

FEC Mtgs 126 — 133



**CONFIDENTIAL**

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FAR EASTERN COMMISSION

Transcript of 126th Meeting of the Far Eastern Commission  
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.

Thursday, November 4, 1948

NOTE: The attention of all concerned is invited to the classification of this transcript which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

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Transcript of 126th Meeting of the Far Eastern Commission  
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.  
Thursday, November 4, 1948

Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
His Excellency Mr. N. J. O. Makin	(Australia)
Mr. H. W. Bullock	
Mr. R. E. Collins	(Canada)
His Excellency Dr. V. K. Wellington Koo	(China)
Mr. J. Daridan	(France)
Mr. S. N. Banerji	(India)
Mr. O. Reuchlin	(Netherlands)
Mr. G. J. Jobsis	
Mr. G. R. Powles	(New Zealand)
Mr. Emilio Abello	(Philippines)
His Excellency Mr. A. S. Panyushkin	(U.S.S.R.)
Mr. H. A. Graves	(United Kingdom)

Secretariat

Mr. David K. Eichler

Reporter: Mr. R. Holtz, Department of State--FEC



(The 126th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:35 A.M., 4 November 1948, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Good morning, gentlemen, we will open the session.

ITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 125th MEETING

GEN. MCCOY: I ask your consideration of the minutes of the last meeting.

DR. TAN: Mr. Chairman, on page 6, paragraph 4, the sixth line, the middle part of the line, FEC-084/32 should be FEC-084/21.

MR. EICHLER: Mr. Chairman, may I call attention to an error on the roster of attendance on the cover sheet of the minutes, the representatives present the last time, where the Australian Ambassador is listed, and I believe Mr. Bullock is at the table in the minutes later. We will make that correction too.

MR. MAKIN: That is right.

GEN. MCCOY: Are there any other corrections, gentlemen?

(No response.)

GEN. MCCOY: There seem to be none; the minutes of the last meeting as corrected will be made a matter of record.

ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19; 273 series)

GEN. MCCOY: FEC-273/19 is a proposed policy decision approved by the Steering Committee on the 12th of October by a vote of 8 in favor to 1 (China) opposed with 2 abstentions, the Philippines and the U.S.S.R. The Indian and Philippine positions are reserved in the absence of instructions. The Soviet position is reserved on paragraph 1 g. In the discussion on the 28th of October in this Commission the discussion centered on paragraph 1 h (2) with the Chinese representative favoring its deletion and the Soviet representative supporting its retention. On this point it may be noted that the views of delegations as expressed at the Steering Committee



were as follows, that is in the 119th meeting which sent the paper up: Australia prefers retention of this paragraph; Canada, agreeable to either deletion or retention; China favors deletion; France expressed<sup>no</sup> strong views either way; India prefers retention--not opposed to deletion if majority favors it; the Netherlands could accept either retention or deletion, as can the United States; New Zealand also; the Philippines could support deletion; the U.S.S.R. opposed deletion; the United Kingdom agreeable also to deletion or retention. So that there is a very general view that either retention or deletion is not important from, I would say, the majority of the respective countries. In other words, there has been a real effort to cooperate and to reach agreement on the paper, and I hope we can still do that.

I am very glad to have any help in reaching agreement on this paper. I believe that there are certain positions that have to be considered and possibly some amendments or changes suggested.

DR. KOO: Mr. Chairman, my delegation has received instructions from my Government, and if there is no acceptable solution so as to eliminate this principle involved in this paragraph, then we are directed to insist upon its deletion. And let me explain, Mr. Chairman, our position is this: we do not have great opposition to the paper in general, as members of the Commission are aware, with the possible exception of paragraph 9 to which I shall refer later on when we come to that, but in regard to this particular paragraph it seems to imply a principle which my Government, and let me add the people of my country, could not accept. And from the practical point of view it seems to us that this paragraph is really not necessary--it is in the nature of stating the purposes for which this paper is to be adopted.

Now let us look at the practical situation. We have besides this paragraph 2, we have a, we have 1 b, and we have c. In the present state of Japan's economy it is far from being in a position



to contribute to world recovery. If we could, by adopting this paper, achieve the other objectives I think the Allied Powers will have done well and it would be a great contribution to Japan's economy. By leaving this paragraph in we seem to overlook the fact that throughout the years of Japanese aggression the peoples of countries which were subjected to Japanese invasion suffered greatly and the Japanese aggression was prepared on the ground first of all of economic exploitation and economic aggression, and that was the reason why time and again--time and again movements were spontaneously started by the people, for example, of my country to boycott Japanese goods even though many of the Japanese goods were quite needed in China. But because of the knowledge that economic aggression was resorted to as the prelude to military aggression later, our people, rather than accepting Japanese goods, preferred to deprive themselves of these goods in order to have a surer sense of security and to protect themselves as far as possible against potential Japanese aggression, which did materialize. Of course, I know somebody pointed out that now that we have demilitarized Japan there is no danger from that quarter, but the state of feeling in my country still remains which my Government must take notice of. And I urge, Mr. Chairman, all the more strongly because this paragraph is not essential to the paper itself; by omitting that we don't sacrifice anything. On the other hand, it would make it easier for my Government to accept this paper in view of public opinion in China. Therefore, so far as this paragraph is concerned, I would still urge that it be deleted. Of course I would like to have it revised, but several attempts at revision were made at the committee level and they all failed of adoption. Therefore it seems to us that perhaps a reasonable way out of the difficulty would be to delete that paragraph.

MR. ABELLO: Mr. Chairman, up to the present time the Philippine



delegation has reserved its stand on the main paper. We announce that we could support the Chinese proposal to delete paragraph 1 b (2) of this paper. For the same reasons stated by the Chinese Ambassador the Philippine delegation supports the Chinese proposal to delete this paragraph.

GEN. MCCOY: Mr. Ambassador, representing the Soviets, after hearing our colleagues, could you give us your opinion and any suggestion that you may have to meet the situation?

MR. PANYUSHKIN: Yes, Mr. Chairman, I would like to say a few words concerning this.

Recently, Mr. Chairman, the Commission has begun to consider a number of questions which deal with the economy of Japan. I have in mind the question of the level of economic life in Japan and into this category may be included the question which is being discussed today. The Soviet delegation considers that this paper is very important. Everyone knows, and I am not ~~discussing~~ <sup>discussing</sup> America once again, that even a well-developed state cannot do without export and import, and I should point out that the Soviet delegation doesn't consider Japan to be a widely-developed country in its economic aspect. As is known, the Japanese militaristic circles gave to the development of the Japanese economy a one-sided character, that is, all economy of Japan was directed towards war purposes and thus all this is reflected on the economic situation in Japan. Therefore, in order to give the Japanese economy the character of satisfying peaceful needs her economy should be ~~revised~~ <sup>revised</sup> accordingly. And in order to ensure such a development of Japan, Japan should have normal trade contacts, that is, Japan should import and export. In my opinion paragraph 1 b (2) was worded just for this purpose.

I have no objections to the statement of Dr. Koo that Japan is not able at present to use the world market, but such a situation of the Japanese economy is only today. I quite agree with



this. But we are working out a policy decision which looks forward to the future. Therefore our decision should provide an opportunity for Japan to develop normal trade relations with all countries. Therefore it seems to me that the Soviet delegation would insist on the retention of this paragraph in the paper, and if this paragraph were deleted it would seem that the Far Eastern Commission is carrying out a policy which is discriminatory to Japan, that is, a policy which would give not normal conditions for Japan in her trade operations. In connection with this, Mr. Chairman, we consider that this paragraph should be retained in the paper.

GEN. MCCOY: There seems to be a decided difference of opinion here which involves the paragraph in question without amendment or change. It's a question of retention or deletion of the paragraph, and if there is no further discussion on that I would suggest to the Chinese representative that he propose an amendment to delete that paragraph so that we can vote on it and dispose of it in that way, if that is agreeable.

DR. KOO: My adviser just handed me a suggestion. At the beginning of the meeting, when you asked for comments either in support of deletion or against or a suggestion of some amendment, I just want to read out--if it is not deleted, then I would like to propose the following words--the following sentence in substitute for paragraph 1 b (2):

"In order that Japan may provide goods to meet such purchase orders or contracts as may be placed with Japan."

Mr. Chairman, perhaps I should add a word of explanation of the purpose underlying the meaning of this proposed amendment. I take it that those who are in favor of retaining this paragraph are anxious to do as much trade with Japan as possible and I also assume that that is the reason why they are opposed to deletion, that by omitting this paragraph as it is worded it will narrow the opportunity



for them to trade with Japan. Well, if that assumption is correct, I submit, Mr. Chairman, that the proposed amendment will meet their point and at the same time do away with the implication to which my Government objects and which is stated in this present paragraph.

Let me read again the proposed amendment:

"In order that Japan may provide goods to meet such purchase orders or contracts as may be placed with Japan".

thereby leaving full freedom and opportunity to those countries who desire to increase their trade with Japan and at the same time do away with any implication that we are adopting a paper which in this paragraph, at least, looks forward to Japan coming back and taking a prominent part in providing goods required throughout the world, and that with this additional phrase, particularly in areas which have suffered deprivation as a result of Japanese aggression, I submit that the present wording of the paragraph is altogether unnecessary, and if the purpose of having that paragraph is to be able to trade as much as possible with Japan then my proposed amendment will supply that opportunity. Therefore, Mr. Chairman, I submit that for the consideration of the Commission.

MR. PANYUSHKIN: Mr. Chairman, I have a question to ask Dr. Koo. I haven't got the text of the suggested amendment, but as I understood the last statement of Dr. Koo it is suggested that the export of Japan be restricted by the items imported to Japan. Is it true?

DR. KOO: No, no. I will read it again: "In order that Japan may provide goods", that is goods to be exported really, in other words to increase Japan's exports to meet such purchase orders or contracts as may be placed with Japan. In other words, there might be wishes to buy Japanese goods and place an order, then it is a provision which enables Japan to provide such goods, that is nothing is implied which would in any way limit importation of goods. That is not the intention of this proposal.



GEN. MCCOY: Does that answer your question?

MR. PANYUSHKIN: I regret, Mr. Chairman, but I haven't understood fully because I would like to have the text.

GEN. MCCOY: Yes. Well we are having it copied and I will circulate it in a few moments. While we are waiting for the copies, is there any other query on the part of any other member with reference to this proposed substitution of this Chinese draft which will be before you in a moment? It just occurred to me that we might clarify the situation in the meantime, if there are any doubts or queries on the part of those present.

MR. PANYUSHKIN: Mr. Chairman, may I say a few words concerning this proposal. The Soviet delegation cannot agree with such a proposal also. According to this proposal the extent of Japanese export should be limited by orders or contracts which may be placed within Japan. It seems that we permit Japan to have her foreign trade but it happens that in reality we do not give her conditions for normal trade operations. This proposal would mean that Japan would be permitted to sell her goods but only on the condition if we place orders within Japan. But where are the safeguards that such orders would be placed within Japan? In other words, the Chinese proposal means that Japan would not be given normal conditions for her foreign trade.

DR. KOO: Mr. Chairman, I am afraid my proposal has not been fully understood. In the first place, purchase orders and contracts may be placed with Japan and it doesn't say that in Japan. Orders could be placed by the prospective purchaser anywhere in the world with Japanese representatives or with other representatives of Japanese firms. It is not limited geographically at all. And in the second place, there is no limitation intended on Japan's trade at all. When we speak of trade we are dealing with at least two parties, the buyer and the seller, and unless there is a buyer, no matter how much an exporting country may produce, it could not



dispose of its goods and convert them into cash or anything else. Therefore, when the proposed amendment says "provide goods to meet such orders" it means trade without limitation and the only limitation will be that those countries which do not care to purchase Japanese goods, and no country could be forced to buy Japanese goods, would not be subjected to accepting this principle that Japan is called upon to provide goods for the world, an objective which is not only morally and sentimentally objectionable at this stage, in any case in so far as my country is concerned--public opinion is concerned--but it is also an objective which is far from the possibility of realization for the next two or three years. We are still coping with the problem of how to bring Japan's peaceful needs up to the level which we have agreed upon in most respects, so it is a far cry from the present state of Japanese economy to an objective which aims to provide goods required throughout the world.

From the practical point of view, therefore, Mr. Chairman, it seems to us that this paragraph is hardly necessary, and in so far as the objection of the Soviet delegation, for example, to its deletion, then my proposed amendment would meet the objection because it would provide full opportunities without any limitation on trade with Japan for all those countries who wish to trade with Japan as much as possible.

GEN. MCCOY: Gentlemen, are you ready for a vote on the substitute amendment proposed by the Chinese delegate or are there any other comments or questions before we vote?

The proposed substitute for paragraph 1 b (2) is before the Commission and it reads:

"In order that Japan may provide goods to meet such purchase orders or contracts as may be placed with Japan."

Paragraph 1 b (2) is the deletion desired by the Chinese representative and this is the substitute proposed. Will you call for the ayes and nays, please?



MR. MAKIN: Abstain.

MR. COLLINS: Abstain.

DR. KOO: In favor.

MR. DOUTEAU: Abstain.

MR. BANERJI: Abstain.

MR. REUCHLIN: Abstain.

MR. POWLES: Against.

MR. ABELLO: In favor.

MR. PANYUSHKIN: Against.

MR. GRAVES: Abstain.

GEN. MCCOY: For.

The substitute proposed has been voted on and the tally is 3 for, 2 against, 6 abstentions, so that the substitution is lost due to no majority.

Are you ready for a vote on the paper, gentlemen?

MR. PANYUSHKIN: Mr. Chairman, I would like to ask the Commission to consider our amendment to this paper.

GEN. MCCOY: Is there an amendment?

MR. PANYUSHKIN: It refers to paragraph 1 g.

GEN. MCCOY: I find no copy of the proposed amendment on this level. Would the Soviet Ambassador furnish us with his proposed amendment, please?

MR. PANYUSHKIN: May I read it?

GEN. MCCOY: Please.

MR. PANYUSHKIN: "ensure competitive conditions in trade free of contracts and arrangements which limit access to markets or foster monopolistic control, oppose excessive concentration of economic power in Japan, and oppose encouragement and revival of Japanese monopolies in foreign trade whether with the participation of Japanese or foreign capital."

