparable to a typical workmans compensation law. This latter prov would appear to be adequate to assure that the drain on the Japanese Bud would not be excessive. It would be possible to accomplish the foregoing independently of similar claims or counter claims by UN Nationals against Japanese and independently of criminal prosecution of UN Nationals which might result in substantial fines or other punishments in cases of gross negligence or willful misconduct.

Alternatively you may wish to adopt a system comparable to that now in opn in Germany, modified to conform to local conds and circumstance or some other system. For Eur System, see USFET Claims Manual for unit claims off in Germany, 20 Feb 47, copy sent JAG your comd. Request your comments soonest.

NO SIG

ACTION : JUDGE ADVOCATE

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, AG, GOVT, LEGAL

66087

ROUTINE

TOO : 031901 Z
MCN : 96763

C R O S S R E F E R E N C E

FILE UNDER: FEC RADIOS

DATE: 29 April 1949

FROM: DA TO: SCAP

SUBJECT: FEC JOINT COMMITTEE ON LABOR POLICY IN JAPAN

DOCUMENT FILED UNDER: W Radios Incoming LASSIFICATION

CABINET # 16 Drawer # 1

SHELF #

F.E.C.

GENE[illegible] HEADQUARTERS, FAR EAST COMM[illegible]
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

LRS
ewj

INCOMING MESSAGE

Confidential
ROUTINE EMS

FROM : DA

TO : SCAP (USPOLAD)

INFO : CSUSA

NR : 270601 Z (RELAYS MSG TRUE TOO 270040 Z FROM STATE DEPT)
(STATE SERIAL 166, APR 26, 7 PM SIGNED ACHESON)

Subj is summary Steering Committee meeting, Apr 19, 49.
Agarian reform in Japan (SC 335/4).
US Member proposed following alternative to US amendments to Par 3 C: "To these ends, the FSC approves the basic principles underlying the measures set forth in Par 2 above and the implementation of an Agrarian reform program embodying those principles." Amendment failed receive support other members and Par 3 C referred to AD HOC Comite.
Fishing and Aquatic Industries in Japan (SC 271/10).
UK Member said he could not support US paper (SC 271/7) since provision authorizing SCAP extend present fishing areas very vague. UK could accept paper along lines SC 271/10. He also felt that re Par 6 SCAP be authorized take preventive steps against offenders reported to him and proved to have sailed in prohibited areas and that irrespective any action taken by member govts, permission to fish be withdrawn from offending person and those responsible for his activities. Canad amendment to delete "informed SCAP it has" from Par 2 B of SC 271/10 supported by Chi, Fr, and Neth Members. Sov amendment that Par 2 B of SC 271/10 be amended to read: "No extension of Japanese fishing or other commercial aquatic activities beyond the foregoing area should be permitted without prior authorization by the FEC" defeated by vote 9 opposed, 1 favor and 1 abstention (Chi).
Labor Policy in Japan (SC 318/7).
In lengthly statement US Member stated US from beginning taken lead in endeavoring create independent, free, and democratic labor movement; that this proposal had not been adquately discussed; that there should be clarification expressions "workers".

(over)

ROUTINE.
Confidential

per [illegible] 63889

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COPY No.

16—50735-1 GPO O—795839

Confidential

ROUTINE

FROM : DA NR : 270601 Z DTD 27 APR 49 CONTINUED

and "government enterprises" and careful consideration of desirability recognizing unrestricted right to strike by govt workers in essential services, right which would be recognized subj to SCAP's right to prohibit strike which would prejudice occupation, if Austral paper becomes FEC policy decision. UK Member stated was still view of his govt that original FEC policy decision applied workers in govt enterprises. Austral Member associated himself with UK view.

Replacement of Lost Cultural Objects (SC 272/12).

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

Removal of aircraft and private munitions plants from Japan (SC 312).

Phil Member reiterated desire of his govt that US make reply to UK query.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, ECON & SCI, NAT RESOURCES, CIV PROP CUST (28 Apr 49)

28 APR 1949
RECEIVED

63889

ROUTINE

TOO : 270601 Z
MCN : 96336

-2-

fib fec

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

FSS
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INCOMING MESSAGE

Restricted

ROUTINE

23 Apr 49

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : 230830 Z (RELAYS MSG DTG 230221 Z FROM DEPT STATE)
(STATE CIRCULAR APRIL 22, 8 PM SIGNED ACHESON)

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

"The FEC decides as a matter of policy that SCAP, subject to his discretion and continued control, should permit Jap to participate with other nations or groups of nations in such internatl relations, conventions, meetings, consular arrangements or other bilateral or multilateral accords as Jap may be invited to enter into, accede to, attend or participate in and as SCAP shall consider to be in the interests of the occupation."

Upon introduction policy USREP made statement including fol points which you may wish to emphasize Potsdam Declaration envisaged establishment responsible Jap Govt. In basic post surrender policy FEC countries agreed to help Jap develop econ and cultural intercourse with other countries and bring Japs into permanent peaceful relationship with all nations. Also agreed ultimate objective establish Democratic and peaceful Jap Govt which will carry out its internatl responsibilities and respect rights of other states.

(over)

62740

ROUTINE

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COPY No.

16—50735-1 GPO O—795839

Restricted
ROUTINE

FR : DA NR : 230830 Z 23 APR 49 CONT'D - - - - - - - - - -

Since Democratic and responsible Jap Govt now established FEC countries should take leadership in supporting gradual and progressive resumption by Jap of internatl responsibilities under guiding hand SCAP. Realistic approach necessary in view delay peace treaty and lapse of almost 4 years since surrender.

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

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

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

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

NO SIG

ACTION: DIPLOMATIC

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3 G-4, AG, GOVT, STAT & RPTS, LEGAL, JSPOG

62740

ROUTINE
Restricted

TOO : 230830 Z
MCN : 96292

File Sec.

GPM
ghf

F

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Secret

ROUTINE

WE

22 April 49

FROM : DA (CSCAD FE)

TO : SCAP

NR : W 87527

Reurads Mar 47 C 50922, Apr 49 C 69146, ourad Feb 47 W 92143.

1. FEC 295 based on SWNCC 236/38 which you apd C 50922 amended in FEC Committee, US abstaining, to omit provs interim use assets neutrals by SCAP and use proceeds to pay costs disease and unrest imports into Japan. Present paper, SC 295/6, provs merely for marshalling assets by Japanese and approach to neutrals to liquidate and concludes: "Pending further decisions made accordance terms of re the Far Eastern Com as to dispo funds accruing fr liquidation, these funds should remain in respective neutral contries."

