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a drastic reparations program. Other conditioning factors such as availability of raw materials and man power must be appraised by the appropriate authorities in Japan at the time when this program is put into operation.

4. Estimates of Japan's post-war peaceful requirements for production considered in eight of the ten industrial categories (arsenals and aircraft industries excluded) are based, in so far as possible, on requirements for peaceful consumption manifested in the year 1930. In certain cases adjustments are made for population changes and for other factors which may be expected to affect legitimate post-war requirements. In keeping with the basic concept of "irreducible minimum" capacity levels, all requirements estimates are weighted downward, and are presented only for purposes of recommending assured capacity levels below which ultimate reparations will not cut.

5. The difference between "minimized requirements" presented in this report and the "maximized requirements" presented in the paper on the Interim Reparations Removal Program previously referred to establishes a capacity area still susceptible but not necessarily committed to removal under a final reparations and disarmament program. Neither set of "requirements" as defined in these two papers, is to be regarded as reflecting United States views concerning the level of industrial capacity to be retained in Japan under the terms of such a final program.

6. Considerations on which the conclusions presented in this report are based are given below for each of the ten industrial categories.

7. Machine Tool Industry.

a. Japan's post-war production capacity requirements for machine tools were maximized at 27,000 units per year for purposes of determining the amount of "obvious" excess capacity that should be made available for reparations under the Interim Removal Program.

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b. Japan's post-war production capacity requirements for machine tools are minimized at 10,000 units per year for purposes of establishing a level of assured production capacity not susceptible to removal under a final reparations program.

c. In establishing "maximized" requirements, the estimated average annual consumption during the period 1933-1936 was used as a base. The base figure was raised by 35 percent to provide a margin of safety that would provide for such unpredictable influences as changes in technology in the metal working industries and final Allied decision as to the disposition to be made of those industries. Such factors are not relevant to the present problem.

d. Determination of "minimized" requirements is based on estimates of 1930 consumption derived from two series of calculations using data averaged for the years 1933-1934.

(1) Series No. 1.

Machine tool production and imports combined in 1933-1934 averaged 14,500 units per year. It is assumed that consumption in these years was greater than in 1930 and an arbitrary reduction of 1,000 units per year is made for the interval. On this basis gross consumption in 1930 is estimated to have been 11,000 units. Of these tools probably 10 percent were employed directly or indirectly for military purposes indicating a peaceful civilian consumption of 9,900 units.

(2) Series No. 2.

Machine tool holdings in Japan for the years 1933-1934 averaged 275,000 units. This figure, reduced to account for new units added subsequent to 1930, gives an estimated holding of 225,000 tools in 1930. Of these tools probably 10 percent were employed directly or indirectly for military purposes indicating tool holdings for peaceful civil needs of 202,500 units. On the basis of a 20 year average tool life, 10,125 units would have to be produced annually to support this level.

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(3) The figures derived from these two series show little divergence and present a reasonable basis for establishing an "assured" machine tool production capacity level at 10,000 units per annum.

e. "Assured" capacity at the level of 10,000 units per year will leave annual capacity for production of 17,000 units available for use during the interim period still susceptible but not necessarily committed to removal under a final reparations program.

8. Army and Navy Arsenals.

Arsenals as such have no place in the peacetime civil economy envisioned for Japan, and require no consideration from the standpoint of "assured" production capacity.

9. Aircraft industry (including aircraft engines).

If U.S. policy denying Japan the right to manufacture or operate aircraft remains in force, no consideration need be given to "assured" production capacity.

10. Shipbuilding Industry.

a. Japan's post-war productive capacity requirements for merchant shipbuilding were maximized at 150,000 tons per annum for new construction with supporting facilities for the service and repair of a merchant fleet aggregating 3.0 million gross tons, for purposes of determining the "obvious excess" capacity that should be made available for claim under the Interim Reparations Removal Program.

b. Japan's post-war productive capacity requirements for merchant shipbuilding are minimized at 80,000 tons per year for new construction with supporting facilities for the service and repair of a merchant fleet aggregating a total of 2.0 million gross tons, for purposes of establishing a level of "assured" building and maintenance capacity not susceptible to removal under a final reparations program.

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c. In establishing "maximized" requirements, data for the period 1930-36 were used as a base. The size of the merchant fleet operating on the average during that period was adjusted roughly to eliminate that portion used for other than strictly peaceful purposes (i.e. military and empire expansion), and to account for reduced exports and imports resulting from Japan's presently disorganized economy. The resulting figure was presented as representing the upper limit as to the size of fleet that Japan might economically employ, assuming no lower limit is imposed on her under reparations and disarmament programs. Shipbuilding capacity necessary to support such a fleet was computed on the basis of average ship life of 20 years (5 percent per annum replacement with new ships).

d. In determining "minimized" requirements, the same base period is used and the same adjustment in fleet requirements are made. However, in keeping with the concept of "minimized" requirements, other factors, unfortunately not susceptible to measurement, are introduced. Such factors include the following:

(1) A current world excess of merchant vessels, which will be reflected in reduced new shipbuilding activities and in intense international competition for world overseas carrying service.

(2) China's announced program of industrial rehabilitation and expansion, which may be expected to lead to greater self-sufficiency in merchant marine, and which will probably offer greater competition to Japan in the Asiatic area carrying trade.

(3) An Allied program for the industrial disarmament of Japan, which may impose limitations on the size and speed of merchant vessels to be built by Japan that will prove a handicap in overseas trade.

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e. Of necessity, such factors must be arbitrarily appraised. Such an appraisal indicates merchant fleet requirements of possibly as little as 2.0 million gross tons, a figure slightly less than one-half that obtaining on the average in the base period.

f. On the basis of an average ship life of 25 years (20 years was used in computing maximized requirements), Japan will require a building capacity aggregating 80,000 gross tons per annum, plus yard facilities necessary to service and repair a merchant fleet of 2.0 million gross tons.

g. "Assured" capacity at this level will leave an annual building capacity of 70,000 gross tons, and supporting service and repair facilities for 1.0 million gross tons, available for use during the interim period and still susceptible but not necessarily committed to removal under the final program.

11. Iron and Steel Industry

a. Japan's post-war production capacity requirements for steel were maximized at 3.25 million metric tons, and for pig iron at 1.75 million metric tons for purposes of determining the amount of "obvious" excess capacity that should be made available for reparations under the Interim Removal Program.

b. Japan's post-war production capacity requirements for steel were minimized at 2.4 million metric tons, and for pig iron at 1.4 million metric tons for purposes of establishing a level of "assured" production capacity not susceptible to removal under a final reparations program.

c. Steel.

(1) In determining "maximized" post-war requirements, average annual consumption for peaceful purposes

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during the period 1930-36 was used as a base. On this was superimposed a factor to allow for the population increase from that period to the present. Consideration was also given to temporary emergency needs related to industrial reconversion, city reconstruction, shipbuilding, and the accumulated deficit of civilian consumer goods. The demand for steel exerted by these tolerance factors was not susceptible to exact measurement, but a rough approximation was acceptable in light of the guiding principle that only "obvious" excess capacity should be subject to removal.

(2) In determining "minimized" post-war capacity requirements, consumption in 1930 is used as a base. The tolerance factors for temporary emergency needs cited above are ignored, since they were introduced for purposes of determining "obvious" excess capacity, and are contrary to the concept of assured minimum capacity.

(3) Consumption of steel ingot in 1930 was equivalent to 3.0 million metric tons of ingot. Although figures are not available to fix precisely the amount of steel that was used for war purposes, it is estimated that a possible 600,000 metric tons (20 percent of the total) were so used. On this basis, 2.4 million metric tons represent the approximate consumption for peaceful purposes during that period and is accepted as broadly indicative of Japan's post-war civilian requirements.

(4) The following considerations underlie this acceptance:

(a) The Japanese population has increased by 17 percent since 1930. In terms of per capita consumption, production to meet these requirements will

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make available 70 pounds of ingot per person in the post-war period (assuming the same volume of imports) as compared to 82 pounds per person (for peaceful purposes) in 1930. Even the higher figure is substantially below that prevailing in other industrial nations.

(b) By implication Japan will forfeit all the growth of this industry that normally would have taken place over the period of 16 years.

(c) The level of civilian economy pertaining in 1930 was somewhat below that pertaining in the middle 1930's prior to the development of a full war economy.

(5) The fact remains, however, that steel is basic to any war economy, and, since the considerations on which acceptance of the peaceful requirements were based are not susceptible to exact measurement, it seems advisable, from the standpoint of security, to introduce an added factor of safety. Such a factor is arbitrarily established at 400,000 metric tons and indicates a secure production capacity level of 2.0 million metric tons.

(6) An "assured" production capacity level of 2.0 million metric tons will leave 1,250,000 metric tons of capacity available for use during the interim period still susceptible, though not necessarily committed, to removal under a final reparations program.

d. Iron.

(1) Based on postwar requirements of 2.0 million metric tons of steel ingot, and a 45:55 ratio of pig iron to scrap in its manufacture, 900,000 metric tons would be required for steel production.

(2) In addition, about 300,000 metric tons of pig iron may be required for foundry use.

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(3) In view of the facts (a) that this segment of Japanese industry may be considered as susceptible to control for security purposes, (b) that historically Japan has been an importer of pig iron, and (c) that certain of the Allied Asiatic countries are expected to have exportable surpluses of pig iron in the postwar period, it is considered advisable to assure production capacity sufficient to meet only 500,000 metric tons of the indicated 1.2 million metric tons required.

(4) An assured production capacity of 500,000 metric tons of pig iron will leave 1.25 million metric tons of capacity available for use during the interim period still susceptible, though not necessarily committed to, removal under a final program.

12. Light Metals Industry

a. Data assembled for purposes of determining the amount of production capacity that should be made available for reparations under the interim removal program indicated that Japan had no legitimate practical post-war need for any production capacity for alumina, primary aluminum and magnesium or rolled and drawn light metal shapes. Thus no consideration need be given this segment of the industry for purposes of establishing an "assured" production capacity level.

b. It was recommended, under the interim program, that facilities for the production of secondary aluminum and magnesium should not be made available for reparations under that program. Because this segment of the industry is difficult to appraise, in terms of either size or requirements, and because it has little significance either as a war potential or for reparations purposes, no attempt is made to establish an "assured" capacity level.

S E C R E T13. Thermal Electric Power Industry

a. Japan's post-war production capacity requirements for thermal electric generation were maximized at 2.1 million kilowatts for purposes of determining the amount of "obvious" excess capacity that should be made available for reparations under the interim removal program.

b. Japan's post-war production capacity requirements are minimized at 1.0 million kilowatts for purposes of establishing a level of "assured" production capacity not susceptible to removal under a final reparations program.

c. In determining "maximized" post-war requirements for thermal electric power, gross installed capacity (public utility and private captive plants) for the period 1930-1936 was used as a base. Average capacity for this base period was presented, without adjustment for either war uses or population increase, as indicative of "maximized" requirements.

d. Determination of "minimized" requirements is based on installed capacity in the year 1930. Consideration is given only to that portion of capacity identified as "public utility". "Other" capacity receives attention along with facilities associated with the industrial categories in which they are located and need not be considered here.

e. Installed public utility thermal generating capacity in 1930 was rated at 1.0 million kilowatts. No adjustment is made to this figure to account for the 17 percent population increase from 1930 to the present for the following reasons:

(1) No Allied decision has been made as to the disposition to be made of the greatly expanded hydro-electric generating capacity which bears a direct relationship to thermal power.

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(2) Power distribution tie-in facilities have been greatly improved, subsequent to 1930, which should be reflected in a reduced demand for thermal power.

(3) An unknown portion of thermal capacity was used for military purposes in 1930.

(4) There is evidence that existing thermal capacity was never fully employed in 1930.

f. An "assured" thermal electric generating capacity at the level of 1.0 million kilowatts will leave 1.1 million kilowatts capacity available for use during the interim period still susceptible but not necessarily committed to removal under a final reparations program.

14. Caustic Soda, Soda Ash and Chlorine Industries

a. Japan's post-war production capacity for caustic soda, soda ash, and chlorine were maximized respectively at 238,000 metric tons, 500,000 metric tons, and 60,000 metric tons for purposes of determining the amounts of "obvious" excess capacity that should be made available for reparations under the interim removal program.

b. Japan's post-war production capacity for caustic soda, soda ash, and chlorine are minimized respectively at 100,000 metric tons, 260,000 metric tons, and 28,000 metric tons for purposes of establishing "assured" production capacity not susceptible to removal under a final reparation program.

c. Caustic Soda

(1) In establishing "maximized" requirements, average annual consumption during the period 1930-1936 was used as a base. To this base was added a tolerance factor to provide for an increased demand from the synthetic fibre industry. This factor was estimated on the assumption that the synthetic fibre industry would operate

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at 60 percent of its present capacity, a level substantially higher than prevailed in the base period.

(2) Determination of "minimized" requirements is based on consumption in 1930. To this base is added an over-all allowance of 17 percent to provide for the population increase from that year to the present. For purposes of this determination no specific adjustment is made for increased demand from the expanded synthetic fibre industry because of uncertainty as to the current availability of raw materials, uncertainty as to markets for the product, and uncertainty as to the disposition that will be made of this industry under the final Allied reparations program. Use of caustic soda for direct or indirect war purposes at this time was negligible and no adjustment for this factor is necessary.

(3) Consumption of caustic soda in 1930 was 68,000 metric tons. This figure adjusted for the 17 percent population increase indicates "minimized" post-war requirements for peaceful purposes of 80,000 metric tons, of which 30,800 metric tons will be supplied from electrolytic chlorine-caustic soda plants and the remaining 49,200 metric tons will be derived from 71,000 metric tons of soda ash. Assuming operation of 80 percent efficiency of the electrolytic and soda ash plants, total caustic soda capacity of 100,000 metric tons will be required.

(4) An "assured" production capacity level of 100,000 metric tons will leave 138,000 metric tons of caustic soda capacity available for use during the interim period, still susceptible but not necessarily committed to removal under a final reparations program.

S E C R E Td. Soda Ash

(1) In establishing "maximized" requirements for soda ash the same base period and the same tolerance factors were employed as those used for caustic soda (see para 3 a above).

(2) Determination of "minimized" requirements for soda ash like that for caustic soda is based on 1930 consumption data adjusted for population increase and without specific regard to the expanded synthetic fibre industry. Use of this material for direct or indirect war uses was negligible at this time and no adjustment for this factor is necessary.