GEN. MCCOY: This amendment, I find, is the same as was intro-



duced at the Steering Committee level on the 28th of September and was not approved at that level, the vote being 4 opposed, 1 in favor. I thought that the present paragraph 1 g, which has been worked over so extensively in the working committee and in the Steering Committee, and which we have all made substantial concessions on, was probably near enough, after reconsideration by the Ambassador, to obtain his support for the paper itself, that is, the corresponding paragraph in the paper which was approved by the Steering Committee.

MR. PANYUSHKIN: Mr. Chairman, I would like to put it to a vote and see the results.

GEN. MCCOY: Yes.

MR. PANYUSHKIN: Mr. Chairman, I would like to say a few words.

GEN. MCCOY: Yes, I would be glad to hear them.

MR. PANYUSHKIN: If we look at this paragraph we will see that it begins with the words "ensure competitive conditions in trade", and taking into consideration this first part and in order to make this paragraph better, the Soviet delegation proposes to delete the two words "restrict competition". What are the reasons for our proposal to delete these two words? The reason is that the first four words of this subparagraph ensure competitive conditions; therefore the repetition of the two words "restrict competition" weakens the whole decision on this question, weakens it because of the fact that we question the matter of competition and these words weaken the whole decision also in the sense of limiting accession to markets or fostering monopolistic controls. Assuming that these two words "restrict competition" put under doubt the first four words of this subparagraph and also taking into consideration that these two words weaken the following phrase, that is concerning the limitation of access to markets and fostering monopolistic controls, the Soviet delegation proposes that these two words be deleted, that is, the words "restrict competition".



GEN. MCCOY: I will declare a recess for my own convenience.

I hope it will meet the other members for a few moments.

(The meeting recessed at 11:30 A.M.)

(Mr. Reuchlin, the Netherlands representative, departed the meeting at this point and Mr. Jobsis took his seat as alternate.)

(The meeting reconvened at 11:40 A.M.)

GEN. MCCOY: Gentlemen, we will re-open the session.

In connection, gentlemen, with the amendment proposed by the Soviets, I have had an opportunity to consult with my own assistants and the United States, speaking as the representative of the United States, could accept the elimination of the words "restrict competition" in paragraph 1 g, and I would ask the Soviet representative if that would make the general paper agreeable to him, with the understanding that the opening words "ensure competitive conditions" cover the other points that he had in mind.

MR. PANYUSHKIN: I have no objection, Mr. Chairman.

MR. GRAVES: Mr. Chairman, I agree that the elimination of those two words would improve the language of that particular paragraph, so that it would read "ensure competitive conditions in trade free of contracts or arrangements which limit access to markets..." retaining the rest of the paragraph as it reads in FEC-273/19. That I take is the intention--those two words are undoubtedly redundant since "competitive conditions" governs the rest of it. So I would support that deletion, that is deletion of "restrict competition" comma.

GEN. MCCOY: Is there any other comment on that elimination from paragraph 1 g--"restrict competition" comma from the paragraph as in the paper sent up by the Steering Committee?

DR. KOO: Mr. Chairman, I would like to ask whether such arrangements as cartels, price-fixing and division of the market among a group of companies would be still covered by the phrase "ensure com-



petitive conditions" in spite of the deletion.

GEN. MCCOY: Well I think it would, if you read the whole paragraph I think it would, reading "ensure competitive conditions" and dropping down "and prevent excessive concentration of economic power..."

DR. KOO: It says "in Japan". Of course, generally speaking, any enumeration, unless it is made exhaustive as possible, would leave out things which are not included; therefore these two words "restrict competition" if deleted would mean that to ensure competition conditions in trade free of only those contract arrangements which limit access to markets or foster monopolistic control, oppose excessive concentration of economic power. It greatly reduces the means of ensuring competitive conditions and that is the reason why I ask whether such arrangements as I mentioned, you see, would still be covered by the revised language in spite of the deletion of those arrangements which restrict competition.

MR. PANYUSHKIN: Mr. Chairman, I have a question. I would like to know in what Dr. Koo sees it weakening this paragraph if we delete the words "restrict competition"? I don't feel that it is quite enough just only to say that the deletion of these two words would weaken the whole paragraph, and while suggesting the deletion of these two words I gave reasons for that. And, Mr. Chairman, if we delete these two words we on the contrary would strengthen the wording of this subparagraph. The reasons why this paragraph would be strengthened I have already given and I don't understand why, in the opinion of Dr. Koo, the deletion of these two words would weaken this paragraph.

DR. KOO: Mr. Chairman, really, although it is proposed to delete the two words "restrict competition", what is really intended, I take it, is to exclude contracts and arrangements which restrict competition and, that is to say, leave it in such a way as to ensure competitive conditions by relieving trade not of those contract



arrangements which restrict competition but only those contracts and arrangements which limit access to markets, foster monopolistic controls, et cetera. In other words, we feel that contracts or arrangements which restrict competition should be mentioned so that arrangements such as, as I said, cartels, price-fixing, you know, and division of the market, et cetera, would be taken care of. If we leave those two words out we are really leaving out contracts and arrangements which restrict competition and leave only contracts and arrangements which restrict markets, et cetera. That is the reason why I would like to know whether those objectionable, those hampering contracts and arrangements would still be covered by the revised language.

GEN. MCCOY: Well I think they would, and I will make that a matter of record to cover the case.

DR. KOO: If that is the case, I would like to have it recorded as the understanding.

GEN. MCCOY: Yes, we will do that and make a special reference to that.

Well, gentlemen, if there is no further comment, we will put this paper to the Commission to vote with this change in paragraph 1 g eliminating "restrict competition" comma from that paragraph, and that the paper will go before you with the record of this substitution and the understanding first given by the Soviet Ambassador and emphasized on that particular point raised by the Chinese representative.

DR. KOO: Mr. Chairman, as I said at the beginning, with that paragraph in my delegation will not be able to vote for the paper and will have to vote against the paper. Meanwhile, as I said at the beginning, paragraph 9 as regards exchange rate, we are also under instructions to <sup>propose an amendment</sup> ~~propose an amendment~~, but if you consider that since my delegation has announced its position on the paper, if para-



graph 1 p (2) is left in, if you consider it inopportune to consider paragraph 9, then I will leave it to your discretion altogether.

GEN. MCCOY: I feel that this paper is so important and the area of disagreement so small that I have several suggestions from my assistants and from the representative of the United Kingdom that might give us the green light on this moot paragraph that would be satisfactory both to the Soviet representative and the Chinese delegate, that I will declare a recess so I can consult with them. So that we will ask you to hold yourselves ready so that you will be called back in ten or fifteen minutes.

(The meeting recessed at 11:55 A.M.)

(The meeting reconvened at 12:40 P.M.)

GEN. MCCOY; Gentlemen, I thank you for your patience in our effort to get together on this paper on the Conduct of Trade with Japan which we all recognize as important, and we have been unable to reach complete agreement although we did find that the wording of the paragraph in question has been made agreeable to China and the Soviet Government. But there are other matters that came up with respect to the yen rate which will have to be subject of further consideration on the part of the governments concerned that were there represented, so that I hope that you will forbear on that paper and permit it to be postponed until the next meeting.

The paragraph in the preamble to which I referred and on which the ambassadors had an interchange of opinion and finally agreed in I think a very fine way on a new paragraph 2 to read, instead of that in the paper:

"in order that Japan may participate in providing goods for international trade".

That is the agreed on substitution for paragraph 2 and will be circulated to you.

GEN. MCCOY: I don't think there is any use at this late hour to take up anything on the agenda unless there is some urgency that is



desired by the representatives.

MR. PANYUSHKIN: Mr. Chairman, I have a short statement to make.

MR. POWLES: Mr. Chairman, I have a statement that I should like to make under Item 5 b on the agenda. If the Soviet Ambassador's statement relates to some matter which is later or some other business, perhaps I could make my statement before he makes his.

GEN. MCCOY: Does the Ambassador's--

MR. PANYUSHKIN: Mr. Chairman, I would like to make this statement first because it touches on the same question (Item 5) and gives answers to the questions which were put forward.

GEN. MCCOY: We will hear them first.

ITEM 3 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN  
(FEC-304/a6; T-036, 304 series)

ITEM 4 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, /17)

(In accordance with the foregoing remarks Items 3 and 4 were not considered and discussion proceeded to Item 5 as follows.)

ITEM 5 - a LEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/33)

b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN  
(FEC-320, FEC-320/1, -/2; FEC-084/21)

c LEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS JAPANESE SHIPBUILDING AND SHIPPING (FEC-297/10)

MR. PANYUSHKIN: Mr. Chairman, perhaps it would be better to circulate the text?

GEN. MCCOY: Yes, if you please.

(Copies of the Soviet statement appearing below were circulated to representatives.)

GEN. MCCOY: I will not push the Ambassador--he has plenty of time to make his statement, and Mr. Powles also. I am sorry that we were so near agreement on this paper that I hoped to get it through this morning.

MR. PANYUSHKIN: May I read the statement, Mr. Chairman?

GEN. MCCOY: Please.



MR. PANYUSHKIN: "At the previous meetings of the Commission the delegations of China, Australia, and New Zealand made queries in respect to the terminology used in the Soviet statement on the question of the level of Japan's industrial development. In connection with this the Soviet delegation considers it necessary to draw the attention of the members of the Far Eastern Commission to the following part in its statement of September 23, 1948, namely, that 'a high level of industrial

NOTE: (Soviet statement continued on page 16.)



development of Japan will not in itself be dangerous if Japan is not permitted to revive her war industry and militarism<sup>o</sup>. Japanese industry in the past served as an economic basis for Japanese aggression, not because it had reached a comparatively high level of development, but because of the fact that its development had been subordinated to the needs of war. Japanese militaristic circles, acting contrary to the vital interests of the Japanese people, directed the development of the country's industry as well as of the economy as a whole in such a way that it was adapted to meet the needs of the army and navy, i.e., it worked for the preparation of war'.

"It was further said in the statement of the Soviet delegation that such a situation suited the interests of aggressive Japanese circles. However, this situation should not be repeated, since militaristic Japan was defeated and there is an opportunity to direct the development of Japan along democratic and peace-loving lines, the necessity of which was recognized in the Cairo and Potsdam Declarations of the Allies.

"This statement of the Soviet delegation is fully sufficient to enable one to understand clearly the Soviet Union's position in respect to the question of the character of Japan's industrial development. In determining policy in respect to the level of economic life in Japan, the basic question is: what character will be given to Japan's industrial development, and, also, whether the liquidation of Japanese war industry will be fully accomplished. As has already been stated above, Japanese industry in the past served as an economic basis for Japanese aggression, not because it had reached a comparatively high level of development, but because of the fact that its development had been subordinated to the needs of war.

"On the question of what should be considered 'war industry'



and what should be considered 'peaceful industry' the Soviet delegation proposes to proceed from the Far Eastern Commission decision of August 18, 1947, 'Reduction of Japanese Industrial War Potential'.

"Thus, war industry ought to include that group of facilities which was defined in that paper as 'primary war facilities' as well as that defined as 'secondary war facilities'. The industries enumerated in the category of 'war-supporting industries' should be permitted to the extent necessary for the satisfaction of peaceful, non-military, needs of Japan. The remaining facilities and industries may be included in the category of 'peaceful industry'.

"Naturally, the Soviet delegation is ready to discuss other proposals, as well, on the question of dividing Japanese industry into peaceful and war industries.

"Having made this statement, the Soviet delegation invites the members of the Far Eastern Commission to express their opinions as to the two proposals submitted by the Soviet delegation on September 23.

"As is known, the Soviet delegation proposed that:

'1. No limitations should be imposed upon the restoration and development of peaceful Japanese industry which seeks to satisfy the needs of the Japanese population, nor upon the development of export in accordance with the needs of Japan's peaceful economy.

'2. The revival and creation of Japanese war industry should be prohibited and there should be established, for a period of several years, a control over the fulfillment of this decision, to be exercised by the Powers most interested in preventing a new Japanese aggression.'

"These proposals were included in the draft policy decision of the Far Eastern Commission, which was submitted by the Soviet delegation."



MR. PANYUSHKIN: This statement was made in connection with the questions raised at the previous meetings of the Commission and in this statement you may see the answers to all questions which were put forward.

MR. GRAVES: Mr. Chairman--

GEN. MCCOY: The representative of the United Kingdom. Well, I beg your pardon, Mr. Powles, I think, was ready to make a statement and asked for recognition.

MR. POWLES: If my friend, the United Kingdom representative, would like to say something with reference to the Soviet statement I haven't any desire to take his place.

MR. GRAVES: I only just wanted to remark that I don't see any answer to the question which I asked at the last time and the time before last, which is question 4 under Item 7 b on page 7 of the minutes.

GEN. MCCOY: Have you copies of your statement, Mr. Powles?

MR. POWLES: I don't have sufficient, Mr. Chairman, to give them to everyone.

MR. PANYUSHKIN: Mr. Chairman, we support the whole paper--I would like to repeat, Mr. Chairman, that we support the paper FEC-084/21 as a whole.

GEN. MCCOY: The representative from New Zealand.

MR. POWLES: Mr. Chairman, I should like to thank the Soviet Ambassador for the further clarification of his views which he has given us this morning, and the statement which I had previously prepared to read has necessarily been drawn without reference to statements made by the Soviet Ambassador this morning. There are certain questions arising in connection with definition in the statement made by the Soviet Ambassador this morning which I think are of extremely great interest, and which one would no doubt like to study later. In the meantime, however, I should like to say that:



"In view of the important statement made by the Ambassador of the U.S.S.R. and recorded in document FEC-320, and the specific policy proposal put forward by him in document FEC-320/1, it seems advisable to re-state in clear terms the policy with reference to Japanese industry which the New Zealand Government has in the past consistently followed and still holds.