2. No present possibility FEC agreement to use funds to pay imports either interim or final basis.

3. US pos SC 295/6 and on whole question Japanese assets in neutrals now being studied in relationship to principle of first-charge for occupation costs and probable reactions FEC countries to US pos on industrial removals. You will be kept advised.

NO SIG

ACTION : CIV PROP CUST

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT, ECON & SCI, DIPLOMATIC

62023

Secretary

Dengelsley

GPO

F

ROUTINE

Secret

TOO : 212227 Z
MCN : 96191

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16—50735-1 GPO O—795839

COPY No. 22

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FEC

INCOMING MESSAGE

RMS
Mlp

Confidential
ROUTINE

JLA

20 Apr 49

FROM : DA

TO : SCAP (USPOLAD)

INFO : CSUSA

NR : 200219 Z (RELAYS MSG FROM STATE DEPT DTG 192348 Z)
(STATE SERIAL 153 APRIL 19, 6 PM SIGNED ACHESON)

Subject is Summary Steering Comite Mtg Apr 12, 1949.
Agrarian reform in Japan (SC 335/4).
Austral member reiterated view that some expression by Comm as to desirability of program being carried out to its completion would be backing for SCAP in his attempts to overcome inertia of Jap and proposed fol as amendment to Para 3 C "To these ends, the FEC approves the basic principles underlying the measures set forth in Para 2 above and their strict enforcement by the Jap should be encouraged" Canada, UK and NZ members supported Australia Amendment. US Member requested postponement so that he could receive further instrs from his govt.
Fishing and Aquatic Industries in Japan (SC-271/10).
Canada member indicated he could accept SC-271/10 if words "has informed SCAP it" in Line 5 of Para 2 B were deleted. UK member gave notice that he would introduce amendment to Para 2 in near future. USSR Member removed reservation in Para 3 and called attn to proposed amendments to Para 2 B and Para 6, set forth in SC-271/11.
Jap assets in neutral countries (SC-295/6). Indian member indicated he could support this paper. Retained on Agenda.
Labor Policy in Japan (SC-318/17).

(over)

61293

ROUTINE
Confidential

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16—50735-1 GPO O—795839

Confidential
ROUTINE

RELEASED
21 APR 1949

FROM : DA NR : 200219 Z 20 APR 49 CONT'D

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

USSR Member insisted that members steering Comm discuss in detail Soviet proposals set forth in FEC-318/13.

Replacement, lost cultural objects (SC 272/12).

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

Chi member reserved right to comment on US position in future removal of aircraft and private munitions plants from Japan (SC 312) retained on Agenda.

Summary FEC Mtg April 14, 1949 contained in Depts 149 re ITU. Only other action was approval by Comm of FEC 330/7, reply to complaint against SCAP by deported Ger national.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, ECON & SCI, NAT RESOURCES, CIV PROP CUST
(21 Apr 49)

61293 ROUTINE Confidential TOO : 200219 Z
MCN : 96098

C R O S S R E F E R E N C E

FILE UNDER:

DATE: 17 April 1949

FROM: DA TO: SCAP

SUBJECT: DIRECTIVE RE: EXTENSION OF FAR EASTERN COMMISSION POLICIES ON ACCESS TO JAPANESE TECHNICAL AND SCIENTIFIC INFORMATION IN JAPAN

DOCUMENT FILED UNDER: CLASSIFICATION
GENERAL WHITNEY'S FILE OF POLICY DECISIONS
(SEE SHELIAH OR RUTH HAYES)

CABINET #

SHELF #

V
file

GENER HEADQUARTERS, FAR EAST COMMA
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

Confidential

ROUTINE GPM

16 Apr 49

FROM : DA (CSGPO)

TO : SCAP

NR : W 87248

This radio in 3 parts.

Part 1. For your info Part 2 is agreed State-Army proposed policy decision for introduction into Far Eastern Commission at meeting 21 April. In presenting proposal it will be made clear that proposal represents no change whatsoever in US views regarding legality of SCAP's approval Japan's adherence International Tele-communications Union or other international conventions which SCAP may have authorized Japan adhere to, and that proposal is presented in spirit of seeking broader international acceptance Japan's gradual return to international relationships with other nations or groups.

Part 2. "In view of the fact that one of the basic objectives of the occupation of Japan is to encourage the development in Japan of respect for the rights of other nations and to facilitate the progressive resumption by Japan of its normal international responsibilities;

"The Far Eastern Commission decides as a matter of policy that SCAP, subject to his discretion and continued control, should permit Japan to participate with other nations or groups of nations in such international relations, conventions, meetings, consular arrangements, or other bilateral or multilateral accords as Japan may be invited to enter into, accede to, attend, or participate in and as SCAP shall consider to be in the interests of the occupation."

Part 3. Please pass copy to acting POLAD for info.

ACTION : DIPLOMATIC

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT

NOTE : Duty Officer Comm Center states this message delayed due to service.

60137

ROUTINE

Confidential

TOO : 152212 Z
MCN : 95922

RECEIVED
17 APR 1949

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COPY No.

16—50735-1 GPO O—795839

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ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

FEC
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INCOMING MESSAGE

Restricted
ROUTINE LRS

7 Apr 49

FROM : DA (CSCAD FE)

TO : CINCFE

NR : W 86725

Reurad Oct 47 C 55839, ourad Nov 47 WX 90037, FEC 011/51, Jul 48, and AG 560 (14 Sep 48) CPC/PLD Memo for: The Chief of the Chinese Mission in Japan.

Subj "Reimbursement for critical mats used in repair of looted vessels," dtd 1 Feb.

1. Chinese Emb Wash has objected informally to State that your pos recipients of vessels must reimburse for mats rqg expenditure fgn exchange is inconsistent with terms of FEC policy. If satisfactory reply not made, matter will probably be raised in FEC.

2. Request fol info together with any comments:

A. What are exact terms your policy as stated to recipient govts?

B. When were they informed of it?

C. Have any other govts accepted it or objected?

D. Estimate number and aggregate tonnage vessels affected by it, and countries to which returnable.

E. Estimate total costs to US involved under Chinese pos.

ACTION : CIV PROP CUST

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-3, G-4, AG, GOVT, ECON & SCI, LEGAL, GEN ACCTG, DIPLOMATIC

56655

ROUTINE

TOO : 061726 Z
MCN : 95471

Restricted

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COPY No.

16—50735-1 GPO O—795839

File Lee

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SM

GENER HEADQUARTERS, FAR EAST COMMA
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

ROUTINE

7 Apr 49

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : 062251 Z (RELAYS MSG TRUE TOO 061721 Z FR STATE DEPT)
(STATE SERIAL 129, APR 6, 11 AM, SIGNED ACHESON)

Subj: Summary Steering Committee mtg Mar 29, 49.

