

CONFIDENTIAL

*the prospect of economic difficulty and suffering. The plight of Japan is the direct outcome of its own behavior, and the Allies will not undertake the burden of repairing the damage. It can be repaired only if the Japanese people renounce all military 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 institutions. In accordance with assurances contained in the Potsdam Declaration, the Allies have no intention of imposing conditions which would prevent the accomplishment of these tasks in due time.

Japan will be expected to provide goods and services to meet the needs of the occupying forces to the extent that this can, in the judgment of the Supreme Commander, be effected without causing starvation, widespread disease and acute physical distress.

The Japanese authorities will be expected, and if necessary directed, to maintain, develop and enforce programs which, subject to the approval of the Supreme Commander, are designed to serve the following purposes:

- a. To avoid acute economic distress.
- b. To assure just and impartial distribution of available supplies.
- c. To meet ~~*the requirements for~~ reparations deliveries agreed upon pursuant to the terms of reference of by the Far Eastern Commission.
- d. To make such provision for the needs of the Japanese population as may be deemed reasonable in accordance with principles formulated by the Far Eastern Commission in the light both of supplies available and of obligations to other peoples of the United Nations and territories formerly occupied by Japan.

*Intended only as improvements to language of the paper and U.S. member FEC should present them but not insist if FEC members require clearance with their home governments.

CONFIDENTIAL4. Reparations and Restitution.Reparations.

For acts of aggression committed by Japan and for the purpose of equitable reparation of the damage caused by her to the Allied Powers and in the interests of destruction of the Japanese war potential in those industries which could lead to Japan's rearmament for waging a war, reparations shall be exacted from Japan through the transfer of such existing Japanese capital equipment and facilities or such Japanese goods as exist or may in future be produced and which under policies set pursuant to the terms of reference of ~~by~~ the Far Eastern Commission should be made available for this purpose. The reparations shall be in such a form as would not endanger the fulfillment of the program of demilitarization of Japan and which would not prejudice the priority to be accorded to the defraying of the cost of the occupation and the maintenance of a minimum civilian standard of living. The shares of particular countries in the total sum of the reparations from Japan shall be defined on a broad political basis taking into due account the scope of damage suffered by each country as a result of the preparations and execution of the Japanese aggression, and taking also into due account their contribution to the defeat of Japan. (See paragraph 4, Enclosure "B")

Restitution.

Full and prompt restitution will be required of all identifiable property, looted, delivered under duress, or paid for in worthless currency.

5. Fiscal, Monetary, and Banking Policies.

While the Japanese authorities will remain responsible for the management and direction of the domestic fiscal, monetary, and credit policies, this responsibility is subject to the approval and review of the Supreme Commander, and wherever necessary to his direction.

6. International Trade and Financial Relations.

Eventual Japanese participation in world trade relations shall be permitted. During occupation and under suitable controls

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and subject to the prior requirements of the peoples of countries which have participated in the war against Japan, Japan will be permitted to purchase from foreign countries raw materials and other goods that it may need for peaceful purposes. Japan will also be permitted under suitable controls to export goods to pay for approved imports. Exports other than those directed to be shipped on reparations account or as restitution may be made only to those recipients who agree to provide necessary imports in exchange or agree to pay for such exports in foreign exchange usable in purchasing imports. The proceeds of Japanese exports may be used to pay for the cost of imports necessary for the occupation which have already been made since the surrender.

Control is to be maintained over all imports and exports of goods and foreign exchange and financial transactions. The Far Eastern Commission shall formulate the policies and principles governing exports from and imports to Japan. The Far Eastern Commission will formulate the policies regarding these controls.

7. Japanese Property Located Abroad.

~~Existing Japanese external assets and existing Japanese assets located in territories detached from Japan under the terms of surrender, including assets owned in whole or part by the Imperial Household and Government, shall be disclosed to the occupying authorities and held for disposition according to the decision of the Allied authorities.~~

7. Relaxation of Barriers to Trade.

With a view to facilitating the expansion of Japanese exports, barriers in the way of trade with Japan should be removed as rapidly as world conditions permit. To the same end the establishment of an exchange value for the yen should be undertaken as soon as this is practicable; financial reform should be effected in Japan at an early date, and the exchange of full technical and business communications between Japan and other countries should be facilitated as soon as possible. Potential buyers of Japanese goods should be provided access to Japan to

CONFIDENTIAL

the full extent that facilities permit, and normal business channels should be restored as soon as possible.

8. Equality of Opportunity for Foreign Enterprise within Japan.

All business organizations of any of the United Nations shall have equal opportunity in the overseas trade and commerce of Japan. Within Japan equal treatment shall be accorded to all nationals of the United Nations.

9. Imperial Household Property.

Imperial Household property shall not be exempt from any action necessary to carry out the objectives of the occupation.

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ENCLOSURE "B"

MEMORANDUM FOR THE UNITED STATES REPRESENTATIVE TO THE FAR EASTERN COMMISSION

Subject: Initial Post-Defeat Policy Relating to Japan
(SWNCC 150/10)

The State-War-Navy Coordinating Committee has agreed upon the attached paper, SWNCC 150/10, as acceptable to the U.S., and it is referred to you for further negotiation in the Far Eastern Commission.

a. You are instructed to present the changes to SWNCC 150/9 reflected in the attached paper, SWNCC 150/10, to the Far Eastern Commission and recommend that these changes be approved.

b. You are instructed to insist on the inclusion in the FEC paper of the following changes which are regarded as essential:

Page 117, SWNCC 150/9 (Page 130-131, SWNCC 150/10), the latter part of the sentence terminating on line 5 is changed to read: "laid down pursuant to the terms of reference by of the Far Eastern Commission. ~~or some-other-organization-established-by-agreement between-the-members-of-the-Far-Eastern-Commission.~~"

Page 118, SWNCC 150/9 (Page 132, SWNCC 150/10), line 29 is changed to read: "agreed upon pursuant to the terms of reference of by the Far Eastern Commission."

Page 119, SWNCC 150/9 (Page 133, SWNCC 150/10), line 29 is changed to read: "set pursuant to the terms of reference of by the Far Eastern Commission should be made available for"

c. Acceptance by the United States of a policy statement containing the phrases, "or such Japanese goods as exist or may in future be produced and which under policies of the Far Eastern Commission should be made available for this purpose," or phrases of the same meaning, does not commit the United States Government with respect to reparations from output from current or future production in Japan. Until SWNCC has agreed upon this point concerning reparations from current or future production, you are not authorized to commit the United States on this point and you are to make certain that the minutes of the Far Eastern Commission will state this fact prior to agreeing to accept a policy state-

SWNCC 150/10

- 136 -
(revised 20 February 47)

Enclosure "B"

CONFIDENTIAL

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ment containing the aforementioned phrases or phrases of the same meaning.

d. As concerns paragraph 7 of Part IV in SWNCC 150/10, if you cannot secure agreement thereon, you are directed not to withhold United States approval on the passage of the remainder of the paper in the Far Eastern Commission. However, you should make it clear to the representatives of other Far Eastern Commission countries that this paragraph is a statement of current United States views on the relaxation of barriers to trade with Japan.

e. Other changes indicated in SWNCC 150/10 are intended only as improvements to the language of the paper and you should present them but not insist on them.

f. Insofar as the interests of the United States are concerned, it would be desirable, but not essential that approval by the Far Eastern Commission be secured on this policy statement which is essentially an initial United States policy on Japan. You are authorized to agree, if necessary, to changes in wording which do not alter the substance of the thought contained in SWNCC 150/10. Any changes in substance are to be referred back to SWNCC for further direction before such changes are accepted by the United States representative in the Far Eastern Commission.

g. The U. S. member, FEC, may agree to the following as an addendum to Part IV, paragraph 4 (Reparations):

"The foregoing is without prejudice to the views of governments as to the disposition of Japanese property located abroad."

CONFIDENTIALCOPY NO. 53February 1947STATE-WAR-NAVY COORDINATING COMMITTEECORRIGENDUMTOSWNCC 150/10UNITED STATES INITIAL POST-DEFEAT POLICY RELATING TO JAPANNote by the Secretaries

At the request of the originator, holders of SWNCC 150/10 are requested to substitute the attached revised page 136 for the one contained therein and destroy the superseded page by burning.

H. W. MOSELEY

W. A. SCHULGEN

V. L. LOWRANCE

Secretariat

CONFIDENTIAL

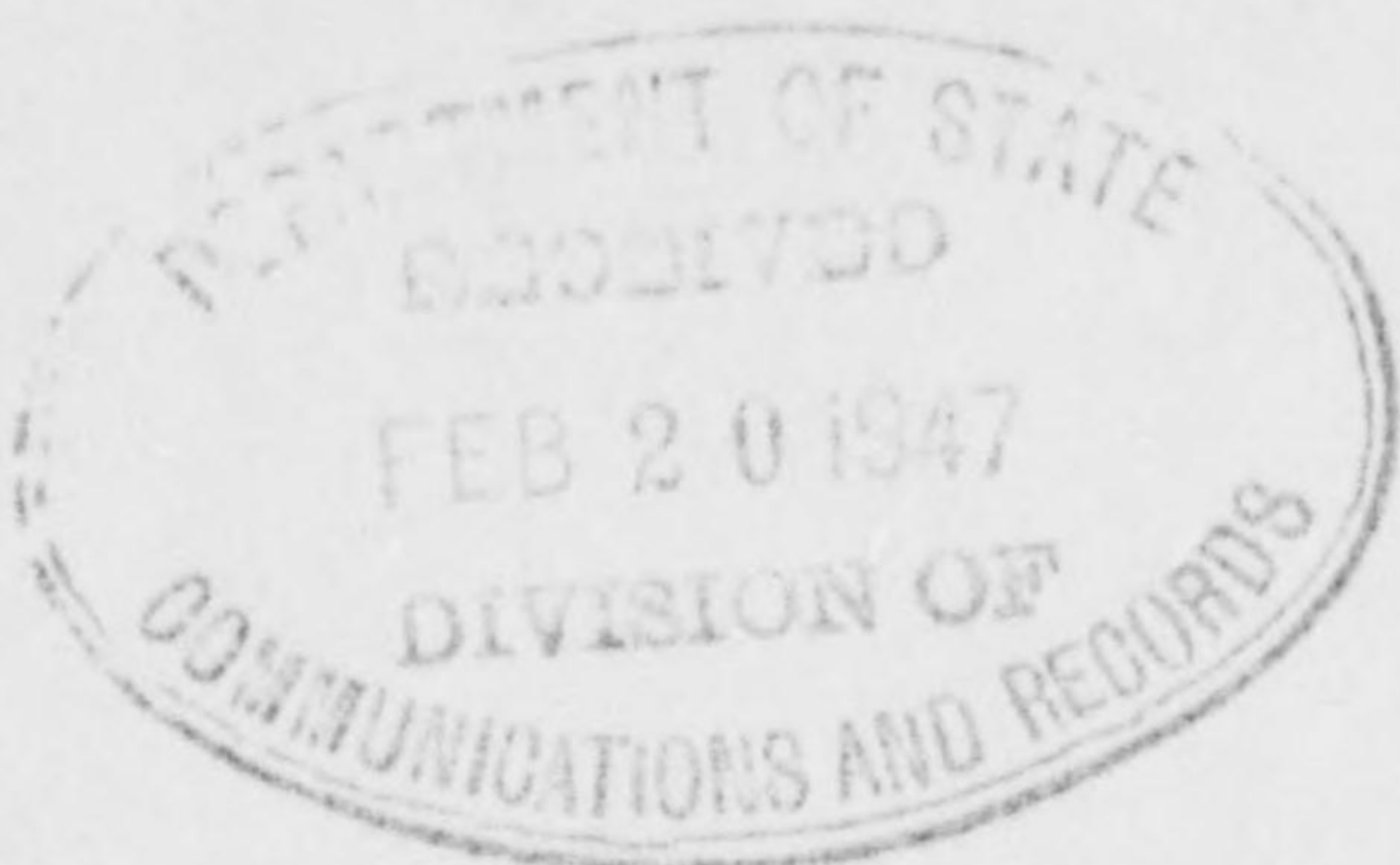
2/24/47

Mr. Morely has agreed to a change in their instructions. SWNCC 150/10 is to be sent to the 3 Members, FEC, with his attention directed particularly to Enclosures "A" & "B" rather than a memo based on Enclosure "B" & enclosing Enclosure "A".

Al Denning

CONFIDENTIAL

STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.



SWN-5161
20 February 1947

FEB 27 1947

~~FE~~
DC/R

FOR THE SECRETARY OF STATE:

t: United States Initial Post-Defeat Policy Relating to Japan

References: a. SWNCC 150/9
b. SWNCC 150/10

54th Meeting on 19 February 1947 the State-War-Navy Coordinating Committee approved SWNCC 150/10, copies of which are enclosed.