(3) Consumption of soda ash for direct purposes in 1930 is estimated at 116,000 metric tons. This figure adjusted for a population increase of 17 percent indicates post-war requirements of 136,000 metric tons for such purposes. In addition 71,000 metric tons will be required for conversion to caustic soda (see para 3 c above) which added to that needed for direct uses gives a total post-war requirement of 207,000 metric tons; 260,000 metric tons capacity will be necessary to support production at this level on the basis of 80 percent effective operation.

(4) Assured capacity at the level of 260,000 metric tons annually will leave 240,000 metric tons of capacity available for use during the interim period still susceptible but not necessarily committed to removal under a final reparations program.

e. Chlorine

(1) In establishing maximized requirements for chlorine, average annual consumption during the period 1932-1936 was used as a base. Because chlorine has a

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direct war potential in the manufacture of chemical warfare agents and the amount used for these purposes during the base period could not be determined, no allowance was made for apparent increased requirements due to growth in population or technological advances. It was assumed that any such increases in requirements would be met by economics in the use of chlorine for bleaching of paper, pulp, etc.

(2) Determination of minimized requirements is based on consumption in 1930. There is no evidence that any substantial quantities of this material were used either directly or indirectly for war purposes at this time. The base is thus accepted as representing legitimate peaceful requirements and is adjusted to provide for the 17 percent population increase from that time to the present.

(3) Consumption of chlorine in 1930 was 23,900 metric tons. This figure adjusted for the 17 percent population increase indicates post-war requirements for peaceful purposes of 28,000 metric tons; 35,000 metric tons capacity will be necessary to support production at this level on the basis of 80 percent effective operation.

(4) Assured capacity at the level of 35,000 metric tons annually will leave 25,000 metric tons of capacity available for use during the interim period still susceptible, but not necessarily committed to removal under a final reparations program.

August 6, 1946

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**MEMORANDUM FOR THE UNITED STATES MEMBER
FAR EASTERN COMMISSION**

In accordance with instructions of August 2, 1946 from the State-War-Navy Coordinating Committee, there is enclosed for the information and guidance of the United States Member, Far Eastern Commission, a copy of SWNCC 236/19, as amended by SWNCC 236/21, regarding Assured Production Capacity Levels for Japan which was approved after further amending by the State-War-Navy Coordinating Committee on July 31, 1946.

The United States Member, Far Eastern Commission, is requested to present Appendix "C" of the enclosed paper to the Far Eastern Commission with a view to obtaining from the Commission a policy decision on the subject.

J. H. Dunning

Enclosure:

Copy, SWNCC 236/19.

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

JK

SWN-4661
8 August 1946

DCR

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: Reduction of Japanese Industrial War Potential

References: a. SWNCC 302
b. SWNCC 302/1

After further amending, the State-War-Navy Coordinating Committee at its 44th Meeting approved SWNCC 302 as amended by SWNCC 302/1.

It is requested that the studies described in paragraph 8 c (3) of the approved paper be initiated by the State Department.

It is further requested that 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.

Two copies of the approved paper are attached herewith for use in connection with the above action.

For the State-War-Navy Coordinating Committee:

N. W. Moreley
J. H. Hilldring
J. H. HILLDRING,
State Department Member

CONFIDENTIAL FILE

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Enclosures
Copy Nos. 55 and 56,
SWNCC 302

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DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

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SECRETCOPY NO. 558 August 1946STATE-WAR-NAVY COORDINATING COMMITTEEDECISION AMENDING SWNCC 302REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIALNote by the Secretaries

1. After further amending, the State-War-Navy Coordinating Committee at its 44th Meeting approved SWNCC 302 as amended by SWNCC 302/1.

2. Holders are requested to substitute the attached revised pages 7 and 9 for the ones contained therein and destroy the latter by burning.

ALEXANDER D. REID

B. L. AUSTIN

HAROLD W. MOSELEY

Secretariat

DIVISION OF JAPANESE AND KOREAN
ECONOMIC AFFAIRS
DEPARTMENT OF STATE

AUG 12 1946

942-8/09/46

S E C R E TCOPY NO. 55SWNCC 30225 May 1946Pages 1 - 23, incl.STATE-WAR-NAVY COORDINATING COMMITTEEREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL

References: a. SWNCC 93
b. SWNCC 94
c. SWNCC 95
d. SWNCC 96

Note by the Secretaries

1. The enclosure, a report by the State-War-Navy Coordinating Subcommittee for the Far East, is circulated for consideration by the Committee.
2. A copy of this report has been forwarded to the Joint Chiefs of Staff for comment from a military point of view. These comments will be circulated to the Committee upon receipt thereof from the Secretary, Joint Chiefs of Staff.

ALEXANDER D. REID

B. L. AUSTIN

HAROLD W. MOSELEY

Secretariat

SWNCC 302

SECRETENCLOSUREREDUCTION 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.

SECRET5. 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.

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6. 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.

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8. 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;

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(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

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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.

S E C R E T9. 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

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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 T

APPENDIX "A"

FACTS BEARING ON THE PROBLEM

1. The Potsdam Declaration states, in paragraph 11:

"Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind, but not those which would enable her to rearm for war."

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 during the period of occupation are intended . . . 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:

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

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"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 removal of plant or equipment on account of reparations or restitution or scrapping for security reasons under paragraph 11."

SECRETAPPENDIX "B"DISCUSSIONIntroduction

1. The proposals contained in this paper are designed to establish the principles and criteria to be applied in effecting a reduction and limitation of Japanese industrial capacity for reasons of security during the period of the occupation.

2. During the past decade, Japan has built up a huge aggregate of industrial facilities for the purpose of waging large scale war. The removal of these facilities is required on security grounds in order to eliminate existing war potential.

3. A related object of the proposed removals program is to provide a large volume of Japanese assets for transfer as reparations to countries which have suffered from the effects of Japanese aggression. The removal of Japanese industrial facilities and their distribution to reparations claimants in accordance with inter-Allied decision should contribute in an important degree to the general security and economic development of Pacific countries. By so doing, it should reduce the danger, not only that Japan will rearm for war, but also that she might in the post-war period exploit her war-expanded industrial capacity, especially in metallurgical and metal-working industries, to achieve a position of economic domination at the expense of neighboring countries and to the detriment of a more balanced and economic development of the Far East as a whole. Thus the program proposed is designed to serve the interests of security in the Pacific, in the widest sense, through linking industrial disarmament and reparations transfers.

4. Industrial disarmament, if carried to its logical extreme, would be tantamount to total de-industrialization, since every industrial facility has some potential value in a war economy. This extreme position, however, would contradict the

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Potsdam Declaration and conflict with the ultimate objectives of the occupation, which include the eventual emergence of a peaceful, democratic Japan. Decisions must therefore be reached by the Far Eastern Commission concerning the degree to which industrial facilities should be eliminated in order to deny Japan the capacity to rearm for war, and the degree to which they should be retained in order to sustain the Japanese economy. This paper proposes a set of principles to govern these decisions, insofar as the reduction and limitation of Japanese industrial capacity during the period of the occupation is concerned. Implementation of these principles requires a careful study of the Japanese economy, with a view to estimating the amount of existing industrial capacity which is in excess of Japan's legitimate peacetime requirements.

5. In purely civilian industries (which are not covered by this paper), Japan has little capacity in excess of her minimum peacetime needs. Typically, such existing capacity as is not required to produce goods for domestic civilian consumption will be needed to furnish exports to finance necessary imports, unless, as a practical alternative, a correspondingly larger volume of exports from "war-supporting" industries is to be provided. Hence, removals from civilian industries not specified here could be effected on a large scale only if capacity in "war-supporting" industries is to be retained. Since it is believed that security considerations should have priority, the removal of facilities from other than war-supporting industries, while not precluded, should be authorized only where it will not prejudice the reduction of war potential proposed in this paper.

6. No attempt is made here to outline a long-term program of disarmament controls. It is believed that this question should be reserved for decision at a later date, when the conditions and requirements of the post-occupation period can be more clearly envisaged. The principal steps to be taken for the

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present are the elimination of primary war facilities, and the scaling down of existing capacity throughout the war-supporting industries to a level not in excess of that required to meet legitimate civilian requirements as defined in this paper. These steps follow in turn on earlier measures which have been taken to demobilize the Japanese armed forces, close down research directed towards military purposes, confiscate Japanese external assets, and deprive Japan of overseas territories gained through aggression. In order to reserve the future possibility of such long-term controls over certain selected industries, however, it is proposed to establish ceilings on capacity in these industries during the period of the occupation, such ceilings to be continued or modified as may eventually be determined.

7. The following paragraphs offer further comment on the specified recommendations set forth in this paper.

Special Purpose vs. General Purpose Machinery

8. If Japan is not to be permitted those industries which, in the language of the Potsdam Declaration, "would enable her to rearm for war", she will have no further need for industrial equipment functionally limited to use in connection with war production. This special-purpose equipment should, therefore, be destroyed, rather than transferred as reparations, for reasons of security.

9. Special purpose machinery, however, constitutes only a small part of the total machinery which has been involved, directly and indirectly, in Japanese war production. If only special purpose machinery were eliminated, Japan would be left with an industrial base considerably in excess of her peacetime needs. This base could be used to restore armament production within a relatively short period of time. The consequent necessity for a selective reduction of that base leads to consideration of the removal of general purpose machinery and equipment in primary war industries, secondary war industries, and war-supporting industries.

SECRETPrimary War Industries

10. Primary war industries are defined as those producing combat equipment end-products, civilian aircraft, and merchant vessels of over 5,000 gross tons. The latter two categories are included since it is considered that machinery capable of producing civilian aircraft is susceptible of rapid conversion to the production of military aircraft, and that shipyards capable of building merchant vessels of over 5,000 gross tons could be readily converted to the production of combatant vessels of cruiser size or larger. Also included are repair and maintenance facilities for combat equipment end-products and civil aircraft. It is recommended that all non-special-purpose machinery in primary war industries should be made available for reparations, since these industries are by their very nature in excess of the peaceful needs of the Japanese economy. It is further recommended that Japanese nationals be prohibited from owning or operating primary war facilities, whether at home or abroad, and that concerns which were formerly engaged primarily in producing military end-products and whose continued existence is deemed by SCAP to be undesirable on security grounds be dissolved, that their records be seized, and that their key personnel be registered.

Secondary War Industries

11. It is not sufficient to eliminate primary war facilities while leaving intact other plants which, although they do not manufacture combat equipment end-products, nevertheless act as major suppliers to primary war facilities. If this procedure were followed, it is obvious that Japanese rearmament would be greatly facilitated since only the restoration of a relatively limited number of primary war facilities would be required to effect that rearmament. Secondary war facilities should, therefore, receive consideration in connection with the reduction of war potential.

12. Total elimination of all such secondary war facilities, however, would strike a serious blow at the Japanese peacetime

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economy, which many of them formerly served. A distinction should therefore be made between secondary war facilities originally organized or completely re-equipped to operate as such, and plants which were converted or diverted to serve in this capacity for the duration of the war. Plants of the first type have previously had no place in the peacetime Japanese economy. It is believed that they should be made available for reparations (with exception of special purpose machinery which should be destroyed, as noted in paragraph 8).

13. On the other hand, plants and establishments which were diverted from a normal peacetime function to serve as secondary war facilities should not be removed en bloc without reference to the effects on the Japanese economy. Instead they should be treated in accordance with the policies towards war-supporting industries defined in paragraphs 15-21, below, being removed or retained depending on the capacity to be kept in the associated industry. This raises an administrative problem, since it requires that general purpose machinery in this type of secondary war facility be treated as if it were still a part of the industry from which it was diverted to secondary war production. Thus SCAP must reach a decision as to the industry with which each secondary war plant was formerly associated. This will be a time-consuming task, but not an excessively difficult one, since in most cases the nature of the industry from which conversion to secondary war production was made will be readily apparent.

Dispersion of Machinery in Primary and Secondary War Industries

14. In both primary and secondary war industries, dispersion of machinery and equipment took place during the war as a result of Allied bombings. It may also have occurred since the end of hostilities, as a result of Japan's fear that if the machinery and equipment were left in primary and secondary war facilities it would be removed as a part of disarmament or reparations programs. It is thus possible that a considerable amount of

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machinery and equipment formerly associated with primary and secondary war facilities is not currently to be found within those plants.

The reasoning outlined under paragraph 8 would indicate the need, in the interest of security, for searching out and destroying special purpose machinery wherever it can be found. It is less important, however, to seek out general purpose machinery and identify it as formerly employed in primary or secondary war facilities, since this machinery can be expected to reappear as part of other Japanese industries which are subject to reduction under the terms of the category of "war-supporting" industries, discussed below. No special attempt should be made, therefore, to track down and identify general purpose machinery which has been dispersed from primary and secondary war industries.

War-Supporting Industries

15. If only the measures with respect to primary and secondary war facilities described above were carried out, the large war-time industrial base which supported these facilities would be left available to play a similar role in the future. To avoid this possibility, special consideration must be given to those elements of Japanese general industry which have proved particularly useful in supporting Japanese primary and secondary war facilities. The specific industries involved are listed in paragraph 8 c of the Conclusions. Obviously, these industries have peacetime as well as wartime uses, and their total elimination would constitute a crippling blow to Japan's peacetime economy. On the other hand, most of these industries were greatly expanded in order to support Japanese war production. Their current capacity is in most instances far in excess of the peacetime needs of the Japanese economy, as those needs are defined in this paper. Elimination of this excess capacity can most appropriately be effected through the medium of reparations, with the result of strengthening the industrial potential and economic development of other countries in the Pacific while reducing Japan's ability to prepare for war.

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16. To accomplish this objective requires, first of all, a determination of "excess capacity" in Japan's war-supporting industries. This calls in turn for some definition of the peaceful needs of the Japanese economy. Such peaceful needs are, of course, susceptible of wide variations in interpretation. It is appropriate that they be defined for this purpose in terms which take account, on the one hand, of Japan's position as a defeated, aggressor nation committed to the payment of reparations, and, on the other, of her minimum requirements not only for survival but also for eventual economic recovery. The latter is essential to achievement of the political objectives of the occupation; it is also essential if the Allies are not to be faced with the large scale subsidy of Japanese imports for an indefinite period.