Agrarian reform in Japan (SC-335). USSR member expressed dissatisfaction with bibliography of documents containing info on agricultural reform in Japan, SC-335/1, circulated by secretariat and reintroduced res that SCAP be rqstd supply comm with nec data and info concerning fulfillment of land reform program in Japan. USSR motion defeated by 6 to 1.

Steering committee accepted "Amendment introduced by US Mar 22 to reword par 1 as fols:"

"In the view of the FEC an equitable and sound agrarian reform program is an important factor favoring the democratization of Japan."

US member proposed that an alternative to his amendment to delete par 3 C, he could accept par if worded as fols: "To these ends the basic principles underlying the measures set forth in par 2 above are approved." He added his govt would accept in place of 1st subpar par 2: "The fol steps have been taken in Japan since the surrender in the field of agrarian reform."

Australian member stated US modification of par 3 C was unacceptable. In his view present wording would have effect assisting SCAP in overcoming inertia in carrying out reform program which was to be expected fr Japanese.

UK member tentatively suggested fol revision of US modification par 3 C: "To these ends the FEC approves the basic principles underlying the measures set forth in par 2 and the intentions of those measures."

(over)
ROUTINE

56754

Confidential

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COPY No.

16—50735-1 GPO O—795839

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ROUTINE

FROM : DA NR : 062251 Z 7 APR 49 CONTINUED

Further discussion postponed.

Fishing and aquatic industries in Japan (SC-271/10). US member stated his govt was reconsidering its position. Phil member called to attn committee report in weekly summary, No 174 of Natural Resources Section that there were numerous violations auth fishing areas by Jap fishermen. Action deferred.

Complaint against SCAP by deported German national (SC-330/6). This paper with minor modifications was fwded to comm.

Jap assets in neutral countries (SC-295/6).

Fr member pointed out his delegation does not understand why 4-power machinery should be set up to marshal assets. He felt procedure adopted for gen assets in neutral countries should be adopted, wherein 3 occupying powers were entrusted with task of marshalling assets. In case Japan, US sole occupying power and should be entrusted alone to marshal assets. Chi member challenged Fr description US as sole occupying auth. Fr member indicated it was question of fact, not of principle. Action deferred.

Replacement of lost cultural objects (SC 272/12).

Removal of acft and private ammo plants fr Japan (SC-312). Retained on agenda.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, NAT RESOURCES, CIV PROP CUST (7 Apr 49)

RECEIVED 8 APR 1949

56754 ROUTINE Confidential TOO : 062251 Z
MCN : 95465

F.E.C.

WAC
tlh

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Confidential
ROUTINE

TBB

31 Mar 49

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : 302147 Z (RELAYS FROM STATE DEPT DTG 301744 Z) (STATE SERIAL 117 MAR 30, NOON SIGNED ACHESON)

Summary Steering Comite mtg Mar 22, 49:
Agrarian reform in Japan (SC-335),
First and second US Amendments (second slightly revised) appeared acceptable to all members except Sov who had no instrs.

Third US Amendments to delete par 3 C not acceptable to Brit on grounds that it would defeat object of paper. Fr and Austral members associated themselves with Brit views. Chi member quoted Tokyo news dispatch that Yoshida Cabinet planned to abandon second Agrarian land reforms and concluded that since land reforms had not been carried to their completion, it was very important for FEC to draft policy including this par. In summary, 7 members offered deletion par 3 C.

Fishing and ACUSTIC industries in Japan (SC-271/10),

Sov member reintroduced Sov Amendments, contained in C 2-271/9, which were rejected in working comite. He added that his delegation had reservation on inclusion of words "outside Japanese territorial waters". Canad member submitted Amendment to par 2 B, Line 5, that words "has informed SCAP it" be deleted. Phil member stated that in pre-war days his govt had much trouble from Jap fishing vessels and therefore the Phil delegation, profiting from past experience, would like to stress that area that is of "direct concern" to Philippines in 300 miles from its territorial shores. In summary, 9 members approved paper as forwarded from working comite. No member supports US paper.

Fol papers retained on Agenda:
Complaint against SCAP by deported German National SC-330/6,
Replacement of art cultural objects SC-272/12,
Removal of aircraft and private munitions SC-312.

ACTION : DIPLOMATIC

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF
NOTE : Sv has been rqsted for correction of underscored portions.
ADDED DIST : GOVT, NAT RESOURCES (31 Mar 49)

54490

ROUTINE
Confidential

TOO : 302147 Z
MCN : 95209

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COPY No.

16—50735-1 GPO O—795839

file (FEC)

HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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EMS
cmc

INCOMING MESSAGE

Confidential
ROUTINE

WE

30 Mar 49

FROM : DA

TO : SCAP (POLAD)

INFO : ARMY CHIEF STAFF

NR : 300527 Z (RELAYS MSG FROM STATE DEPT DTG 300044 Z)
(STATE SERIAL 116 MAR 29, 7 PM SIGNED ACHESON)

Summary FEC Meeting Mar 24, 49.
Access to Jap Technical and Scientific info in Japan (FEC 280/14).

US member proposed that paper be amended to extend period to Jul 1, 1949, instead of Dec 31 as now provided in paper, and stated that govts eligible under FEC-280/9 had not made full use of time available to them up to present. US amendment failed to received any support in commission. Indian, Netherlands Philippines, Australian, and Soviet members points out that SCAP procedure for implementation of directive was issued only on Aug 6 and that actual inspection began only last part of Aug. These members emphasized difficulty their govts encountered to find qualified technical experts, to decide what they wanted in Japan, and to arrange for transportation. Netherlands member pointed out that his govt had wanted to give Indonesia first opportunity to make use of time in Japan and that time was lost when it was found that Indonesia could supply only 1 technical expert of broard qualifications. Australian member indicated that his govt had been negotiating for almost 6 months with SCAP over a particular process and just now when it was expected that negotiations would be brought to a successful conclusion, the program would be suddenly finished and all their months of negotiation would be lost. Soviet member contended that conditions of work under which experts were to receive technical

(over)

54308

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16—50735-1 GPO O—795839

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ROUTINE

FR : DA NR : 300527 Z 30 MAR 49 CONT'D

info were not favorable. Australia, Philippines. India and Netherlands indicated strong desire send technicians if policy adequately extended. US member stated that in order be helpful as possible in meeting present deadline, he would ask his govt to consider requesting SCAP to allow technicians now present in Japan to continue their investigations until Jul 1 provided it was feasible trial of Jap War Criminals (FEC 314/12).

Philippine member expressed objection to FEC 31/12 for following reasons.