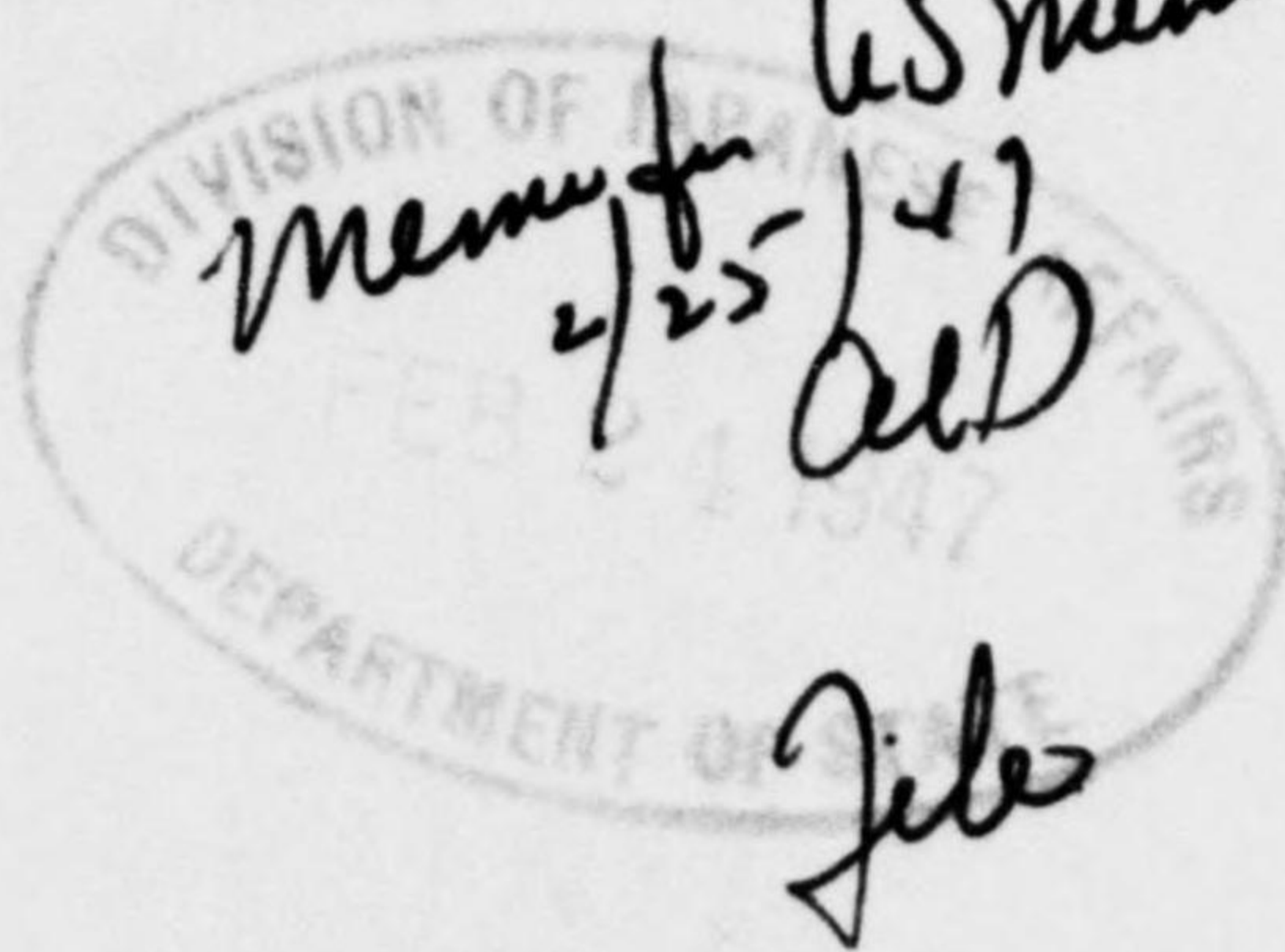
It is requested that the Department of State forward the memorandum in Enclosure "B", with a copy of Enclosure "A" as an enclosure, to the U.S. representative on the Far Eastern Commission for guidance in connection with the review of the United States Initial Post-Defeat Policy by that Commission.

For the State-War-Navy Coordinating Committee:

J. H. Hilldring
for J. H. HILLDRING,
Chairman

Enclosures
Copy Nos. 52 & 53,
SWNCC 150/10

UNIT UNIT
Dist. _____
Cat. _____
R. _____
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MAR 3 1947

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740.00115 CONTROL (JAPAN)/2-2047

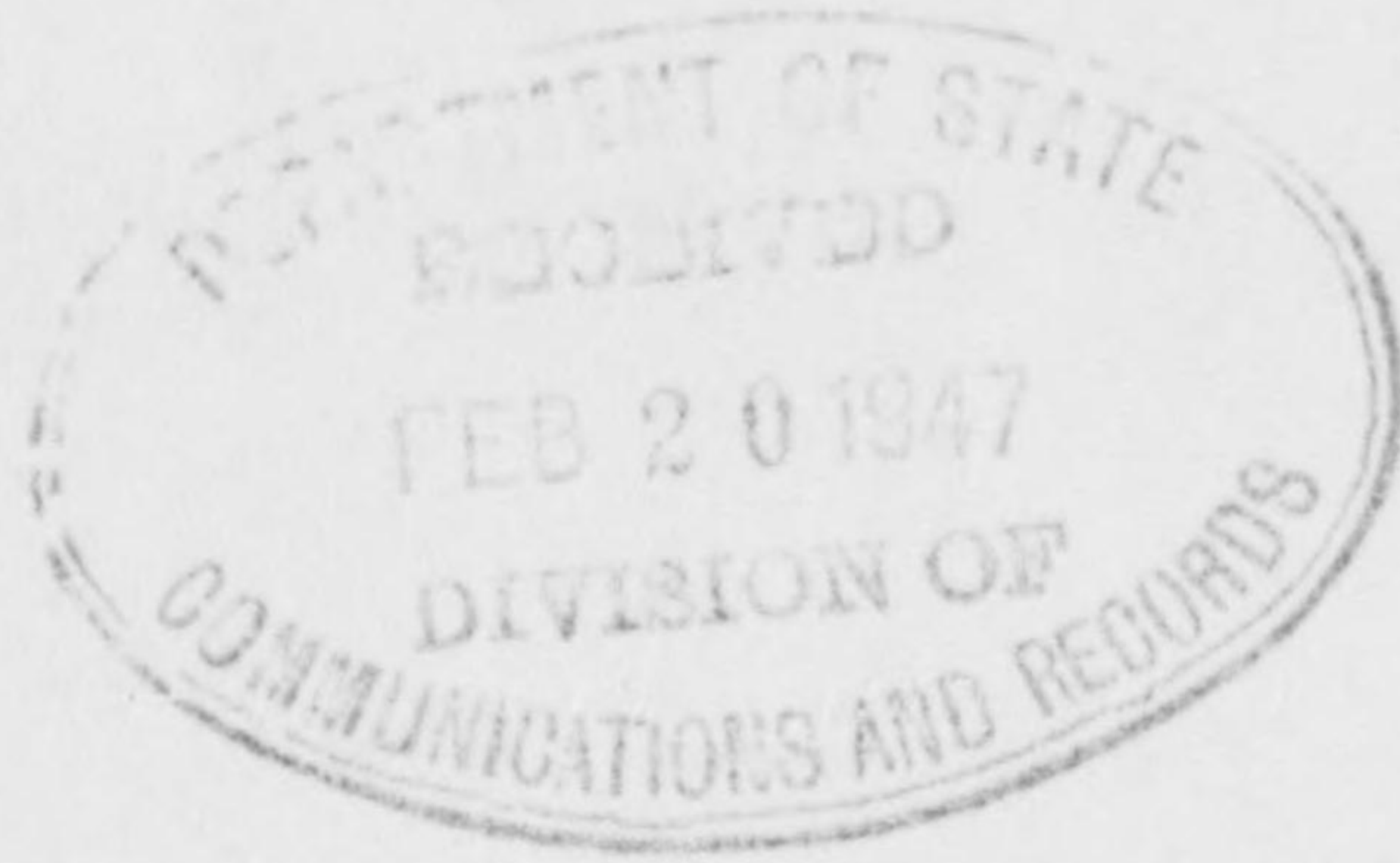
CONFIDENTIAL

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THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

FE

DC/R



SWN-5161
20 February 1947

FEB 27 1947

740.00115 CONTROL (JAPAN)/2-2047

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: United States Initial Post-Defeat Policy Relating to Japan

References: a. SWNCC 150/9
b. SWNCC 150/10

At its 54th Meeting on 19 February 1947 the State-War-Navy Coordinating Committee approved SWNCC 150/10, copies of which are enclosed.

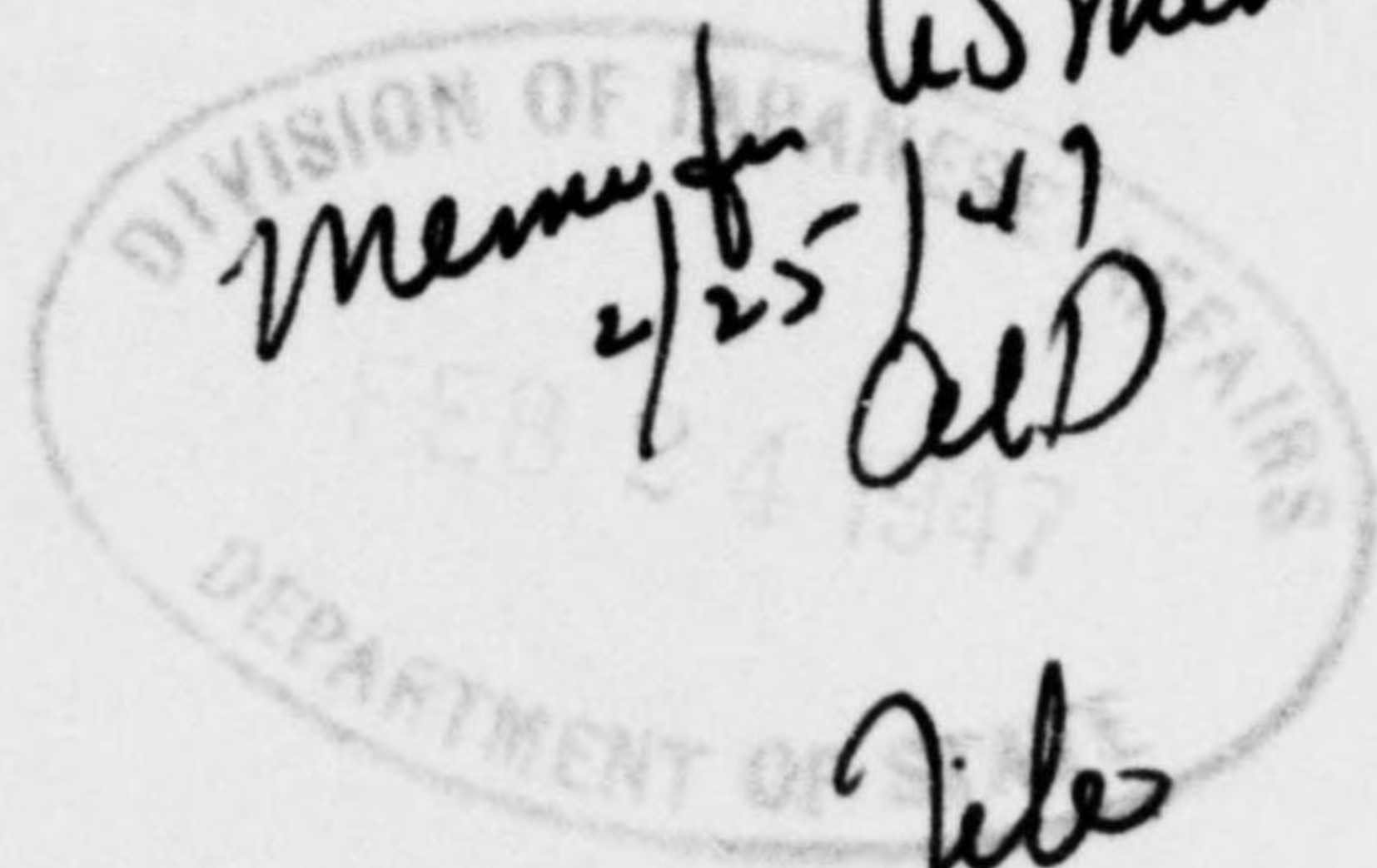
It is requested that the Department of State forward the memorandum in Enclosure "B", with a copy of Enclosure "A" as an enclosure, to the U.S. representative on the Far Eastern Commission for guidance in connection with the review of the United States Initial Post-Defeat Policy by that Commission.

For the State-War-Navy Coordinating Committee:

for *J. H. Hilldring*
J. H. HILLDRING,
Chairman

Enclosures
Copy Nos. 52 & 53,
SWNCC 150/10

mem for US member, FEC
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Date: _____
Dist: _____

CONFIDENTIAL

CONFIDENTIAL

SWN-5161
20 February 1947

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: United States Initial Post-Defeat
Policy Relating to Japan

References: a. SWNCC 150/9
b. SWNCC 150/10

At its 54th Meeting on 19 February 1947 the State-War-Navy Coordinating Committee approved SWNCC 150/10, copies of which are enclosed.