17. The base line for calculation of Japan's minimum peacetime requirements can best be defined by reference to a given standard of living and to the industrial capacity required in the next few years to support such a standard. As a practical procedure, for the purpose of level-of-industry determinations, this can best be done by relating such determinations to the standard of living in some historical period. Selection of a desirable period, as a point of reference, is governed by several considerations.

a. Any period before 1930 would present great practical difficulties as a guide to present level-of-industry requirements, in view of industrial, commercial and technological developments since that time, and consequent shifts in the pattern of production (including production for export) needed to sustain any given standard in the post-war period.

b. A period after 1934 is likewise open to objection for several reasons. During the middle and late thirties, the Japanese enjoyed the highest standard of living in their history. Level-of-industry determinations related to the Japanese standard in the years 1935-39 would leave Japan

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with a considerable margin of industrial capacity readily available for reconversion to war purposes. After 1938, moreover, conversion to war production progressed so rapidly and the availability of data concerning Japan's economy declined so severely, that statistics of industrial capacity, production, consumption, and foreign trade offer a far less satisfactory guide to peacetime requirements than similar data for earlier years.

c. From the preceding argument it is concluded that the base period should fall between 1930 and 1934. The use of this entire period as a base would be preferable to the use of some smaller part of it, since a period of several years has obvious advantages from the standpoint of smoothing out temporary fluctuations in the Japanese pattern of consumption.

18. It is of interest to examine the content of the 1930-34 living standard. This is done in the table given below. Comparable figures from 1926 to 1936 are included.

	<u>1926-30</u>	<u>1930</u>	<u>Average 1930-1934</u>	<u>1936</u>
(1) National income (billion yen, current prices)	11.8	10.6	11.0	16.3
(2) National income deflated to represent consumption and net capital formation (billion yen, 1930 prices) Components of (2)	<u>10.3</u>	<u>10.6</u>	<u>11.7</u>	<u>15.3</u>
(3) Government military expenditures	0.4	0.4	0.65	1.0
(4) Net private capital formation	.7	0.2	0.8	2.2
(5) Consumption	<u>9.2</u>	<u>10.0</u>	<u>10.2</u>	<u>12.1</u>
(6) Per capita consumption (yen, 1930 prices)	<u>147.9</u>	<u>155</u>	<u>155</u>	<u>171</u>
(7) Per capita consumption of food (calories per day)	2300	2300	2300	2300
(8) Per capita consumption of textiles (pounds of yarn)	10.1	9.7	9.8	11.4

19. The "Japanese standard of living during the period of 1930-34" should be understood to refer to average Japanese per capita consumption, as cited in the above table. Level-of-industry

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determinations based on 1930-34 living standards would thus specifically exclude 1930-34 production for military purposes, for overseas investments, or for other purposes not related to Japanese civilian consumption. They would include domestic production of consumer goods, and production of goods for export required to secure necessary imports for civilian purposes. In addition, it should be noted that the war has caused the destruction of certain facilities whose availability is necessary to the maintenance of 1930-34 living standards. Provision for the repair or rebuilding of such facilities during the next few years is essential to the restoration of that living standard. Finally, sufficient capacity should also be left in the capital goods industries to produce the industrial facilities required to meet the needs of the annual increment of population at the given standard.

20. To translate into concrete capacity estimates the broad criteria proposed above requires a careful analysis of the Japanese economy, including especially Japan's post-war trade requirements. While the recommended standard of reference is the level of per capita civilian consumption in the early thirties, changed circumstances today, e.g., a significant increase in the Japanese population, would necessitate an altered balance and distribution of industrial capacity as compared with the earlier period. What is proposed is the exemption, from security removals, of sufficient capacity in war-supporting industries to sustain a standard of living approximating that of 1930-34, rather than a 1946 reproduction of the exact 1930-34 pattern of Japanese industry.

21. One final point should be stressed regarding this proposal. The 1930-34 living standard has been introduced only as a base line for determining industrial capacity to be exempt from security removals. Nothing in this suggestion should be interpreted as in any way a proposal to guarantee such a standard of consumption for the Japanese, either now or in the future. First,

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there will probably be additional removals of equipment to satisfy reparation claims even when such removals are not justified on security grounds. Second, achievement of this standard of living is a function not only of industrial plant and equipment, but also of organization, finance, access to sources of imports, competitive ability in export markets, and related factors. Industrial capacity is one thing; full utilization of that capacity quite another. It is proposed in this paper merely that industrial removals for reasons of security should not be carried beyond the point where achievement of the pre-war level of living would be prejudiced for lack of industrial plant. It is anticipated, however, that some time must elapse before industrial and foreign trade activity recovers sufficiently to achieve even this level of well-being.

Disposition of Assets Declared Available for Reparations but Unclaimed.

22. It is anticipated that most, if not all, of the machinery and equipment declared available for reparations under the terms of this paper will be claimed by countries entitled to receive reparations, and transferred to such countries in accordance with policies and procedures laid down by inter-Allied agreement. In the event that certain facilities declared available for transfer are not desired by authorized claimants, a question arises as to their disposition.

23. The alternatives for disposal of such residual assets are either that they be destroyed or that they be retained in Japan under such restrictions with respect to their use as the Far Eastern Commission might choose to impose. If reparations transfers fail to accomplish the removal of machinery and equipment representing, in the aggregate, significant war potential, it will be desirable to eliminate such facilities by destruction. On the other hand, it may turn out that the facilities left unclaimed are fragments of plants and processes which do not possess, either individually or collectively, any significance

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for war purposes, but have some utility for peaceful use in Japan. It is proposed, therefore, that disposition of such unclaimed equipment be reserved for future decision by the Far Eastern Commission in the light of knowledge at the time as to the precise amount and character of the items in question.

Limitations on Industrial Capacity

24. As stated at the outset, this paper deals only with proposals regarding measures to reduce Japanese industrial war potential which are to be carried out during the period of the occupation. The question of long-term control of Japanese industry is reserved for later consideration. However, limitations of Japanese industrial capacity to be maintained during the occupation are relevant, and certain proposals are accordingly put forward.

25. It is not anticipated that Japan will again be allowed to own or operate primary war industries. Restoration of these industries should, therefore, be prohibited. The total elimination of primary war industries in turn will destroy the raison d'etre of secondary war industries, which existed only to supply these primary war industries. However, a prohibition against types of facilities employed in secondary war industries would be unworkable, since these facilities are essentially the same as those used for the production of civilian goods of like character. In so far as restrictions are imposed on industries classed here as "war-supporting", they will apply equally to similar facilities formerly organized as secondary war facilities.

26. Any war-supporting industries whose capacity is to be limited after the period of the occupation should certainly be subjected to capacity limitations throughout the occupation. What permanent limitations may be imposed at a later date is for future decision. In the meantime, it is proposed that residual capacities left after completion of the removals program

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recommended in this paper should be regarded as capacity ceilings for the duration of the occupation in the following: oil refining, iron and steel, light metals, metal working machinery, synthetic rubber, shipbuilding, and the merchant marine. It is believed that such direct restrictions on industrial capacity or production as are deemed essential should be confined within the list of industries itemized above.

Research as War Potential

27. The increasingly technical character of modern warfare enhances the importance of research as an element of any rearmament program. Restrictions on research, although an essential part of any disarmament program, have not been dealt with in this paper because they have already been provided for in the United States Government's "Basic Directive for Post-Surrender Government in Japan Proper", and in corresponding directives and actions by SCAP. The Basic Directive calls for elimination of research with other than peaceful uses or purposes. Under the terms of this Directive SCAP has closed all research institutions, except those considered necessary to the purposes of the occupation, and has permitted the resumption of only those forms of study and research which have an obviously peaceful purpose, under regulations which: (a) define the specific type of research permitted, (b) provide for frequent inspection, (c) require free disclosure of the results of the research, (d) impose severe penalties, including permanent closure of the offending institutions, whenever the regulations are violated. All forms of atomic research have been specifically banned, and appropriate measures taken to ensure compliance with this ban.

SECRETCOPY NO. 568 August 1946STATE-WAR-NAVY COORDINATING COMMITTEEDECISION AMENDING SWNCC 302REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIALNote by the Secretaries

1. After further amending, the State-War-Navy Coordinating Committee at its 44th Meeting approved SWNCC 302 as amended by SWNCC 302/1.

2. Holders are requested to substitute the attached revised pages 7 and 9 for the ones contained therein and destroy the latter by burning.

ALEXANDER D. REID

B. L. AUSTIN

HAROLD W. MOSELEY

Secretariat

FW 894.60/8-846

S E C R E TCOPY NO. 56SWNCC 30225 May 1946Pages 1 - 23, incl.STATE-WAR-NAVY COORDINATING COMMITTEEREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL

References: a. SWNCC 93
b. SWNCC 94
c. SWNCC 95
d. SWNCC 96

Note by the Secretaries

1. The enclosure, a report by the State-War-Navy Coordinating Subcommittee for the Far East, is circulated for consideration by the Committee.

2. A copy of this report has been forwarded to the Joint Chiefs of Staff for comment from a military point of view. These comments will be circulated to the Committee upon receipt thereof from the Secretary, Joint Chiefs of Staff.

ALEXANDER D. REID

B. L. AUSTIN

HAROLD W. MOSELEY

Secretariat

SWNCC 302

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.

S E C R E T6. 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;

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(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;

(1) 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

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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.

S E C R E T9. 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

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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.

S E C R E T13. 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 TAPPENDIX "A"FACTS BEARING ON THE PROBLEM

1. The Potsdam Declaration states, in paragraph 11:

"Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind, but not those which would enable her to rearm for war."

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 during the period of occupation are intended . . . 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:

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

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"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 removal of plant or equipment on account of reparations or restitution or scrapping for security reasons under paragraph 11."

S E C R E TAPPENDIX "B"DISCUSSIONIntroduction

1. The proposals contained in this paper are designed to establish the principles and criteria to be applied in effecting a reduction and limitation of Japanese industrial capacity for reasons of security during the period of the occupation.

2. During the past decade, Japan has built up a huge aggregate of industrial facilities for the purpose of waging large scale war. The removal of these facilities is required on security grounds in order to eliminate existing war potential.

3. A related object of the proposed removals program is to provide a large volume of Japanese assets for transfer as reparations to countries which have suffered from the effects of Japanese aggression. The removal of Japanese industrial facilities and their distribution to reparations claimants in accordance with inter-Allied decision should contribute in an important degree to the general security and economic development of Pacific countries. By so doing, it should reduce the danger, not only that Japan will rearm for war, but also that she might in the post-war period exploit her war-expanded industrial capacity, especially in metallurgical and metal-working industries, to achieve a position of economic domination at the expense of neighboring countries and to the detriment of a more balanced and economic development of the Far East as a whole. Thus the program proposed is designed to serve the interests of security in the Pacific, in the widest sense, through linking industrial disarmament and reparations transfers.

4. Industrial disarmament, if carried to its logical extreme, would be tantamount to total de-industrialization, since every industrial facility has some potential value in a war economy. This extreme position, however, would contradict the

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Potsdam Declaration and conflict with the ultimate objectives of the occupation, which include the eventual emergence of a peaceful, democratic Japan. Decisions must therefore be reached by the Far Eastern Commission concerning the degree to which industrial facilities should be eliminated in order to deny Japan the capacity to rearm for war, and the degree to which they should be retained in order to sustain the Japanese economy. This paper proposes a set of principles to govern these decisions, insofar as the reduction and limitation of Japanese industrial capacity during the period of the occupation is concerned. Implementation of these principles requires a careful study of the Japanese economy, with a view to estimating the amount of existing industrial capacity which is in excess of Japan's legitimate peacetime requirements.

5. In purely civilian industries (which are not covered by this paper), Japan has little capacity in excess of her minimum peacetime needs. Typically, such existing capacity as is not required to produce goods for domestic civilian consumption will be needed to furnish exports to finance necessary imports, unless, as a practical alternative, a correspondingly larger volume of exports from "war-supporting" industries is to be provided. Hence, removals from civilian industries not specified here could be effected on a large scale only if capacity in "war-supporting" industries is to be retained. Since it is believed that security considerations should have priority, the removal of facilities from other than war-supporting industries, while not precluded, should be authorized only where it will not prejudice the reduction of war potential proposed in this paper.

6. No attempt is made here to outline a long-term program of disarmament controls. It is believed that this question should be reserved for decision at a later date, when the conditions and requirements of the post-occupation period can be more clearly envisaged. The principal steps to be taken for the

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present are the elimination of primary war facilities, and the scaling down of existing capacity throughout the war-supporting industries to a level not in excess of that required to meet legitimate civilian requirements as defined in this paper. These steps follow in turn on earlier measures which have been taken to demobilize the Japanese armed forces, close down research directed towards military purposes, confiscate Japanese external assets, and deprive Japan of overseas territories gained through aggression. In order to reserve the future possibility of such long-term controls over certain selected industries, however, it is proposed to establish ceilings on capacity in these industries during the period of the occupation, such ceilings to be continued or modified as may eventually be determined.

7. The following paragraphs offer further comment on the specified recommendations set forth in this paper.

Special Purpose vs. General Purpose Machinery

8. If Japan is not to be permitted those industries which, in the language of the Potsdam Declaration, "would enable her to rearm for war", she will have no further need for industrial equipment functionally limited to use in connection with war production. This special-purpose equipment should, therefore, be destroyed, rather than transferred as reparations, for reasons of security.

9. Special purpose machinery, however, constitutes only a small part of the total machinery which has been involved, directly and indirectly, in Japanese war production. If only special purpose machinery were eliminated, Japan would be left with an industrial base considerably in excess of her peacetime needs. This base could be used to restore armament production within a relatively short period of time. The consequent necessity for a selective reduction of that base leads to consideration of the removal of general purpose machinery and equipment in primary war industries, secondary war industries, and war-supporting industries.

SECRETPrimary War Industries

10. Primary war industries are defined as those producing combat equipment end-products, civilian aircraft, and merchant vessels of over 5,000 gross tons. The latter two categories are included since it is considered that machinery capable of producing civilian aircraft is susceptible of rapid conversion to the production of military aircraft, and that shipyards capable of building merchant vessels of over 5,000 gross tons could be readily converted to the production of combatant vessels of cruiser size or larger. Also included are repair and maintenance facilities for combat equipment end-products and civil aircraft. It is recommended that all non-special-purpose machinery in primary war industries should be made available for reparations, since these industries are by their very nature in excess of the peaceful needs of the Japanese economy. It is further recommended that Japanese nationals be prohibited from owning or operating primary war facilities, whether at home or abroad, and that concerns which were formerly engaged primarily in producing military end-products and whose continued existence is deemed by SCAP to be undesirable on security grounds be dissolved, that their records be seized, and that their key personnel be registered.