1. FEC has no power of control over national Mil Tribunals charged with trial of "B and C" suspects outside of Japan.

2. Distinction should be drawn between "A" suspects on one hand and "B and C" on other, for suspects falling under latter category are no different from persons who have violated domestic laws of countries.

3. Setting of target date for termination of investigation and trial of Jap War Criminals impractical and fraught with danger.

4. Inclusion of words "if possible" serves only to create erroneous impression that member countries, where trials are pending, are guilty of unduly delaying termination of proceedings against Jap War Criminals.

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

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

Economic stabilization in Japan, chairman noted that there had been considerable discussion in working committee on this subj.

Reparations removals: Accessory facilities, buildings, technical data FEC-299/5.

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

Jap membership in International Convention of Telecommunications FEC 334.

54308

ROUTINE
Confidential
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GENER[illegible] HEADQUARTERS, FAR EAST COMMA[illegible]
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

ROUTINE Confidential

FR : DA NR : 300527 Z 30 MAR 49 CONT'D

INCOMING MESSAGE

Philippine member stated he was still awaiting instructions.

NO SIG

ACTION: DIPLOMATIC

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : CIV COMM, GOVT, ECON & SCI, LEGAL, CIV PROP CUST (31 Mar 49)

54308

ROUTINE Confidential

TOO : 300427 Z
MCN : 95184

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COPY No.

16—50735-1 GPO O—795839

F.E.C.

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

Confidential
ROUTINE TBB

25 Mar 49

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : 250043 Z (RELAYS MSG TRUE TOO 242158 Z FROM STATE DEPT)
(STATE SERIAL 109, MAR 24, 4 PM SIGNED ACHESON)

Subj is summary steering committee mtg, Mar 15, 49,
Trial of Jap War Criminals (SC-314/11).
Without objection, SC-314/11 was forwarded to comm with opposing votes of Phil and Sov members recorded.
Agrarian reform in Japan (SC-335).
US member introduced fol amendments:
(1) Par 1 to read "in the view of the FEC an equitable and sound Agrarian Reform Program is an important factor favoring the democratization of Japan."
(2) In Line 2 of par 2 insert phrase "the basic principles embodied in the" before "fol steps".
(3) Delete par 3 C. UK member, who was responsible for initiating paper, agreed to accept 1st amendment; suggested that phraseology of 2d amendment be changed so that sentence read: "The FEC approved the basic principle..." He also expressed regret at US proposal to delete par 3 C stating that this par was 1 of most important provisions in proposal and its deletion would go far to destroy value of paper. Consideration postponed.
Pri for patent applications in Japan (SC-333/1).
Without objection, SC-333/1 was forwarded to comm with opposing vote of Sov memb recorded.
Repl of lost cultural objects (SC-272/12)
Retained on agenda.
Removal of aircraft and private munitions plants from Japan (SC-312).
Retained on agenda.

NO SIG

52633

(over)
ROUTINE
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COPY No.

16—50735-1 GPO O—795839

Confidential

ROUTINE

FROM : DA NR : 250043 Z (RELAYS MSG TRUE TOO 242158 Z FROM STATE DEPT) (STATE SERIAL 109, MAR 24, 4 PM SIGNED ACHESON)

25 MAR 49 CONT'D

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, ECON & SCI, LEGAL, NAT RESOURCES, CIV PROP CUST (25 Mar 49)

52633

ROUTINE

Confidential

-2-

TOO : 250043 Z
MCN : 94980

F.E.C.

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

LRS
mrs

Restricted
PRIORITY

JLA

24 Mar 49

FROM : DA (JCS)

TO : SCAP

NR : W 85030

Following directive Serial 101 regarding policy towards patents, utility models and designs in Japan prepared by State Dept to implement policy adopted by FEC on 17 Mar 49 UP Par II, A, 1, of it's terms of reference, received from State, Army, Navy and AF Depts, is transmitted for your guidance under Par III, 1 of those terms of reference:

"1. The Japanese Patent Office.

The Japanese Patent Office should continue to exercise its functions, in such manner as will fulfill the provisions in Par 3, 4 and 5 below. The Japanese Patent Law should contain explicit provisions requiring disclosure in the specifications or drawings of all info necessary to the working of a patented invention, and such provisions should be strictly enforced. The patent office should resume the publication of official gazettes and patent specifications.

"2. Patent Rights in Japan.

No action should be taken to interfere with patent rights in Japan which now exist, or which are restored, or which are newly acquired during the period of occupation, except:

a. Where the continued protection of such rights is in conflict with policies established or to be established in accordance with the terms of reference of the FEC;

b. Where such rights interfere with such production, use, sale or importation of products as are necessary to carry out the purposes of the occupation. In such cases the Supreme Commander should request the Japanese Govt to invoke appropriate provisions of the Japanese Patent Law to the extent that such action may provide a remedy.

The provisions of the par do not apply to German-owned or former German-owned patents in Japan.

"3. Secret patents in Japan

(over)

PRIORITY
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COPY No.

16—50735-1 GPO O—795839

Restricted

PRIORITY

FROM : DA NR : W 86030 24 Mar 49 CONT'D

The future maint in secrecy of any patent in Japan should be prohibited, existing secret patents should be published and treated in the same manner as all other patents, and pending applications heretofore treated as secret should be removed from such classification and treated in the same manner as all other applications.

"4. Patents in Japan owned by allied nationals.

(1) "Allied national" is one whose property was treated as enemy property by the Japanese Govt, or whose property rights lapsed owing to the existence of hostilities between Japan and the country of that national.

(2) "Effective date of loss" applicable to the patents or applications therefore of allied nationals should be the date of entry of the country of that national into war with Japan. When the date of entry into war is clearly inapplicable to the case of a particular allied national, as defined above, "effective date of loss" should be the actual date os sequestration of his patent, or the date on which his patent rights lapsed.

A. Patents existing in Japan on the effective date of loss or granted thereafter on applications filed before that date, which were owned or had been applied for by allied nationals and which have since lapsed, or have been invalidated or sequestered or otherwise taken away from such owners without their free consent should be subject to revalidation and restoration upon request therefore made by the allied national owners within a reasonable period and in a manner as may be provided by the Supreme Commander. To such cases the following provisions should apply:

(1) Such owner should be afforded a reasonable time with in which to perform all legally required acts in connection with restoration, revalidation, working and/or maint of his rights which have not been performed since the effective date of loss.

(2) The owner of a patent so restored or revalidated should be entitled to all the rights and privileges to which any national of any country in entitled under the Japanese patent law existing at the time of such restoration.

(3) The owner to whom such patent is restored should refund to the Japanese Govt any sums paid or credited to him that are the proceeds from sale of the patent by the Japanese Govt during the war.