It is requested that the Department of State forward the memorandum in Enclosure "B", with a copy of Enclosure "A" as an enclosure, to the U.S. representative on the Far Eastern Commission for guidance in connection with the review of the United States Initial Post-Defeat Policy by that Commission.

For the State-War-Navy Coordinating Committee:

J. H. HILLDRING,
Chairman

Enclosures
Copy Nos. 52 & 53,
SWNCC 150/10

COPY TO ACCOMPANY ORIGINAL

CONFIDENTIAL

DC/Rts

FE/Penfield

Memo. for the Sec. of State

Re: SWNCC 150/10

For the signature of GEN. HILLDRING

DC/R
[Signature]

740.00119 CONTROL (JAPAN) / 2-2047

In reply refer to
JA 740.00119 Control (Japan) 2-2047

CONFIDENTIAL

MEMORANDUM FOR THE UNITED STATES MEMBER
FAR EASTERN COMMISSION

In accordance with instructions of February 20, 1947, from the State-War-Navy-Coordinating Committee, there is enclosed for the guidance of the United States Member of the Far Eastern Commission, in connection with the revision of the United States Initial Post-Defeat Policy Relating to Japan by that Commission, a copy of SWNCC 150/10 which was approved by the State-War-Navy Coordinating Committee on February 19, 1947.

The attention of the United States Member, Far Eastern Commission, is directed, particularly, to Enclosure "A", a memorandum by the State Member of the State-War-Navy Coordinating Committee and Enclosure "B", a memorandum for the United States Representative on the Far Eastern Commission.

Ernest A. Jones
for **J. H. Hildring**
Assistant Secretary

Enclosure:

SWNCC 150/10 - Copy No. 52

OK
FEB 26 1947

FEB 26 1947
JA: Al Dunning/bms

2/25/47

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2-2047

740.00119 Control (Japan)

FORM DS-322
7-18-46

OUTGOING TELEGRAM

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INDICATE

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Charge Department:

Department of State

Plain

Charge to

PLAIN

4181

SUPREME COMMANDER FOR THE ALLIED POWERS

TOKYO TWENTIETH

FEB 20 1947

INFO: ⁵⁷ WAR DEPT CHIEF OF STAFF
FOR POLITICAL ADVISER

Pass to George A. Furness, IMTFF.

Following para telegram received Mar 3, 1939 SECSTATE from AMEMBASSY London contains only reference by Ambassador Kennedy to Shigemitsu:

QUOTE The Japanese Ambassador called on me this morning to tell me how deeply appreciative the Japanese are of the President's order to send Saito's body back by cruiser. I judge from his conversation that he feels the gesture by the President might open a way of solving a lot of problems in the Far East. He says that he and also the present Prime Minister and group are hoping they can work out a trade agreement with the United States if only in a small way as he feels that out of that the Chinese problem can be solved and peaceful feelings once more restored between our countries. UNQUOTE

Marshall (gma)

740.00119 CONTROL (JAPAN)
/2-2047

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740.00119 Control (Japan)

DISTRIBUTION DESIRED (OFFICES ONLY)

DCR NE Unit

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In reply refer to
BC

My dear Mr. Furness:

When you were in the Department a short time ago, you asked for any available reports which Mr. Joseph P. Kennedy might have sent to the Department while he was Ambassador to the Court of St. James, regarding Shigamitsu who was at that time Japanese Ambassador in Great Britain. Only one telegram from Kennedy regarding Shigamitsu has been found, and I am attaching a copy of the relevant part of that telegram.

Sincerely yours,

For the Secretary of State:

Herbert P. Fales
Assistant Chief, Division of
British Commonwealth Affairs

Enclosure:

As described.

Mr. George A. Furness,
Civil Employee,
IMTFE, GHQ,
APO 500, c/o Postmaster,
San Francisco, California.

BC: DLinebaugh:ehl
2/7/47

THE STATE-WAR-NAVY COORDINATING COMMITTEE
WASHINGTON, D. C.

February 21, 1947

File

S/- Mr. Reams:

The attached copy is sent to you as it may be of possible interest to the Secretary. The original has been sent to FE, Mr. Penfield, for implementing action, i.e., contacting the British in this connection and preparing the reply to SWNCC.

take take

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940.00119 Control

HWM
Harold W. Moseley

NOV 29 1950

Confidential File

Stamp: *31*, *23*

SWNCC:HWM:nla

TOP SECRET

Japan

SWN-5164
21 February 1947

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: Withdrawal of the 7th Indian
Cavalry Regiment from Japan.The Joint Chiefs of Staff have requested that the
Secretary of State be informed as follows:

a. The Joint Chiefs of Staff have received notification from the Commander in Chief, Far East of a request from the British Commonwealth Occupation Forces in Japan to withdraw the 7th Indian Cavalry Regiment (aggregate strength 693) from the occupation forces in Japan without relief. This action was requested by Commander in Chief, India, based upon post-war reorganization of Indian Army and present internal defense situation. General MacArthur recommends approval.

b. The Joint Chiefs of Staff have no objection to the withdrawal of subject regiment.

It is requested that the Department of State notify the Secretary, State-War-Navy Coordinating Committee, when action has been finalized on governmental level to authorize withdrawal of subject regiment.

For the State-War-Navy Coordinating Committee:

H. W. MOSELEY,
Secretary

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EW 940.00119 (Japan) / 2-21-47

Reduction of Japanese
Industrial War
Potential

Japan IT

Reduction of Japanese
Industrial War Potential

- Tab 1 - Summary and Recommendation
- Tab 2 - Comprehensive Control Program Presented to
FEC
- Tab 3 - Alternative, Less Comprehensive Program

FW 740.00119 Confidential (Japan)/9-2147

TOP SECRET FILE

Reduction of Japanese
Industrial War Potential

Problem: Whether to support in the Far Eastern Commission the plan presented by the U.S. in August 1946 for comprehensive economic disarmament of Japan or to substitute a less comprehensive and more flexible program.

Present Status: In August 1946, a SWNCC-agreed plan for the reduction of Japanese industrial war potential was introduced in the FEC as the U.S. position (Tab 2). All other members have now indicated a desire to promulgate that policy as an FEC decision. The War Department has suggested an alternative, less comprehensive program (Tab 3).

Recommendation: That U.S. continue to support the comprehensive plan in the FEC paper but subject to an explicit amendment that the policies stated therein will apply only until January 1, 1949, or until the end of the present phase of the occupation, whichever is earlier.

Discussion: The comprehensive plan requires that (1) all plants and facilities specially designed to produce combat equipment be destroyed or removed; (2) the portion of existing capacity in sixteen designated "war-supporting" industries, in excess of Japanese peaceful needs, be made available for removal as reparations and (3) six specified war-supporting industries be limited to the productive capacity levels remaining after completion of the Reparations Program, except as the FEC may authorize modifications of these levels. The plan lists sixteen war-supporting industries which are basic to the economy of Japan.

The disadvantage of agreeing to the comprehensive program for the occupation period (when there is less danger of military resurgence) is that when we later favor more limited controls for the post-occupation period, we may be accused of inconsistency by the U.S.S.R. and others who may press for continuance of the comprehensive controls on a long-range basis.

The two major disadvantages of withholding U.S. agreement on the plan are that: (1) The U.S. introduced it and supported it until recently. Other FEC members will interpret withdrawal of the paper as confirming the fears, which presently exist, of a basic shift in U.S. foreign policy in the direction of relying upon and building up Japan in disregard of the security interest of our Allies. These considerations will not apply with the same force when a peace treaty becomes possible by reason of a successful accomplishment of the Potsdam program for the democratization and pacification of Japan. At that time the U.S. can advance and justify a more flexible long-range program; (2) It is certain that if the U.S. withdraws the paper, no agreement can be reached in the FEC with respect to a final reparations program.

S E C R E TE N C L O S U R EREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL

Report by the
State-War-Navy Coordinating Subcommittee for the Far East

THE PROBLEM

1. What action should be taken during the period of the occupation with respect to the reduction of Japanese industrial war potential?

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

CONCLUSIONS

4. Summary.

Subject to the provisions stated in paragraph 13, the following actions, as detailed in paragraphs 5-12, should be taken during the period of the occupation, in order to reduce Japanese industrial war potential:

a. All special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products, should be destroyed.

b. All other industrial machinery and equipment in primary war industries, and such other industrial facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of the Japanese economy, should be made available for claim as reparations.

c. During the period of the occupation, a prohibition should be maintained against the re-establishment of primary war industries; and specified war-supporting industries should be limited to the productive capacity levels remaining after completion of the reduction program outlined above, except as modifications in these levels may be authorized by the Far Eastern Commission.

S E C R E T5. Primary War Facilities.a. Definitions:

(1) Primary War Facilities are defined as plants and establishments primarily engaged in the development, manufacture, assembly, testing, repair, maintenance, or storage of combat equipment end-products and civil aircraft, and plants and establishments building merchant vessels of over 5,000 gross tons.

(2) Combat Equipment End-Products are defined as military end-products which may be identified as weapons, ammunition, missiles, explosives, chemical or bacterial warfare agents, ultra-shortwave radio equipment (radar), naval combatant vessels, armored vehicles, or aircraft (including air frames and aircraft engines).

b. Disposition:

(1) All firms and organizations, whether publicly or privately owned and operated, whose activities have related primarily to the operation of primary war facilities and whose continued existence is deemed by SCAP to be undesirable from a security standpoint, should be dissolved by SCAP, who should at the same time seize their records and register all their key executive, managerial, research, and engineering personnel.

(2) All plants and establishments identified by SCAP as primary war facilities should be impounded, and their machinery and equipment made available for reparations, subject to the following limitation: all buildings, machinery, and equipment in primary war facilities which, by virtue of initial design, construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with combat equipment end-products should be destroyed.

SECRET6. Secondary War Facilities.a. Definition:

Secondary war facilities are defined as plants and establishments primarily engaged in manufacturing, repairing or maintaining major fabricated component parts, sub-assemblies, accessories, or equipment especially designed for use in the products of primary war facilities.

b. Disposition:

(1) In plants and establishments identified by SCAP as being originally organized or completely re-equipped to operate as secondary war facilities, as defined in subparagraph a. above, all machinery and equipment, except as noted under (3) below, should be made available for reparations.

(2) In plants and establishments other than those covered in (1) above, all machinery and equipment, except as noted under (3) below, should be disposed of under the recommendations in paragraph 8 covering the industry with which, in the opinion of SCAP, they were associated prior to their conversion or diversion to war production.

(3) All buildings, machinery, and equipment in secondary war facilities which by virtue of initial design, construction, or major structural change are as individual items special purpose in nature and functionally limited to use in connection with combat equipment end-products should be destroyed.

7. Dispersed Machinery and Equipment from Primary and Secondary War Facilities.

All special purpose machinery and equipment, as defined under 5 b (2) and 6 b (3) above, should be sought out in locations to which they may have been removed from primary and secondary war facilities, and should be destroyed wherever found. Other machinery and equipment which was formerly used in primary and secondary war facilities but subsequently dispersed, need not be sought out and identified under the provisions of this paragraph but should be treated under paragraph 8, as a part of the industry with which it is associated.

S E C R E T8. War Supporting Industries.a. Over-All Policy:

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined below, should be made available for removal as reparations.

b. Criteria Underlying Over-All Policy:

A determination should be made by the Far Eastern Commission as to the categories and volume of industrial productive capacity in war-supporting industries which are in excess of the peaceful needs of the Japanese people. For the above purpose, these peaceful needs should be defined substantially as the standard of living prevailing in Japan during the years 1930-34 (i.e., average Japanese per capita consumption during those years). Satisfaction of the peaceful needs of the Japanese people should therefore be understood to require sufficient capacity in war-supporting industries for:

(1) support of domestic consumer goods industries functioning collectively at a level essential to maintenance of the 1930-34 living standard;

(2) payment, through exports, for imports needed to sustain the 1930-34 living standard;

(3) construction, repair, and maintenance of transport, housing, public utility, industrial, and other facilities to the degree that they are essential to maintenance of the 1930-34 living standard.

c. Application of Criteria:

(1) The following specific industries are considered as being "war-supporting", for purposes of the industrial removals proposed in this paper:

(a) the iron and steel industry, producing pig, ingot, and basic shapes;

S E C R E T

(b) the non-ferrous metals industry, producing pig, ingot, and basic shapes;

(c) the light metals industry, producing alumina, primary aluminum and magnesium, rolled, drawn, or extruded shapes;

(d) the metal working machinery industry, producing machine tools, cutting tools, and secondary metal working machinery;

(e) the ball and roller bearing industry;

(f) the chemical industry, producing explosives, sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen, and calcium carbide;

(g) the railway equipment industry;

(h) the electric power industry;

(i) the cement and abrasives industries;

(j) the steel merchant shipbuilding and repair industry (residual after removals effected under paragraph 5);

(k) the merchant marine, fishing, whaling and cannery fleets, including publicly and privately owned steel vessels of 100 tons or over;

(l) the oil refining and synthetic fuel industry and storage;

(m) the synthetic rubber industry.

(2) In addition to reductions in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metal-working capacity in excess of the peaceful needs of the Japanese people as defined under paragraph 8 b.