"The New Zealand Government naturally supports and considers itself bound by the provisions of the Potsdam Declaration and of the Far Eastern Commission's Basic Surrender Policy. In particular, the New Zealand Government attaches the greatest importance to FEC-084/21, which provides the general framework for the industrial disarmament of Japan. It should be specifically noted with reference to this particular policy that:

(a) it is intended to apply during the period of the occupation;

(b) it refers to three types of industry--primary war facilities, secondary war facilities, and war-supporting industries, and

(c) with reference to war-supporting industries, it requires the Far Eastern Commission to fix a series of specific levels which are to constitute the permissible maxima only until the end of the present phase of the occupation or until 1st October 1949, whichever is the earlier.

"It is therefore of great importance to note:

(a) that unless and until the Far Eastern Commission fixes specific levels referred to its task of carrying out the industrial disarmament of Japan has not been completed. The fixing of these levels is therefore regarded by the New Zealand Government as a matter of great urgency.

(b) that there is no suggestion in any of these policies that any limitation on the development of Japan's peaceful industries should be imposed.



"Insofar therefore as the statements of the Soviet Ambassador can be understood as being a suggestion that it may be the objective of the Allied Powers to limit the development of Japan's peaceful industry, the statement is not, in the view of the New Zealand Government, correct. It would therefore seem unnecessary for the Far Eastern Commission to decide as a matter of policy that no limitation should be imposed upon the restoration and development of Japan's peaceful industry as is suggested in paragraph 1 of the policy proposal suggested by the Soviet Ambassador. Such a proposition follows directly from existing Far Eastern Commission policies.

"As to paragraph 2 of the Soviet Ambassador's policy proposal, with reference to the prohibition of the revival and creation of Japanese war industry, it is necessary to determine what is meant by 'war industry'.

"The remaining portion of this paragraph deals with the establishment of a control which, during the discussions on his proposal, the Soviet Ambassador has indicated to be contemplated as a peace treaty measure.

"It may or may not be within the province of the Far Eastern Commission to discuss prospective peace treaty provisions-- a matter which I expressly desire to leave open--but it would seem desirable to re-state my Government's position in this respect.

"The New Zealand Government believes that a large proportion of Japan's industry was never used for peaceful production and has consistently supported the policy that this excess productive capacity in Japanese industry should be removed from Japan as a security measure and distributed as reparations. This program is, in effect, the program of Far Eastern Commission policies FEC-064/21 and the 242 series. If



the demilitarization of Japan is to be effective, provision will have to be made in the peace treaty for the retention of controls over certain war-supporting industries. No restrictions are considered practical or desirable on the production level of peaceful industries; that is to say, industries which are neither primary war facilities, secondary war facilities, nor key war-supporting industries. The controls referred to should be selective and elastic, and bear only upon certain key war-supporting industries, since their effectiveness will depend upon the ease with which they can be enforced. The production of certain goods, such as light metals, synthetic oil, and synthetic rubber, which have strategic importance, might have to be entirely forbidden. Such industries are in any case uneconomic in Japan, and were developed solely as war potential. Production and productive capacity in other key industries such as iron and steel, and possibly oil refining and storage, should be limited to defined levels determined after consideration of Japan's legitimate peaceful needs. Special security restrictions may be required on Japan's ship-building and on civil aviation.

"This broad outline of the New Zealand's position indicates the absolute necessity for an agreed definition of terms. Not until the term 'war industry' in the Soviet proposal is accurately and specifically defined with reference to existing definitions in Far Eastern Commission policy decisions will it be possible to make any concrete observations upon it.

"Nevertheless, subject to the New Zealand Government's view of the proper definition of this and associated terms, it would appear that paragraph 2 of the Soviet proposal is in principle in accord with the policy long held by the New Zealand Government.

"However, as far as concerns the action now to be taken by



the Far Eastern Commission on the proposals of the U.S.S.R., the New Zealand Government believes, as has already been stated, that it is unnecessary to enact paragraph 1 as a policy decision, although, subject to an acceptable definition of terms, it is in full accord with the principle of that paragraph.

"Paragraph 2 involves matters relating to the peace treaty, consideration of which, if to be undertaken by the Far Eastern Commission at all, must be regarded as a task of secondary urgency to the Far Eastern Commission's primary duty of laying down policies for the period of the occupation. Such consideration should not in any way be allowed to interfere with the prompt and urgent disposal by the Far Eastern Commission of the vital paper FEC-242/32, without which the whole scheme of the industrial disarmament of Japan remains incomplete and unfinished, and the responsibilities of the Far Eastern Commission unfulfilled."

Thank you, Mr. Chairman.

GEN. MCCOY: Thank you very much, Mr. Powles.

ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, /1, /2, /3, /4, /5, /6; FEC-014/9, FEC-045/5)

ITEM 7 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5; -/6, -/7, -/8)

ITEM 8 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)

b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

ITEM 9 - SOVIET STATEMENT REGARDING PRESS REPORTS OF MILITARY CONFERENCE IN JAPAN (FEC-322).

(There was no discussion of the above-listed items.)



ITEM 10 - OTHER BUSINESS

GEN. MCCOY: I thank Mr. Powles with special emphasis because this is the last time that Mr. Powles sits with us, he having been a very active and interested and valued member of this Commission almost from the first, sitting in as alternate originally and doing an immense amount of valuable work in the working committees. So that I can quite understand the promotion to which he goes on the part of his own Government as High Commissioner for West Samoa, and I can assure you that on the part of the Commission and those who have been so closely associated with you we wish you well and quite understand the reason for your going. I will say goodbye with real warmth and the feeling of great loss both to the Commission and personally.

Gentlemen, is there any other business? I am sorry that we have skipped through the agenda this morning, but I think it was worthwhile because I feel that we have accomplished almost agreement on the trade paper and I will leave these statements for your consideration. They will be distributed if those that have not already been done and will require careful consideration.

Is there anything of any urgency on the part of any delegate this morning or anything under Other Business?

Oh yes, we have a problem here under Other Business. Is that a national holiday?

DR. BLAKESLEE: Yes.

GEN. MCCOY: We are faced in the month of November with two holidays, Armistice Day on the 11th and the American holiday of Thanksgiving on the 25th--both Thursdays. I wish your consideration and if there are any suggestions this morning--I think for next week, would it be agreeable to meet on Wednesday or Friday instead of Thursday?



DR. KOO: Friday would be more convenient to me personally.

GEN. MCCOY: Is that the sense of the Commission?

MR. POWLES: It would not be convenient for the New Zealand delegation, I am sorry to say, Mr. Chairman.

GEN. MCCOY: Are there any other suggestions instead of next Thursday?

DR. KOO: Well if it is more convenient for the New Zealand delegation--

MR. POWLES: Sir Carl Berendsen will be out of town on Friday on another engagement which he had already made but could be here on Wednesday.

GEN. MCCOY: And Wednesday would not be convenient to you?

DR. KOO: Well I could arrange perhaps to be represented.

GEN. MCCOY: Would the afternoon be better for you on Wednesday?

DR. KOO: The afternoon will be all right, yes.

GEN. MCCOY: Is that agreeable to you?

MR. PANYUSHKIN: Mr. Chairman, I would like to say concerning the next meeting, that is the 11th of November, the Soviet delegation would like to have the meeting on Friday, and in regard to the meeting on the 25th it would be acceptable either Wednesday or Friday.

GEN. MCCOY: Let me see, next week you would wish it on what day?

MR. PANYUSHKIN: On Friday.

GEN. MCCOY: That would count out Sir Carl.

MR. POWLES: Yes, I am afraid so.

GEN. MCCOY: But you would be able to come on Friday?

DR. KOO: Yes.

GEN. MCCOY: Well then we will defer the meeting for next week until Friday at the same time, and then if it is agreeable to the Commission we will set the meeting at Thanksgiving for Wednesday. If there is any change desirable for that meeting it can be expressed at another time. Gentlemen, we stand adjourned.

(The meeting adjourned at 1:05 P.M.)



CONFIDENTIAL

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FAR EASTERN COMMISSION

Transcript of 127th Meeting of the Far Eastern Commission  
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.  
Thursday, November 11, 1948

NOTE: The attention of all concerned is invited to the classification of this transcript which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

CONFIDENTIAL



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## FAR EASTERN COMMISSION

Transcript of 127th Meeting of the Far Eastern Commission  
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.  
Thursday, November 11, 1948

### Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
His Excellency Mr. N. J. O. Makin	(Australia)
Mr. R. E. Collins	(Canada)
Dr. S. H. Tan	(China)
Mr. R. Douteau	(France)
Mr. S. N. Banerji	(India)
Mr. O. Reuchlin	(Netherlands)
His Excellency Sir Carl Berendsen	(New Zealand)
Mr. Emilio Abello	(Philippines)
His Excellency Mr. A. S. Panyushkin	(U.S.S.R.)
Mr. H. A. Graves	(United Kingdom)

### Secretary General

Mr. Nelson T. Johnson

Reporter: Mr. R. Holtz, Department of State--FEC



(The 127th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:40 A.M., 11 November 1948, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Good morning, gentlemen. The session is open.

ITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 126th MEETING

GEN. MCCOY: We will consider the minutes of the last meeting. The Secretary General has one correction already submitted.

MR. JOHNSON: Mr. Chairman, on page 5 of the minutes, in the sixth line from the bottom the hyphenated word "non-military", the Russian delegation has asked that that be surrounded by brackets.

GEN. MCCOY: Are there any other corrections, gentlemen?

DR. TAN: Mr. Chairman, on page 4, paragraph 3, line 2, the last two words "reference to" should be deleted; then in the same paragraph, the fourth line beginning with the last word "relating to" should be deleted. And then on the same page, paragraph 6, the first line, I would like to add these few words "as he had stated previously"

GEN. MCCOY: If there are no other corrections, the minutes will stand approved.

ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19, -/20; 273 series)

GEN. MCCOY: At the last meeting we almost obtained agreement on that paper. And I think that I told you that paragraph 1 b, which was in question between the Soviet Ambassador and the Chinese Ambassador primarily and which we had tried to find a meaning or statement in that preamble paragraph that would be satisfactory to both countries, and did find it in the sense that the new paragraph 1 b (2) would read: "in order that Japan may participate in providing goods for international trade"--I hope that will be acceptable to other members of the Commission. There was another consideration that was not agreed upon with reference to the last paragraph which



still stands in the sense that I believe, from a talk with the Chinese representative, they are still awaiting instructions.

DR. TAN: Yes, Mr. Chairman. We are still awaiting instructions with reference to this particular paragraph, so my delegation would appreciate it if you would leave this paper on the agenda for another week.

GEN. MCCOY: I am sorry that we have to delay this important paper where we have such general agreement, but I think that it is wise and helpful to comply with this request. If there are no objections, we will pass over it until the next week and hope that by that time we can get definite action from all concerned.

ITEM 3 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN  
(PEC-304/16; T-036, 304 series)

GEN. MCCOY: PEC-304/16 is a proposed policy decision approved by the Steering Committee on the 29th of June by a vote of 5 to 2. The United Kingdom and the United States members opposed the paper and the Canadian, French, New Zealand and Philippine members abstained. The substance of the proposal was also inserted as an amendment to the paper on Conduct of Trade--previous item--and the United States representative requested postponement <sup>until</sup> the latter paper should be forwarded to the Commission. On the 9th of September the Chairman agreed, in response to Chinese and Netherlands requests, to forward the Chinese view with United States concurrence that restitution cargoes should be exempted from port charges, and on September 16th the Chairman presented a reply from SCAP indicating his concurrence in this request. So that this Item 3 is still held pending the action on the previous paper which covers all points in question, and in the meantime the statement from SCAP seems to be satisfactory to those concerned with the restitution cargoes and the charges heretofore demanded for them and which are now exempted from port charges.



- ITEM 4 - a LEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)
- b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, -/1, -/2, -/3; FEC-084/21)
- c LEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS JAPANESE SHIPBUILDING AND SHIPPING (FEC-297/10)

GEN. MCCOY: FEC-242/32 is the proposed policy decision approved by the Steering Committee on the 18th of May by a vote of 6 in favor with China, France, Philippines, U.S.S.R., and United States abstaining. The understandings on which Australia and New Zealand approval was given are recorded on the cover page. On the 9th of June the Philippine representative expressed support for the proposal (FEC-242/33) and the French representative also withdrew his reservation and urged early adoption of the paper, FEC-242/32. On the 9th of September the United States representative stated in FEC-242/35 that his Government would endeavor to present its views as soon as possible. At present, therefore, the Chinese, Soviet, and United States positions remain to be expressed. The Chairman ruled on the 21st of October that FEC-242/32 and the Soviet proposal in FEC-320 were separate proposals and that FEC-242/32 might be discussed prior to FEC-320.

MR. GRAVES: Mr. Chairman, may I ask whether we are able to record any progress on this this morning, that is, whether there is any further information which the three representatives, yourself, the Chinese and Soviets, are able to give us?

GEN. MCCOY: I am not able to report any progress from the point of view of the United States.

DR. TAN: Mr. Chairman, my delegation expressly desires to learn the views of your Government and the views also of the Soviet Government. You take, for instance, although recently we haven't expressed any view ourselves nevertheless in the past we did express quite a bit of our views. The very fact that we introduced a number of amendments and a little one was adopted, that in itself would



express part of our views. Of course, we have an open mind and we should like to learn the views of others anxiously. Now we should like to learn the views of the Soviet delegation because, as I remember, that delegation has not expressed anything, and not only the views with reference to this paper but to another paper which we can call a twin paper, the one on shipping and shipbuilding.

GEN. MCCOY: Mr. Ambassador, have you any views to express in reply to the request of China?

MR. PANYUSHKIN: Mr. Chairman, I have already expressed our opinion and answered a number of questions, and besides that I would like--

GEN. MCCOY: Pardon me, I think the Ambassador misunderstood--

MR. PANYUSHKIN: --and I would like also to hear the opinion of my colleague, that is, the representative of the United Kingdom. In respect to the paper FEC-242/32 I will state my opinion at the appropriate time.

GEN. MCCOY: Are there any other views to be expressed on the papers in question under the 242 series?

(No response.)

GEN. MCCOY: There seem to be none this morning.