(4) Payment of any special or regular fees that may have accrued to the Japanese Govt with respect to such patents from the effective date of loss to date of such restoration should not be required.

52220

PRIORITY
Restricted

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

PRIORITY

FROM : DA NR : W 86030 24 MAR 49 CONT'D

INCOMING MESSAGE

B. At the request of the allied national owner made within a reasonable time (in such form and prior to such date as may be prescribed by the Supreme Commander), the period of duration of any Japanese patent owned by him on the eff date of loss or granted thereafter on an application filed before that date should be extended beyond its normal expiration date. Such extension should be for a period equal to that from the eff date of loss to the eff date of restoration or to the normal expiration date of the patent, whichever is earlier, provided that such owner waives all claim to royalties for use of the patent from the effective date of loss to the date so fixed, and remits any funds received by him or credited to him in a blocked account as royalties for such use.

C. The Supreme Commander should not be responsible for obtaining, or attempting to obtain, on behalf of allied nationals compensation for any use made of their patents prior to date of restoration. However, the Supreme Commander should make aval to allied national owners info as to funds credited to their accounts which constitute royalties for use of their rights from the eff date of loss to date of restoration. If the allied national owner elects to receive such funds in lieu of an extension of term as proved in Par B above, he should be entitled to do so on the same basis as other funds are restored to allied national property owners in Japan.

D. Applications filed by allied nationals for patents in Japan which were pending on the eff date of loss and on which patents were not issued should, upon request of the allied national applicant within a reasonable time and in a manner prescribed by the Japanese Patent Office and be restored to the allied national applicant. Any patents thereafter issued on such applications should be treated in a manner which conforms generally with applicable provisions of sub-par 4 A above.

"5. Application to registered utility models and designs.

This policy applies also to those patents designated as 'registered utility models' and , to the extent applicable, to 'registered designs."

The commission agreed to release to press policy decision upon which foregoing directive based after receipt in Tokyo, therefore, request early acknowledgment. This directive will be declassified at time of release.

NO SIG

ACTION : CIV PROP CUST
INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT, LEGAL, DIPLOMATIC, ECON & SCI

52220 PRIORITY TOO : 232238 Z
MCN : 94925

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COPY No.

16—50735-1 GPO O—795839

F.E.C.

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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JLA

INCOMING MESSAGE

Secret
PRIORITY

24 Mar 49

FROM : DA (JCS)

TO : SCAP

NR : W 86005

Fol interim directive Serial 100 regarding policy toward pri for patent applications in Japan prepared by State Dept in accordance with Par III, 3 of the terms of reference of FEC, received from the State, Army, Navy AF Depts, is transmitted for your guidance:

"Nationals of countries at war with Japan who had fully filed in any country the first application for a patent not earlier than 12 months before the effective date of loss of right right to file patent applications in Japan should be entitled, within 12 months after the date, as determined by the Supreme Commander, on which such govts and nationals are again permitted to apply for patents directly to the Japanese patent office and to obtain legal services necessary for this purpose, to apply for corresponding rights in Japan with a right of pri based upon the previous first filing of the application.

"Third parties who have bona fide manufactured, used, sold or leased the subj matter of any Japanese patent obtained with this pri should not be liable for infringement on account of such use but should be enabled to continue such use after the filing of the application only under terms of a non-exclusive license which the patent owner should be required to grant on terms providing for reasonable royalties as fixed by an agency to be auth to make determination. Payment of such royalties should be subj to applicable financial regulations in effect in Japan at the time they are paid."

The State Dept has agreed to release foregoing interim directive to the press after its receipt in Tokyo, therefore request early acknowledgment. This directive will be declassified at time of release. (over)

52219

PRIORITY

NO SIG

Secret

21

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COPY No.

16—50735-1 GPO O—795839

Secret

PRIORITY

FROM : DA (JCS) NR : W 86005 24 MAR 49 CONT'D

ACTION : CIV PROP CUST

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT, ECON & SCI, LEGAL, DIPLOMATIC

NOTE : Duty Officer Signal Msg Center states this msg delayed due to service.

52219

PRIORITY

Secret

-2-

TOO : 231844 Z
MCN : 94907

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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jbg

INCOMING MESSAGE

SM

ROUTINE

20 Mar 49

FROM : DA (JCS)

TO : SCAP

NR : W 85838

Reference your C 67991, W 90282 Oct 48 and W 85963 Jul 48. The fol directive, to implement an agreed US position regarding extension of credit to Japanese in fgn exchange, received from the State and Army Depts, is transmitted for your guidance:

1. "You may authorize loans and credits for working capital and rehabilitation short term loans and credits and intermediate term loans for periods to be determined by you, but normally not exceeding 5 yrs, to be made to enterprises in Japan by fgn investors in connection with self liquididating projects which aid in Japanese economic rehabilitation, increase fgn exchange earnings or decrease fgn exchange expenditures, or otherwise contribute to the objectives of the occupation. Subj to your approval such loans or credits may be made in kind or in fgn currency usable for the purchase of raw materials, essential machinery and supplies, or for the procurement of technological services, provided that within the loan period total Japanese exports are expected to be increased as result thereof at least by an amount sufficient to service and repay the loan. Provision may be made for the servicing and repayment of such loans or credits from the proceeds of exports financed by the loans, or, if considered appropriate in respect to non export industries financed by the loans, from such other fgn exchange assets as may be available.

2. "Conditions governing loans and credits by fgn investors. Loans and credits shall be made in a manner and for purposes consistent with all applicable Japanese laws, ordinances and

(over)

50895

ROUTINE

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16—50735-1 GPO O—795839

Secret

ROUTINE

FROM : DA (JCS) NR : W 85838 20 MAR 49 CONT'D

regulations and all directives of the supreme commander. In addition no loans and credits may be made to a Japanese enterprise.

A. A material amount of the assets of which have been or are likely to be designated for removal for reparations, until such removal has been effected;

B. Which is or is considered by competent authority to be subject to dissolution, liquidation or reorganization under the economic reform program in Japan until the final adjudication of such dissolution, liquidation or reorganization;

C. Under terms which are unfair to the Japanese enterprise."

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-4, AG, FISCAL, GOVT, CIV I & E, LEGAL, CIV PROP CUST

RECEIVED 21 MAR 1949

50895

ROUTINE

TOO : 191733 Z
MCN : 94781

Secret

CROSS REFERENCE

FILE UNDER: JCS,FEC,SWINC Radios

DATE: 19 Mar 1949

FROM: State Dept TO: SCAP

SUBJECT: Summary fec Mtg 10 Mar 1949
Radio # 182157

DOCUMENT FILED UNDER: Incomming CLASSIFICATION
Misc. Radios

CABINET #16 Drawer # 1

SHELF #

aftia

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

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Secret
PRIORITY

JLA

19 Mar 49

FROM : DA (CSCAD ECON)

TO : CINCFE

NR : W 85787

Reurad Feb C 67991, ourads Oct W 90282, Jul W 85963.
1 JCS authorization for extension private loans and credits to Japanese, repayable in fgn exchange only, is being dispatched separately.
2. Repmt and svg pvt loans in export commodities not considered desirable in view possible disruptive effects such arrangements might have upon Japanese economy through demands for goods essential to dom rqmts, encouragement of surplus pdn, and problems of fair evaluation. Add pressures might also be exerted by holders of yen who intermittently seek to convert such yen into Japanese goods with resale value and demand in export markets.