(3) As the basis for United States recommendations to the Far Eastern Commission respecting removals of industrial capacity in war-supporting industries, studies

S E C R E T

should be carried out to determine the levels of capacity required in these industries to implement the criteria outlined above.

d. Plant Selection:

The identification, and selection for removal of specific plants, machinery, and equipment which represent excess capacity in various industries, as determined by the Far Eastern Commission, should be the responsibility of SCAP. In making that selection, SCAP should give consideration to the following:

(1) security requirements, which indicate that facilities which have been employed in primary and secondary war industries should be made available for reparations in preference to those which have not been so employed;

(2) the desires of reparations claimants for specific industrial plants and items of equipment which might be assigned to them in accordance with decisions of the appropriate reparations authority as to over-all categories and amounts of such facilities to be made available;

(3) occupation policies looking towards the destruction of Zaibatsu wealth and influence, and the encouragement of new industrial ownership and management which will contribute to industrial rehabilitation in a manner consistent with the purposes of the occupation;

(4) the needs of the Japanese economy, with respect to such factors as geographical location of individual plants in reference to markets, raw materials, manpower, fuel supply, and complementary facilities, and variations in specific products as among types, sizes and other variable characteristics.

SECRET9. Residual Capacity.

After the satisfaction of all approved reparations claims, and the destruction of special purpose machinery, as defined in paragraphs 5 and 6, residual productive capacity in the industries designated in this paper which is in excess of Japan's peaceful needs, as defined herein, should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition.

10. Property of the United Nations' Nationals.

In carrying out industrial disarmament policies, SCAP should, all other factors being equal, give preference to retention in Japan of property of United Nations nationals.

11. Reparations.

Removals of industrial capacity to be executed for security purposes under the terms of this paper should have priority over, and should not be restricted in order to compensate for the effects of, other industrial removals which may be executed for purposes of reparations.

12. Post-Removal Restrictions on Japanese Industrial Capacity.

Throughout the period of the occupation the following limitations of Japanese industrial capacity should be maintained:

a. Primary War Facilities:

Within the framework of the definitions given in paragraphs 5 and 6:

(1) The following should be prohibited in Japan: the establishment, possession or operation of any facilities for the development, manufacture or assembly of combat equipment end-products; the development, manufacture, assembly, importation or possession of any

S E C R E T

special purpose machinery and equipment as defined under paragraph 5 b (2) and 6 b (3); the development, manufacture or assembly of any combat equipment end-products, or their possession except as authorized by SCAP for the purposes of the occupation; the building of merchant vessels over 5,000 gross tons; the development, manufacture or assembly of civil aircraft; and the participation by the Japanese Government or Japanese nationals in the ownership or airborne operation of civil aircraft.

(2) Japan should be directed to prohibit any of its nationals from taking part in the ownership or operation of primary war facilities outside of Japan.

b. War-Supporting Industries:

The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining, synthetic oil and rubber industries, after the completion of the industrial removals proposed in this paper and after the disposition of remaining "excess" facilities as provided for under paragraph 9, should constitute the permissible maxima in these industries during the period of the occupation, pending a decision by the Far Eastern Commission as to long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission. If, at any time during the occupation, SCAP considers an adjustment in these levels necessary, he should recommend such an adjustment and submit appropriate supporting data.

Since this paper deals only with measures to be taken during the period of the occupation, the question of post-occupation industrial disarmament controls should be reserved for a future paper dealing specifically with this subject.

SECRET13. Occupation Needs

SCAP should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, insofar as such facilities are required to meet the needs of the occupation.

14. Records of Property Removals and Destruction.

SCAP should keep records of all property removed from Japan or destroyed in the execution of the policies proposed in this paper. In these records of removals and destruction, property of United Nations nationals should be clearly identified.

RECOMMENDATIONS

15. It is recommended that:

a. The State-War-Navy Coordinating Committee, after securing the comments of the Joint Chiefs of Staff from a military point of view, approve the Conclusions stated above;

b. Upon approval by the State-War-Navy Coordinating Committee of these Conclusions,

(1) the studies described in paragraph 8 c (3) be initiated by the State Department;

(2) the Conclusions of this paper, with the exception of paragraph 8 c (3), together with supporting data from Appendix "B", be put in appropriate form by the State Department and transmitted to the United States member of the Far Eastern Commission for his guidance.

S E C R E TSTATEMENT OF THE UNITED STATES POSITION WITH RESPECT
TO CONTROL OF THE ECONOMIC WAR POTENTIAL OF JAPANMemorandum by the War Member, SWNCC

8 April 1947

SWNCC 52/25/D contains General MacArthur's recent statement of views concerning the industrial disarmament and economic control of Japan. In brief, he has recommended that (a) economic control of Japan should be developed about the thesis that Japan is totally dependent upon foreign trade; (b) Japanese war potential is dependent upon a relatively few basic commodities such as steel, coal and petroleum; (c) effective control must be capable of simple, finite application and not of such a nature that coercive action is required in times of crisis; (d) the fact of control should be obscured whenever possible by use of indirect methods; and (e) a commodity licensing procedure for import-export control, a system of licensing for all foreign exchange transactions, and statistical reporting should all be used as control instruments. 3

SWNCC 302 as amended by SWNCC 302/1 (Reduction of Japanese War Potential) is now under consideration in the FEC under the FEC 084 series and is expected to be voted upon in that body in the near future. It contains statements of principle some of which have been covered adequately for the time being in other related papers before the FEC; and others of which, in the light of such recent developments as indicated in paragraph 1 above, are no longer considered by the War Department to be sound. For example, SWNCC 302 as amended supports a much more far-reaching and inflexible system of economic control for Japan than is now recommended by General MacArthur, particularly with respect to control of basic commodities. It is now believed that comprehensive control over all war supporting industry, while feasible, is not necessary and would unduly restrict the

S E C R E T

economic development of Japan. Since it is to our interest to further the economic recovery of Japan to the extent that she is able to meet her peacetime needs as soon as possible, it therefore appears desirable to avoid unnecessary restrictions. Limiting control to a certain minimum number of industries so basic as to guarantee an automatic limitation on war potential will accomplish this as well as facilitate the exercise of control.

The attached proposed statement of U.S. position has been developed on this principle. Controls more detailed and inclusive than those specified therein are unnecessary to achieve the purpose and would only further complicate implementation of the basic policy. It is therefore believed that early action should be taken to transmit this revision of U.S. position to the FEC in order that it may receive due consideration before final action is taken on the present position. To this end it is requested that this paper be considered as a matter of priority by both SWNCC and the JCS.

S E C R E TE N C L O S U R ESTATEMENT OF U. S. POSITION WITH RESPECT TO CONTROL OF
THE ECONOMIC WAR POTENTIAL OF JAPANStatement by the War DepartmentTHE PROBLEM

1. To formulate the United States position with respect to
 - a. Economic control of Japan for the purpose of preventing the development in Japan of an economic potential dangerous to international peace.
 - b. Designation of an agent to administer and supervise the operation of the aforementioned economic control of Japan.

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

CONCLUSIONS

4. It is concluded that the following should be issued to the Supreme Commander for the Allied Powers as a directive:
 - a. Economic control of Japan will be exercised to the degree and in the manner herein prescribed, to prevent the development within Japan of an economic war potential dangerous to international peace.
 - b. Production in Japan of the following goods or economic services are specifically prohibited:
 - (1) Items suitable only for war-making purposes or suitable only for the production of items suitable only for war-making purposes,
 - (2) Naval craft of any kind,
 - (3) Aircraft of any kind, and
 - (4) Water craft of other than commercial design, or in excess of 3,000 light displacement tons, or in excess of 18 knots speed.

S E C R E T

S E C R E T

c. Japan's industries and facilities enumerated below will be limited to capacities prescribed herein. Enlargement of prescribed capacities will not be permitted except as may be approved by the Supreme Commander for the Allied Powers, or such other international agency as may succeed the Supreme Commander for the Allied Powers in this function of economic control of Japan.

(1) Ingot steel; 4,700,000 metric tons per annum.

(2) Petroleum refining; 14,000,000 barrels of crude petroleum per annum.

d. Japan's merchant and fishing fleets comprising ships in excess of 100 gross tons in size operated for the Japanese account, including ships acquired from external sources as well as ships built in Japan, will not exceed 3,000,000 gross tons.

e. Production of goods and economic services for bona fide peaceful purposes, except as prohibited or restricted above, will be permitted in Japan.

f. The Japanese Government, under the supervision of SCAP or his successor agency, will control:

(1) Imports into Japan in such a manner as will prevent the movement into Japan for use by the Japanese of

(a) any item(s) not required for peaceful purposes including the items specified in paragraph b above,

(b) crude petroleum and materials for making ingot steel in excess of amounts consonant with the limitations specified in paragraph c above,

(c) crude petroleum and/or petroleum products in excess of amounts consonant with a consumption not greater than 24,000,000 barrels of petroleum products per annum.

S E C R E T

(d) materials for making ingot steel and/or steel products in excess of amounts consonant with a consumption not greater than 6,000,000 metric tons of cast, forged and basic rolled iron and steel products per annum.

(2) Exports out of Japan in such a manner as will prevent the movement out of Japan of items suitable only for war-making purposes or of items obviously not destined for peaceful consumption.

(3) Imports into and exports out of Japan in such a manner as will prevent the exercise of control for Japanese account of raw material resources outside Japan.

(4) Foreign exchange transactions for Japanese account in such a manner as is required to make effective the economic controls enumerated herein.

g. The Japanese Government, under the supervision of SCAP or his successor agency, will maintain and operate a system of collection, collation, analysis, summarization, and publication of statistics pertaining to Japanese economic activity in such degree of coverage and reliability as is required to reflect accurately the nature of compliance with provisions of this directive.

h. Pending designation of another international agency to exercise economic control of Japan, the Supreme Commander for the Allied Powers is hereby designated as the responsible agent:

(1) To insure compliance by the Japanese Government of the provisions of this directive, and

(2) To submit annual reports to the U.S. Government for submission to the FEC not later than sixty days after the end of the calendar year, summarizing economic developments in Japan with respect to compliance with provisions of this directive.

S E C R E T

RECOMMENDATIONS

5. It is recommended that:

a. The State-War-Navy Coordinating Committee approve as a matter of priority the conclusions in paragraph 4.

b. After approval by the State-War-Navy Coordinating Committee and provided the JCS have no objections, this report be transmitted to the War and Navy Departments for their information, and the conclusions to the State Department for submittal to the Far Eastern Commission, for consideration with instructions that these conclusions supersede those previously expressed by the U.S. Government in SWNCC 302 as amended (FEC 084/7).

c. If inter-allied agreement cannot be secured within ninety days after presentation to the Far Eastern Commission, the Joint Chiefs of Staff be requested to issue these conclusions as an interim directive of the U.S. Government to the Supreme Commander for the Allied Powers.

d. No parts of this document be made available for public release prior to its provisions being put into effect.

S E C R E T

SECRETAPPENDIX "A"CONTROL OF THE ECONOMIC WAR POTENTIAL OF JAPANFACTS BEARING ON THE PROBLEM

1. The Potsdam Declaration states, in paragraphs numbered as indicated below, that

"(7)...until there is convincing proof that Japan's war-making power is destroyed, points in Japanese territory....shall be occupied to secure the achievement of the basic objectives we are here setting forth.

"(9) The Japanese military forces, after being completely disarmed, shall be permitted to return to their homes with the opportunity to lead peaceful and productive lives.

"(10) We do not intend that the Japanese shall be enslaved as a race or destroyed as a nation....

"(11) Japan shall be permitted to maintain such industries as will sustain her economy....but not those which would enable her to rearm for war. To this end, access to, as distinguished from control of, raw material shall be permitted. Japanese participation in world trade relations shall be permitted."

2. The Basic Directive for Post-Surrender Military Government in Japan Proper states:

"The policies of the American Government in regard to the economic affairs of Japan during the period of occupation are intended.....to eliminate existing specialized facilities for the production of arms, munitions, or implements of war of any kind (and) to destroy the economic ability of Japan to create or support any armaments dangerous to international peace." (Part II, paragraph 11).

3. The Basic Directive further states:

SECRET"Economic Disarmament

"14. In order to effect the economic disarmament of Japan

"a. You will stop immediately and prevent the future production, acquisition, development, maintenance, or use of all arms, ammunitions, and other implements of war; naval vessels; all types of aircraft including those designed for civilian use; and all parts, components, and materials especially designed for incorporation in any of the foregoing.

"b. You will take such measures as you deem necessary to safeguard the facilities used or intended for use in the production or maintenance of any of the items above mentioned. Pending further instructions as to their ultimate disposition such facilities are not to be destroyed except in emergency situations.

"c. You will not postpone the enforcement of the prohibitory program specified in subparagraph a or carrying out instructions that you will receive pursuant to subparagraph b without specific approval through the Joint Chiefs of Staff. Should you, however, find that production of any of the items enumerated in subparagraph a is essential to meet your requirements for military operations, the occupying forces, or temporary military research, you will make suitable recommendations to the Joint Chiefs of Staff; and pending the decision of the Joint Chiefs of Staff, you are authorized to make arrangements for production to the minimum extent necessary therefor.