Secondary War Industries

11. It is not sufficient to eliminate primary war facilities while leaving intact other plants which, although they do not manufacture combat equipment end-products, nevertheless act as major suppliers to primary war facilities. If this procedure were followed, it is obvious that Japanese rearmament would be greatly facilitated since only the restoration of a relatively limited number of primary war facilities would be required to effect that rearmament. Secondary war facilities should, therefore, receive consideration in connection with the reduction of war potential.

12. Total elimination of all such secondary war facilities, however, would strike a serious blow at the Japanese peacetime

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economy, which many of them formerly served. A distinction should therefore be made between secondary war facilities originally organized or completely re-equipped to operate as such, and plants which were converted or diverted to serve in this capacity for the duration of the war. Plants of the first type have previously had no place in the peacetime Japanese economy. It is believed that they should be made available for reparations (with exception of special purpose machinery which should be destroyed, as noted in paragraph 8).

13. On the other hand, plants and establishments which were diverted from a normal peacetime function to serve as secondary war facilities should not be removed en bloc without reference to the effects on the Japanese economy. Instead they should be treated in accordance with the policies towards war-supporting industries defined in paragraphs 15-21, below, being removed or retained depending on the capacity to be kept in the associated industry. This raises an administrative problem, since it requires that general purpose machinery in this type of secondary war facility be treated as if it were still a part of the industry from which it was diverted to secondary war production. Thus SCAP must reach a decision as to the industry with which each secondary war plant was formerly associated. This will be a time-consuming task, but not an excessively difficult one, since in most cases the nature of the industry from which conversion to secondary war production was made will be readily apparent.

Dispersion of Machinery in Primary and Secondary War Industries

14. In both primary and secondary war industries, dispersion of machinery and equipment took place during the war as a result of Allied bombings. It may also have occurred since the end of hostilities, as a result of Japan's fear that if the machinery and equipment were left in primary and secondary war facilities it would be removed as a part of disarmament or reparations programs. It is thus possible that a considerable amount of

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machinery and equipment formerly associated with primary and secondary war facilities is not currently to be found within those plants.

The reasoning outlined under paragraph 8 would indicate the need, in the interest of security, for searching out and destroying special purpose machinery wherever it can be found. It is less important, however, to seek out general purpose machinery and identify it as formerly employed in primary or secondary war facilities, since this machinery can be expected to reappear as part of other Japanese industries which are subject to reduction under the terms of the category of "war-supporting" industries, discussed below. No special attempt should be made, therefore, to track down and identify general purpose machinery which has been dispersed from primary and secondary war industries.

War-Supporting Industries

15. If only the measures with respect to primary and secondary war facilities described above were carried out, the large war-time industrial base which supported these facilities would be left available to play a similar role in the future. To avoid this possibility, special consideration must be given to those elements of Japanese general industry which have proved particularly useful in supporting Japanese primary and secondary war facilities. The specific industries involved are listed in paragraph 8 c of the Conclusions. Obviously, these industries have peacetime as well as wartime uses, and their total elimination would constitute a crippling blow to Japan's peacetime economy. On the other hand, most of these industries were greatly expanded in order to support Japanese war production. Their current capacity is in most instances far in excess of the peacetime needs of the Japanese economy, as those needs are defined in this paper. Elimination of this excess capacity can most appropriately be effected through the medium of reparations, with the result of strengthening the industrial potential and economic development of other countries in the Pacific while reducing Japan's ability to prepare for war.

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16. To accomplish this objective requires, first of all, a determination of "excess capacity" in Japan's war-supporting industries. This calls in turn for some definition of the peaceful needs of the Japanese economy. Such peaceful needs are, of course, susceptible of wide variations in interpretation. It is appropriate that they be defined for this purpose in terms which take account, on the one hand, of Japan's position as a defeated, aggressor nation committed to the payment of reparations, and, on the other, of her minimum requirements not only for survival but also for eventual economic recovery. The latter is essential to achievement of the political objectives of the occupation; it is also essential if the Allies are not to be faced with the large scale subsidy of Japanese imports for an indefinite period.

17. The base line for calculation of Japan's minimum peacetime requirements can best be defined by reference to a given standard of living and to the industrial capacity required in the next few years to support such a standard. As a practical procedure, for the purpose of level-of-industry determinations, this can best be done by relating such determinations to the standard of living in some historical period. Selection of a desirable period, as a point of reference, is governed by several considerations.

a. Any period before 1930 would present great practical difficulties as a guide to present level-of-industry requirements, in view of industrial, commercial and technological developments since that time, and consequent shifts in the pattern of production (including production for export) needed to sustain any given standard in the post-war period.

b. A period after 1934 is likewise open to objection for several reasons. During the middle and late thirties, the Japanese enjoyed the highest standard of living in their history. Level-of-industry determinations related to the Japanese standard in the years 1935-39 would leave Japan

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with a considerable margin of industrial capacity readily available for reconversion to war purposes. After 1938, moreover, conversion to war production progressed so rapidly and the availability of data concerning Japan's economy declined so severely, that statistics of industrial capacity, production, consumption, and foreign trade offer a far less satisfactory guide to peacetime requirements than similar data for earlier years.

c. From the preceding argument it is concluded that the base period should fall between 1930 and 1934. The use of this entire period as a base would be preferable to the use of some smaller part of it, since a period of several years has obvious advantages from the standpoint of smoothing out temporary fluctuations in the Japanese pattern of consumption.

18. It is of interest to examine the content of the 1930-34 living standard. This is done in the table given below. Comparable figures from 1926 to 1936 are included.

	1926-30	1930	Average 1930-1934	1936
(1) National income (billion yen, current prices)	11.8	10.6	11.0	16.3
(2) National income deflated to represent consumption and net capital formation (billion yen, 1930 prices) Components of (2)	<u>10.3</u>	<u>10.6</u>	<u>11.7</u>	<u>15.3</u>
(3) Government military expenditures	0.4	0.4	0.65	1.0
(4) Net private capital formation	.7	0.2	0.8	2.2
(5) Consumption	<u>9.2</u>	<u>10.0</u>	<u>10.2</u>	<u>12.1</u>
(6) Per capita consumption (yen, 1930 prices)	<u>147.9</u>	<u>155</u>	<u>155</u>	<u>171</u>
(7) Per capita consumption of food (calories per day)	2300	2300	2300	2300
(8) Per capita consumption of textiles (pounds of yarn)	10.1	9.7	9.8	11.4

19. The "Japanese standard of living during the period of 1930-34" should be understood to refer to average Japanese per capita consumption, as cited in the above table. Level-of-industry

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determinations based on 1930-34 living standards would thus specifically exclude 1930-34 production for military purposes, for overseas investments, or for other purposes not related to Japanese civilian consumption. They would include domestic production of consumer goods, and production of goods for export required to secure necessary imports for civilian purposes. In addition, it should be noted that the war has caused the destruction of certain facilities whose availability is necessary to the maintenance of 1930-34 living standards. Provision for the repair or rebuilding of such facilities during the next few years is essential to the restoration of that living standard. Finally, sufficient capacity should also be left in the capital goods industries to produce the industrial facilities required to meet the needs of the annual increment of population at the given standard.

20. To translate into concrete capacity estimates the broad criteria proposed above requires a careful analysis of the Japanese economy, including especially Japan's post-war trade requirements. While the recommended standard of reference is the level of per capita civilian consumption in the early thirties, changed circumstances today, e.g., a significant increase in the Japanese population, would necessitate an altered balance and distribution of industrial capacity as compared with the earlier period. What is proposed is the exemption, from security removals, of sufficient capacity in war-supporting industries to sustain a standard of living approximating that of 1930-34, rather than a 1946 reproduction of the exact 1930-34 pattern of Japanese industry.

21. One final point should be stressed regarding this proposal. The 1930-34 living standard has been introduced only as a base line for determining industrial capacity to be exempt from security removals. Nothing in this suggestion should be interpreted as in any way a proposal to guarantee such a standard of consumption for the Japanese, either now or in the future. First,

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there will probably be additional removals of equipment to satisfy reparation claims even when such removals are not justified on security grounds. Second, achievement of this standard of living is a function not only of industrial plant and equipment, but also of organization, finance, access to sources of imports, competitive ability in export markets, and related factors. Industrial capacity is one thing; full utilization of that capacity quite another. It is proposed in this paper merely that industrial removals for reasons of security should not be carried beyond the point where achievement of the pre-war level of living would be prejudiced for lack of industrial plant. It is anticipated, however, that some time must elapse before industrial and foreign trade activity recovers sufficiently to achieve even this level of well-being.

Disposition of Assets Declared Available for Reparations but Unclaimed.

22. It is anticipated that most, if not all, of the machinery and equipment declared available for reparations under the terms of this paper will be claimed by countries entitled to receive reparations, and transferred to such countries in accordance with policies and procedures laid down by inter-Allied agreement. In the event that certain facilities declared available for transfer are not desired by authorized claimants, a question arises as to their disposition.

23. The alternatives for disposal of such residual assets are either that they be destroyed or that they be retained in Japan under such restrictions with respect to their use as the Far Eastern Commission might choose to impose. If reparations transfers fail to accomplish the removal of machinery and equipment representing, in the aggregate, significant war potential, it will be desirable to eliminate such facilities by destruction. On the other hand, it may turn out that the facilities left unclaimed are fragments of plants and processes which do not possess, either individually or collectively, any significance

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for war purposes, but have some utility for peaceful use in Japan. It is proposed, therefore, that disposition of such unclaimed equipment be reserved for future decision by the Far Eastern Commission in the light of knowledge at the time as to the precise amount and character of the items in question.

Limitations on Industrial Capacity

24. As stated at the outset, this paper deals only with proposals regarding measures to reduce Japanese industrial war potential which are to be carried out during the period of the occupation. The question of long-term control of Japanese industry is reserved for later consideration. However, limitations of Japanese industrial capacity to be maintained during the occupation are relevant, and certain proposals are accordingly put forward.

25. It is not anticipated that Japan will again be allowed to own or operate primary war industries. Restoration of these industries should, therefore, be prohibited. The total elimination of primary war industries in turn will destroy the raison d'etre of secondary war industries, which existed only to supply these primary war industries. However, a prohibition against types of facilities employed in secondary war industries would be unworkable, since these facilities are essentially the same as those used for the production of civilian goods of like character. In so far as restrictions are imposed on industries classed here as "war-supporting", they will apply equally to similar facilities formerly organized as secondary war facilities.

26. Any war-supporting industries whose capacity is to be limited after the period of the occupation should certainly be subjected to capacity limitations throughout the occupation. What permanent limitations may be imposed at a later date is for future decision. In the meantime, it is proposed that residual capacities left after completion of the removals program

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recommended in this paper should be regarded as capacity ceilings for the duration of the occupation in the following: oil refining, iron and steel, light metals, metal working machinery, synthetic rubber, shipbuilding, and the merchant marine. It is believed that such direct restrictions on industrial capacity or production as are deemed essential should be confined within the list of industries itemized above.

Research as War Potential

27. The increasingly technical character of modern warfare enhances the importance of research as an element of any rearmament program. Restrictions on research, although an essential part of any disarmament program, have not been dealt with in this paper because they have already been provided for in the United States Government's "Basic Directive for Post-Surrender Government in Japan Proper", and in corresponding directives and actions by SCAP. The Basic Directive calls for elimination of research with other than peaceful uses or purposes. Under the terms of this Directive SCAP has closed all research institutions, except those considered necessary to the purposes of the occupation, and has permitted the resumption of only those forms of study and research which have an obviously peaceful purpose, under regulations which: (a) define the specific type of research permitted, (b) provide for frequent inspection, (c) require free disclosure of the results of the research, (d) impose severe penalties, including permanent closure of the offending institutions, whenever the regulations are violated. All forms of atomic research have been specifically banned, and appropriate measures taken to ensure compliance with this ban.

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OIC Nr: C 64312 20 August 1946

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MESSAGE CENTER

1946 AUG 23 PM 2 31

OFFICE OF INTERNATIONAL TRADE POLICY

894.60/8-2046

Section two of operations report Japan.

Part 1. Ministry of Commerce and Industry reports fertilizer production for July listed by number of approved plants and productions in metric tons. Ayrnalsn sulphate 17, 38,393 and calcium cyanamide 9, 18,060 metric tons.

Following is monthly forecast of woolen and worsted yarn production listed respectively by Japan Textile Association August 1946 through June 1947 in thousands of pounds: 827, 2,454; 856, 2637; 991, 2684; 1039, 2884; 1104, 2922; 1257, 3098; 1360, 3200; 1456, 3295; 1660, 3510; 1765, 3625; and 1870, 3703.

DEPARTMENT OF STATE MAISON OFFICE OCT 4 1946

Efforts being made to have coal and other scarce items diverted from woolen to worsted production to get worsted yarn production above 2,000,000 pounds per month as soon as possible; thus taking maximum advantage of Australian woolen program which contemplates exports of worsted yarn and fabrics from Japan in return for Australian raw wool.

SCAP instructed Japanese government to take delivery of 5479 long tons of subsistence stocks arriving 16 August on Kenyon Victory.

Average coal

CM IN 4545 (21 Aug 46)

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20 August 1946

Average coal production per working day rose to 65,000 metric tons first 10 days August. Total coal produced during 8.7 days worked, 565,000 tons. Bon festival occurs during second period in August and expected coal production only 499,000 tons.

Stockpiles (approximately 30 percent available) reduced to 987,500 metric tons. Total number of employees rose to 325,075, increase of 739 over last period, and absenteeism remained 15 percent.

Part 2. Sub-committee of government sponsored council of law and judiciary prepared revision of civil code designed to reorganize Japans feudal family system, to be submitted to council this week.

Plan adopted by committee despite stubborn opposition by some members who contended abolition of traditional system would jeopardize public welfare.

Committee recommends abolition of right of primogeniture and accords to children of both sexes equal rights of inheritance, except illegitimate children whose rights would be half those of legitimate offspring. Wife accorded legal rights equal to her husband. It also provided family properties should be divided equally between husband and wife. Modification of marriage laws also proposed, all males over 18 and females over 16 being permitted to marry without parental consent.