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-4, AG, FISCAL, GOVT, CIV I & E, LEGAL, CIV PROP CUST

50474

Secret
PRIORITY

TOO : 181938 Z
MCN : 94719

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16—50735-1 GPO O—795839

46

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ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

Confidential
ROUTINE

10 Mar 49

FROM : DA

TO : SCAP (ACTG POLAD)

INFO : CSUSA

NR : 100213 Z (RELAYS
(STATE SERIAL 83, MAR 9, 1949, PM SIGNED ACHESON)

Meeting Steering Comite Mar 1 cancelled.
Summary meeting FEC Mar 3 fols: Policy toward patents, utility models and designs in Japan (FEC-284/17).
French and USSR members asked postponement vote. UK, Austral, Canad, Chi, Indian, Neth and Phil members indicated were ready accept paper. Recommendations re Jap-owned patents, utility models and designs in territories of countries at war with Japan (FEC-311/6).
Chi member stated par 4, FEC-311/6 analogous par 5, FEC-284/14 and its deletion make paper more acceptable. This view supported by Phil member. USSR member stated paper unacceptable as whole as contradictory to principle resumption internatl conventions by Japan should be exercised by Japan only after conclusion peace treaty economic stabilization in Japan.
US member indicated info as it became aval would be referred to working committee. USSR member made statement which was transmitted by Army Dept to SCAP in MC out 49475, Mar 5. US member noted sinister implications of Soviet statement and said that he would make no attempt at this time to give full reply. Length of statement, its repetition of points raised in previous Soviet statements on same subjects, language barrier and large nbr of implications contained in it made it impossible for him to offer more than a preliminary comment. He would say merely that most of its substance had already been answered properly and truthfully by his govt.
US, rather than flying in face of commission policy, as Mr Panyushkin intimated, was doing its best to work with commission. US was not sinister power casting a shadow of

47238

(over)

ROUTINE

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16—50735-1 GPO O—795839

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ROUTINE

FROM : DA NR : 100213 Z 10 MAR 49 CONT'D

of monopoly over Jap economy. It was instead encouraging economic recovery of Japan. Unfortunately US was only power possessing capital to give financial help to Japanese. He wished other powers had capital avel for such help, but since they did not, his govt could only hope they would help by endeavoring to understand its efforts rather than by making such hypocritical remarks as those just made by the Soviet representative.

USSR member asked US member to take back expression such as "sinister" and "hypocritical". He added US had not yet proved it was not violating policy decisions of FEC, and it had not given in essence a single satisfactory answer. He concluded US could not buy other countries with money. US member stated he had nothing further to say labor policy in Japan (FEC-045/5).

USSR member made statement which was transmitted to SCAP, out 85137, Mar 5, 1949. Item retained on agenda. Jap membership Intl Convention Telecommunications (FEC-334).

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

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, ECON & SCI, CIV PROP CUST (11 Mar 49)

RECEIVED
11 MAR 1949

47238 ROUTINE Confidential TOO : 100213 Z
MCN : 94309

File

FEC

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

WE
cmc

INCOMING MESSAGE

GOVT

Confidential WAG
ROUTINE

7 Mar 49

FROM : DA (CSCAD ICO)

TO : SCAP

NR : W 85133

For info text of US statement re Japan's adherence to International Telecommunications Convention read by US member FEC at meeting 3 Mar 49 is as fol:

"With re to the Soviet members statement at the last meeting, the US Govt is of the opinion that the adherence of Japan to the International Telecommunications Convention of Atlantic City, Oct 7, 47 has full legal force and effect and that SCAP's action in apg Japan's accession to the convention is not illegal. The FEC itself has laid the gen policy groundwork for this action. In the basic post-surrender policy for Japan, FEC-014/9, Jun 19, 47, the nations composing the com agreed 'to help the people of Japan, in their own interest as well as that of the world at large, to find means whereby they may develop within the framework of a democratic society intercourse... With other countries along economic and cultural lines that will enable them to satisfy their reasonable indiv and national needs and bring them into permanently peaceful relationship with all nations." (Preamble).

They also agreed that one of the ultimate objectives in relation to which policies for the post-surrender period for Japan should conform was, 'to bring about the earliest possible establishment of a democratic and peaceful govt which will carry out its international responsibilities, respect the rights of other states, and support the objectives of the UN. Such govt in Japan should be established in accordance with the freely expressed will of the Japanese people.'

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Part I,

1 B. Finally, the Supreme Comdr was dir to exercise his auth through Japanese governmental machinery and agencies 'to the extent that this satisfactorily furthers the objectives and policies stated here in.'

Part II.

2. "However, the Soviet member contended that SCAP's action in apg the accession of Japan to the ITU is in contradiction to this FEC policy decision on the basis post-surrender policy for Japan. The Com will recall that the particular provn which the Soviet member cites as a re reads as fol:

'According to the judgement and discretion of the Supreme Comdr the Japanese Govt may be permitted to exercise the normal powers of govt in matters of domestic administration.' it seems clear that there was no intention on the part of the com to imply a denial to the Supreme Comdr of such discretion in matters of external affairs. The apparent purpose of the express grant of discretionary auth was to cover the International situation then b before SCAP.

"It is the view of the US Govt that the adherence of Japan to the International Telecommunications Union, and SCAP 'apl thereof, is full consistent with the policies set forth above. The attention of the Soviet delegation is called to the International Telecommunciations Convention and to the Associated Protocols and Radio Regs, adopted by the International Rad Conf held at Atlantic City.

"Article 17 concerning accession to the convention provides:

'1. The Govt of a country, not a signatory of this convention, may accede thereto at any time subj to the provisions of Article 1.

'2. The instrument of accession shall be deposited with the Secy Gen by diplomatic channel through the intermediary of the govt of the country of the seat of the union. Unless otherwise specified therein, it shall become eff upon the date of its deposit. The Secy Gen shall notify the members and associate members of each accession when it is received and shall fwd to each of them a certified copy of the set of assession."