"15. Instructions which will be subsequently transmitted to you for carrying out programs for economic disarmament, reparations and restitution will involve the reduction or elimination of certain branches of Japanese production, such as iron, steel, chemicals, non-ferrous metals,

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aluminum, magnesium, synthetic rubber, synthetic oil, machine tools, radio and electrical equipment, automotive vehicles, merchant ships, heavy machinery, and important parts thereof.

"Pending, however, final and specific decision on these matters, you will permit continued production in these industries and the repair of production facilities to the minimum extent required to meet the needs of the occupation forces, and the minimum peaceful requirements of the population.

"You will make clear to the Japanese that any permission to continue production or to repair production facilities is granted without prejudice to final decisions, as to either the limitations that may be imposed upon any branch of the Japanese economy or deliveries which may be required as reparations or restitution.

"16. You may also permit the conversion of plant and equipment, including those types mentioned in paragraphs 14 and 15, to the production of essential consumer goods. You will satisfy yourself that any such conversion undertaken is a genuine move towards a peaceful economy and not a disguised attempt to preserve capacity to produce for military purposes.

"You will also make clear to the Japanese that any such permission to convert is granted without prejudice to subsequent decisions as regards removals of plant or equipment on account of reparations or restitution or scrapping for security reasons under paragraph 11.

"17. You will

"a. Immediately establish a system of inspection, and control to insure that production of the type forbidden in paragraphs 14 and 15 is not undertaken in concealed or disguised form....

"c. Develop and recommend to the Joint Chiefs of Staff controls which will prevent Japanese rearmament after termination of your occupation."

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4. The Supreme Commander for the Allied Powers, in compliance with paragraph 17 c of the Basic Directive, submitted his recommendations for controls to prevent Japanese rearmament. These recommendations are reproduced in SWNCC 52/25/D and, for the sake of brevity, are not reproduced in this document.

5. The Bureau of Ships, United States Navy Department, as of 31 October 1946, with respect to "Post War Japanese Merchant Marine," has stated that "If the maximum speed of the vessels were limited to 16 to 18 knots, and if Japan were denied an air or surface combatant fleet, it is not believed that the possession of commercial types of surface vessels, with a light displacement of not more than 3000 tons, would present a hazard to the national security."

6. According to the Washington Post, Tuesday, March 18, 1947, Associated Press correspondents reported that General MacArthur had stated:

"The time is now approaching when we must talk peace with Japan. Our occupation job here can be defined as falling roughly into three phases -- military, political and economic.

"The military purpose, which is to insure that Japan will follow the ways of peace and never again be a menace has been, I think, accomplished. We have demobilized troops, demilitarized the country, torn down military installations. ...

"The political phase is approaching such completion as is possible under occupation ...

"The third phase is economic. Japan is still economically blockaded by the Allied powers ...

"Even under the strictest rationing, Japan is not producing enough to satisfy her needs. The difference must be filled by the Allies. If we keep this economic blockade up, more and more will we have to support this country.

"It is an expensive luxury. But we will pay for it or let people die by the millions."

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7. Under date of June 21, 1946 the Department of State published a "Draft Treaty on the Disarmament and Demilitarization of Japan" and included a reproduction of it on pages 85 and 88 of the publication, "Occupation of Japan, Policy and Progress," Publication 2671, Far Eastern series 17. For the sake of brevity, the aforementioned draft treaty is not reproduced herein. The "Conclusion" of this paper, in general, does not run counter to provisions of the draft treaty.

SECRETAPPENDIX "B"DISCUSSION

1. The proposed directive set forth in the "Conclusions" of this paper together with directives already issued to the SCAP plus the policy now being developed entitled "U.S. Policy with Respect to Excessive Concentrations of Economic Power in Japan" are sufficient during the remainder of the occupation of Japan to prevent resurgence of militarism or the development of an economic war potential in Japan dangerous to international peace. The economic controls specified in this paper are appropriate for continuation beyond the termination of the occupation of Japan. These economic controls, as well as any other appropriate controls, for prevention of the resurgence of militarism in Japan to be in effect subsequent to the occupation should be incorporated in the agreements incident to treaties of peace with Japan.

2. It is desirable to state positively in the policy providing for the economic control of Japan that production of goods and economic services in Japan for bona-fide peaceful purposes should be permitted except for restrictions on petroleum refining, petroleum products consumption, ingot steel production, steel products consumption, on the size of Japan's merchant and fishing fleets, and the production of certain types of water-craft and the production of aircraft.

3. The limitations on capacity to produce ingot steel and to refine crude petroleum, and on consumption of steel products and of petroleum products specified in this policy are set at levels which do not constitute a dangerous economic war potential. These limitations considerably exceed Japan's prospects of attainment within the next several years. These limitations have no connection with levels of capacity to produce which will remain the completion of removals of industrial facilities from Japan reparations. No specific levels of industrial capacity to produce other than those specified in this policy are appropriate

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as continuing limitations upon Japan during the remainder of the occupation of that country.

4. Controls more detailed and inclusive than those specified in this policy are unnecessary to the purpose to be achieved; in fact, additional complications would tend to defeat these purposes.

SECRET

DC/R

TOP SECRET FILE

MAR 5 1947

TOP SECRET - Classification Approved: JCP
3/4/47

In reply refer to
NA 740.00119 Control (Japan)
/2-2147

MEMORANDUM FOR THE SECRETARY, SWNCC

Subject: Withdrawal of the 7th Indian Cavalry
Regiment from Japan.

The Secretary of the State-War-Navy Coordinating Committee is informed that in accordance with instructions of February 21, 1947, from the State-War-Navy Coordinating Committee the Ambassador of Australia was informed on March 3, 1947, that, with reference to a request from the British Commonwealth Occupation Forces in Japan to the Supreme Commander for the Allied Powers to withdraw the 7th Indian Cavalry Regiment from the occupation forces in Japan without relief, the United States Government has no objection to the withdrawal of this regiment.

A copy of the note to the Ambassador of Australia is enclosed for the information of the Secretary of the State-War-Navy Coordinating Committee.

TO:	SWNCC - NE Unit
FROM:	J. H. Hilldring
SUBJECT:	7th Indian Cavalry Regiment
DATE:	3/4/47
INITIALS:	JCP
DIST:	

J. H. Hilldring
Assistant Secretary

Enclosure:

Australia, Note to Australian Ambassador, of
March 3, 1947.

TOP SECRET FILE

TOP SECRET

MAR 5 1947

A: ALD [Signature] /pm
3/4/47

[Signature] FE

507

740.00119 CONTROL (JAPAN) /2-2147



TOP SECRET

THE STATE-WAR-NAVY COORDINATING COMMITTEE

WASHINGTON, D. C.



SWN-5164
21 February 1947

FE
DC/R

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: Withdrawal of the 7th Indian Cavalry Regiment from Japan.

Office of
FAR EASTERN AFFAIRS
FEB 23 1947

MAR 5 1947

The Joint Chiefs of Staff have requested that the Secretary of State be informed as follows:

a. The Joint Chiefs of Staff have received notification from the Commander in Chief, Far East of a request from the British Commonwealth Occupation Forces in Japan to withdraw the 7th Indian Cavalry Regiment (aggregate strength 693) from the occupation forces in Japan without relief. This action was requested by Commander in Chief, India, based upon post-war reorganization of Indian Army and present internal defense situation. General MacArthur recommends approval.

b. The Joint Chiefs of Staff have no objection to the withdrawal of subject regiment.

It is requested that the Department of State notify the Secretary, State-War-Navy Coordinating Committee, when action has been finalized on governmental level to authorize withdrawal of subject regiment.

For the State-War-Navy Coordinating Committee:

H. W. Moseley

H. W. MOSELEY,
Secretary

*made & amended
2/26/47
AlD
Memo for Secy. 3/4/47
MHC
AlP*

MAR 10 1947

TOP SECRET FILE
TOP SECRET FILE
FILED

740.00119 CONTROL (JAPAN) / 2-2147

Final
Rev.
Cat.
Dist.
DCE NE Unit

FE:
Copies of this have been sent to the Secretary's Office & A-H for information. Please prepare reply to Secretary's signature for Gen. Wellbeing's signature as State member of SWC
4/6/47

TOP SECRET

UNITED STATES POLITICAL ADVISER
FOR JAPAN

00 618

RECEIVED
DEPARTMENT OF STATE

Tokyo, February 22, 1947

UNCLASSIFIED

No. 876

1947 MAR 12 PM 2 56

Office of
FAR EASTERN AFFAIRS
MAR 28 1947

Handwritten notes and stamps: *BC*, *FN*, *DC/M*, *SECRETARY*, *ASSISTANT*, *13C*, *13A*, *13B*, *13D*, *13E*, *13F*, *13G*, *13H*, *13I*, *13J*, *13K*, *13L*, *13M*, *13N*, *13O*, *13P*, *13Q*, *13R*, *13S*, *13T*, *13U*, *13V*, *13W*, *13X*, *13Y*, *13Z*, *740.00119*, *CONTROL*, *(JAPAN)*, *72-2-47*, *2-2247*

SUBJECT: Twenty-sixth Meeting of the Allied Council for Japan, February 19, 1947.

Special stamp: *SECRETARY*, *APR 2 1947*, *McDERMOTT*

The Honorable
The Secretary of State
Washington

DIVISION OF MIDDLE
EASTERN AND INDIAN AFFAIRS

APR 9 1947

DEPARTMENT OF STATE

Sir:

I have the honor to refer to this Mission's despatch No. 864, February 10, 1947, and to previous correspondence in regard to meetings of the Allied Council for Japan, and to forward as an enclosure five copies each of the Agenda and Corrected Verbatim Minutes of the Twenty-sixth Meeting of the Allied Council, held on February 19, 1947.

The only subject on the Agenda was "Fishery Rights in Inshore Waters of Japan" which had been held over from the Twenty-fifth Meeting of the Council at the request of the Member for the USSR.

Mr. C. M. Adams, Chief of the Fisheries Division, Natural Resources Section of General Headquarters, Supreme Commander for the Allied Powers, delivered a statement, page 1 et seq. of the Minutes, in amplification of his statement made at the previous meeting on February 5, 1947 and explaining concrete results achieved by General Headquarters and the Japanese Government in the rehabilitation program for the fishing industry. The Soviet Member made six recommendations regarding proposed legislation governing fishing rights (page 6 et seq. of Minutes). The Soviet recommendations corresponded closely to the principles set forth by Mr. Adams in the Twenty-fifth Meeting.

Respectfully yours,

Max W. Bishop
Max W. Bishop

Stamp: *DEPARTMENT OF STATE*, *APR 25 1947*, *P F Mc G*

Enclosures:

As stated.

Original and hectograph to Department.

- Copies to London
- Nanking
- Moscow
- Canberra
- New Delhi
- Wellington

Form with fields: *CCF of Unit*, *26*, *GRA*, *REP*, *Out*

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Stamp: *DEPARTMENT OF STATE*, *RECEIVED*, *File 86*, *MAY 29 1947*, *OFFICE OF INTELLIGENCE*, *COLLECTION AND DISSEMINATION*

Stamp: *DIVISION OF INVESTMENT AND ECONOMIC DEVELOPMENT*, *APR 22 1947*, *LST*, *DEPARTMENT OF STATE*

Handwritten notes: *740.00119 Control*, *72-2-47*, *2-2247*, *JUN 23 1947*

Handwritten notes: *FE*, *BC*, *EE*, *NEA*, *ED*, *CP*, *FN*, *OCD*, *DCIR*

Encl. No. 1 to Despatch 876, 22 Feb 47, from the U. S. Political Adviser for Japan, Tokyo, subject: "Twenty-sixth meeting of the Allied Council for Japan."