We will now go to the Soviet proposal regarding the level of economic life in Japan, FEC-320. FEC-320 and FEC-320/1 are statements submitted by the Soviet representative on the 23rd of September and the 21st of October, respectively. FEC-320/2 is a Chinese statement submitted on the 28th of October. FEC-320/3 contains (Enclosure "A") a Soviet reply to queries as to the meaning of the terms "war industry" and "peaceful industry" and (Enclosure "B") a New Zealand statement, both statements being submitted on the 4th of November.

The United States representative, on this subject, makes a statement which--has it been circulated, Mr. Secretary General?



I will read the paper and at the same time circulate copies of it. This was just received by me this morning prior to the meeting and the copies were just completed for your information.

Mr. Secretary General, will you read the statement, please?

MR. JOHNSON: "I have noted the various statements on the subject of FEC-320 made by the Soviet Ambassador before the Far Eastern Commission. I have also noted his statements released to the press. In the light of the resolution by the Soviet representative and the ensuing discussions in the Commission, it appears to me desirable at this juncture to state the views of my Government on this matter.

"As will be recalled, the Allies and the Far Eastern Commission have on several occasions announced policies dealing with primary and secondary war facilities and, in principle, war-supporting industries. Insofar as the peaceful economy of Japan is concerned, the United States, you will recall, has never expressed the view that restrictions should be placed on peaceful Japanese production. On the contrary, the United States has repeatedly advocated measures which would have the effect of stimulating the early revival of the peaceful Japanese economy. For example, it will be recalled that the basic position of my Government on this matter was summarized as far back as January 21 of this year when I said to this Commission:

'My Government believes that the Japanese Government and people, the Far Eastern Commission and its member states, and the Supreme Commander...should take all possible and necessary steps, consistent with the basic policies of the occupation, to bring about the early revival of the Japanese economy on a peaceful, self-supporting basis.'

"It would be highly inconsistent for my Government to take any other view when at the same time it is pursuing in other parts of the world programs designed primarily to alleviate suffering and to bring about economic revival. We are making great efforts to contribute, in



cooperation with other nations, to the raising of economic well-being and to bring about economic revival wherever possible.

"Accordingly, we welcome that part of the statement of the Soviet representative which draws attention to the need for an early Japanese revival and which indicates support for the policies of the United States Government.

"The second Soviet proposal, as explained by the Soviet representative, calls for the establishment and exercise of international controls over war industries in Japan after the treaty of peace comes into effect. Determination of post-treaty arrangements, as the Commission is aware, falls outside its terms of reference. I am certain that you are fully aware how thoroughly the demilitarization of Japan has been carried out. It should be unnecessary to reiterate that the United States is determined that Japan shall not again be able to undertake aggression.

"In conclusion it is the view of my Government that the Soviet resolution would serve no useful purpose, would in substance only reiterate Far Eastern Commission and Allied policy decisions of long standing and would in part be beyond the competence of the Far Eastern Commission."

GEN. MCCOY: Are there any other statements this morning on this important paper or any discussion that is desired?

MR. GRAVES: Mr. Chairman, I am ready to state the United Kingdom position.

We have considered the proposal proposed by the Soviet representative on the basis of the information which has been put forward to us. We consider that the first portion of the proposal amounts to what might be described as a set of generalities which at this stage of the Commission's labors we feel are insufficiently helpful in a statement of policy. As regards the second portion of



the proposal viewed in the context of the introductory clauses of the paper PRC-320/1, we incline to the view that it treats with matters which are outside the competence of the Commission. We should therefore vote against the paper if it is put to the vote.

GEN. MCCOY: I will declare a recess of a few moments.

(The meeting recessed at 11:05 A.M.)

(The meeting reconvened at 11:08 A.M.)

GEN. MCCOY: Gentlemen, the session is now open.

In connection with PRC-320 and its attendant statements, it is before you and we have had some very interesting and pertinent statements, and I would be glad to hear any others if they wish to make them. If not, I would like to know whether the countries not already having expressed themselves are awaiting instructions or intend to make a statement on this paper.

MR. MAKIN: Mr. Chairman, I would wish just to say, sir, that I am awaiting instructions from my Government upon this matter and will acquaint you at the time when I am in a position to be able to make a statement of the matter to be determined.

MR. COLLINS: Mr. Chairman, we are still awaiting final instructions.

MR. BANERJI: Mr. Chairman, we are also awaiting final instructions.

MR. REUHLIN: I am ready to vote on this paper as I have my instructions.

GEN. MCCOY: Do you care to make any statement or to give us the sense of your opinion and help?

MR. REUHLIN: Our position is the same--we have the same opinion upon this paper as expressed by you, Mr. Chairman, and also as expressed by Mr. Graves. The first part in our view contains generalities with which the Supreme Commander certainly couldn't work and that is after all the purpose of a policy decision of the



Far Eastern Commission. We can agree in general terms with the contents but would have to vote against it because it would serve no useful purpose. And as far as the second part is concerned, we agree also that this is a question of post-treaty arrangements which are outside the jurisdiction of the Far Eastern Commission. Therefore, if the paper is put to the vote, we would have to vote against 1 and 2.

MR. ABELLO: Mr. Chairman, we are ready to vote on the paper. We agree entirely with the statements made here by the delegate of the United States that the first part of the Soviet proposal is in general covered by policy decisions of the Far Eastern Commission and I can agree with the United Kingdom delegate that it contains provisions which serve no useful purpose. And as far as the second part of the proposal is concerned, we believe, as the United States and the United Kingdom delegates have stated, that it is beyond the competence of the Far Eastern Commission. We can vote on the proposal submitted.

GEN. MCCOY: In view of the statements and discussion this morning and the fact that there are still governments awaiting instructions, we will postpone final action on this paper until another meeting.

Is there any comment this morning on g Level of Economic Life in Japan: Policy towards Japanese Shipbuilding and Shipping? FEC-297/10 is a proposed policy decision forwarded without recommendation on 2 November by a vote of 8 in favor with 3 abstentions. Positions of delegations as recorded in the Steering Committee discussion are listed on the cover page.

(No response)

GEN. MCCOY: There seems to be no further discussion this morning. It will be kept on the agenda.



ITEM 5 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16,  
FEC-277/17)

GEN. MCCOY: FEC-277/16 is a proposed policy decision approved by the Steering Committee on the 12th of October. The Chinese and French positions are reserved in the absence of instructions. The Soviet position is reserved pending action on amendments proposed in FEC-277/17.

Is there any discussion on this paper this morning?

(No response)

GEN. MCCOY: May I inquire if the Chinese position is still reserved?

DR. TAN: We are ready to act on the paper, Mr. Chairman.

MR. BANERJI: I am ready to act; I have no reservation.

MR. DOUTEAU: I have no final instructions, Mr. Chairman.

GEN. MCCOY: Mr. Ambassador, are you ready to propose your amendments on this paper?

MR. PANYUSHKIN: Mr. Chairman, I am ready to defend my proposed amendments, but since some members of the Commission haven't got their final instructions, and since this paper is very important for the purpose of democratization of Japan, I believe that it would be better to postpone the consideration of this paper and wait until all the members receive their instructions.

GEN. MCCOY: If there is no objection, the suggestion of the Soviet Ambassador will be followed.



ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, -/1, -/2, -/3, -/4, -/5, -/6;  
FEC-014/9, FEC-045/5)

GEN. MCCOY: FEC-318 is a statement presented by the Soviet representative on 16 September. FEC-318/1 contains the minutes of the 67th meeting of the Allied Council for Japan, which embody a letter of 22 July from the Supreme Commander to the Japanese Prime Minister and a Cabinet Order of 31 July relating to temporary measures based on the Supreme Commander's letter. FEC-318/2 is a statement presented by the Chairman on 23 September on behalf of the United States Government. FEC-318/3 is a statement presented on the 30th of September by the United States representative regarding arbitration and mediation machinery in Japan. A statement submitted by the Soviet representative on 30 September is recorded on pages 1-3, Minutes, 121st FEC Meeting. FEC-318/4 is a proposed policy decision submitted by the Soviet representative on 14 October. FEC-318/5 contains French and Philippine statements submitted on 14 October. FEC-318/6 contains Canadian and Chinese statements submitted 28 October.

I am informed, and I think I shall have to refer to a former statement of mine in reply to a request from the New Zealand representative as to the copy of the draft legislation on this subject that has been before the Japanese Government in various forms, and there has been an apparent slowness on my part in complying with this request--I have explained that personally to Mr. Poules--but I did state in the Commission that we were in the process of presenting the copy. But we found that while we were cutting the stencils there was notice of changes, so that it was only this morning that the final changes that we were aware of have reached us and these are being prepared now. The main paper that has been held up pending these final changes will be finished today?

MR. BICHLER: Tomorrow, Mr. Chairman.

GEN. MCCOY: Tomorrow, and will be distributed to the Commission.



So that we will be prepared at the next meeting to have the whole picture as far as we can give it at this time.

SIR CARL BERENDSEN: Mr. Chairman, that is quite <sup>acceptable.</sup> ~~acceptable.~~

Thank you very much indeed.

MR. MAKIN: Mr. Chairman, might I ask as to what will be the status of this legislation to the Diet?

GEN. MCCOY: Well I understand that it is the final draft that was presented to the Diet. Is that correct?

DR. BLAKESLEE: This will be the draft put into the Diet.

GEN. MCCOY: Yes. I am informed that this will be the final draft preparatory to its being presented to the Diet.

MR. MAKIN: Thank you very much.

GEN. MCCOY: Is that satisfactory, Mr. Ambassador?

MR. PANYUSHKIN: Mr. Chairman, I would like to say a few words in connection with the statements which were made previously by some delegations. I am obliged to answer the statements made by the French and the Philippine representatives. I would like to speak because this question is very important and the discussion of this question is in its initial part and I hope that at a future stage the representatives will state their opinion too.

The question raised by the Soviet delegation is a very important one because it touches millions of workers and employees in Japan and has a bearing upon the political situation in Japan. As is known, as a result of the illegal directive of General MacArthur and the subsequent actions of the Japanese Government, there were and still are disorders in Japan. Therefore the question of labor policy in Japan is very important question which should be considered here at the Commission. It is impossible to make a parallel with the secondary questions which were considered at the Commission perhaps during the months or years and which are not yet solved. I will not remind you of those secondary questions



which are being considered during a long time and of which all of you are aware, but I would like to draw the attention of the members of the Commission to the fact that this question touches the interests of millions of workers and employees in Japan.

In connection with this I would like to draw the attention of the members of the Commission to the statements made by the French and the Philippine representatives at the meeting of October 14. It is necessary to point out that in both statements it is asserted that the action of General MacArthur and the subsequent actions of the Japanese Government do not allegedly contradict the Potsdam Declaration, Article 10, and Far Eastern Commission policy decisions FEC-014/9 and FEC-045/5. Saying that these actions do not contradict the Potsdam Declaration the Philippine and French representatives do not give any foundations and really there are no foundations for such assertions. To say simply that these actions do not contradict the Potsdam Declaration doesn't mean that they actually do not contradict the Potsdam Declaration. If we read carefully the Potsdam Declaration and the decisions of the Far Eastern Commission it would appear that the situation is quite clear. Indeed, the Potsdam Declaration, Article 10, says that:

".....The Japanese Government shall remove all obstacles to the revival and strengthening of democratic tendencies among the Japanese people. Freedom of speech, of religion, and of thought, as well as respect for the fundamental human rights shall be established."

And what was the result after General MacArthur's directive to the Japanese Government? The result was that the workers and employees of government enterprises and institutions have been deprived of their fundamental democratic rights, that is to organize themselves into trade unions to conclude collective agreements and to protect their economic interests.



And now if we look at paragraph 2 g of Part I of the Far Eastern Commission policy decision FEC-014/9, that is, Basic Post-Surrender Policy for Japan, we will see that that paragraph provides that they, the Japanese people, shall be encouraged to form democratic and representative organizations. And it is further said of encouraging the Japanese people to form democratic and representative organizations. And what is the real situation? As a result of this directive given by General MacArthur and the subsequent actions of the Japanese Government, some three and a half million men and women, workers and employees of government enterprises and institutions in Japan, and they constitute more than fifty percent of all trade union members in Japan, have been virtually deprived of their fundamental democratic rights provided for them both in the Potsdam Declaration and in the Far Eastern Commission policy decisions. Indeed, there are some three and a half million workers and employees and behind them there are their families, and altogether it would constitute ten, twelve or fifteen million and they see all the evilness following the issuance of this directive. Therefore, the attempt to manipulate so freely with the decisions of the Far Eastern Commission would at least mean a very bad attitude towards these decisions of the Far Eastern Commission.

And now if we look at the Far Eastern Commission policy decision FEC-045/5, Principles for Japanese Trade Unions, and if we see paragraph 1, it is said there that:

"Japanese workers should be encouraged to form themselves into trade unions for the purpose of preserving and improving conditions of work participating in industrial negotiations to this end, and otherwise assisting the legitimate trade union interests of workers, including organized participation in building up a peaceful and democratic Japan."



And if we see paragraph 4 it is said there:

"Trade unions should be encouraged to negotiate with the employers on behalf of their members regarding terms and conditions of employment..."

And if we see paragraph 13 it is said there that:

".....No police or other government agencies should be employed in spying on workers, breaking strikes, or suppressing legitimate union activities."

The question is, what was the demand of the workers? Naturally they asked for good conditions for their work and they asked for normal conditions of work. As it is seen from the statement made by the United States representative, one may see that General MacArthur hasn't given legal means for settling those problems--it means that even arbitration wasn't used, and after all this to say that the actions of General MacArthur and the Japanese Government do not contradict the Potsdam Declaration and the policy decisions of the Far Eastern Commission would be absolutely incorrect. And I would like to point out that considering this question we deal not with logs, nails or ships but we deal with living people. Indeed, as a result of this directive the Japanese workers were given to the Japanese police. Indeed, hundreds of workers were arrested only because they were striving to get their rights which were provided for them by the Allies. Indeed, to say that the actions of General MacArthur and the subsequent action of the Japanese Government do not contradict the Potsdam Declaration and the policy decisions adopted by the Far Eastern Commission would mean taking under defense the illegal actions.