Protocol II concerning Germany and Japan provides:

"It is hereby agreed that Germany and Japan may accede to the International Telecommunciation Convention of Atlantic City

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FROM: DA NR: W 8513 7 MAR 49 CONT'D

fulfilling the provs of Art 17 thereof at such time as the responsible auth consider such accession appropriate. The formalities precribed by Art 1 of that convention shall not apply to these two countries.

"The signatories of the Alantic City Convention, incl the USSR, by specifically provg in the add protocol a means under which Japan could accede to the convention, evidently envisaged the resumption by Japan of accession of the International Telecommunications Union. This govt finds it impossible to accept any other interpretation of the add protoco.

"On Sept 1st 48 the SCAP informed the Japanese Govt that he considered the time to be appropriate for Japan to accede to the Atlantic City Convention and related rad regs and add protocols as the Japanese Govt might determine.

"In this connection, it is the view of the US Govt that the SCAP is the responsible auth to determine under add Protocol II the appropriate time for Japan's accession to the convention. This pos was made clear by the US representatives to the conf at Atlantic City and no objection was raised at that time. There is no FEC policy decision which precludes the SCAP fr exercising his adm auth in thie re.

"Adherence was apd by the Japanese National Diet, under Art 73 of the Japanese Constiuttion in Nov 48. The Japanese Ministry of Fgn Affairs on Nov 28, 48. Notified SCAP of Japanese adherence to the International Telecommunications Convention and rqsted the transmittal of notification to the Secy Gen of the International Telecommunications Union. This notification, with an accompanying ltr fr SCAP, was fwded on Jan 10, 49 to the Govt of the Swiss Confederation for delivery to the International Telecommunications Union. It is understood that on Jan 26, 49 the Secy Gen informed the other members of the International Telecommunications Union of Japan's adherence.

"The FEC was notified of Japan's adherence on Jan 24, 49 in Document MI-001/161.

"In view of the above, it is the view of the US Govt that the accession of Japan to the Atlantic City Telecommunications Convention was properly auth and is full eff."

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PR : DA _____ NR : W 8513 _____ 7 MAR 49 _____ CONT'D _____

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INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, AG, CIV COMM, GOVT, ECON & SCI, LEGAL, DIPLOMATIC

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TOO : 051934 Z
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PRIORITY

6 Mar 49

FROM : DA (CSCAD ICO)

TO : SCAP

NR : W 85140

Recurad Feb W 84347. For your info, the Soviet Member FEC at meeting 3 Mar 49, made fol statement regarding investment policy in Japan re SCAP Cir Nbr 2. This statement in response to statement by US Member 17 Feb 49 transmitted ourad, which had been reply to earlier Soviet statement. This Soviet statement not yet released to press here. No doubt that it may be. Present intention here is not to make press reply. Suggest you be prepared to answer for benefit Japanese any Soviet attack along this line. Text fol:

"In its statement of Jan 27 and Feb 3, 17, and 24, 49, the Soviet Delegation already pointed out the inadmissibility of such a situation when the US Govt, in evasion of the FEC, unilaterally adopts important decisions in respect to the Japanese Econ with the purpose of subjecting it to the interests of American Monopolistic Gps at the expense of Japan's Economic Independence."

"Today I intendto reply to the US Representative's statement of Feb 17, 49 and in this connection to dwell in more detail on the question of fgn commercial activities in Japan.

"In his statement of Feb 17, 49 the US Representative asserts that the Supreme Comdr allegedly has the right to establish at his own discretion regs in respect to commercial activities of foreigners in Japan. This statement of the US Representative is absoulutely unfounded.

"In the FEC Policy Decision FEC-273/22 on "conduct of trade with Japan" it is clearly defined on what basis the commercial activities of foreigners in Japan should develop and the realization of what objectives these activities should foster.

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Gen Whitney
Feb 6

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FROM : DA (CSCAD ICO) NR : W 85140 6 MAR 49 CONT'D

"One of this decision says: 'Japan's fgn trade should be so conducted as to:

'A. Foster the development and balanced growth of Japanese fgn trade to a level consistent with Japan's peaceful needs as defined by the FEC;

'B. Encourage an increase in Japanese exports:

1. In order that these exports may, as soon as possible, pay for the imports rqd for the prevention of disease and unrest within Japan, and for the re-establishment of a self-sustaining economy; and

2. In order that Japan may participate in provg goods for International Trade;

'C. Insure competitive conditions in trade free of contracts or agreements which limit access to markets or foster monopolistic controls, and prevent excessive concentration of economic power in Japan and monopolies in Japan fgn trade, whether with the participation of Japanese or fgn capital.'

"Consequently, in fulfilment of this decision of the FEC, the Supreme Comdr should have carried out first of all those measures which would foster the development and balanced growth of Japanese Fgn Trade in order that Japanese exports may, as soon as possible, pay for the imports, and thus reestablish a self-sustaining Japanese Economy.

'Besides this, had the Supreme Comdr fold the above-mentioned decision of the FEC, his measures should have been directed towards the prevention of creation of monopolies in Japanese Foreign Trade, whether with the participation of Japanese or fgn capital.

"It is for the purpose of fostering the fulfilment of these objectives alone that the commercial activities of fgn firms or pvt persons in Japan should be permitted, as is clearly set forth in Para 2 of the said decision.

"Thus, for example, in Sub Para C of Para 2 which enumerates the categories of persons to be permitted to enter Japan, it is said that the fol persons should be permitted such entry:

"Representatives of companies or indivs who had prewar property interests in Japan, the renewed opr of which would contribute to the accomplishment of the objectives in Para 1.

"As regards the question of acquisition by foreigners of Japanese property and the opr by foreigners of Japanes enterprises, it is directly said in Para 3 of the above-mentioned FEC decision that:

"Nothing in this policy decision is to be understood as rqg the reopening or opr of factories in Japan.

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FROM: DA (GSCAD ICO) NR: W 85140 6 MAR 49 CONT'D

INCOMING MESSAGE

"This para was introduced in the FEC decision because of the fact that the acquisition by fgn firms of Japanese property or rights to opr enterprises in Japan cannot foster the realization of the objectives, referred to in Para 1 of the Policy Decision FEC-273/22.

"Nevertheless, by his Cir Nbr 2 of Jan 14, 49 in respect to 'Fgn business and investment activities in Japan" the Supreme Comdr requested the Japanese Govt to permit unlimited expansion of the fld of activities of foreigners in Japan, to permit free investment of fgn capital and to permit foreigners to acquire Japanese property, and also requested the Japanese Govt to revise acting legislation and to remove existing limitations in respect to fgn enterprises.