26-219

AGENDA

for the

TWENTY-SIXTH MEETINGALLIED COUNCIL FOR JAPAN

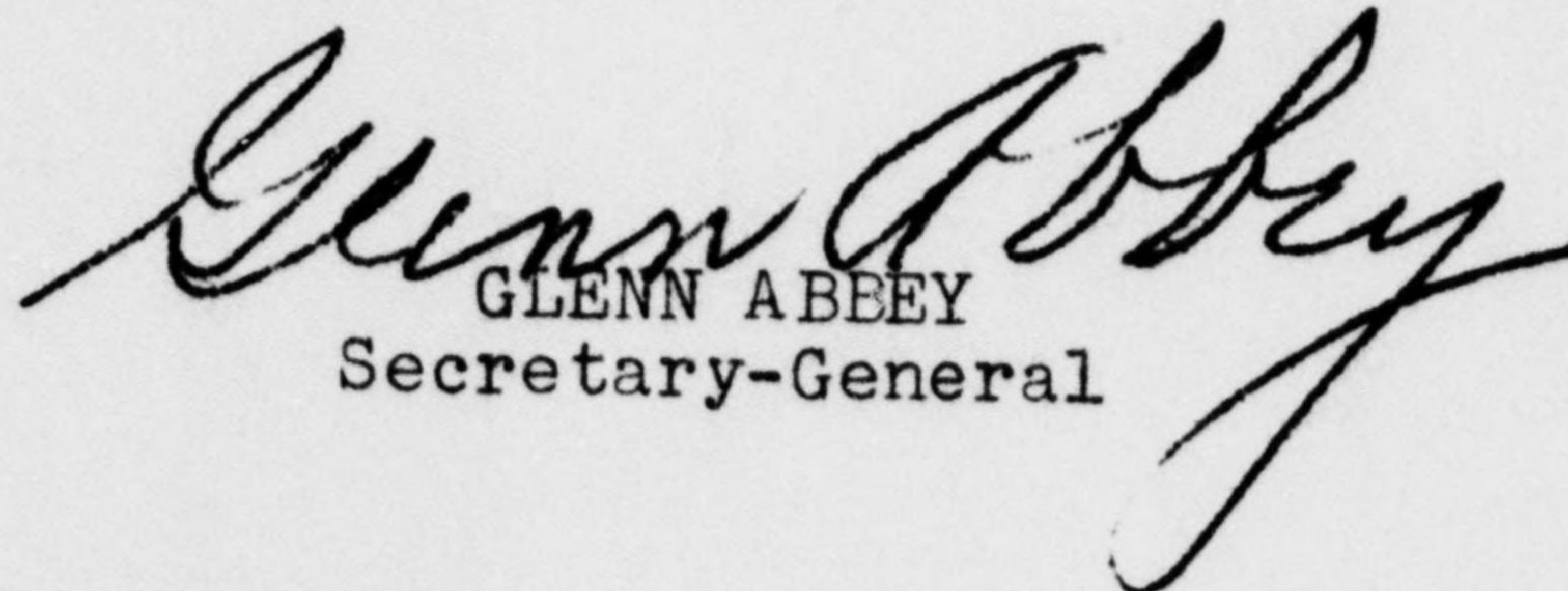
To be held in the Meiji Building, Tokyo
Wednesday, 19 February 1947 at 1000 Hours

- I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE TWENTY-FIFTH MEETING (1 Session, Numbered 25-205).

- II PROCEDURAL MATTERS
None held over or submitted as subjects for this Agenda.

- III OFFICIAL MATTERS
 - 1. "Fishery Rights" in Inshore Waters of Japan. (Inclosure #1).

By Direction of the Chairman pro tempor


GLENN ABBEY
Secretary-General

1 Incl:
Agenda Item 25-205-1 (Revised
14 February 1947).

14 February 1947

ALLIED COUNCIL FOR JAPANProposed Discussion Agenda

- I AGENDA ITEM NO. 25-205-1 (Revised 14 February 1947).
- II PROPOSED BY: LIEUTENANT GENERAL KUZMA N. DEREVYANKO,
Member for the Union of Soviet Socialist Republics.
- III SUBJECT FOR DISCUSSION: About So-called "Fishery Rights"
in Inshore Waters of Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 19 February 1947.
(Held over from Twenty-fifth Meeting at request of Soviet
Member).
- V SCOPE OF INFORMATION DESIRED: No additional information
requested.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:
None requested.
- VII REFERENCES: None

Inclosure #1

Encl. No. 2 to Despatch 876, 22 Feb 47, from the U. S. Political Adviser for Japan, Tokyo, subject: "Twenty-sixth meeting of the Allied Council for Japan."

26-219

CORRECTED
VERBATIM MINUTES
of the
TWENTY-SIXTH MEETING
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 19 February 1947 at 1000 Hours

MEMBERS PRESENT

Mr. W. J. Sebald, Chairman pro tempore and representative
of the Member for the United States

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

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

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

SECRETARY-GENERAL

Mr. Glenn Abbey

Office of the Secretariat
Allied Council for Japan
20 February 1947

THE CHAIRMAN: The meeting will please come to order. The Corrected Verbatim Minutes of the Twenty-fifth Meeting have been circulated among the Members. In the absence of any objection, they will be recorded as approved. (Pause).

Are there any Procedural Matters? (Pause).

Under Official Matters we have held over from the last meeting "Fishery Rights in Inshore Waters of Japan."

I assume that all of the Members have carefully studied the excellent statement which was made by MR. ADAMS at the last meeting in response to the specific questions raised by the Soviet Member. In the course of my own study of that report it occurred to me that the Members would be interested in having more information concerning the progress made during the many months of intensive study, activity, encouragement and guidance by General Headquarters in its efforts to assist in the rehabilitation of the Japanese fishing industry, as well as to restore and promote the individual rights and welfare of the fishermen. Accordingly, I have asked MR. ADAMS, in continuation of his previous statement, to prepare a brief summary of some of the activities of his Division and of the progress which has been made as a result of these efforts. MR. ADAMS.

MR. ADAMS: As we are all well aware, it was of the utmost urgency during the last few months of 1945 and all of 1946 to concentrate upon increased production of food. Nevertheless, sight was not lost of the need to improve the living standards and conditions of the individual fisherman. At the outset, members of the Fisheries Division of the Natural Resources Section of General Headquarters, Supreme Commander for the Allied Powers, undertook field trips to all important fishing villages and areas in Japan.

SOVIET INTERPRETER: Would you mind repeating that, sir?

MR. ADAMS: Not at all. (Repeats) At the outset, members of the Fisheries Division of the Natural Resources Section of General Headquarters, Supreme Commander for the Allied Powers, undertook field trips to all important fishing villages and areas in Japan.

(Continuing) One or two examples will suffice to illustrate this activity. Thus, on 18 November 1945, representatives of General Headquarters met with 20,000 fishermen in Shizuoka Prefecture. In order to clarify future prospects and to offer an incentive, fishermen were informed of arrangements to import fuel oil and raw materials for netting, and of plans to increase the rice ration to fishermen. As a result there was almost immediately an increase of production of fish products from the area and, under the encouragement of General Headquarters, steps were instituted toward the formation of democratic associations of fishermen.

Another outstanding example of successful field operations by appropriate officers of General Headquarters was the meeting held on 7 July 1946 with the fishermen of Misaki, Kanagawa Prefecture. As a result of the stimulated attitude of the Japanese Bureau of Fisheries of the Ministry of Agriculture and Forestry, the spokesman from General Headquarters was able to point out to the fishermen that extensive cooperation had been received from the Japanese Government in the reactivation of the fisheries industry and that the Japanese governmental officials were clearly sincere in their desire to raise the living standard and working conditions of the fishermen.

Similar trips with equally satisfactory results have been made to almost every coastal region of Japan and many meetings have been held. One important factor motivating these

meetings has been the need to increase the desire on the part of the fishermen themselves to understand their own problems and to organize themselves into democratic associations. Only through increased understanding and education of the fishermen can Japan's production in this important industry reach its maximum, to the benefit of Japan's economy as a whole and the fishermen in particular.

The fishing industry at the beginning of the Occupation was at an extremely low ebb. Many of the fishermen had gone into Japan's armed forces and most of the more desirable fishing boats had been taken away for military purposes. Fuel oil for powering fishing vessels was practically nonexistent, as were netting, ropes and other fishing gear. The importation of salt for fishing preservatives had practically ceased. These basic problems were immediately attacked by General Headquarters and decisions, based upon careful studies, were reached to undertake a boat building program of some 797 fishing vessels. By 30 January 1947, 230 of these vessels had been completed and were in operation. Within a short time after the beginning of the Occupation, fuel oil was imported from the United States in order that powered fishing boats could operate. During the year 1946, a total of 237,386 kiloliters of all types of petroleum products was made available to the fishing industry by the United States. It was possible, through these emergency measures, to increase the monthly allotment of petroleum products to the fishing industry from 6,000 kiloliters in December 1945 to 18,000 kiloliters in December 1946, a 300% increase. The benefit of this one aspect of the broad program for the fishermen of Japan is obvious and needs no elaboration.

Of the 210 fishing net and hemp mills in Japan before the

outbreak of war, only one remained undamaged at the start of the Occupation. During the past 15 months, through rehabilitation and repair of these industries, so vital to the Japanese fishermen, 181 factories have now been put into operation. During the brief period since the Occupation, it has been possible, through the rehabilitation of these factories under the direction and guidance of General Headquarters to bring production from almost nothing to 300 tons per month. It is anticipated that this production will be doubled before the end of this year. Through the efforts of General Headquarters it has now been possible to make a quarterly allotment of 7,650 tons of salt to the fishing industry, an amount which is sufficient for its purposes.

One of the principal problems which had to be solved was the determination of the area in which Japanese fishing activities could be conducted. Originally, the authorized area was established to utilize available fishing equipment and personnel and to conform with security requirements. In June 1946 it was apparent that this area was incapable of producing a sufficient quantity of fish for Japanese needs, of utilizing special types of equipment and boats which had become available, and of taking advantage of fish and whale occurrences. The area was therefore extended to conform with the Supreme Commander's policy of maximizing food production.

The cultivation and production of some marine products in Japan has been carried on in order to encourage products for export. Examples are such products as seed oysters, agar-agar, alginic acid, and vitamin A and D fish livers and liver oils. Export of specialty products, such as shark fins and sea cucumbers, to China and other Asiatic countries, is planned. The necessity for an early resumption of these

exports was realized and efforts were made to rehabilitate these industries. On 30 June 1946 the first lot of agar-agar was shipped to consumers in the United States. This shipment was an important morale factor for the seaweed industries and encouraged the cultivation and gathering of increased quantities of seaweed. Applications are being considered for the establishment of alginic acid processing plants in several localities in Japan. On 9 December 1946 the first shipment of vitamin A and D fish liver oils was sent to the United States. This item is in very short supply in the world market. The re-establishment of foreign trade in these products has been of inestimable value in encouraging production and processing in the fish industry.

It will thus be noted that we have, consistent with the Supreme Commander's far-sighted policy, thwarted undue pressure or forced direction of the Japanese solution of this problem by consistently offering assistance and guidance to them. This wise policy of allowing the Japanese, under our encouragement, to solve their own problems has proved extremely worth-while. At the same time, by carefully avoiding dictated reforms the Supreme Commander has assured that the Japanese themselves will lay a solid foundation for the reconstruction of their own fishing industry on a democratic basis.

THE CHAIRMAN: Thank you, MR. ADAMS. I feel confident that MR. ADAMS' summary will be most helpful to all of us and assist in understanding what is being done for the fishing industry and fishermen of Japan. I also feel certain that the Members will agree with me that there is every indication of the Japanese Government's desire to bring about as rapidly as circumstances permit the rationalization and recovery of the fishing industry.

Are there any comments? GENERAL DEREVYANKO?

LIEUTENANT GENERAL DEREVYANKO: The additional information given by MR. ADAMS deals with general problems of fishing.

Of course there is no harm in knowing what MR. ADAMS has just told us and we must express thanks to him.

But I must say that this additional information given by MR. ADAMS has no direct bearing upon the question placed on the Agenda.

More than that it leads us away from the question under discussion on the today's meeting of the Council.

I propose:

1. To abrogate the Fishery Law Number 58 of 1910-1911, and all its subsequent amendments as confirming the practice of feudal relations in Japanese fishing.

2. To abolish all forms of existing fishery rights, exclusive fishery rights, fixed fishery rights, demarcating fishery rights, special fishery rights, common fishery rights, etc., and not to pay any compensation to the owners of these rights.

3. In working out the new fishing bill, the following basic principles should be adhered to:

- (a) The sea belongs to the whole nation and its utilization should be thrown open to all the people who fulfill the established regulations of its exploitation.

- (b) The right for fishing should be given to everybody who is willing to fish, both for cooperative fishing organizations and for individuals, if they comply with the established regulations and pay the proper tax.

- (c) The fisheries associations should be organized by democratizing them along the following lines:

The acceptance as association members only of those directly connected with fishing.

Conducting free elections of leaders of fishing organizations and of the Central Federation of Fishermen.

Providing the participation of all the members of fishing associations in discussing the problem of fishing.

Abolition of forced membership.

(d) The fishery right should not be considered as a subject of pecuniary value and therefore should not be subject to mortgage or financial claim in any form. At the same time a fishing right shouldn't be leased or transferred under any circumstances by one fishery association to another on the grounds of contracts or agreements of any form.

(e) A Fisheries Adjustment Committee should be set up to arbitrate all questions of using fishing rights.

(f) The new bill in question simultaneously has to provide for the abolition of private ownership of the sea-shore area which is being used by fishermen for drying seaweeds.

That is all, sir.

THE CHAIRMAN: Is that all? Thank you, GENERAL. I am very glad to see and to hear that as a result of the study which GENERAL DEREVYANKO has made of MR. ADAMS' statement at the last meeting, he agrees practically one hundred per cent with the recommendations which MR. ADAMS put forward at the last meeting.

Is there any further comment? MR. BALL?

MR. BALL: Just one point, MR. CHAIRMAN. I was interested in what MR. ADAMS was saying about the efforts that have been made by SCAP to restore the fishing industry here in order that the food needs of the Japanese might be met. Now, it seems to me that whether or not the fish caught does provide food for the people who need food in Japan would depend very largely on

the prices that are charged for the fish. Could MR. ADAMS tell us, I wonder, anything about the efforts made by SCAP or the methods being adopted for controlling prices in a way to insure that the fish caught will provide food for the people in Japan who most need food?