The Soviet delegation considers that the Far Eastern Commission cannot permit to distort its decisions; the Far Eastern Commission itself should defend its decisions. Indeed, the wording of paragraphs 1 and 4 of the policy decision FRC-045/5 leaves no doubt



that these paragraphs are concerned with the rights of all Japanese workers and employees without dividing them into government workers and workers of private enterprises, and I feel that nobody has the right to deprive the Japanese workers of their rights including General MacArthur, the Japanese Government, or anybody else.

I would like also to draw your attention to that part of the statement made by the French representative that this matter should be considered not only in the light of the democratic principles but also from the point of view of the tasks of the occupation, since strikes allegedly threatened the order and security of the occupation. If we are to agree with such an assertion of the French representative it would mean that the way towards democracy lies through the suppression of democracy in Japan. However, for everyone it should be clear that there is no other purpose besides the strengthening of democratic tendencies in Japan and this purpose could be fulfilled only by the consistent policy of carrying out democratic measures.

It is also interesting to note the arguments of the Philippine representative in respect to the necessity of limiting democratic rights of the Japanese trade unions. As it is known, in the statement of the Philippine representative it is said that the Japanese trade unions allegedly are not ready for democratic reforms because they lack adequate labor union experience and that they allegedly become blindly susceptible to orders of their leaders who seek to use their power for the purposes of attaining ulterior political motives. I feel that such a statement has no foundation whatsoever. We see that after illegal actions the Japanese workers are using all means in order to strike against illegal actions and they are defending themselves. Indeed, when the workers are illegally arrested and thrown into jail, what are they to do? They are expressing their attitude towards that.



We consider that the statements of the French and the Philippine representatives constitute an attempt to justify illegal actions of General MacArthur and the Japanese Government and we cannot agree with such attempts. That is all, Mr. Chairman.

GEN. MCCOY: Are there any other statements at this time? I call your attention to the fact that the paper covering the legislation will be circulated tomorrow and that will give opportunity to study a very comprehensive situation and piece of legislation, and we will be glad to hear further comment after the legislation itself - heretofore we have been more or less acting without definite information from Japan and I am sorry that I haven't been able to give it to you before, but I think that it will give food for thought and more understanding for consideration at the next meeting. And I hope that you will take into consideration the statements that have already been made by the French, Philippine, and Soviet representatives, and by the United States representative in the early stages of this question.

ITEM 7 - REPARATIONS REMOVALS; ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5; FEC-299/6, -/7, -/8)

GEN. MCCOY: FEC-299/5 is a proposed policy decision approved by the Steering Committee on 20 July by a vote of 7 to 3 (Canada, United Kingdom, United States) with 1 abstention (Australia). FEC-299/6 is a statement presented by the Chinese representative on 28 October. The pictures referred to in this statement are found in FEC-299/7. FEC-299/8 is a Netherlands substitute proposed for FEC-299/5. All these are now being considered by my Government and especially this more recent one of the Chinese representative on the 28th of October, and in view of the fact that I have not yet received the results of the consideration from my Government, unless there are other statements to be made on this paper this morning--

DR. TAN: Mr. Chairman, I should like to introduce an amendment to paragraph 2 of this paper.



(Copies of the Chinese amendment were circulated to representatives.)

DR. TAN: Mr. Chairman, may I say a word or two in introducing this amendment. It will be recalled that some objection has been expressed to paragraph 2 of this paper, particularly to the word "buildings", the second word of the paragraph. In view of this fact, my delegation has attempted to do two things: one is to re-write the paragraph in order to carry out the real intention of the paragraph in a more appropriate language; secondly, my delegation also is trying to introduce adequate qualifications into our amendment so as to meet the objections from several delegations. In doing that we have tried to ascertain the views of all the delegations assembled here and also to ascertain the views of the technical men of SCAP. Now then, as a result of this my delegation has presented this amendment.

You will notice, Mr. Chairman, there are four special features in this amendment. In the first place, as I have just said, the word "buildings" is gone and it only covers such structures or portions of such plants that because of initial design, and so on as indicated below. And then the second special feature of this amendment is that originally in paragraph 2 the paragraph carried a qualification, that is to say, that it could be usefully dismantled, and so on. Now that is retained. And then in the third place my delegation has introduced two more qualifications. One is that such portions, "structures or portions of plants", can be removed as reparations only when they are not needed for purposes of the occupation, that is, SCAP would decide on this question—we would give the full authority to SCAP to decide. Then secondly, also that in the opinion of SCAP that they are not needed for the peaceful needs of Japan as defined by the Far Eastern Commission. So, may I read the whole paragraph as introduced.



~~"Those building structures or portions of the buildings such plants or establishments ~~or~~ including equipment accessory thereto which by virtue of initial design or construction can ~~in the opinion of the claimant country~~ be economically dismantled and usefully re-erected and which, in the opinion of the SCAP, are not required for purposes of the occupation or for Japan's peaceful needs as defined by the Far Eastern Commission should be made available for reparations, together with all building equipment attached thereto."~~

Mr. Chairman, in the opinion of my delegation this amendment, which is greatly modified, is rather reasonable and should meet the approval of all the delegations. Thank you.

GEN. MCCOY: This was not considered in the working committee I believe?

DR. TAN: No. In the working committee there was some attempt to introduce an amendment but not like this. This represents a conscientious attempt to bring about agreement. Our Mission in Tokyo has held quite a few talks with the experts of SCAP and we feel that if we introduce two qualifications as we have here in the last part of the paragraph we can find that surely SCAP can work it out--implement the paper, if adopted, without any difficulty.

GEN. MCCOY: Are there any remarks from any members of the committee that considered this paper?

(No response.)

GEN. MCCOY: It seems to be a new formal attempt to bring the paper into more close agreement and I haven't as yet been informed from SCAP as to their position, as noted by the Chinese delegate, so that I shall have to ask deferment so that I can have this considered by my Government. But I understand you would like to have it proposed as an amendment?

DR. TAN: Yes, Mr. Chairman.

GEN. MCCOY: There might be help for the members if there is



any discussion desired this morning or if any member is ready to discuss it ab initio, but I would think that we all would have to consider it in relation to the whole paper and get the instructions of our governments on this new effort to find agreement. If there is no discussion we will defer action both on the paper and on the amendment. But we will consider that the amendment is before the Commission.

DR. TAN: Yes, Mr. Chairman.

ITEM 8 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)

b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

(There was no discussion of this item.)

ITEM 9 - SOVIET STATEMENT REGARDING PRESS REPORTS OF MILITARY CONFERENCE IN JAPAN (FEC-322)

GEN. MCCOY: I was prepared to reply last week but we were so involved in trying to get agreement on the trade paper that we didn't get an opportunity to reply. In the meantime I understand that it has been a matter of statement to the press on the part of the Soviet Ambassador and that the State Department of the United States replied also in the newspapers. So I was wondering if that would be satisfactory to the Soviet Ambassador.

MR. PANYUSHKIN: I consider it absolutely not sufficient. In addition I would like to draw your attention to an article published in the New York Times of October 30. This report was made from Tokyo. It is said in that article that military men point out that both Alaska and Honolulu, the latter being where <sup>Admiral</sup> ~~McCrea~~ McCrea has his headquarters, are surely a part of the Pacific Theater and actually constitute the flank and rear of General MacArthur, and if we know where the flank and rear are it is not difficult to imagine where the front is. Therefore I would like to hear a clear answer



from General McCoy to our statement.

GEN. MCCOY: Well I am an old soldier but I am an awfully old one, and so I haven't kept up with all these modern developments that I see in the newspapers.

MR. PANYUSHKIN: And by the way I am also a soldier--

GEN. MCCOY: Well I know soldiers of both our respective Governments and even an old cavalryman--

MR. PANYUSHKIN: --and as a soldier from a soldier I would like to hear a clear answer.

GEN. MCCOY: Well, in thinking back, I remember that it was one of my duties always to help make plans for every possible eventuality--that is what soldiers are for, I suppose--to look at the broad picture and make pictures--but I haven't been conscious of them myself other than what I see in the newspapers--and they haven't disturbed me or concerned me much. I am sorry that they do seem to concern the Soviet representative so continuously. I will try to be reasonable with regard even to newspaper speculations, and I thought that--I read in the paper that my State Department had made a reply to the statement of the or to the Ambassador in the public press--but they were both out of the Commission. I don't see why the Commission, which is concerned with policy with regard to Japan, should be concerned themselves with the speculations of all these newspapermen, both in New York and San Francisco and Moscow, which have nothing to do with the important policy considerations before this Commission where we are trying to cooperate rather than be concerned with efforts which would bespeak non-cooperation. We are still acting as allies around this table and I hope that these speculations will not be taken so seriously in the future. But since some of you may not have read the newspaper speculations or statements, I will read this reply which is a little out of date now in the sense of information but I would assume was pretty much as it was in the newspapers. It is as follows:



"With regard to the statement by the Soviet Ambassador before the Far Eastern Commission on October 28 and given to the press, it should be pointed out that General MacArthur, as senior United States commander as well as representing the Allies..."

This I take it implying--referring to him as the commander of American troops in the Far East where American troops still persist--

"...holds conferences in Tokyo with high United States military officers from time to time and these are purely routine matters of sole concern to this Government.

"With respect to the allegation that the former Japanese naval base at Yokosuka is being converted into a modern naval base, it may be stated categorically that this is not true. This base has been used from the beginning of the occupation by the United States naval forces supporting the objectives of the occupation which it is both necessary and proper for them to do. Accordingly the implication that the Far Eastern Commission decision on the Basic Post-Surrender Policy for Japan is being violated is wholly without foundation."

That's the reply that I make to the Commission for its information.

I might ask the Ambassador if he has ever been to Yokosuka.

MR. PANYUSHKIN: No, I have never been to Yokosuka.

GEN. MCCOY: Well if he had he would be perfectly sure that Yokosuka is not being used as a naval base in the sense that is intimated. It's the original base of Japan and was built up in the days when sailing ships and small ships were part of the Japanese Navy, and I can assure the Ambassador that, having been there myself, it's a very pleasant little yachting harbor and that it is useful under the occupation purposes simply because it's there. And I always remember it had been very thoroughly bombed during the war. It was quite a mess. You remember, Sir Carl, you have visited Yokosuka.



SIR CARL BERENDSEN: I was there with you, Mr. Chairman.

GEN. MCCOY: And in my personal opinion I would feel that they have probably cleaned it up--I hope--but it's going to take a long time even to do that. But I have read in the papers about it being cleaned up for the purposes of its present use. But I can assure the Ambassador he doesn't need to bother about Yokosuka.

MR. PANYUSHKIN: Mr. Chairman, I will take your statement into consideration and reserve my right to make a statement at a future date.

Now, in regard to your personal opinion concerning Yokosuka, I am grateful for your explanations. Perhaps sometimes it would be necessary to go to Yokosuka and see how much it is cleaned. Now it is noteworthy to say that there was a statement of one naval officer that there are very many bathhouses in Yokosuka and what is the purpose of these bathhouses? Is it for cleaning the base? (Laughter)

GEN. MCCOY: Well I don't know--I can't pose as an authority on Yokosuka any more.

MR. PANYUSHKIN: Indeed, Mr. Chairman, that is also from the sphere of newspaper speculation; however, United States naval officers gave their interviews concerning bathhouses there.

ITEM 10 - OTHER BUSINESS

GEN. MCCOY: Gentlemen, is there any other business to be considered on your behalf?

(No response.)

GEN. MCCOY: There seems to be none. We stand adjourned, gentlemen.

(The meeting adjourned at 12:10 P.M.)



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FAR EASTERN COMMISSION

Transcript of 128th Meeting of the Far Eastern Commission

Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.

Thursday, November 18, 1948

NOTE: The attention of all concerned is invited to the classification of this transcript which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

CONFIDENTIAL



**CONFIDENTIAL**FAR EASTERN COMMISSION

Transcript of 128th Meeting of the Far Eastern Commission  
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.  
Thursday, November 18, 1948

Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
Mr. H. W. Bullock	(Australia)
Mr. R. E. Collins	(Canada)
His Excellency Dr. V. K. Wellington Koo	(China)
His Excellency Mr. P. E. Naggiar	(France)
Mr. S. N. Banerji	(India)
Mr. O. Reuchlin	(Netherlands)
His Excellency Sir Carl Berendsen	(New Zealand)
Mr. Emilio Abello	(Philippines)
His Excellency Mr. A. S. Panyushkin	(U.S.S.R.)
Mr. H. A. Graves	(United Kingdom)

Secretary General

Mr. Nelson T. Johnson

Reporter: Mr. R. Holtz, Department of State--FEC



(The 128th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:35 A.M., 18 November 1948, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Good morning, gentlemen: the session is open.

The Secretary General calls my attention to the fact that the official photographer of the State Department wishes to have a picture of this Commission sitting around the table and I believe, also, he wants to put it in the coming report. Isn't that one of the purposes?

MR. JOHNSON: Yes, sir.

GEN. MCCOY: So that if there is no objection, I will ask the photographer to come at the opening of next week's session and will ask you to put up with the annoyance of a few moments of having our picture taken. We had one you remember a couple years ago--I thought that was sufficient for official purposes--but apparently it is the property of the National Geographic Society and everybody that uses it has to go through a certain motion to get it, so the State Department wants to have one of its own. I think it's a new thing for the State Department to begin to illustrate its white papers, and so forth--possibly a good thing--we might look at it more often.

SIR CARL BERENDSEN: And possibly sell a few copies, Mr. Chairman.

ITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 127th MEETING

GEN. MCCOY: The Secretary General has two corrections for the minutes of the past meeting.

MR. JOHNSON: Mr. Chairman, on page 1 of the minutes, at the top of the page, under notes concerning corrections to the minutes of the 126th meeting, we failed to note the following which should be written down. We should have put in: page 5, the word "non-military" in line 6, paragraph 5, should be in brackets.

On page 6 under item 7 of the minutes, the Chinese delegation



asks the following corrections to be made in the paragraph attributed to Dr. Tan. Within the quotation: "Those ~~buildings~~ structures or portions of ~~the buildings~~ such plants or establishments...", between the word "establishment" and the word "including" eliminate or delete the word "or", so that it should read "establishments including equipment".