Justice Minister

CM IN 4545

(21 Aug 46)

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From: GHQ SCAP, Tokyo, Japan

Nr : C 64312

20 August 1946

Justice Minister Tokutaro Kimura 19 Aug urged nations chief procurators and heads of all appeal courts to take every precaution to safeguard peoples rights in performance of their duties. He insisted every effort to be made to expedite examination of suspected criminals and speed their trials and warned, against prolonged unnecessary detention of suspects. Kimura also outlined judicial policy concerning violations expected to occur following promulgation of financial and economic regulations.

Part 3. Tokyo press coverage of first anniversary of Japanese defeat was as thorough as that accorded any single event since beginning of occupation. Lengthy editorials and feature articles were devoted to progress of the "New Japan" and some papers used occasion to double usual two page editions. Dominant theme was insistence that Japan is grateful to Allies -- particularly United States -- for "understanding and generosity." Unequivocal praise bestowed upon SCAP policy in general and General of the Army MacArthur in particular. There was agreement that Japanese have taken preliminary steps toward democracy but many writers dwelt on "moral degradation" and "bewilderment" which retard faster progress. Several journals opposed to Yoshida cabinet took opportunity to renew attacks on "reactionary forces still in control."

Asahi said, "General MacArthur's feeling of deep sympathy for Japanese has conquered their hearts. Without that feeling, no matter how effectively Emperor and Japanese government machinery were utilized, it would have

been impossible

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From: GHQ SCAP, Tokyo, Japan

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20 August 1946

been impossible to have accomplished great events to date. A situation has been brought about by which government can no longer ignore strength of people. This might be termed greatest part of General MacArthur's achievement." According to Jiji Shimpō, "Japan must confess frankly that it has learned more in past year than could have been learned ordinarily in several decades. To our great satisfaction, Japan is occupied and supported by United States. Japan must follow as many examples of America as possible. It was great mistake to have made reckless and outrageous war, but it is fortunate for Japan to have been defeated by United States." Mainichi believed that "astonishing progress has been made in creating a democratic state, but this has been due almost entirely to SCAP. We must reconstruct spirit of the people fact that there is no negative attitude toward democracy as in Germany after last war, tells us that victory of General MacArthur is unprecedented in history".

Nippon Keizai though "thoroughly defeated nation is unavoidably doomed to go through stages of apathy and bewilderment. More keenly we feel errors and crimes of aggressive war, more hope we have for revival of peaceful state and prosperous world economy." SCAP directives were considered by Yomiuri to be "full of wisdom, conscience and earnestness" and release of food showed "warmth and sympathy no defeated country could expect. We must frankly recognize that we are still in state of stupefaction, but at least we have made progress in one year".

Tokyo Shimbani

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(21 Aug 46)

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From: GHQ SCAP, Tokyo, Japan

Nr : C 64312

20 August 1946

Tokyo Shimbani said "Borrowed democracy cannot be real one. Only when demand for constitutional law is placed before food can recovery and true democracy be expected", while Tokyo Times was "confident that our nation will attain place as respectable member of the family of nation".

Dai Ichj Shimbun declared that "people, who had thought surrender shameful, are now discovering a new life". Left Wing Minpo and the Communist organ, Akahata, led minority charge that present administration had reduced potency of SCAP directives and latter asserted that "reactionary" influences had regained power since beginning of occupation.

Part 4. Nil.

End.

ACTION: CAD
INFO : AAF
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(21 Aug 46)

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Reproduction of a War Dept message passed to State for info.

PPM

CONFIDENTIAL

STANDARD FORM NO. 64

334 SWNCC 236/19
334 SWNCC 302
JK

Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H Mr. Gross

DATE: September 6, 1946

FROM : A-H Mr. Frank

SUBJECT: JK Memorandum Relating to a Proposed FEC Statement of Policy on the Selection of Plants for Reparations, Removals, Destruction or Retention in Japan.

In their memorandum JK requests guidance and support for the US Member of FEC in respect to an FEC redraft of a proposed statement of policy on the selection of plants for reparations, removals, destruction, or retention in Japan, to be used in lieu of Paragraph 5D sic (8D) of SWNCC 302 and in lieu of paragraph 11 of SWNCC 236/19.

The FEC proposed statement has been prepared because of strong dissatisfaction expressed by Chinese representatives on the Economic and Financial Committee and on the Reparations Committee, to the effect that the interests of reparations claimants for new and technologically efficient equipment are not adequately protected. An FEC ad-hoc sub-committee with membership both from the Economic Committee and the Reparations Committee of FEC was constituted and the proposed draft policy results from the ad-hoc committee.

Since Paragraph 5D sic (8D) of SWNCC 302 has been overtaken by events in that SWNCC 302 and SWNCC 236/19 were approved almost simultaneously by SWNCC, SCAP has not been furnished with lists of reparations claimants' preferences for specific plants. Paragraph 5D 2 sic (8D 2) in effect is inoperative and the FEC proposed statement of policy combines the present pertinent elements of the two paragraphs cited above.

In my opinion acceptance of this draft statement is well within the latitude of discretion intended by SWNCC in authorizing SWNCC 302 and SWNCC 236/19 for negotiation.

It is recommended that the US Member should accept the draft statement.

Para 3b of proposed FEC statement might be construed as authorizing the FEC to give "... due regard to geographical location of individual plants ..." etc. This was brought to attention of JK which maintains that the context is clearly industrial, even in limits of FEC and that there is no question that SCAP shall effect selections, in addition para 3b was submitted in first instance as US proposal and that they would very reluctantly now seek another change and, in addition, JK (Hodge) does not believe a change warranted.

A-H:JAFrank;hjh

*See FEC
CI-010, 28 Aug 46*

894-60/9-646
949-6/09-768

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - Mr. Gross

FROM : JK - Mr. Martin and Mr. Hodge
6119

SUBJECT:

DATE: August 29, 1946

In the Industrial Disarmament paper (SWNCC 302, Section 5(d) on "Plant Selections" provided certain criteria as a guide to SCAP in selecting specific plants for reparations removals. Similar provisions are incorporated in paragraph 11 of the Assured Capacity paper (SWNCC 236/19) except that the phraseology is slightly different and deals with retentions rather than removals. Copies of these provisions are attached for your ready reference.

The Chinese representatives on the Economic and Financial Committee and on the Reparations Committee of the FEC have expressed strong dissatisfaction with these provisions on the ground that the interests of reparations claimants are not, in their view, adequately protected thereby. In substance they proposed that in all industries subject to reparations removal, the most modern and efficient equipment be made available for reparations; and that representatives of claimant nations be allowed to inspect all industrial facilities before SCAP made selections of facilities either for retention or removal. In this, they have been supported in whole or in part by some of the other claimant nations.

Since the questions raised by the Chinese, and by some of the other representatives, involved matters not entirely within the competence of either the Economic Committee or the Reparations Committee, it was decided to delete paragraph 5(d) and 11 (supra); and that an ad hoc subcommittee with membership drawn from both committees should be constituted, with the Chinese Member as Chairman, to consider the entire subject, particularly the objections to the U.S. position, and to report a draft policy statement in lieu of the paragraphs in question.

Attached is the draft policy statement finally worked out by the ad hoc subcommittee, provisionally agreed to by all members (representing the Chinese, UK, NEI and US Government) but with each member reserving the right of his government to reject it at the Committee level.

Comparison of the draft with the original provisions of paragraph 5(d) of the Industrial Disarmament paper, and paragraph 11 of the Assured Capacity paper is as follows:

Prefatory

A-H-98

- 2 -

Prefatory language
of draft:

in essence, similar to intent of both paragraph 5(d) and paragraph 11, except that it is broadened to include destruction, retention, and removals as reparations, in a single prefatory statement.

Provision 1 of draft -
Security Requirements:

Identical with the intent of paragraph 5(d)(1) and paragraph 11(a).

Provision 2 of draft -
Control of Zaibatsu:

Same as paragraph 5(d)(3) and paragraph 11(b) except for language change to conform to directive sent to SCAP (FEC 059/9).

Provision 3. (a) and
(b) of draft - Equitable
Balance between Desires
of Reparations Claimants
and Needs of Japanese
Economy:

Draft establishes policy that "consideration should be given" (by SCAP) to making a fair distribution of best equipment between reparations on the one hand and retention in Japan on the other! This is in substitution for paragraphs 5(d)(2) and 5(d)(4) in the Disarmament paper; and would be, in effect, an addition to paragraph 11(c) in the Assured Capacity paper.

It should be explained that the intent of Paragraph 5(d)(2), when that paragraph was first drafted, was to give reparations claimants a chance to specify which plants they preferred, prior to any selection by SCAP; and SCAP was to give consideration to these preferences as one of the criteria applicable to plant selection. However, paragraph 11 of the Assured Capacity paper, which was drafted subsequently, omitted this provision since that paper dealt with retentions rather than removals; and it was expected that prior action would have been taken on

the

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- 3 -

the Disarmament paper, and that SCAP would be in possession of the list of preferences of reparations claimants as provided in paragraph 5(d)(2) of the latter paper.

Since both documents were approved by SWNCC almost simultaneously after considerable delay, the practical effect is that SCAP has not been furnished lists of preferences for specific plants, and as matters now stand, would have to make a selection of plants to be retained under the Assured Capacity Program without formal reference to the desires of the reparations claimants. This tends to confuse the whole question of the present force and meaning of paragraph 5(d)(2) - at least in the minds of the Committee Members of the FEC. The draft attempts to clarify this situation. In effect, it says that since it is not now practicable for reparations claimants to make their desires for specific plants known to SCAP before he makes selections for retention, they are now making known their general desires as one of the guides he should consider.

In order that these general desires of reparations claimants will not be inconsistent with the U.S. position of assuring that adequate capacity remains for the peaceful needs of the Japanese people (as provided in paragraph 5(d)(4) and 11c), the draft specifically covers this point by providing that SCAP should give consideration to designating a fair proportion of the best plants for retention in Japan (paragraph 3(b) of the draft).

It is felt that this draft represents the least possible concession to claimant countries that can be made with any chance of acceptance at the committee level; and that in fact it strengthens rather than weakens the US position in that it accepts the principal points toward which US policy has been directed, viz.,

security

A-11-98

- 4 -

security, dissolution of Zaibatsu control, and the retention of industrial capacity of a kind and size adequate to the peaceful needs of the Japanese people. While it requires that "consideration should be given" to the general preferences of reparations claimants as balanced against the needs of the Japanese for the same plants and equipment so as to strike a fair qualitative balance between reparations and retentions, it leaves to SCAP the actual determination as to which specific plant removals and which specific plant retentions would constitute a "fair and equitable balance." At the same time it should be clearly recognized that it imposes a moral obligation not to leave to Japan any greater proportion of the best industrial equipment than is actually necessary to meet the peaceful needs of her people.

JK believes that in view of the foregoing, acceptance of the draft by the US Member (including further modification to permit representatives of claimant nations to inspect plants in Japan subject to such conditions as are agreeable to SCAP) would be well within the discretion permitted him by SWNCC in approving the Industrial Disarmament paper. Since paragraph 5(d) of that paper covers in substance all the provisions of paragraph 11 of the Assured Capacity paper, a modification of the former would logically require a corresponding modification of the latter. However, before taking a position in the FEC on behalf of the US with respect to the draft, we would appreciate General Hilldring's views on the matter, and particularly his opinion as to whether or not acceptance by the US Member of the draft in lieu of paragraphs 5(d) and 11 would be within the latitude of discretion which SWNCC intended.

62H
JK:CLHodge:jph

A-H-98

Excerpt

11. Selection of Facilities.

Among the principles to govern the selection of facilities for retention under this program should be the following:

a. Security considerations, which indicate that certain facilities have been less directly associated with military production in the past and have less potential for conversion to war purposes in the future than others.

b. Occupation policies looking toward the destruction of Zaibatsu wealth and influence, and towards the encouragement of new industrial ownership and management which will contribute to economic rehabilitation in a manner consistent with the purposes of the occupation.

c. The needs of the Japanese economy embracing such factors as geographical location of individual plants with respect to markets, raw materials, man power, power supply, and complementary facilities; and variation in specific products as among types, sizes, and other variable characteristics.

A-H-98

COPY

8? 5d. Plant Selections

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 the ^{industrial} economic 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.

A-4-98



UNITED STATES POLITICAL ADVISER FOR JAPAN

M
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Tokyo, September 5, 1946.

k-ret sup
DEPARTMENT OF STATE
DIVISION OF JAPANESE AFFAIRS
REPORTING SERVICES
SEP 23 1946
OFF

RESTRICTED

592

DIVISION OF JAPANESE AFFAIRS
SEP 24 1946
DEPARTMENT OF STATE

SUBJECT: Reparations Selections Within Japanese Industry.

The United States Political Adviser for Japan has the honor to enclose five copies each of eight directives dated August 13 and August 14, 1946, from the Supreme Commander for the Allied Powers to the Imperial Japanese Government on the subject of reparations selections from the following Japanese industries:

- Soda Ash and Caustic Soda Industries
- Iron and Steel Industry
- Steam-Electric Power Generating Plants
- Sulphuric Acid Industry
- Machine Tool Industry
- Privately-Owned Munitions Plants
- Shipbuilding Industry
- Precision Bearing Industry

894.60

894.60/9-546

XP
740.0017 F.W.

ACTION
JA
COPIES
TO:
CP

The directives, numbered from SCAPIN 1129 to 1136, inclusive, notify the Japanese Government that industries listed therein are taken into the custody and control of the Supreme Commander for the Allied Powers and are subject to removal under the interim reparations program. Attached to each directive enclosed is a memorandum (not sent to the Japanese Government) of information and application pertaining to the subject of reparations and general

ED
IR
JK

Enclosures:

Five copies each of SCAPIN 1129-1136, inclusive.

attached FR 9/23

DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS
DEPARTMENT OF STATE

JAN 22 1947

DIVISION OF INVESTMENT AND ECONOMIC DEVELOPMENT
NOV 5 1946
DEPARTMENT OF STATE

ECONOMIC AFFAIRS
DEPARTMENT OF STATE

SEP 25 1946

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CS/A

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APD 500
13 August 1946

AG 387.6 (13 Aug 46) ESS/IN
(SCAPIN - 1129)

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT.

THROUGH : Central Liaison Office, Tokyo.