THE CHAIRMAN: That is quite an interesting question, MR. BALL, but I am afraid it is not quite germane to the subject. I do understand that ESS Price Control has the subject under consideration and we would be glad to find out for you and supply the information.

MR. BALL: Well, I think, MR. CHAIRMAN, it is germane to the subject to this extent, that one of the big points made by MR. ADAMS was that in SCAP's efforts to rehabilitate the fishing industry in Japan, a primary objective was to provide food for the Japanese people--food which they so badly need. Now, I would suggest that if that food can only be bought by a certain percentage, perhaps a small percentage of the people, owing to the price at which it is sold, it might not be a very satisfactory way of providing food. And so it seems to me that if you are going to provide the fish, the second thing you have got to do is insure that the fish caught will be made available to the people in Japan who are most greatly in need of food.

THE CHAIRMAN: I doubt that MR. ADAMS is in a position to answer that question but we will do what we can to get the information for you.

Anything further, MR. BALL?

MR. BALL: No.

THE CHAIRMAN: MR. SHEN?

MR. SHEN: MR. CHAIRMAN, I have been listening to MR. ADAMS' summary with great interest. Some points of his detailed explanation might have even stimulated our appetite, including the audience, for fish. In his summary he reported that members

of the Fishery Division have made several trips of inspection and that great progress has been made with the encouragement and the guidance of the inspection party along the lines of the improvement of the Japanese fishing industry and the situation of the fishing villages. I wonder, however, whether the inspection included Hokkaido or not. I am asking this little point because Hokkaido is considered to be one of the most typically feudalistic fishing areas, and if the inspection did include Hokkaido, I would like to ask what impressions the party got from this fishing trip and whether any improvement has been made under the guidance and encouragement of the inspection party.

MR. ADAMS: Yes, in the year 1946, five separate field trips were made to Hokkaido by members of the Division. And as MR. SHEN has stated, we found many abuses of the rights of the individual fisherman. As to measuring the effect of the field trips to this area, it is rather difficult to state exactly what results were obtained but we do know that production has been greatly increased from that area, and much encouragement was given to specialty industries such as the collections of seaweed, and other specialty products. In the spring of 1946 the Natural Resources Section arranged for the availability of necessary salt, personnel, boats, nets, and equipment to take advantage of the immense herring run which occurs annually in Hokkaido. This undoubtedly gave great encouragement to the fishing people in Hokkaido and the results were very satisfactory.

MR. SHEN: Thank you, MR. ADAMS. I am glad to hear your information. Another little point is in connection with the determination of fishing areas which you have just mentioned. While I agree to the maximum utilization of fishing areas allowed to the Japanese fishermen, it seems desirable to have some sort

of measure of supervision in order to prevent the Japanese fishermen from going out of the authorized area. Is there any measure of check or supervision existing at present?

MR. ADAMS: That is an interesting question and we are glad it was brought up in order that we may cite our examples of security measures. It is an administrative problem, and in line with security regulations. During the fall of 1946 one fishing boat was driven out of the area in a storm, her motors were disabled and she drifted in the vicinity of the Island of Saipan. The ship was taken in charge by the United States Navy, towed to Saipan, repairs were supervised, the crew was issued fuel oil and food to return to Japan, and the ship returned without any further incident.

THE CHAIRMAN: Does that answer your question, MR. SHEN?

MR. SHEN: Thank you. I would like to be provided with further information when necessary.

MR. ADAMS: But that is the only case we have of a boat going out of the area. There is another case of a violation-- of a boat violating a directive which sets that authorized area. The boat approached closer to one of the islands than the twelve-mile maximum allowed. That boat has been seized and the owner is now facing prosecution in Shizuoka Prefecture.

THE CHAIRMAN: Are there any further questions? (Pause)

The meeting will stand adjourned.

(The meeting adjourned at 1054 hours).

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SUMMARY OF RECOMMENDATIONS AND
SUGGESTIONS FOR SCAP

ITEM 1 -- "Fishery Rights" in Inshore Waters of Japan.

LIEUTENANT GENERAL DEREVYANKO made the following

recommendations to SCAP:

1. To abrogate the Fishery Law No. 58 of 1910-11 and all its subsequent amendments as confirming the practice of feudalistic relations in Japanese fishing.

2. To abolish all forms of existing fishery rights, exclusive fishery rights, fixed fishery rights, demarcating fishery rights, special fishery rights, common fishery rights, etc., and not to pay any compensation to the owners of these rights.

3. In working out the new fishing bill, the following basic principles should be adhered to:

(a) The sea belongs to the whole nation and its utilization should be thrown open to all the people who fulfill the established regulations of its exploitation.

(b) The right to fish should be given to everybody who is willing to fish, both for cooperative fishing organizations and for individuals, if they comply with the established regulations and pay the proper tax.

(c) The fisheries associations should be organized by democratizing them along the following lines:

(1) By accepting as association members only those directly connected with fishing.

(2) By conducting free elections of leaders of fishing organizations and of the Central Federation of Fishermen.

(3) By providing the participation of all the members of fishing associations in discussing the problem of fishing.

(4) By abolishing forced membership.

(d) The fishery right should not be considered as a subject of pecuniary value and therefore should not be subject

to mortgage or financial claim in any form. At the same time a fishing right should not be leased or transferred under any circumstance from one fishery association to another on the grounds of contracts or agreements of any form.

(e) A Fisheries Adjustment Committee should be set up to arbitrate all questions of using fishing rights.

(f) The new bill in question simultaneously has to provide for the abolition of private ownership of the seashore areas which are being used by fishermen for drying seaweeds.

END

INCOMING AIRGRAM

DEPARTMENT OF STATE DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

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FROM

LONDON

DATED February 26, 1947

RECD. Mar. 4, 1947
11:31 AM

UNRESTRICTED

Secretary of State

Washington

A-399, February 26, 1947

Following questions and answers in regard to functions of Commonwealth representative on Allied Council for Japan exchanged in House of Commons on February 24, 1947:

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841.032

Mr. John Paton (Labor P. for Norwich) asked the Secretary of State for Foreign Affairs what is the machinery by which policy is discussed and directives issued to Mr. McMahon Ball, the British Commonwealth representative on the Allied Council for Japan.

Mr. Mayhew (Parliamentary Under-Secretary of State for Foreign Affairs): "Instructions are issued to Mr. Ball on behalf of the Governments which he represents by the Australian Minister for External Affairs, who is responsible for co-ordinating their views. Mr. Ball also maintains consultation with persons designated by the Governments which he represents to act as his advisors in Tokyo. A member of the United Kingdom Liaison Mission acts as the United Kingdom adviser to Mr. Ball, and through this channel the latter is kept aware of His Majesty's Government's general policy on questions of the kind which come before the Council."

Air-Commodore Harvey (Conservative P. for Lacclesfield): "Is the Minister satisfied that the machinery now working is satisfactory to British interests?"

Mr. Mayhew: "Yes, Sir."

MAR 6 1947

PERMANENT RECORD COPY.—This copy must be returned to DC/R central files with notation of action taken.

Copy to US JAF, SCAR, Tokyo

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

27 February 1947

RESTRICTED

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

My dear Mr. Secretary:

The Terms of Reference of the Far Eastern Commission provide that one of the functions of the Commission should be to "formulate the policies, principles and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished."

It is further provided that when such decisions are made by the Far Eastern Commission, "The United States Government shall prepare directives in accordance with the policy decisions of the Commission and shall transmit them to the Supreme Commander through the appropriate United States Government agency."

At the forty-seventh meeting of the Far Eastern Commission held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 27 February 1947, the enclosed policy decision relative to Short Period Controls over the Japanese Economy to Relieve World Shortages was unanimously approved.

As Secretary General of the Far Eastern Commission, I have been instructed to forward this decision to you on behalf of the Commission, in order that the appropriate directives may be prepared and transmitted to the Supreme Commander in accordance with the Terms of Reference.

Before approving the enclosure, the United States Representative stated that his Government desired to record in the minutes its understanding that the provision therein for the supply of goods by Japan should be carried out under arrangements acceptable to the Supreme Commander for the Allied Powers.

In adopting the enclosed policy decision the Commission agreed that it should be released to the press after being received by the Supreme Commander. In accordance with our normal procedure I would appreciate it if you could make arrangements to notify me when the enclosed policy decision has been received in Tokyo.

Sincerely yours,

Nelson T. Johnson

Nelson T. Johnson
Secretary General

MAR 6 1947

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Japan/2-2747

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

The attached copy of a document unanimously adopted at the forty-seventh meeting of the Far Eastern Commission, held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 27 February 1947, has been compared with the original text and is hereby certified to be correct.

Nelson T. Johnson

Nelson T. Johnson
Secretary General

Washington, D. C.
27 February 1947

RESTRICTEDENCLOSURESHORT PERIOD CONTROLS OVER THE JAPANESE ECONOMY
TO RELIEVE WORLD SHORTAGESSTATEMENT OF POLICY

1. During the present period of world shortages Japan should supply, to the maximum extent consistent with the objectives of the occupation, goods needed in areas which, as a result of Japanese aggression, have been deprived of them during the war. Whenever necessary to attain these objectives, Japanese consumption of such goods should be restricted to minimum requirements.
2. Restriction of Japanese domestic consumption
 - (a) Whenever it is necessary in order to attain the objectives stated in paragraph 1, Japanese consumption of textiles and necessary consumption goods such as hardware, rubber goods, pottery and electrical goods, which before the war found a ready market in certain countries, should be restricted to minimum requirements.
 - (b) Except as determined by the Supreme Commander for the Allied Powers to be required to meet objectives of the occupation, the Japanese use of textiles should not exceed a consumption of $2\frac{1}{2}$ lbs. per head per annum for all household textiles and clothing, with additional supplies of textiles permitted to workers to the extent necessary to maintain or increase production or to farmers to the extent necessary to increase deliveries of food; such additional supplies should not exceed 50 million lbs. per annum, except at the discretion of the Supreme Commander for the Allied Powers to meet occupation objectives.
3. Encouragement of production

Measures should be continued or taken to stimulate Japanese production of goods required for exports, particularly coal, textile machinery, mill stores and similar light equipment in addition to those specified in paragraph 2 (a) above, and to ensure that the types produced are those in demand in countries requiring supplies from Japan.
4. This policy statement in no way affects decisions as to reparations removals or the future level of Japanese economic life.
5. This policy should be terminated on 31 December 1947 unless extended by the Far Eastern Commission.

FEC-079/4

748.00119 Control (Japan) / 2-2747

PCR

March 3, 1947

RESTRICTED

In reply refer to
NA

MEMORANDUM FOR THE SECRETARY, SWNCC

Subject: Draft Directive regarding Short Period Controls
Over the Japanese Economy to Relieve World
Shortages.

There is enclosed a draft directive prepared on the basis of a policy decision unanimously approved at the forty-seventh meeting of the Far Eastern Commission on February 27, 1947, under the provisions of paragraph II, A, 1, of its terms of reference. It will be noted that this policy decision is quoted verbatim in the enclosed draft directive.

It is requested that the enclosed directive be forwarded to the Joint Chiefs of Staff for transmission to General MacArthur for his guidance in accordance with paragraph III, 1, of the terms of reference of the Far Eastern Commission. It is assumed that if the Joint Chiefs of Staff have any question regarding the draft directive they will refer the matter to the State Department for clarification before transmitting a directive on the subject.

It is also requested that the Joint Chiefs of Staff, in transmitting the enclosed draft directive to the Supreme Commander for the Allied Powers, inform him that, before approving the policy decision on which this draft directive is based, the United States representative on the Far Eastern Commission stated that his Government desired to record in the minutes its understanding that the provision therein for the supply of goods by Japan should be carried out under arrangements acceptable to the Supreme Commander for the Allied Powers.

It is also requested that the Supreme Commander be informed that in adopting this policy decision the Commission agreed that it should be released to the press *CS/V*
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- 2 -

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after being received by the Supreme Commander. Therefore in accordance with the normal procedure, acknowledgment of the receipt of the directive is requested.

J. H. HILLDRING

**J. H. Hilldring
Assistant Secretary****Enclosure:**✓ **Draft Directive***ZK*
FEB 28 1947 P.M.*alD*
JA:ALD *mg/pm*
2/28/47 *[Signature]**yes*
FE**RESTRICTED**

A true copy of
the signed original.
CR/ZK

FEB 27 1947

CONFIDENTIAL

No. 438

To

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

The Secretary of State encloses for the informa-
tion of the Acting Political Adviser copies of SWNCC
documents, as listed below.

Enclosures:

- 1. SWNCC 150/10, copy no. 40.
- 2. SWNCC 298/1, copy no. 45.
- 3. SWNCC 331/3, copy no. 40.
- 4. SWNCC 350, copy no. 54.

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FROM	Mr. [Handwritten]
SUBJECT	[Handwritten]
DATE	[Handwritten]
CLASSIFICATION	[Handwritten]
REMARKS	[Handwritten]

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Japan/2-2747

FEB 28 1947

CONFIDENTIAL

No. 266

To the

Officer in Charge of the American Mission,
Nanking.