Then four lines from the bottom of page 6, the line beginning with the word "design", between the word "design" and the word "could" insert the following: "were useful to the claimant countries and".

GEN. MCCOY: Are there any other corrections?

MR. GRAVES: Mr. Chairman, on page 3 in the paragraph carrying my remarks, in the sixth line, there are one or two words omitted after the word "proposal". I used these words last week: "and in the context of the introductory portion of FEC-320/1". I would like, if you have no objection, the ~~the~~ insertion of those words after the word "proposal" so that the sentence will read: "With regard to the second part of the proposal and in the context of the introductory portion of FEC-320/1 it was the United Kingdom view...". Thank you.

GEN. MCCOY: If there are no objections, these corrections will be made, and if there are no further comments the minutes of the last meeting will be made a matter of record.



ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19 -/20; 273 series)

GEN. MCCOY: Our first item for consideration, and I hope final consideration, the conduct of trade paper with Japan of the 273 series. The paper itself is a proposed policy decision approved by the Steering Committee on the 12th of October by a vote of 8 in favor to 1 opposed, China, with 2 abstentions, the Philippines and the U.S.S.R. At the last meeting agreement was reached between the Chinese, Soviet, and United States members to amend paragraph 1 g by the deletion of the words "restrict competition" and the Chinese and Soviet representatives, in consultation with the Chairman, formulated the wording of paragraph 1 h (2) as shown in FEC-273/21. Consideration was postponed to afford the Chinese delegation further time to consider paragraph 9.

I am hoping that our colleague from China has received instructions that will permit him to consider this paper with the other members of the Commission.

DR. KOO: Mr. Chairman, with reference to Article 9, my delegation at a previous meeting of the Far Eastern Commission stated that it considered Article 9 regarding the early establishment of an exchange rate as unnecessary and premature. We felt, in fact, and still feel, that its language is rather vague and needs clarification as the authority which would be called upon to establish such a rate is not specified and also it is vague as to the time element in the phrase "as soon as possible". But we, Mr. Chairman, would not wish, however, to insist upon deletion of this article, after consulting our Government, since our insistence might affect the passage of the whole paper, a paper to which the Chinese delegation, like other delegations, attaches great value and importance. For this reason we are prepared to vote for the paper as a whole with the understanding that when the time is considered as mature for establishing an exchange rate the Far Eastern Commission will be informed of this development in advance and an opportunity will be given to the members



of the Far Eastern Commission to express their views on the subject. With that understanding my delegation is prepared to vote for the paper as a whole.

GEN. MCCOY: The statement that you have made will be communicated at once to my Government with the request that it be communicated to SCAP, and will be made a matter of record here.

MR. NAGGIAR: Mr. Chairman, as regards this article 9 on the exchange rate for the yen, I wish to remind the Commission that the French delegation at the Steering Committee voted for the paper as a whole "on the understanding that paragraph 9 refers only to the establishment of an exchange rate for foreign trade transactions, and on the further understanding that the Far Eastern Commission is the authority for establishing such an exchange rate". So I am prepared to vote for the paper as a whole if it is put to a vote on this understanding.

GEN. MCCOY: Would you read that again, please, Mr. Ambassador?

MR. NAGGIAR: Yes. It is summed up in FEC-273/19. I will read it again: "The French vote was cast on the understanding that paragraph 9 refers only to the establishment of an exchange rate for foreign trade transactions, and on the further understanding that the Far Eastern Commission is the authority for establishing such an exchange rate".

GEN. MCCOY: As I understand it that was also had at the Steering Committee.

MR. NAGGIAR: Yes, I merely renew that remark.

(There was a slight pause in proceedings for consultation.)

GEN. MCCOY: I was just thinking over that statement on the part of my French colleague, which was also made in the Steering Committee, and I understood that at that time, when the action was reported to me of the Steering Committee, it was simply a statement from the French representative as to their understanding in passing the paper up--I didn't understand that the Commission had accepted that under-



standing. Of course, that is one of the things that was in the mind, I think, too of our Chinese colleague in the procedure and that was very intentionally left out of the affair because it is a very complicated problem, as you are aware. It would be very unfortunate if this Commission had to sit in on trying to fix an exchange rate from time to time in Japan or the value of the yen. So that it was left in the broad policy line for consideration of the Commission as to policy but not as to procedure. These statements are very proper from the point of view of the respective delegates and will be made a matter of record and communicated with the policy paper, but the procedure of establishing the yen is not before us-- it's a very complex matter and a matter for experts. It has already been considered by the Allied Trade Board and will continue to be I have no doubt. This simply lays down a broad policy for trade and I think most of the countries here represented realize the importance of it and have agreed in substance with the paper. So that if there are no other comments I will put the paper to vote as it stands, with the statements recorded and communicated to my Government and to SCAP.

MR. NAGGIAR: Mr. Chairman, do I understand that the French reservation will be put on record too?

GEN. MCCOY: Will what?

MR. NAGGIAR: Will be put on record and sent to SCAP too?

GEN. MCCOY: Yes.

MR. NAGGIAR: Thank you.

MR. PANYUSHKIN: Mr. Chairman, before putting this paper to the vote, for the purpose of clarification I would like to know whether paragraph 1 b (2) would be in the wording suggested in FEC-273/21 and whether the wording of paragraph 1 b (2) would be the following:

"in order that Japan may participate in providing goods for international trade".



That is the wording which was agreed to at the last meeting. And then I would like to be assured of the wording of paragraph 1 g, that is, with the deletion of the words "restrict competition".

GEN. MCCOY: I understand so. Isn't that the fact? I will try and have the Secretary General state just what the paper that we are voting on comprises in view of the talks with the two ambassadors that I had at the time on these points now brought up by the Soviet Ambassador. Will you explain it so that I will not get my foot off-base?

MR. JOHNSON: Mr. Chairman, the paper before you is FEC-273/19. The text would now read in paragraph 1 g (2), which is on page 1 of said paper, substitute for the old paragraph the following paragraph:

"in order that Japan may participate in providing goods for international trade".

This would be the new ruling--the new words. And paragraph 1 g eliminate the words "which restrict competition".

MR. PANYUSHKIN: No "which".

MR. JOHNSON: Oh, just "restrict competition", I am sorry.

MR. GRAVES: And a comma.

MR. JOHNSON: And a comma, so that paragraph 1 g would read now:

"insure competitive conditions in trade free of contracts or arrangements which limit access to markets or foster monopolistic controls, and prevent excessive concentration of economic power in Japan and monopolies in Japanese foreign trade, whether with the participation of Japanese or foreign capital."

GEN. MCCOY: Does that cover the point raised by the Ambassador?

MR. PANYUSHKIN: Yes.

GEN. MCCOY: So that, with the approval of the Commission, I will present the paper for your voting with the slight changes made by agreement and stated to you at the former meeting and also now by the Secretary General. Would you canvass the vote, please?



MR. BULLOCK: For the paper.

MR. COLLINS: For.

DR. KOO: For the paper.

MR. NAGGIAR: For.

MR. BANERJI: For.

MR. REUCHLIN: For.

SIR CARL BERENDSEN: For.

MR. ABELLO: In favor.

MR. PANYUSHKIN: In favor.

MR. GRAVES: In favor.

GEN. MCCOY: In favor.

The tally as reported by the Secretary General is 11 in favor making the paper carried unanimously, and with a record of statements which will be forwarded with the paper to my Government for transmission to SCAP.

ITEM 3 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN  
(FEC-304/16; T-036, 304 series)

GEN. MCCOY: Item 3, Port and Service Charges, I think now becomes a matter of record in the paper just passed, is that not correct? So that, if there are no objections, Item 3 will be removed from the agenda.

ITEM 4 - SECOND PUBLIC REPORT ON COMMISSION ACTIVITIES (FEC-316/10)

GEN. MCCOY: This has just come up from the Steering Committee. FEC-316/10 is a proposed second installment of the public report on the activities of the Commission and covers developments from 10 July 1947 to 1 November 1948. The Steering Committee, on the 16th of November, approved a motion to recommend to the Commission that it authorize the Secretary General to issue the report. The Soviet position is reserved. I believe the Chinese had some statement on that also that was made in the Steering Committee. Do you have any comment here, Mr. Ambassador?



DR. KOO: I would like to make a statement, Mr. Chairman. The Secretary General, who has drafted the report, is to be congratulated on the text of the report which is on the whole an adequate and objective summary of the activities of the Commission from July 10, 1947, to November 1, 1948. Several Chinese amendments were proposed in the Steering Committee with a view to improving somewhat the language and presentation of the report. Some of these amendments received unanimous approval and have been incorporated in the report while some others failed to be adopted. Since, as in the case of the previous report, the Commission is only called upon to authorize the Secretary General to issue a report on the Commission's activities, it goes without saying and we assume that by approving the motion for authorization the representatives on the Commission do not necessarily commit themselves to complete indorsement of all or any part of the language of the Secretary General's report. As regards the substance of the report, naturally the policy decisions of the Commission should be the governing documents.

GEN. MCCOY: Mr. Ambassador, have you still reservations? Do you wish to make any remark?

MR. PANYUSHKIN: Mr. Chairman, the final text of this report was received recently and we were able to make the final translation only yesterday and because of this we haven't had time to get acquainted with the report. Therefore I would like to ask the postponement of final action until the next meeting.

GEN. MCCOY: Yes. I would like in the meantime, if it meets with the approval of the Commission, to include this paper that was passed this morning and to circulate to the Commission before next week this additional paper to be included in the report now before the Commission. Item 4 will remain on the agenda for the next meeting.



ITEM 5 - TRIAL OF JAPANESE WAR CRIMINALS (FEC-314/4)

GEN. MCCOY: FEC-314/4 is a proposed policy decision approved by the Steering Committee on the 16th of November by a vote of 7 in favor and with 4 abstentions, New Zealand, Philippines, U.S.S.R., and United Kingdom. The positions of abstaining delegations and of the Netherlands delegation are reserved.

This is the first appearance, gentlemen, of this paper before the Commission, so that I would ask your opinion or discussion or any statement of interest, or any question that may occur to you in advancing it a step forward.

SIR CARL BERENDSEN: Mr. Chairman, I would like to explain that it has been my custom during the years that this Commission has been in operation and during the period I have been chairman of the Steering Committee to refrain as a matter of course from voting while in the chair on the Steering Committee unless it became a matter of deciding one way or another, and consequently the fact that I didn't vote on this paper has no significance whatsoever I want to make perfectly plain--we are entirely in favor of this paper.

GEN. MCCOY: Possibly that would be a good procedure for me to follow as chairman.

SIR CARL BERENDSEN: Well we don't have so many votes here as we do in the other place. If I am going to be quoted as abstaining and reserving, et cetera, because I just don't vote, well I will vote.

MR. PANYUSHKIN: Mr. Chairman, it seemed to me that the time arrived for the voting of this paper but I would like to ask to postpone the final voting on this paper until the next meeting because there were made some changes in the draft of this policy.

GEN. MCCOY: Yes. Well I didn't intend to push the paper to a vote this morning; I felt that there was a good deal of food for thought here, as in all legal matters, and I just hoped that we might have any opinions here this morning that would help in getting forward with the paper and with the hope of agreement. There seems



to be no opinion this morning. It has just come up from the Steering Committee, so I would assume that the members would like to consider it before further expression of opinion.

ITEM 6 - a LEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)

b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, -/1, -/2, -/3, -/4; FEC-084/21)

c LEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS JAPANESE SHIPBUILDING AND SHIPPING (FEC-297/10)

GEN. MCCOY: Item 6, the level of industry paper, FEC-242/32, is under the same light as far as any action on it this morning, and I will go to the Soviet proposal regarding the Level of Economic Life in Japan, FEC-320. FEC-320 and FEC-320/1 are statements submitted by the Soviet representative on the 23rd of September and 21st of October respectively. FEC-320/2 is a Chinese statement submitted on the 28th of October. FEC-320/3 contains (Enclosure "A") the Soviet reply to queries as to the meaning of the terms "war industry" and "peaceful industry" and (Enclosure "B") a New Zealand statement, both being submitted on the 4th of November. FEC-320/4 is a statement presented by the United States representative on the 11th of November. Views similar to that set forth in FEC-320/4 were expressed by the Netherlands, Philippine, and United Kingdom representatives at the same meeting. The Australian, Canadian, and Indian representatives are awaiting instructions.

Are there any further statements on the part of those that have not already been made a matter of record? Are any of the countries mentioned--Canada, Australia, and the Philippines--further along on this, and India?

MR. COLLINS: Mr. Chairman, I have received my instructions on this paper now. I don't want to make any formal statement but I would simply like to say, while we have no particular objections to the general principle set forth in the Soviet proposal, we do agree with the statements that have previously been made by other delegations



to the effect that these proposals are either insufficiently precise to justify a policy decision by the Commission at this stage or fall outside the present jurisdiction of the Far Eastern Commission as we understand it, and that therefore we would vote against the proposal.

MR. BULLOCK: Mr. Chairman, I should like to make some observations on the Soviet proposal.

"The Soviet proposal draws attention to certain very important questions concerning the economic demilitarization of Japan. This proposal and the subsequent explanations which have been given by the Soviet Ambassador have been studied with great interest.

"It may be useful to restate in clear terms the general position on the economic disarmament of Japan which Australia has consistently held. The Potsdam Declaration states that 'Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind but not those which would enable her to re-arm for war'. The Far Eastern Commission has been endeavouring for almost three years to formulate detailed policies which would translate this principle into effect. The underlying assumption of the Far Eastern Commission's work in this respect has always been that a large part of Japan's industry was never used to satisfy the peaceful needs of the Japanese people. Much of it was, in fact, deliberately built up for war purposes in the period immediately prior to Japanese aggression. The Australian Government has consistently supported the principle that this excess capacity should be removed from Japan as a security measure and distributed as reparations. In this connection certain important policy decisions of the Far Eastern Commission have already been passed. In particular I refer to the Basic Post-Surrender Policy (FEC-014/9), 'Determination of Japan's



'Peaceful Needs' (FEC-106/1) and 'Reduction of Japan's Industrial War Potential' (FEC-084/21).