SUBJECT : Reparations Selections Within the Soda Ash
and Caustic Soda Industries.

1. The Imperial Japanese Government is notified that all plants, installations and facilities designated on the attached list are hereby taken into custody and control of the Supreme Commander for the Allied Powers.

2. This list designates plants subject to removal under the interim reparations program. These plants may be operated temporarily for the production of essential consumer goods in accordance with instructions from Commanding General, Eighth United States Army. In all cases whether or not operations are permitted to continue in the listed plants, such measures will be taken as are necessary to insure proper protection, maintenance and safeguarding of equipment.

3. There will be made available to the Commanding General, Eighth United States Army, all personnel, equipment and supplies deemed necessary by him for the establishment of proper custody, control and protective maintenance.

4. Within seventy-two (72) hours of the receipt of this memorandum, the Imperial Japanese Government will have qualified representatives report to the Commanding General, Eighth United States Army, to receive detailed instructions to accomplish the purpose of this memorandum.

5. Provisions of this memorandum shall not be construed to preclude immediate shut down and removal of specific plants that may be designated by subsequent memoranda.

FOR THE SUPREME COMMANDER:

1 Incl:
List of Soda Ash and
Caustic Soda Plants

A. J. Rehe
J. B. Cooley
JOHN B. COOLEY,
Colonel, AGD,
Adjutant General.

7-W. 894,60/9-646
enc. 1 dup. 592 from Tokyo

(Incl. files)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
13 August 1946

AG 387.6 (13 Aug 46) ESS/IN
(SCAPIN - 1129)

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT.

THROUGH : Central Liaison Office, Tokyo.

SUBJECT : Reparations Selections Within the Soda Ash
and Caustic Soda Industries.

1. The Imperial Japanese Government is notified that all plants, installations and facilities designated on the attached list are hereby taken into custody and control of the Supreme Commander for the Allied Powers.

2. This list designates plants subject to removal under the interim reparations program. These plants may be operated temporarily for the production of essential consumer goods in accordance with instructions from Commanding General, Eighth United States Army. In all cases whether or not operations are permitted to continue in the listed plants, such measures will be taken as are necessary to insure proper protection, maintenance and safeguarding of equipment.

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4. Within seventy-two (72) hours of the receipt of this memorandum, the Imperial Japanese Government will have qualified representatives report to the Commanding General, Eighth United States Army, to receive detailed instructions to accomplish the purpose of this memorandum.

5. Provisions of this memorandum shall not be construed to preclude immediate shut down and removal of specific plants that may be designated by subsequent memoranda.

FOR THE SUPREME COMMANDER:

1 Incl:
List of Soda Ash and
Caustic Soda Plants

John B. Cooley
JBC
JOHN B. COOLEY,
Colonel, AGD,
Adjutant General.

7-W. 894.60/9-646
copy of dup 592 from Tokyo

(Incl. files)

LIST OF SODA ASH AND CAUSTIC SODA PLANTS
TO BE TAKEN INTO CUSTODY AND CONTROL

1. Soda Ash

<u>Company</u>	<u>Location</u>	
	<u>City</u>	<u>Prefecture</u>
Toyo Soda K.K.	Tokuyama	Yamaguchi

2. Caustic Soda

Teikkoku Magnesium K.K. (Nisshin penka) (Sakata)	Sakata	Yamagata
Showa Denko K.K. (Hirota)	Hirota	Fukushima
Nippon Soda K.K. (Takaoka)	Takaoka	Toyama
Toa Gosei Kagaku Kogyo K.K. (Fushiki)	Fushiki	Toyama
Nippon Soda K.K. (Nihongi)	Nakago	Niigata
Kanto Denka Kogyo K.K. (Shibukawa)	Shibukawa	Gunma
Nissan Kagaku Kogyo K.K. (Oji)	Tokyo	Tokyo
Asahi Denkakogyo K.K.	Tokyo	Tokyo
Toa Gosei Kagaku Kogyo K.K. (Nagoya)	Nagoya	Aichi
Mitsubishi Kasei Kogyo K.K. (Yodogawa)	Osaka	Osaka
Toyo Sodakogyo K.K. (Tomita)	Tokuyama	Yamaguchi
Toa Gosei Kagaku Kogyo K.K. (Sakaide)	Sakaide	Kagawa
Sumitomo Kagaku Kogyo K.K. (Niihama)	Niihama	Ehime

FWD-2

Inclosure #1 to SCAPIN 1129

LIST OF SODA ASH AND CAUSTIC SODA PLANTS
TO BE TAKEN INTO CUSTODY AND CONTROL (CONT'D)

2. Caustic Soda (Cont'd)

<u>Company</u>	<u>Location</u>	
	<u>City</u>	<u>Prefecture</u>
Mitsui Kagaku Kogyo K.K. (Miike)	Omuta	Fukuoka
Nitchitsu Kagaku Kogyo K.K. (Asahi Kasei) (Nobeoka)	Nobeoka	Miyazaki

Plants Under Construction

Nippon Soda K.K. (Kyushu)	Karitamachi	Fukuoka
Riken Kinzoku K.K. (Ube)	Ube	Yamaguchi
Toa Gosei Kagaku Kogyo K.K. (Takaoka)	Takaoka	Toyama

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500

13 August 1946

Information of General Application pertaining to Directive Number (SCAFIN-1129, file AG 387.6 (13 Aug 46) ESS/IN dtd 13 August 1946, subject: "Reparations Selections within the Soda Ash and Caustic Soda Industries."

1. With reference to memorandum Number (SCAFIN-1129), from the Supreme Commander for the Allied Powers to the Imperial Japanese Government, the following is published for the information of all concerned.
2. The purpose of issuing the attached letter to the Imperial Japanese Government and accompanying letter to the Commanding General, Eighth United States Army is to insure availability for interim reparations removals of listed facilities in the best possible condition.
3. Seized facilities should be permitted to operate in order to prevent any temporary disruption of the production of the important demand items which these plants can manufacture. However, plants which will remain under Japanese control have ample capacity for these products, and existing shortages result from the lack of raw materials. To avoid unnecessary transfer of materials between plants, the seized plants should be allowed to process existing stocks of raw materials, but should not obtain new raw materials except in very exceptional cases. It is estimated that all designated plants should be shut down within three months.
4. Removal of factory facilities not a part of the Soda Ash and Caustic Soda Industries should not be discouraged, as this may be required as part of the shift away from use of the seized plants.
5. It is emphasized that when any of this equipment is shut down the Japanese should be required to take special precautions to avoid damage which may result from corrosive action of some of the material handled in the equipment. The units should be thoroughly purged of all corrosive gases before disassembly, and corrosive materials should be carefully removed before packaging of the equipment.
6. A letter of command instructions pertaining to the execution of the subject memorandum follows through command channels.



R. G. HERSEY
Lt Col, AGD
Asst Adj Gen

Distribution same as (SCAFIN - 1129)
less Imperial Japanese Government.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERSAG 387.6 (13 Aug 46) ESS/IN
(SCAFIN - 1130)APO 500
13 August 1946

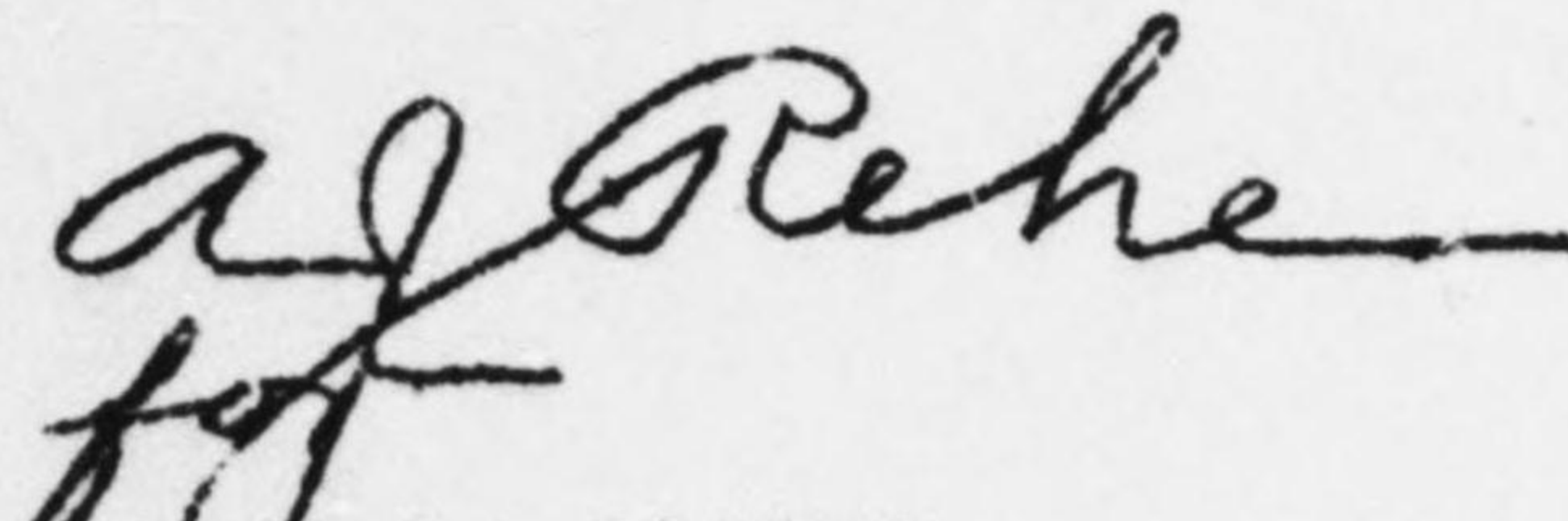
MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT.

THROUGH : Central Liaison Office, Tokyo.

SUBJECT : Reparations Selections Within the Iron and Steel Industry.

1. The Imperial Japanese Government is notified that all iron and steel producing plants on the attached list are hereby taken into custody and control of the Supreme Commander for the Allied Powers.
2. This list designates plants subject to removal under the interim reparations program and is not to be construed as complete or final. These plants will be shut down, or will be permitted to continue operation on completion of orders now unfilled, in accordance with instruction from Commanding General, Eighth United States Army. In all cases, whether or not operations are permitted to continue in the listed plants, such measures will be taken as are necessary to insure proper protection, maintenance, and safe-guarding of equipment.
3. There will be made available to the Commanding General, Eighth United States Army, all personnel, equipment and supplies deemed necessary by him for the establishment of proper custody, control and protective maintenance.
4. Within seventy-two (72) hours of the receipt of this memorandum, the Imperial Japanese Government will have qualified representatives report to the Commanding General, Eighth United States Army, to receive detailed instructions to accomplish the purpose of this memorandum.
5. Provisions of this memorandum shall not be construed to preclude immediate shut down and removal of specific plants that may be designated by subsequent memoranda.

FOR THE SUPREME COMMANDER:


JOHN B. GOOLBY,
Colonel, AGD,
Adjutant General.1 Incl:
List of Iron and Steel Plants

IRON AND STEEL PLANTS TO BE PLACED IN CUSTODY

<u>ISLAND OR PREFECTURE</u> <u>Name of Company</u>	<u>Plant Name</u>	<u>Plant Address</u>	<u>Remarks</u>
<u>HOKKAIDO</u>			
Nippon Seitetsu K.K. (Japan Iron Mfg Co.)	Wanishi	12, Wanishimachi, Muroran City.	400,000 met- ric tons of blast furnace annual capac- ity available for repara- tions. Bal- ance of faci- lities to be retained.
Nihon Seikosho K.K. (Japan Steel Works)	Muroran	Chatsumachi Muroran City.	
<u>TOKYO PREF.</u>			
Otani Kogyo K.K. (Otani Heavy Ind. Co.)	Haneda	1350, 1-chome, Haneda Kamata-ku	
Tokushu Seiko K.K. (Special Steel Mfg Co.)	Kanata	35, 2-chome, Minami- rokugo, Kanata-ku.	
Azuma Seikosho K.K. (Azuma Steel Works Co.)	Azuma	93, Higashi, 4-chome, Azuma-cho, Mukojima-ku.	
Azuma Seikosho K.K. (Azuma Steel Works Co.)	Sumamachi	455, 6-chome, Minami- Sunamachi, Joto-ku.	
Azuma Seikosho K. K. (Azuma Steel Works Co.)	Senjyu	1, Akebonocho, Senjyu Adachi	
Tokyo Seitetsu K.K. (Tokyo Iron Mfg Co.)	Senjyu	46, Senjyu, Sekiyoshi, Adachi-ku.	
Toto Seiko K. K. (Toto Steel Mfg Co.)	Sunamachi	2470, 9-chome, Minami Sunamachi, Joto-ku.	
<u>KANAGAWA PREF.</u>			
Nippon Seitetsu K.K. (Japan Iron Mfg Co.)	Fuji	2244, Daishigawara, Kawasaki City.	
<u>OSAKA PREF.</u>			
Nakayama Seiko K. K. (Nakayama Steel Mfg Co.)	Funamachi	3, Funamachi Taisho-ku.	
Osaka Seiko K.K. (Osaka Steel Mfg Co.)	Nishijima	91, Nishijima-cho, Nishiyodogawa-ku.	
Daido Seiko K.K. (Daido Steel Mfg Co.)	Osaka	453, Nakajima-cho Nishiyodogawa-ku.	

(INCL TO SCAPIN-1130)

<u>ISLAND OR PREFECTURE</u>	<u>Name of Company</u>	<u>Plant Name</u>	<u>Plant Address</u>	<u>Remarks</u>
<u>OSAKA PREF. (Cont'd)</u>				
	Yamato Seiko K.K. (Yamato Steel Mfg Co)	Osaka	309, Tsumorimachi, Nishinari-ku.	
	Fuso Kinzoku Kogyo K.K. (Fuso Metals Industry Co)	Wakayama	1850, Minato Wakayama City.	
<u>HYOGO PREF.</u>				
	Nakayama Seiko (Nakayama Steel Mfg Co.)	Amagasaki	8, Tsurumachi Amagasaki City.	
	Otani Kogyo K.K. (Otani Heavy Industries Co)	Amagasaki	31, Nishitakas-cho Amagasaki City.	
	Nippon Seitetsu K.K. (Japan Iron Mfg Co.)	Hirohata	2575, Hirohata-cho Shikama District, Hirohata City.	
	Osaka Seiko K.K. (Osaka Steel Mfg Co)	Amagasaki	Nakahamashinden Amagasaki City.	
<u>HIROSHIMA PREF.</u>				
	Nihon Seikosho K.K. (Japan Steel Works Co.)	Hiroshima	2186, Irikawa, Funakoshi-cho Aki District.	
<u>FUKUOKA PREF.</u>				
	Kokura Seiko K.K. (Kokura Steel Works Ltd) formerly Asano Jukogyo.	Kokura	1, Konomimachi Kokura City	
	Nippon Seitetsu K.K. (Japan Iron Mfg Co)	Yawata	814, Edamitsu Yawata.	1,150,000 metric tons of blast fur- nace, 1,250,000 metric tons of open hearth ingot, and 140,000 metric tons of electric steel ingot annual capacity available for reparations, balance to be re- tained.