The Secretary of State encloses for the Embassy's
information copies of approved SWNCC documents, as
listed below.

Enclosures:

- 1. SWNCC 150/10, copy no. 44.
- 2. SWNCC 331/3, copy no. 44.
- 3. SWNCC 350, copy no. 44.

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UNITED STATES POLITICAL ADVISER FOR JAPAN

Tokyo, February 28, 1947.

~~SECRET~~

No. 885

DIVISION OF JAPANESE AFFAIRS
File

SUBJECT: Status of Formosans in Japan.

RECEIVED
DEPARTMENT OF STATE

MAR 4 14 PM

The Honorable
The Secretary of State,
Washington.

Sir:

FACILITIES BRANCH

Con 8/10-29

I have the honor to refer to this Mission's telegrams no. 402, September 10 and no. 492, October 29, 1946, on the general subject of the status of Formosans in Japan, and to the Department's telegraphic instruction no. 580, November 22, 1946, setting forth the contents of an aide-memoire dated November 21, 1946 on the subject of the Department's policy concerning Taiwanese in Japan, and to enclose a copy of a "Check Sheet" prepared by the Legal Section of General Headquarters, Supreme Commander for the Allied Powers, in cooperation with this Mission (as the Diplomatic Section of General Headquarters), February 6, 1947, on the subject, "Status of Formosan-Chinese". There are also enclosed copies of a note, January 11, 1947, from the Chinese Mission in Japan to the Diplomatic Section, with which were forwarded fifty sample copies of registration certificates issued to Chinese nationals in Japan; a copy of a military letter, February 25, 1947, from General Headquarters, Supreme Commander for the Allied Powers to Commanding General, 8th Army, on the subject "Registration of Chinese Nationals"; and a copy of a Memorandum for the Japanese Government, February 25, 1947, on the same subject.

The "Check Sheet" prepared by the Legal Section appears to this Mission to be an excellent analysis and summation of this problem and it is recommended that it be read in its entirety. There is every reason to believe that with the completion of the registration of Chinese citizens (including Formosans) in Japan, many of the vexatious problems concerning treatment of Formosans by Japanese police authorities will be obviated. At the same time, however, as intimated in our telegram no. 492, the problem of dual nationality remains, in so far as such ancillary questions as taxation, property rights, civil jurisdiction, etc., are concerned. Pending the establishment of a firm policy in this regard, it is proposed as an interim measure, when such questions arise, to treat each case on its merits.

Respectfully yours,

DCI
Jnt
[Signature]
[Signature]
(Enclosures listed on separate page)

Max W. Bishop
DEPARTMENT OF STATE
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Tokyo's Despatch No. 885, - 2 -
February 28, 1947.

Enclosures: *att. 1-4*

1. "Check Sheet" prepared by Legal Section of General Headquarters, February 6, 1947.
2. Note from the Chinese Mission in Japan, January 11, 1947.
3. Military letter from General Headquarters to Commanding General, 8th Army, February 25, 1947.
4. Memorandum for the Japanese Government, February 25, 1947.

Original and hectograph to Department.
Copy to American Embassy, Nanking.

701.1/701.9
WJSebald:lh

Enclosure No. 1 to Despatch No. 885, dated February 28, 1947, from the Office of the United States Political Adviser for Japan, Tokyo, on the subject "Status of Formosans in Japan".

COPY

General Headquarters
Supreme Commander for the Allied Powers

SECRET

CHECK SHEET

Subject: Status of Formosan-Chinese

From: Legal Section To: Chief of Staff Date: 6 Feb 47
Thru: Diplomatic Section
G-1

1. The Diplomatic Section has submitted to this Section a copy of a Chinese note, 0208/ST, 11 January 1947, (Incl 1) which refers to a number of copies of sample registration certificates that the Chinese Mission in Japan has issued to Chinese nationals. (Incl 2.) The note requests that these sample copies be distributed to the occupation authorities for their reference.

2. This request once more raises the question of the status of Formosan-Chinese in Japan and, in the opinion of this Section, offers an opportunity for the solution of this problem in its more troublesome aspects. The troublesome features of this problem lie in the fact that the present policy of SCAP is to treat Formosan-Chinese as liberated peoples or as enemies, and not as United Nations Nationals, and consequently, subject to arrest, detention and trial by the Japanese authorities. On the other hand, the Chinese Mission in Japan has taken the position that since the Island of Formosa has become part of China, the Formosan-Chinese in Japan are ipso facto Chinese nationals, and as such are not subject to the criminal jurisdiction of the Japanese authorities. This difference of views has resulted in the exchange of many notes between the occupation authorities and the Chinese Mission, and has also been the subject of conversation between the U. S. Government and the Chinese Government.

3. In order to get the background of the situation, the following briefly describes the state of affairs to date:

a. JCS directive 1380/15, par. 8-d (top secret) provides in effect, that the Formosan-Chinese in Japan shall be treated as liberated peoples or as enemies, and, by strong implication, that they should not be treated as United Nations Nationals. Because of these provisions, the Japanese authorities were instructed that Formosan-Chinese in Japan were not United Nations Nationals, and, therefore, were subject to arrest and other controls by the Japanese police.

b. On 12 July 1946 the Chinese Mission informed the Diplomatic Section that the Chinese government restored Chinese nationality to all Formosans as of 25 October 1945, whether living at home or abroad, except those who took certain prescribed steps to expatriate themselves, and requested that the Japanese and occupation authorities take note thereof.

c. Washington was asked for instructions concerning the status of Formosan-Chinese in Japan, and the reply, dated 7 September 1946, stated that Formosans residing in Japan should be regarded and

treated

Enclosure No. 1 to - 2 -
Tokyo's Despatch No. 885,
February 28, 1947

treated as Chinese nationals unless they declared an unwillingness to assume Chinese nationality.

d. On 10 September 1946, this Headquarters, (Diplomatic Section), in a lengthy radio to Washington (Secretary of State) reviewed the Formosan situation in Japan indicating that the Formosans were an unruly element seriously affecting law and order in the occupied islands and pointing out that, if Formosans are considered as Chinese nationals, they would be free of Japanese police controls which would have a disastrous effect on Japanese police morale. It was requested that SWNCC review the entire question of nationality of Formosans, and the suggestion was made that the Department of State might wish to discuss the matter with the Chinese Government.

e. Thereafter, by radio, dated 28 September 1946, the State Department instructed the U. S. Embassy in China to promptly enter into discussions with the Chinese Government with a view to obtaining agreements that all Formosans in Japan be repatriated except those who have legitimate means of livelihood; and that this class be suitably documented by Chinese authorities; and that those not willing to be repatriated, and undocumented, would be considered as subject to Japanese jurisdiction.

f. Again, on 29 October 1946, SCAP (Diplomatic Section) radioed to WARCOS (Secretary of State) that the Chinese Mission had made repeated representations and protests in an effort to obtain a blanket directive to the Japanese Government specifically prohibiting Japanese authorities from exercising any jurisdiction whatsoever over the Formosans. This radio specifically mentioned the Chinese protest regarding the question of exemption of Formosans from property taxes. The radio continued by saying "it would seem to us (SCAP) desirable also to obtain agreement of the Chinese Government that all Formosans who continue to reside in Japan must, by individual act, obtain documentation as Chinese citizens from the proper Chinese authorities and repeat and divest themselves of Japanese nationality in accordance with existing Japanese law before protection and treatment as United Nations Nationals will be extended to them." The State Department's views were urgently requested as soon as possible.

g. In reply, the State Department, on 24 November 1946, informed this Headquarters that the Chinese Government was advised, through its representative in Washington, that it would be most helpful if the Chinese authorities would undertake to screen all Formosans in Japan, repatriating those who were unable to establish their legitimate means of livelihood, and issuing suitable certificates of identity to the remainder. The note continued by saying that should the number of individuals in Japan now claiming any special status as Formosans be reduced, through such a process, to a relatively small body of properly investigated and documented persons, it might be possible to extend to them the special treatment which now is claimed for them. (Incl 3).

h. Consequently, on 3 January 1947, at a conference with the Chinese Mission and the Diplomatic Section, Legal Section, G-1 and

Enclosure No. 1 to
Tokyo's Despatch No. 885,
February 28, 1947.

- 3 -

G-3, it was reported that the Chinese Mission undertook a documentation program, and that all persons in Japan who were registered with the Chinese Mission as of 31 December 1946 as Chinese nationals, would be issued certificates of registration, and that those who had not so registered would not be considered as Chinese subjects. The number so registered was estimated to be about 20,000. This figure would include Chinese as well as Formosan-Chinese.

4. It is obvious from the record of previous events that the position of this Headquarters, supported by the State Department, had been that the views of the Chinese Mission concerning Formosan-Chinese in Japan would be accepted if the Chinese authorities undertook to suitably document those persons claiming to be Chinese nationals. This documentation has now been completed, and it would appear appropriate at this time to inform the Commanding General, 8th Army, as well as the Imperial Japanese Government, that persons in legitimate possession of the Chinese registration certificates should be presumptively considered as Chinese nationals. The word "presumptively" is used advisedly, because there are other technical questions arising out of dual nationality which remain to be settled, such as taxation problems. However, these problems are not of a pressing nature, and do not involve restrictions of personal freedoms.

5. The most immediate effect that these registration certificates will have, if the Legal Section's proposed Letter Order and directive to the Japanese government are adopted, is that henceforth persons with Chinese registration certificates will no longer be subject to Japanese criminal jurisdiction. They will be treated in this respect as any other United Nations Nationals within their class. This result will not be unusual in character because in the past, and as an interim policy, the presumption has been that Formosan-Chinese were not Chinese nationals, ipso facto, but only on their recognition by the Chinese Mission of such status. These certificates will cause the presumption to be the other way; that is, a person in possession of a Chinese registration certificate will be presumed to be Chinese national, mainly for purposes of arrest and criminal jurisdiction.

6. In order to carry out the request of the Chinese Mission, this Section believes that a Letter Order to the 8th Army, (Incl 4) informing it of these decisions, would be necessary. To prevent any incidents from arising in connection with the Japanese police, a directive to the Japanese government, similar in content, should also be issued. (Incl 5).

7. Request approval for dispatch of the letter to the Commanding General, 8th Army, (Incl 4) and the directive to the Japanese government (Incl 5).

5 Incls

1. Chinese note, 0208/ST, 11 Jan 47
2. Registration Certificate
3. Radio, W SVC 7306, 24 Nov 46
4. Proposed LO 8th Army
- 5 Proposed Directive to IJG

Theodore R.C.King, Maj. Inf.
Exec. Officer
Legal Section

Enclosure No. 2 to Despatch No. 885 dated February 28, 1947 from the Office of the United States Political Adviser for Japan, Tokyo, on the subject "Status of Formosans in Japan".

COPY

CHINESE MISSION IN JAPAN

TOKYO

Ref. No. 0208/ST

The Chinese Mission in Japan presents its compliments to the Diplomatic Section of General Headquarters, Supreme Commander for the Allied Powers, and has the honor to forward, under separate cover, fifty sample copies of registration certificates issued to Chinese nationals in Japan.

It is requested that these sample copies kindly be distributed to the Occupation authorities concerned for their reference.

Tokyo, January 11, 1947.

Enclosure No. 3 to Despatch No. 885 dated February 28, 1947 from the Office of the United States Political Adviser for Japan, Tokyo, on the subject "Status of Formosans in Japan".

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
25 February 1947

AG 014.33 (25 Feb 47)LS/L

SUBJECT: Registration of Chinese Nationals.

TO : Commanding General, Eighth Army, APO 343.
Attention: Judge Advocate.

1. The Chinese Mission in Japan has undertaken the registration and documentation of persons in Japan who claim Chinese nationality. Those who have satisfactorily established such nationality have been issued registration certificates similar to the sample copies inclosed herein. Approximately 20,000 such certificates have been issued.

2. Legitimate bearers of these registration certificates will be presumptively considered as Chinese subjects and, hence, United Nations Nationals for purposes of the exercise of criminal jurisdiction by both the Occupation Forces and the Japanese authorities.

3. A directive to the Japanese Government to this effect has been issued.

BY COMMAND OF GENERAL MacARTHUR:

JOHN B. COOLEY
Colonel, AGD
Adjutant General

1 Incl:
45 sample registration certificates.

Enclosure No. 4 to Despatch No. 885 dated February 28, 1947 from the Office of the United States Political Adviser for Japan, Tokyo, on the subject "Status of Formosans in Japan".

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 014.33 (25 Feb 47)LS-L
(SCAPIN 1543)

APC 500
25 February 1947

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT
THROUGH : Central Liaison Office, Tokyo
SUBJECT : Registration of Chinese Nationals.

1. The Chinese Mission in Japan has undertaken the registration and documentation of persons in Japan who claim Chinese nationality and has issued registration certificates similar to the sample copy inclosed herein.

2. Legitimate bearers of these registration certificates will be presumptively considered as Chinese subjects and hence United Nations Nationals for purposes of the exercise of criminal jurisdiction by the Japanese authorities.

FOR THE SUPREME COMMANDER

JOHN B. COOLEY
Colonel, AGD
Adjutant General

1 Incl:
Sample of registration certificate.

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