"FEC-084/21 was passed by the Far Eastern Commission more than a year ago. We would agree entirely with the statement of the Soviet Ambassador at the 122nd meeting of the Commission that at the present time the task of the Allies is to ensure that FEC-084/21 is completely fulfilled. That part of FEC-084/21, however, which relates to war-supporting industries cannot be implemented by the Supreme Commander until a further decision has been made by the Far Eastern Commission which will state specifically the amount of capacity in certain war-supporting industries which is essential to satisfy Japan's peaceful needs and may therefore remain in Japan. An earnest and painstaking attempt has been made to do this in document FEC-242/32. Some decision on this document is long overdue.

"We note from the explanation of the Soviet Ambassador that he understands the term peaceful industries to mean all facilities and industries other than those defined in FEC-084/21 as primary war facilities and secondary war facilities or enumerated in the category of war-supporting industries. On this understanding we fully endorse the principle that there should be no limitations imposed upon the development of peaceful industries. This is of course a view which the Australian Government has long held. It would be a great mistake through motives of vindictiveness to depress the standards of the Japanese people unnecessarily. Mass unemployment, low standards of living, malnutrition, economic instability and social unrest cannot be confined to any one country; they tend to spread to others. In the circumstances, however, it would seem superfluous to make the question of Japan's peaceful industries the subject of a specific policy decision. The principle advanced by the Soviet delegation regarding peaceful industry follows directly from our existing policy decisions



and there is no proposal in the Far Eastern Commission to the contrary. It would be unfortunate in any case to give priority to consideration of this question over attempts to reach decisions on those industries which we have all agreed in principle in FEC-084/21 form part of Japan's industrial war potential. Until the Far Eastern Commission has reached some decision on FEC-242/32 the Far Eastern Commission will not have discharged its most important responsibility.

"Regarding the first part of Soviet proposal in paragraph 2 we endorse the broad principle that the revival and creation of Japanese war industry should be prohibited. However, in order for a policy to be implemented by the Supreme Commander the term 'war industry' requires a process of very precise definition. It is this very problem which has engaged the attention of the Far Eastern Commission almost from its inception. The terms have been precisely defined and agreed to by the Far Eastern Commission in policy decision FEC-084/21. In view of the latest explanation by the Soviet Ambassador we understand that no change in the principles agreed to in FEC-084/21 is intended. We are naturally prepared to give full consideration to any reasons which the Soviet Ambassador may wish to advance. But without a fuller explanation as to why it is necessary it would seem to be a retrograde step to restate in vague terms our existing precise policy decisions.

"Regarding the second part of the Soviet proposal in paragraph 2 the Australian Government is also of the opinion that provision should be made in the peace treaty with Japan for control over key imports and comprehensive powers of inspection by Allied officials to provide against future Japanese aggression. This, however, is a matter for decision by the peace conference. We note from various explanations which have been given by the



Soviet Ambassador that he too considers that this part of his proposal relates to the peace treaty. In view of the fact that the Far Eastern Commission is charged at present only with the responsibility for formulating policies for the period of the occupation, it is not clear to our delegation what would be the reason for or the effect of the Far Eastern Commission passing such a policy decision at this time."

GEN. MCCOY: Are you ready--

MR. BANERJI: Unfortunately I have no instructions on this as yet.

GEN. MCCOY: There have been pretty full expressions on the part of the members of the Commission. What is your wish, Mr. Ambassador, with regard to this paper this morning? Do you wish it brought to a vote in view of the conditions stated?

MR. PANYUSHKIN: No, Mr. Chairman. I would like to hear the opinions of all the governments represented here.

GEN. MCCOY: Under the circumstances, by request of the Soviet Ambassador, it will be continued on the agenda.

Small g under Item 6 also is a matter for consideration with the over-all papers and will be retained on the agenda.

ITEM 7 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

GEN. MCCOY: FEC-277/16 is a proposed policy decision approved by the Steering Committee on the 12th of October. The French position is reserved in the absence of instructions. The Soviet position is reserved pending action on the amendments proposed in FEC-277/17, and on the 11th of November the Soviet representative suggested that his amendments be not acted on until all representatives had received instructions.

I take it that that is still your wish, Mr. Ambassador?

MR. PANYUSHKIN: Mr. Chairman, some countries have reservations on this paper including the Soviet Union. I was under the impression, Mr. Chairman, since you have often addressed me, that the delaying



of papers depends on me.

GEN. MCCOY: No. Well I didn't want to give that impression. I was just reading from my memorandum.

MR. PANYUSHKIN: I am sorry, Mr. Chairman.

GEN. MCCOY: The French position is reserved, and did I state that correctly that the French and the Soviet positions are reserved? I believe what I especially stated about the Soviet representative was that he had some amendments and he asked that they be not voted on until the Commission had expressed itself.

Is there any member here that wishes to make any statement or give further consideration to this particular paper? Have you any statement, Mr. Ambassador, this morning?

MR. NAGGIAR: No, Mr. Chairman. I have no instructions.

GEN. MCCOY: You still hold your reservation?

MR. NAGGIAR: Yes.

GEN. MCCOY: If there are no remarks or discussion this morning, the paper will be deferred and kept on the agenda.

ITEM 8 - LABOR POLICY IN JAPAN (FEC-318, -/1, -/2, -/3, -/4, -/5;  
FEC-267/1, -/2, FEC-045/5)

GEN. MCCOY: The Labor Policy in Japan is now building up to quite a dossier. I might summarize it by stating that the paper, FEC-318, is a statement presented by the Soviet representative on the 16th of September. FEC-318/1 contains the minutes of the 67th meeting of the Allied Council for Japan which embody a letter of the 22nd of July from the Supreme Commander to the Japanese Prime Minister and a Cabinet Order of the 31st of July relating to temporary measures based on the Supreme Commander's letter. FEC-318/2 is a statement presented by the Chairman on the 23rd of September on behalf of the United States Government. FEC-318/3 is a statement presented on the 30th of September by the United States representative regarding arbitration and mediation machinery in Japan. A statement submitted by the Soviet representative on 30 September is



recorded on pages 1-3 of the minutes of the 121st Far Eastern Commission meeting. FEC-318/4 is a proposed policy decision submitted by the Soviet representative on the 14th of October. FEC-318/5 contains French and Philippine statements submitted on the 14th of October. And FEC-318/6 contains Canadian and Chinese statements submitted on the 28th of October. FEC-267/1 is the Japanese Cabinet draft of the proposed revision of the National Public Service Law, and FEC-267/2 contains certain corrections to the draft contained in FEC-267/1. That seems to give the whole background.

Are there any comments on the draft legislation already circulated?

MR. GRAVES: Mr. Chairman, is anything known about the status of the legislation at the moment? There have been various references in the press to amendments which have been suggested but we only have the press statements to go on.

GEN. MCCOY: Well I understand that drafts of three additional bills have been introduced in the Diet: first, Japanese National Railway Corporation; second, Non-Stock Public Corporation for Tobacco and Other Monopolies; and third, National Negotiations Law for Public Corporations. We have not received those as yet but they will be distributed as rapidly as possible.

MR. GRAVES: Thank you.

GEN. MCCOY: Is there any comment this morning on the part of any members on the drafting legislation now before the members? If there is no action desired this morning on this subject, we will proceed to the next item on the agenda.

ITEM 9 - REPARATIONS REMOVALS; ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5, -/6, -/7, -/8, -/9)

GEN. MCCOY: Item 9 seems to be in the status of awaiting the position of the United States, which has not been furnished me.



ITEM 10 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)

b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

GEN. MCCOY: The same thing applies to Item 10, and I will go down to Other Business.

ITEM 11 - OTHER BUSINESS

GEN. MCCOY: Is there anything before the Commission on the part of any delegate under Other Business?

MR. PANYUSHKIN: I would like to make a statement.

GEN. MCCOY: A new statement?

MR. PANYUSHKIN: Yes, Mr. Chairman.

"At the Commission meeting of November 11 the United States representative, in his answer to the Soviet statement of October 28 concerning the secret military conference in Tokyo, confined himself to reading the text of a State Department statement on this question. The Soviet delegation considers the statement of the State Department unsatisfactory and maintains its opinion which was stated on October 28."

GEN. MCCOY: I have no further comment on that matter. The statement of the Ambassador will be communicated to my Government.

If there is no further business, gentlemen, we stand adjourned until Wednesday of next week.

MR. REUCHLIN: What about a press release?

GEN. MCCOY: Due to Thanksgiving Day falling on our Thursday today next week, the meeting will be adjourned until Wednesday instead of Thursday of next week. The representative from Holland has called my attention to the fact that we haven't passed in the usual way the release to the press for this policy statement passed this morning on Japanese trade. So that, if there is no objection, that will be handled in the normal way and be released to the press.

We stand adjourned, gentlemen.

(The meeting adjourned at 11:40 A.M.)



**CONFIDENTIAL**

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FAR EASTERN COMMISSION

Transcript of 129th Meeting of the Far Eastern Commission

Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.

Wednesday, November 24, 1948

NOTE: The attention of all concerned is invited to the classification of this transcript which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

**CONFIDENTIAL**



# CONFIDENTIAL

## FAR EASTERN COMMISSION

Transcript of 129th Meeting of the Far Eastern Commission  
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.  
Wednesday, November 24, 1948

### Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
His Excellency Mr. N. J. O. Makin	(Australia)
Mr. R. E. Collins	(Canada)
His Excellency Dr. V. K. Wellington Koo	(China)
Mr. J. Daridan	(France)
Mr. S. N. Banerji	(India)
Mr. O. Reuchlin	(Netherlands)
His Excellency Sir Carl Berendsen	(New Zealand)
Mr. Emilio Abello	(Philippines)
His Excellency Mr. A. S. Panyushkin	(U.S.S.R.)
Mr. H. A. Graves	(United Kingdom)

### Secretary General

Mr. Nelson T. Johnson

Reporter: Mr. R. Holtz, Department of State--PEC



(The 129th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:35 A.M., 24 November 1948, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Gentlemen, we will now come into session.

ITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 128th MEETING

GEN. MCCOY: The minutes of the previous meeting are before you for correction.

Have you any corrections, Mr. Secretary General?

MR. JOHNSON: None, Mr. Chairman.

GEN. MCCOY: There have been no corrections submitted to the Secretary General. Are there any corrections around the table or points to be considered?

(No response)

GEN. MCCOY: There seem to be none, so that if there are no objections the usual record will be made of the minutes.

I notice that we very kindly rendered the American request to have a holiday tomorrow, a Thanksgiving Holiday we call it, and it occurred to me that we might look ahead a little bit with reference to other holidays that may be desired on the part of other members. So that I will just call your attention to the fact that if you do wish to have the meetings changed at any time you might look ahead now and see in the next six months if there are any national holidays of the represented countries that might cause a wish to have a different day for the Thursday meeting. We will be very glad, after we have had a chance to look ahead, to have your wishes and compare with the coming Thursdays, but we would be glad to have as much advance notice as possible. As far as the American national holidays I think the next two would be Christmas and New Years. How do they fall this year?

MR. GRAVES: Friday and Saturday.



GEN. MCCOY: Well, then we needn't take any action for Christmas and New Years.

ITEM 2 - SECOND PUBLIC REPORT ON COMMISSION ACTIVITIES (FEC-316/10, FEC-316/11)

GEN. MCCOY: Are you ready, gentlemen, to permit the Secretary General to go ahead with that report? Is there any comment or further consideration to be given it?

(No response)

GEN. MCCOY: As I take it the Commission does not approve the report as a commission; it simply authorizes the Secretary General to publish the report before it has been circulated in the same way that was done last year, or a year and a half ago.

Mr. Ambassador, I would like to--

MR. PANYUSHKIN: Mr. Chairman, I would like to ask to postpone final decision until the next meeting.

GEN. MCCOY: If there is no objection, action on the report will be continued on the agenda for the next meeting.

ITEM 3 - TRIAL OF JAPANESE WAR CRIMINALS (FEC-314/4)

GEN. MCCOY: FEC-314/4 is a proposed policy decision approved by the Steering Committee on the 16th of November by a vote of 7 (Australia, Canada, China, France, India, Netherlands, United States) in favor with 4 abstentions (New Zealand, Philippines, U.S.S.R., and United Kingdom). The Philippine, U.S.S.R., and United Kingdom positions are reserved. Is that still the case, gentlemen? Is there any comment on the background of this paper?

MR. REUCHLIN: Mr. Chairman, our position, as you will recall, is also reserved. I am now able to state the position of my Government on this paper when you wish it to be stated.

GEN. MCCOY: Yes. Well I think I would be glad if you would do that now and we could have any other comment or discussion that may be wished.



MR. REUCHLIN: Well, Mr. Chairman, as a preliminary remark, may I point out a small typographical error in the paper. It's the paper FHC-314/4. The policy referred to there is mentioned as being of the 3rd of April 1948 and that ought to be 1946 in both the first and second parts.

Now, taking the policy under consideration, and by saying "policy" I mean the first part, the second being a recommendation, I am instructed to inform the Commission that my Government is of the opinion that the underlying principle of this decision is a very sound one and they agree with it. They also think the time has come to terminate this kind of litigation and to pass on to more positive work.

Now, as to the second part, the recommendation, of course as it is a recommendation it is not binding on governments and as such there is no reason why our Government couldn't agree with such a recommendation. But they wanted me to point out to the Commission that the authorities in Indonesia must reserve to themselves the right to investigate, prosecute and judge the so-called minor war criminals after the date mentioned in the paper if such was found to be necessary, and of course such action is made possible in the recommendation because of the insertion at two places of the words "if possible" and also by the nature of this second part, which is a recommendation. On account of local conditions in Indonesia there exists the possibility that a number of Japanese are still at large in the territory of the Republic of Indonesia and that's really the reason why we may not--it may not be possible for us to observe the recommendation. We thought it fair to state that when we vote for this recommendation we do not want to recommend to other countries something which we may not be able to observe ourselves. Thank you, Mr. Chairman.

GEN. MCCOY: Is there any other comment on this paper?

(No response)



GEN. MCCOY: In view of the reservations and abstentions in the Steering Committee, I would like to know your wishes as to whether you wish this paper acted upon this morning or further postponed. The United States position is one of approval of the paper, I believe, so that as far as we are concerned we would be glad to have it come to a vote.