Information of General application pertaining to Directive Number (SCAPIN-1130), file AG 387.6 (13 Aug 46) ESS/IN dtd 13 Aug 46 subject: "Reparations Selections within the Iron and Steel Industry."

1. With reference to memorandum Number (SCAPIN-1130), from the Supreme Commander for the Allied Powers to the Imperial Japanese Government, the following is published for the information of all concerned.
2. The purpose in issuing the attached letter to the Imperial Japanese Government and accompanying letter to the Commanding General, Eighth United States Army, is to insure availability for interim reparations removals of listed facilities in best possible condition.
3. The facilities within listed plants which may be considered suitable for reparations are all major units and auxiliary equipment except those units composed principally of masonry and which are not sufficiently enclosed in metal framework as to prevent loosening of the masonry during transportation to another site.
4. It is not contemplated that buildings which are part of plants taken under custody and control will be used for reparations or destroyed, except in special cases. Such cases may be those in which part of the building frame forms an overhead crane-way and the steel building skeleton can be easily dismantled for resetting. If any building, other than those likely to be dismantled, is requested by the Japanese and it can be used by them without jeopardizing the primary mission of safeguarding reparations equipment, it may be released to them.
5. The primary reason for allowing continued production in any of the listed plants is to meet the needs of the Occupation Forces and essential Civilian Economy. Insofar as possible all production in these plants should be arranged so as to reduce inventories of raw materials and semi-finished products to practicable working minimums so that shut-downs, when necessary for reparations removal, will have the minimum disruptive effect.
6. It is contemplated that the Japanese will furnish personnel and material required by you; that custodial personnel selected will be individuals previously employed in each factory who are familiar with its equipment and requirements for maintenance.
7. It is expected that the Japanese will perform proper maintenance of equipment to preserve it in good condition. Such maintenance is to include sufficient oiling and greasing, with necessary materials to be furnished by the Japanese Government when not available at the plant.
8. It is expected that a system will be established for spotchecking each installation periodically. When corrective action can be accomplished locally by conference it should be done. In cases of wilful violation or neglect, immediate report should be made through military channels.

BASIC: Information of General application pertaining to Directive Number
(SCAPIN -1130) ,file AG 387.6 (13 Aug 46)ESS/IN

9. A letter of Command instructions pertaining to the execution of
the subject memorandum follows through Command channels.

aj Rehe

R/G
R/G HERSEY
Colonel, AGD
Asst Adj Gen

(Distribution same as Memo to IJG
SCAPIN 1130, less Imperial Japanese
Government)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 387.6 (13 Aug 46) ESS/IN
(SCAPIN 1131)

APO 500
13 August 1946

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT

THROUGH : Central Liaison Office, Tokyo.

SUBJECT : Reparations Selections of Steam-Electric Power Generating Plants.

1. The Imperial Japanese Government is notified that all steam-electric generating plants designated on the attached list are hereby taken into custody and control of the Supreme Commander for the Allied Powers.
2. This list designates plants subject to removal under the interim reparations program.
3. There will be made available to the Commanding General, Eighth United States Army, all personnel, equipment and supplies deemed necessary by him for the establishment of proper custody, control and protective maintenance.
4. Within seventy-two (72) hours of the time of receipt of this memorandum, the Imperial Japanese Government will have qualified representatives report to the Commanding General, Eighth United States Army, to receive detailed instructions to accomplish the purpose of this memorandum.
5. The Imperial Japanese Government will take action to stop immediately all removals of machinery and equipment from the plants, installations and facilities. No removals will be permitted without specific authority from the Commanding General, Eighth United States Army. Any equipment that has already been removed and is essential to the functioning of the plant must be returned or replaced without delay. Instructions for inventories of machinery and equipment to be made within the listed installations will be issued at a later date. All records and technical data pertaining to the machinery and equipment, including, manufacturers instruction books, arrangement drawings, detailed drawings, and operating instructions must be preserved and made readily accessible.

BASIC: Memo to IJG, AG 387.6 (18 Aug 46)ESS/IN, (SCAPIN-1131), Subject: "Reparations Selections of Steam-Electric Power Generating Plants," dated 13 August 1946.

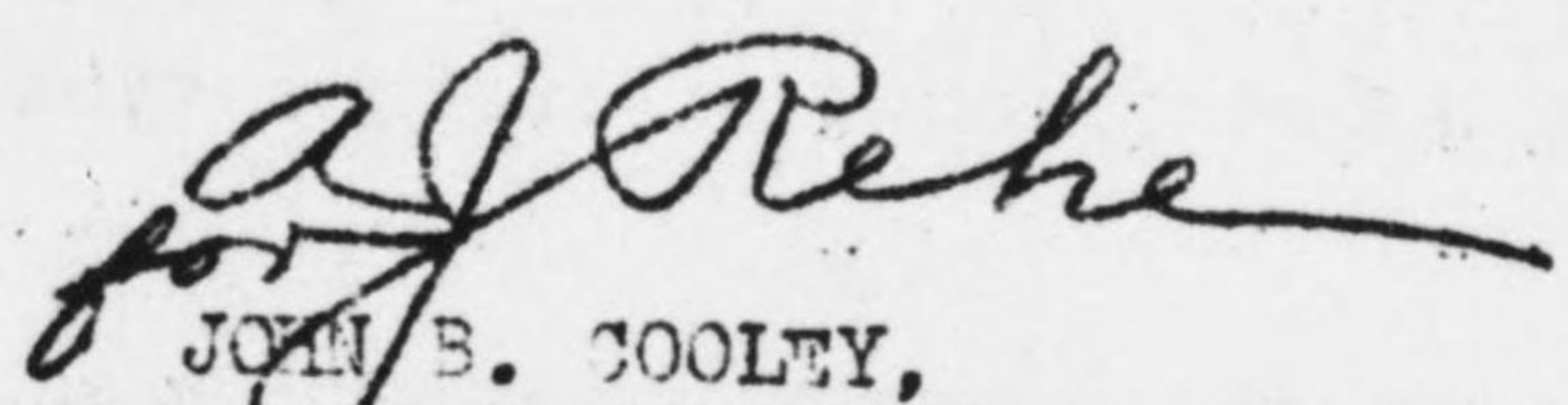
6. Within 60 days of the date of this memorandum, each plant on the attached list must be prepared and held ready for immediate shut-down, if so ordered by General Headquarters, Supreme Commander for the Allied Powers. The Imperial Japanese Government will promptly take all steps necessary to rearrange the dispatching of power load in the area served by these plants so that the essential power demands of the areas will not be dependent on them. If specific plants cannot be brought to this state of readiness within the 60 day period, a written report covering each plant shall be submitted to the Commanding General, Eighth United States Army within 30 days from the date of this directive, outlining the difficulties involved including a proposed plan for rearranging the load distribution and the date on which this readiness will be accomplished.

7. In plants where construction is not complete, work will be continued until adequate protection has been provided for the machinery and equipment already installed. Wherever possible, you will endeavor to expedite and accept delivery of machinery or equipment needed to complete the plant at the site of construction. A report on undelivered purchase orders required to complete the plant will be prepared for submission on request.

8. Provisions of this memorandum shall not be construed to preclude immediate shut down and removal of specific plants that may be designated by subsequent memoranda.

FOR THE SUPREME COMMANDER:

1 Incl:
List of Power Plants


JOHN B. COOLEY,
Colonel, AGD,
Adjutant General.

Inclosure 1POWER PLANTS TO BE REMOVED FOR REPARATIONS

<u>NAME OF OWNER</u>	<u>NAME OF PLANT</u>	<u>LOCATION</u>	<u>CAPACITY</u>
Nippon Hassoden (KK)	Ebetsu	Hokkaido, Sapporo-gun, Ebetsu-machi, Tsugari	37,500
Nippon Hassoden (KK)	Tsurumi	Kawasaki-shi, Ookawa-cho, 3, Kanagawa-ken	178,500
Nippon Hassoden (KK)	Shimizu	Shizuoka-ken, Shimizu-shi, Miho-kaijima	20,000
Nippon Hassoden (KK)	Meiko	Aichi-ken, Nagoya-shi, Minato-ku, Isshu-cho	138,000
Nippon Hassoden (KK)	Toyama	Toyama, Toyama-shi, Nakajima-Umemichiwari, 6	10,000
Nippon Hassoden (KK)	Miyazu	Kyoto-fu, Yosa-gun, Miyazu-cho	13,000
Nippon Hassoden (KK)	Ajikawa	Osaka-shi, Fukushima-ku, Shimo-Fukushima 5-7	16,000
Nippon Hassoden (KK)	Sanban	Jodo-gun, Sanban-mura, Enami, 234 -Okayama-ken	51,500
Nippon Hassoden (KK)	Matsue	Shimane, Matsue-shi, Higashi-tsuda-cho	14,000
Nippon Hassoden (KK)	Saka	Aki-gun, Saka-mura 3293, Hiroshima-ken	64,200
Nippon Hassoden (KK)	Ube-Nishi	Ube-shi, Okinoyama- Umetatechi, Yamaguchi-ken	14,000
Nippon Hassoden (KK)	Onoda	Onoda, Onoda-shi, Okinoyama-Tankoumetatechi, Yamaguchi-ken	10,000
Nippon Hassoden (KK)	Tokushima	Imabiraki Komatsujima-cho, Katsura-gun, Tokushima-ken	10,000
Nippon Hassoden (KK)	Saijo	Kitagawa, Saijo-shi, Ehime-ken	32,000
Nippon Hassoden (KK)	Tobata	Tobata-shi, Nakabaru, Sakinohama, 46, Fukuoka	133,000

Inclosure No. 1 to (SC/APIN-1131)

POWER PLANTS TO BE REMOVED FOR REPARATIONS (Cont'd)

<u>NAME OF OWNER</u>	<u>NAME OF PLANT</u>	<u>LOCATION</u>	<u>CAPACITY</u>
Nippon Hassoden (KK)	Ainoura	Sasebo-shi, Hatanakamen, Tanakata, 165, Nagasaki-ken	64,500
Nippon Hassoden (KK)	Kizugawa	Osaka-shi, Sumiyoshi-ku, Shibaya-cho, 38 Osaka-fu	63,000
Nippon Hassoden (KK)	Minato	Oomuta-shi, Shin-minatomachi 1 Fukuoka-ken	116,000
Nippon Hassoden (KK)	Amagasaki #1	Amagasaki-shi, Suehiro-cho, 1-2, Hyogo-ken	318,000
Nippon Hassoden (KK)	Shikamako	Shikama-shi, Nakajima, 2985, Hyogo-ken	65,000

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500

13 August 1946

Information of General Application pertaining to Directive number (SCAPIN 1131), file AG 387.6 (13 Aug 46) ESS/IN dtd 13 August 1946, subject: "Reparations Selections of Steam-Electric Power Generating Plants."

1. With reference to memorandum Number (SCAPIN 1131), from the Supreme Commander for the Allied Powers to the Imperial Japanese Government, the following is published for the information of all concerned.

2. The purpose of issuing the referenced letter to the Japanese Imperial Government and the related letter to the Commanding General, Eighth United States Army, is to initiate the action necessary to prepare for ultimate removal of the subject steam-electric generating plants for interim reparations. Until such time as these plants are actually removed they must be properly maintained to prevent deterioration of the equipment.

3. The facilities of these power plants includes not only the equipment installed in the buildings but also yard equipment such as coal handling facilities, outdoor switchgear and transformers.

4. Removal of steam-electric power generating equipment cannot be accomplished without allowing an interval of time during which all necessary arrangements can be made to redistribute the power loads. This is to assure uninterrupted supply of electric power for essential demand without depending on the generating plants which have been selected for removal. Sixty days has been allowed for the readjustment period, although, in some cases, longer time may be necessary.

5. Essential electric power demand as used in the memorandum is defined as that which is required to supply the needs of the occupation forces and to supply normal civilian demands that affect the maintenance of the minimum economic welfare of the people.

6. Since the beginning of the occupation the Japanese Government and the Generating Companies have encouraged widespread use of electricity for the expressed purpose of utilizing surplus electric power to overcome shortages of coal and other fuels. They have encouraged, without any apparent limitation or plan, the installation of many inefficient make-shift salt manufacturing plants utilizing electric power for production of salt from sea-water. Many factories have electrified coal burning boilers and other industrial heating apparatus, while neither the Government authorities nor the operating companies took precautions to properly regulate such practices. Unlimited use of electricity for household cooking and heating has been permitted even where such practices were contrary to existing rules for controlling unsafe and disturbing uses of electric power. Such demands are abnormal when considering essential demands from a long range economic standpoint. Any practical use of surplus hydro-electric power to overcome shortages of other fuels can be justified. When hydro-electric power output is reduced during dry seasons, the use of steam generating facilities to supply electric power for the abnormal demands, that have developed since the beginning of the occupation, is not justified.

BASIC: Information of General Application pertaining to Directive Number (SCAFIN 1131), file AG 387.6 (13 Aug 46) ESS/IN.

These abnormal demands must not be interpreted as essential demand to justify indefinite need for or permanent retention of the subject power plants.

7. The directive does not intend to restrict the continued operations of these plants. The plants may continue to operate if necessary, however, when the actual date of removal has been decided, the plant must be ready for shut-down. By that time, the Japanese should have made arrangements to insure, by proper load dispatching, at all seasons the distribution of sufficient power to satisfy essential demands. The limited period of 60 days has been established by the directive in order that the Japanese will take direct and effective action to place the plants in a state of readiness for shutdown by the earliest possible date.

8. It is contemplated that the Japanese will furnish personnel and material required by you; that custodial personnel selected will be individuals previously employed in each factory who are familiar with its equipment and requirements for maintenance.