"Such actions of the US Occupation authorities in Japan are clearly in contradiction to the Policy Decision FEC-273/22 on conduct of trade with Japan, and are unquestionably directed towards the subjection of the Japanese economy to the interests of American monopolies.

"This is also confirmed by such a fact as the prohibition by the US authorites for the Japanese Govt tc give Govt subsidies to the Japanese Export Industry, which prohibition was dictated by a clear intention to close the outlet of Japanese goods to the export market in order to create privileged conditions for American monopolies.

"In this connection it is noteworthy that Japan's fgn trade indebtedness which amtd to $790,000,000 by Jun 48 is not only not decreasing but, as can be seen fr the latest press rpts, will increase by another $500,000,000 in 49.

"It is also nec to point out the policy of encouraging the purch by fgn-mainly American Monopolistic Firms-of Japanese enterprises at a time when the Japanese Economy is extremely weakened not only cannot insure competitive condictions in trade or prevent the possibility of creating monopolies in Japanese fgn trade but, on the contrary, can only foster the creation of such monopolistic combines.

"Therefore, the attempt of the US Representative in his statement of Feb 17, 49 to justify the unilateral action of the US Govt and Gen MacArthur who allowed fgn firms to acquire Japanese property and enterprises, in spite of this being forbidden by the above-mentioned decision of the FEC, is absolutely unfounded. Not having any convincing arguments whatsoever in order to justify these actions, the US Representative allowed himself to wholly distort the meaning of Para 3 of Document FEC-273/22, asserting in essence that the Supreme Comdr 'when he feels it desirable' can, allegedly, act on his own discretion in regard to fgn investments in Japan regardless of the decisions

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FROM: DA (CSCAD ICO) NR: W 85140 6 MAR 49 CONT'D

of the FEC. It is my belief that so long as there exists an appropriate policy decision of the FEC the US Govt and the Supreme Comdr are obligated to fulfill this decision and have no right to take any action contrary to this decision.

". would just like to remind the US Representative that in Para 1, Part III of the terms of re of the FEC it is clearly stated, that: 'The Supreme Comdr shall be carged with the implementation of the directives which express the policy decisions of the com.'

"Consequently, in a matter, dealing with fgn commercial activities in Japan, the Supreme Comdr had no right to act on his own discretion but should have carried out such measures as exactly corresponded to the Policy Decision of the FEC-273/22- 'Conduct of trade with Japan.'

"In order to justify the actions of Gen MacArthur the US Representative likewise referred to the argument that the permission to make investments in Japan, as he said, is given not to American investors alone but 'equally' to all Non-Japanese, and the Japanese allegedly have safeguards which are expressed in the fact that any contract for the acquisition by fgn investors fr the Japanese of business rights or property 'will be void unless validated by the Japanese Govt and the Supreme Comdr for the Allied Powers.' According to the US Representative this gen arrangement constitutes a safeguard that the Economic Independence of Japan will not be endangered.

"It is hardly likely that these arguments of the US Representative can be convincing to anybody. It is clear that the several different re of the US Representative to the argument that Gen MacArthur's Cir Nbr 2 of Jan 14 49 give the right to make investments not only to American but likewise to other fgn investors cannot conceal the fact that the policy carried out by the American auth in effect creats favorable conditions for fgn and, mainly, for American capital to seize a dominant position in the Japanese Economy at the expense of the Economic Independence of Japan. In my statement at the meeting of the FEC on Feb 24, 49 I already quoted several examples in confirmation of this fact.

"Today I would only like to refer once again the NY Times Rpt of Feb 8, 49 in which it is said that not only the Japanese workers but Japanese capital as well fear the influx of fgn capital into Japan.

"It is aprop to put a question as to why not only the workers of Japan but Japanese National capital as well experience fear of those measures which are being carried out by the US Govt and the US Occupation auth in Japan in contradiction with the policy and policy decisions adopted by the Allied Powers in respect to Japan. The Japanese people experience this fear

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PRIORITY

FROM : DA (SCAP SCA) WAR 81140 6 MAR 49 CONT'D

INCOMING MESSAGE

because of the fact the US auth, using their dominant position in Japan and having led the Japanese to an extremely bad condition have openly begun to carry out their own policy in Japan directed towards the subjection of the already weakened Japanese Economy to the interests of American Monopolistic Gps and have resorted to ths direct seizurs of Japanese enterprises and other Japanese property, in an attempt to establish their unlimited domination over the Japanese Economy.

"All this testifies to the fact that illegal unilateral actions of the US Govt and the US Occupation auths in Japan are directed towards the prevention of the normal development of Japan's external Economic relations and towards the subjection of Japan's Economy to the interests of American Monopolistic Gps which constitutes an obstacle on the road towards the reestablishment of Japan's Peaceful Independent Economy. Thus, all this proves the fact that the US have taken the course of turning Japan into an economic appendage of the US, which in its very basis is contrary to the principles set forth in the Potsdam Declaration and in the policy decisions of the FEC."

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, AG, GOVT, STAT & RPTS, ECON & SCI, LEGAL, DIPLOMATIC

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ROUTINE

6 Mar 49

FROM : CSCAD ICO

TO : SCAP

NR : WCL * * *11945

Soviet member FEC made fol statement at meeting 3 Mar 49 and immediately released to press:

"The question of labor policy in Japan and that of Gen MacArthur's violation of the Potsdam Declaration and the decision of the FEC in re to the democratization of Japan is already being discussed in the FEC for several months. The discussion of this question began, as is known, in connection with the fact that on July 22, 48, Gen MacArthur issued to the Japanese Govt a directive in which he demanded that workers and employees of govt enterprises and institutions be forbidden to conclude collective agreements and to strikes, and also, in connection with the cabinet order of the Japanese Govt of July 31, 48, issued in compliance with this directive.

"In its statement of Sept 16, 48, the Soviet delegation called the attn of the FEC to the fact that the said actions of Gen MacArthur were in contradiction with the Potsdam Declaration in respect to Japan and that they constituted a violation of the decisions of the FEC in re to the democratization of Japan. At that time the Soviet delegation submitted for the consideration of the comm a draft decision which provided that the above-mentioned dfr of Gen MacArthur and the order of the Japnese Govt be revoked since they deprived a major part of the Jap worker's and employee's of their elementary rights to protect their vital interests. The Soviet delegation insisted also that repressions against workers and employees of govt enterprises and institutions should be discontinued. After a lengthy discussion of the proposals of the Soviet delegation, this proposal was rejected in the beginning of Jan by the majority of the comm members. Thus, the majority actually took the position of supporting the policy of the US mil auth in Japan which

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