9. It is expected that the Japanese will perform proper maintenance of equipment to preserve it in good condition. Such maintenance is to include sufficient oiling and greasing, with necessary materials to be furnished by the Japanese Government, when not available at the plant.

10. It is expected that a system will be established for spot checking each installation periodically. When corrective action can be accomplished locally by conference, it should be done. In cases of wilful violation or neglect, immediate report should be made through military channels.

11. Of special importance is the preservation of all records pertaining to the construction and operation of these plants. Such things as foundation plans, arrangement drawings, detail drawings of the individual pieces of equipment, manufacturer's instruction books, operating instructions, records of past operation, and design data for the plant as a whole, will be invaluable during the process of dismantling and reerecting the plants. The same will be true of special instruments and tools which are required for operation and maintenance. The items of this nature located at the plants must be considered as a part of the facilities which are to be taken into custody and preserved.

12. Surveillance will be necessary to discourage replacement of experienced operating personnel with subsequent possible damage to equipment occasioned by personnel unfamiliar with the equipment.

13. A letter of command instructions pertaining to the execution of the subject memorandum follows through command channels.

Distribution same as (SCAFIN-1131), *for* R. G. VERSEY
less Imperial Japanese Government. Lt Col, AGD
Asst Adj Gen

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 387.6 (13 Aug 46) ESS/IN
(SCAPIN - 1132)

APO 500
13 August 1946

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT.

THROUGH : Central Liaison Office, Tokyo.

SUBJECT : Reparations Selections Within the Sulfuric Acid Industry.

1. The Imperial Japanese Government is notified that all contact sulfuric acid sets in plants designated on the attached list are hereby taken into custody and control of the Supreme Commander for the Allied Powers.

2. a. This list designates equipment subject to removal under the interim reparations program. This equipment may be operated temporarily for the production of essential consumer goods, and all necessary measures will be taken to prevent discrimination against the plants concerned in allocations of materials, working capital or labor. In all cases, whether or not the designated equipment is operated, such measures will be taken as are necessary to insure its proper protection, maintenance and safe-guarding.

b. In two plants removal of contact sulfuric acid sets is contemplated as follows:

- (1) Nissin Kagaku, Niihama plant, removal of 2 sets.
- (2) Toyo Koatsu, Sunagawa plant, removal of 1 set.

The entire contact sulfuric capacity of these two factories is to be taken into custody and control, but removal of more sets than indicated is not planned.

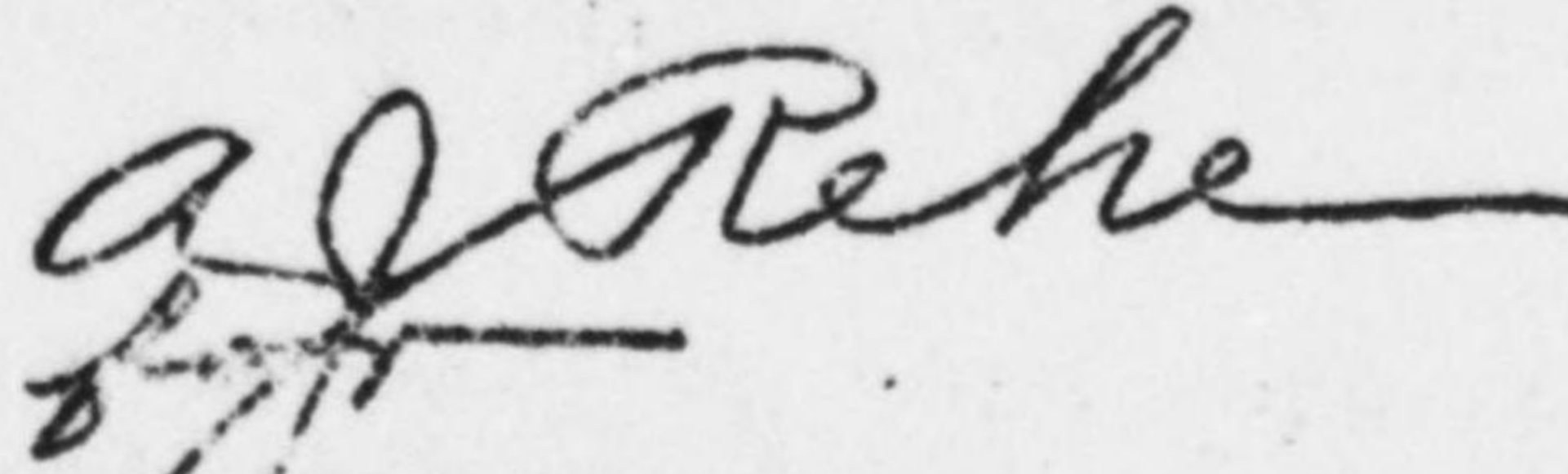
3. There will be made available to the Commanding General, Eighth United States Army, all personnel, equipment and supplies deemed necessary by him for the establishment of proper custody, control and protective maintenance.

4. Within seventy-two (72) hours of the receipt of this memorandum the Imperial Japanese Government will have qualified representatives report to the Commanding General, Eighth United States Army to receive detailed instructions to accomplish the purpose of this memorandum.

BASIC: Ltr, GHQ, SCAP, file AG 387.6 (13 Aug 46) ESS/IN, dtd 13 August 1946, subject: "Reparations Selections Within the Sulfuric Acid Industry."

5. Provisions of this memorandum shall not be construed to preclude immediate shut down and removal of specific plants that may be designated by subsequent memoranda.

FOR THE SUPREME COMMANDER:



JOHN B. COOLEY,
Colonel, AGC,
Adjutant General.

1 Incl:
List of Sulfuric Acid Factories

List of Factories with Sulfuric Acid Sets to be Taken into Custody and Control

<u>No.</u>	<u>Company</u>	<u>Factory</u>	<u>Location</u>
1	Nihon Seitetsu	Wanishi	Wanishi, Hokkaido
2	Toyo Koatsu	Sunagawa	Sunagawa, Hokkaido
3	Nitto Kokogyo	Fukuyama	Fukuyama, Fukushima
4	Niigata Ryusan	Ishiyama	Ishiyama, Niigata
5	Nippon Kagaku	Daini	Jyote, Tokyo
6	Hodogaya Kagaku	Oshima	Oshima, Tokyo
7	Showa Denko	Yokohama	Yokohama, Kanagawa
8	Nitto Kagaku	Nakagawa	Kameido, Tokyo
9	Hodogaya Kagaku	Tsurumi	Tsurumi, Kanagawa
10	Nissan Kagaku	Oji	Oji, Tokyo
11	Nihon Soda	Takaoka	Takaoka, Toyama
12	Nissan Kagaku	Nagoya	Nagoya, Aichi
13	Nihon Jukagaku	Amagasaki	Amagasaki, Hyogo
14	Nissan Kagaku	Osaka	Osaka, Osaka
15	Kanegafuchi Kogyo	Amagasaki	Amagasaki, Hyogo
16	Nihon Seitetsu	Hirohata	Hirohata, Hyogo
17	Toyo Reiyon	Shiga	Shiga, Shiga
18	Teikoku Kako	Owada	Owada, Osaka
19	Kansai Ryusan	Amagasaki	Amagasaki, Hyogo
20	Teikoku Kako	Osaka	Osaka, Osaka
21	Titan Hogyo	Ube	Ube, Yamaguchi
22	Konoshima Kagaku	Konoshima	Konoshima, Okayama
23	Nissin Kagaku	Niihama	Niihama, Ehime
24	Mitsui Kagaku	Miike	Kurosaki, Fukuoka

Inclosure #1 to (SCAPIN - 1132)

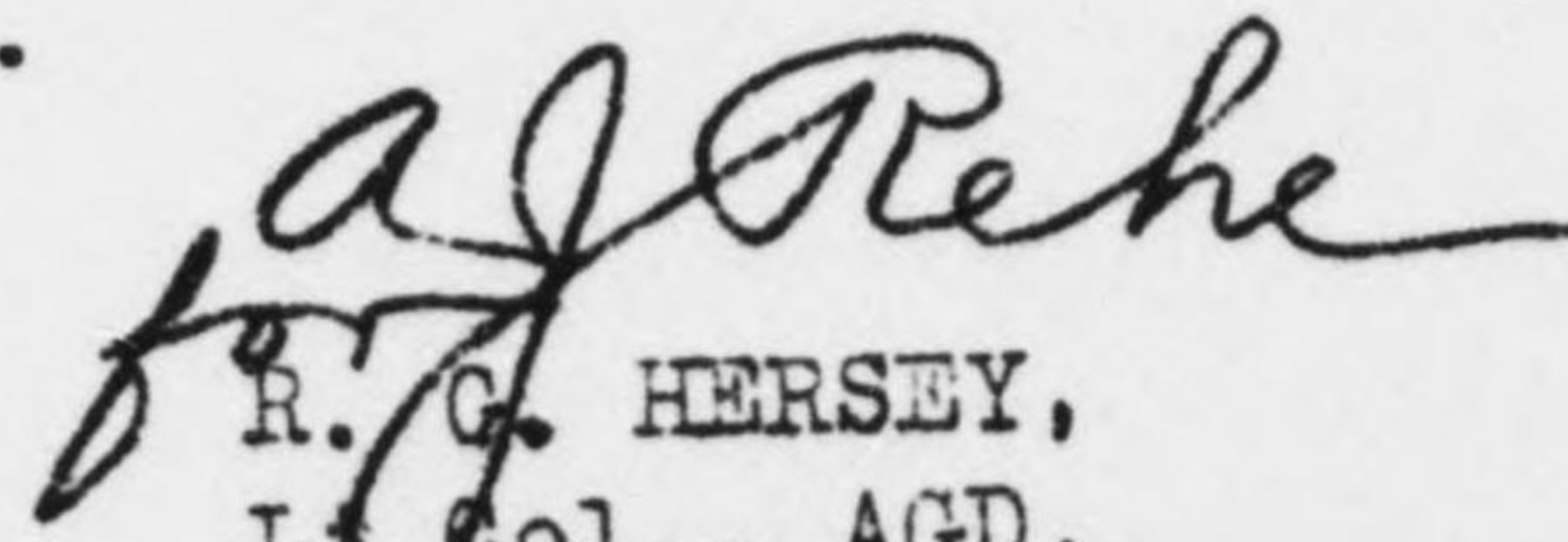
GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500

13 August 1946

Information of General Application pertaining to Directive Number (SCAPIN-1132), file AG 387.6(13 Aug 46)ESS/IN dtd 13 Aug 1946, subject: "Reparations Selections within the Sulfuric Acid Industry."

1. With reference to Memorandum Number (SCAPIN-1132), from the Supreme Commander for the Allied Powers to the Imperial Japanese Government, the following is published for the information of all concerned.
2. The purpose of issuing the attached letter to the Imperial Japanese Government and accompanying letter to the Commanding General, Eighth United States Army is to insure availability for interim reparations removals of listed facilities in the best possible condition.
3. Seized facilities should be permitted to operate in order to prevent any temporary disruption of the production of such important items as fertilizers, drugs and artificial sweeteners, however, a gradual shift must occur in the use of sulfuric acid facilities, from designated units to equipment which the Japanese will retain. Some of the latter equipment requires repair, and such repair should be encouraged, but not when it is of such extensive a nature that it constitutes virtual rebuilding. It is contemplated that detailed instructions covering the shift from seized to retained plants, and especially the degree of rebuilding to be permitted, will be issued by this headquarters at a later date. It is estimated that the length of time required to take seized plants out of operation will average about three months, but this will vary considerably from plant to plant depending on stocks of raw materials on hand, local demands for the product, and similar factors.
4. Removal of factory facilities not a part of the contact sulfuric acid sets should not be discouraged, as this may be required as part of the shift away from use of the seized sets.
5. It is emphasized that when any of this equipment is shutdown the Japanese should be required to take special precautions to avoid damage which may result from corrosive action of some of the material handled in the equipment. The units should be thoroughly purged of all corrosive gases before disassembly, and corrosive materials should be carefully removed before packaging of the equipment.
6. In two factories (Nissin Kagaku, Niihama factory and Toyo Koatsu, Sunagawa factory) removal of only part of the contact sulfuric acid capacity is contemplated. Each of these factories will be allowed to retain sufficient acid capacity to maintain a balanced plant at a capacity level to be announced later by this headquarters. In these plants, all contact sets should be taken into custody until such time as the specific sets to be removed are designated.
7. A letter of command instructions pertaining to the execution of the subject memorandum follows through command channels.


R. G. HERSEY,
Lt Col., AGD,
Asst Adj Gen.

Distribution same as (SCAPIN-1132)
less Imperial Japanese Government,

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APD 500
13 August 1946

AG 387.6(13 Aug 46) ESS/IN
(SCAPIN- 1133)

MEMORANDUM FOR: THE IMPERIAL JAPANESE GOVERNMENT.
THROUGH : Central Liaison Office, Tokyo.
SUBJECT : Reparations Selections within the Machine
Tool Industry.

1. The Imperial Japanese Government is notified that all machine tool manufacturing plants on the attached list are hereby taken into custody and control of the Supreme Commander for the Allied Powers.

2. This list designates plants subject to removal under the interim reparations program. These plants will be shut down, or will be permitted to continue operation to complete machine tools under current manufacture or in the production of consumer goods, in accordance with instructions from the Commanding General, Eighth United States Army. In all cases whether or not operations are permitted to continue in the listed plants, such measures will be taken as are necessary to insure proper protection, maintenance and safeguarding of equipment.

3. There will be made available to the Commanding General, Eighth United States Army, all personnel, equipment and supplies deemed necessary by him for the establishment of proper custody, control, and protective maintenance.

4. Within seventy-two (72) hours of the receipt of this memorandum the Imperial Japanese Government will have qualified representatives report to the Commanding General, Eighth United States Army, to receive detailed instructions to accomplish the purpose of this memorandum.

BASIC: Memo for Imp. Jap. Govt., AG 387.6(13 Aug 46)
(SCAPIN-1133) dtd 13 August 1946 sub: "Reparations
Selections within the Machine Tool Industry."

5. Provisions of this memorandum shall not be construed to preclude immediate shut-down and removal of specific plants that may be designated by subsequent memoranda.

FOR THE SUPREME COMMANDER:

1 Incl:
List of Machine Tool
Factories

aj Rehe
J.B.
JOHN B. COOLEY
Colonel, AGC
Adjutant General