MR. ABELLO: Mr. Chairman, in the absence of instructions from my Government, we would like to ask for a postponement of the vote on this paper.

GEN. MCCOY: Is that agreeable to the other members--a postponement? The Philippine representative has not yet received instructions and requests postponement.

(No response)

GEN. MCCOY: If there is no objection, that will be postponed at the request of the Philippine delegate.

- ITEM 4 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)
- b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, -/1, -/2, -/3, -/4, -/5; FEC-084/21)
- c LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE SHIPBUILDING AND SHIPPING (FEC-297/10)

GEN. MCCOY: I don't think there is any need of my giving the background there for these next two proposals other than to put them before you for further consideration: first, the 242 series/32 and /35. Is there any comment or further statement this morning on that subject? I would be glad to hear it.

MR. DARIDAN: Mr. Chairman, if it would be agreeable to the Commission, I would like to make, on behalf of the French delegation, a short statement on the question of economic level in Japan.

GEN. MCCOY: Is this with respect to FEC-242/32 or FEC-320?

MR. DARIDAN: No, it's under the general subject of Level of Economic Life in Japan.



GEN. MCCOY: Yes, with special reference to the first item.

MR. DARIDAN: "The Soviet delegation has, in several instances, given to the Commission, together with pertinent comments and answers to questions put forward by various delegations, the reasons for which the Government of U.S.S.R. considers that:

'1. No limitations should be imposed upon the restoration and development of peaceful Japanese industry which seeks to satisfy the needs of the Japanese population, nor upon the development of export in accordance with the needs of Japan's peaceful economy.

'2. The revival and creation of Japanese war industry should be prohibited and there should be established, for a period of several years, a control over the fulfillment of this decision, to be exercised by the Powers most interested in preventing a new Japanese aggression.'

"It is the feeling of the French delegation that the Soviet proposal is in line with measures which are capable of restoring a Japanese peaceful economy. From this angle, the Soviet proposal is in conformity with the Far Eastern Commission's stand on this subject. In fact, this proposal does not cast any light on the matter which had not already been afforded by the Commission by the adoption of the Basic Post-Surrender Policy for Japan, and the Policy on Reduction of Japanese Industrial War Potential.

"It will be recalled that the French delegation has taken a very deep interest in the discussion of the levels of certain industries as they appear in document FEC-242/32. The French view on this last document is that it is a logical consequence of the principles governing the Commission's action in that field. It follows that a mere repetition of these principles appears to be quite unnecessary, for the reason that it does not bring



any new help to the problem of the economic rehabilitation of Japan.

"As to the implication by the Soviet delegation that a control over war industries in Japan should be established and exercised by the Powers most interested in preventing a new Japanese aggression, the French view is that a control of this nature can be envisaged by the Far Eastern Commission only within the terms of reference of that body. Consequently such a control cannot be defined by the Far Eastern Commission for any period of time which would follow the signature of a peace treaty with Japan. It is, however, the duty of the Commission, as it has already been found necessary, to provide for such a control during the occupation.

"For the reasons mentioned above, the French delegation will have to vote against the Soviet proposal referred to in the present paper."

Thank you, Mr. Chairman.

GEN. MCCOY: Thank you very much. Are you ready this morning, Mr. Banerji?

MR. BANERJI: I am sorry, Mr. Chairman. I am still without instructions on this paper.

GEN. MCCOY: Do you wish action on the paper postponed?

MR. BANERJI: I will leave it, Mr. Chairman, to your good judgment as to what to do with this paper. I remember that the Soviet Ambassador indicated at the last meeting of the Commission that he would prefer that his paper should be put to a vote when all the members have received their instructions, and if that is still the Soviet position naturally the paper will have to be retained until I have received instructions. I am expecting instructions, Mr. Chairman, any minute, and I am sorry that I couldn't get them today.

GEN. MCCOY: What is the wish of the proponent, Mr. Ambassador?



MR. PANYUSHKIN: I believe that there is no necessity to be in haste in voting this subject.

GEN. MCCOY: Well, under the circumstances, the paper will be, that is action on the Soviet proposal, FEC-320, under Item 4 a, will be kept on the agenda at the request of the Indian delegate awaiting instructions.

Is there any further comment on these economic papers that are allied in a sense but covered under the general Item 4?

(No response)

GEN. MCCOY: If not, we will proceed to Item 5.

(Discussion of Item 5 follows on next page).



ITEM 5 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16,  
FEC-277/17)

GEN. MCCOY: This is a proposed policy decision approved by the Steering Committee on the 12th of October. The French position is reserved in the absence of instructions. The Soviet representative has suggested that his amendments not be acted on until all representatives had received instructions. The Chinese representative has stated his readiness to vote on the proposal, and the Philippine representative is prepared to discuss the proposal. Neither has indicated his position. The Soviet position is reserved pending action on the amendments proposed in FEC-277/17.

Mr. representative from the Philippines, do you wish to discuss the matter this morning?

MR. ABELLO: Not yet, Mr. Chairman.

MR. BARTON: Mr. Chairman, I have now received my instructions and I am now ready to cast a vote on both papers.

GEN. MCCOY: I am afraid I didn't understand the Philippine representative.

MR. ABELLO: Not yet, Mr. Chairman, no.

GEN. MCCOY: Mr. Ambassador, do you wish your previous statements to still apply? The French representative is ready to act on the paper and the Philippine delegate is not ready yet.

MR. PANYUSHKIN: Mr. Chairman, I would prefer to abstain from making statements today and after all the representatives receive their instructions it will be better to discuss this matter.

GEN. MCCOY: Under the circumstances the action will be further postponed and Item 5 will remain on the agenda.

ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, -/1, -/2, -/3, -/4, -/5, -/6;  
FEC-267/1, -/2, FEC-014/9, FEC-045/5)

GEN. MCCOY: I think that this is such a moot question here, with the many papers involved, that I will just give you the background of the paper to date, FEC-318 being a statement presented by the



Soviet representative on 16 September. FEC-318/1 contains the minutes of the 67th meeting of the Allied Council for Japan, which embody a letter of 22 July from the Supreme Commander to the Japanese Prime Minister and a Cabinet Order of 31 July relating to temporary measures based on the Supreme Commander's letter, those temporary measures being still in effect. FEC-318/2 is a statement presented by the Chairman on 23 September on behalf of the United States Government. FEC-318/3 is a statement presented on the 30th of September by the United States representative regarding arbitration and mediation machinery in Japan. A statement submitted by the Soviet representative on 30 September is recorded on pages 1-3, Minutes, 121st FEC Meeting. FEC-318/4 is a proposed policy decision submitted by the Soviet representative on 14 October. FEC-318/5 contains French and Philippine statements submitted on 14 October. FEC-318/6 contains Canadian and Chinese statements submitted 28 October. FEC-267/1 is the Japanese Cabinet draft of a proposed revision of the National Public Service Law. FEC-267/2 contains certain corrections to the draft contained in FEC-267/1.

Now, in addition to that, the Secretariat received yesterday a revised text of the amended National Public Service Law as it was finally submitted to the Diet. This text has some changes from the cabinet draft now in the hands of the members of the Commission that the Secretariat is preparing copies of and which will be distributed as soon as possible. I might amplify that remark about the new material by stating that it was only yesterday that the draft of the following three additional bills introduced into the Diet were received by the Secretariat and are now being prepared for distribution: the Japanese National Railway Law; Bill for the Japanese Monopoly Public Corporation; and the Public Corporations Labor Relations Act itself. Those are the three new papers received by the Secretariat and which will be distributed as quickly as possible.



These are in addition to the one now before you, which is also being corrected and distributed, so that there are four laws now for your consideration.

MR. GRAVES: Mr. Chairman, I would like to make a short comment on FEC-267/1 and FEC-267/2, that is, the paper dealing with the proposed revision of the National Public Service Law. As you have just mentioned, there is a later version of this particular law which is going to be circulated, but my remarks have reference to a point of principle and therefore they have a bearing on this subject whatever the revision may prove to be.

My Government have examined the revised draft and have paid particular attention to Article 98. On the information available it does not appear to us that there is any provision in the draft whereby Japanese civil servants who might have grievances regarding conditions of their employment would have access in the last resort to independent arbitration machinery. Our understanding of the regulations governing the submission of grievances is that the National Personnel Authority would itself determine questions of compensation and other matters affecting civil servants, and that appeals would be decided by that authority instead of by an independent body. His Majesty's Government in the United Kingdom would regret the enactment of any permanent legislation which would fail to provide for any independent arbitration machinery. I do not propose, Mr. Chairman, to comment on the proposed legislation relative to other workers in government enterprises, that is the bills which you have just mentioned, but my Government will no doubt instruct me to make observations when there is a little more information available of the underlying intentions of the relevant legislation.

GEN. MCCOY: Is there any other remarks or statements, gentlemen?

DR. KOO: Mr. Chairman, do I understand correctly that in



addition to the National Public Service Law there are three other laws that have been proposed, namely, relating to the Japanese National Railway Corporation, Public Corporations for Monopolies, and the National Public Corporations Law? Have those three specific laws been also submitted to the Diet?

GEN. MCCOY: They have, and are now sent to us and will be available as quick as the stencils can be cut.

DR. KOO: Has there been any indication, Mr. Chairman, that those four laws, when acted upon, will be acted upon one after another so that when they are all passed in due course they will be enforced at the same time? What I have in mind is that the National Public Service Law seems to refer to the Civil Service, employees of government institutions, whereas the other three laws seek to regulate the treatment and rights--obligations--of employees of government enterprises, and unless, from our point of view, speaking generally, the other three laws are enforced at the same time with the National Public Service Law, there will be a sort of gap relating to the treatment of employees of government enterprises in which case we fear that the special Cabinet Ordinance would continue to be enforced. Just for our information whether there has been any indication that it is the intention of the Japanese Government on the advice of SCAP to pass those four laws one after another and to put them into effect at the same time.

GEN. MCCOY: Well that's a question that I will have to consult about.

(General McCoy consulted with advisers.)

GEN. MCCOY: Well I don't get much help in answering your question this morning, Mr. Ambassador, with the best efforts behind me. My own feeling would be, in considering any democratic parliament or congress, that we couldn't very well foretell what they will do when they get four different laws before them and discuss them



and send them back to committees or to committees for consideration. I would assume that there wouldn't be any fixed date that all of them would go into effect. That would just be my own personal assumption, but in view of your very pertinent question and the natural desire of everybody concerned to know all about this question as it develops, I will have the matter put to my Government and hope that we may give a more satisfactory reply on that point later.

DR. KOO: Thank you, Mr. Chairman. I really didn't expect an answer this morning, and any time you are ready to give us some information will be satisfactory.

GEN. MCCOY: Yes. Gentlemen, is there any other question or consideration that you wish given to this important problem this morning?

MR. PANYUSHKIN: I have a question, Mr. Chairman.

GEN. MCCOY: Yes.

MR. PANYUSHKIN: Mr. Chairman, perhaps to a certain extent I will repeat the question made by Dr. Koo, but I would like to know more certainly when the Japanese Diet would consider this legislation--whether this legislation would be considered at the extraordinary session which will soon finish its actions or perhaps this legislation would be considered at the next session.

GEN. MCCOY: I am afraid I don't know, but there again it's a subject for hoping to be able to give a more satisfactory answer later. Is there anything on that that you can help?

DR. BLANKSLEE: No.

GEN. MCCOY: Well I am sorry to say that--these questions are all pertinent and we will try to give the latest information as we are able to get it, but these bills that are now before us for consideration of the Commission in the sense of information are before the Diet now, I believe, in extraordinary session, is it?



DR. BLAKESLEE: Yes.

GEN. MCCOY: Of the present Diet, and just when and how they will handle it I am not able to state for the moment. I am not sure that we will ever be able to give any definite information there of just how they are going to handle these specific laws--whether together or one at a time are just in the realm of the first paragraph of Dr. Johnson's Kasselag, if you remember that--I don't remember it but I remember the substance, which applies.

MR. PANYUSHKIN: Mr. Chairman, at the present time it is not clear what the status is with the legislation which is under consideration at the Diet--we don't know whether this legislation will be adopted at the present session or not. Besides this it is clear from the statement made by the United Kingdom representative that this legislation from some points of view is contrary to the policy decisions of the Far Eastern Commission. When the Soviet delegation made its proposal concerning the labor policy in Japan certain representatives asked whether General MacArthur used certain measures for normal settlement of the disputes which occurred in Japan, and the Commission hasn't heard a clear answer from the Chairman whether such measures were taken. Now we have before the Commission the draft of one piece of legislation and we are informed that there are three more pieces of legislation relating to this subject, and it might happen that in the near future the Japanese Diet, that is the extraordinary session of the Japanese Diet, will finish its work. It isn't yet clear whether the action would be taken at the present session or not and we haven't yet received a clear answer to this question.

When the Soviet delegation's proposal was made certain delegations stated their opinion that the Far Eastern Commission exists not for the purpose of criticizing actions of General MacArthur, and in connection with this there were made proposals not



to consider the Soviet proposal concerning this subject. Certain representatives here considered that in principle the actions of General MacArthur were in contradiction with the policy decisions of the Far Eastern Commission and drew the attention of the Commission's members to the necessity of considering the legislation which is at the Japanese Diet now concerning the labor policy. Thus certain delegations in the Far Eastern Commission, including the Soviet delegation, consider that the subject of labor policy in Japan is very important and that the Far Eastern Commission should pay special attention to this subject. I haven't got information whether this legislation will be adopted by the current session of the Japanese Diet and I want to draw the attention of the members of the Commission, and especially the attention of the Chairmen, to the fact that in the Far Eastern Commission there is no information concerning this subject, which is not normal for the work of the Far Eastern Commission. As I know, the session of the Japanese Diet is scheduled to finish on December 7th--I don't know whether it is true or not but I have such information. It means that only one or one and a half weeks remain and we regret we haven't got information concerning the legislation--we haven't got even the drafts of the legislation. It might happen that the Far Eastern Commission again would be late in expressing its opinion on such an important matter. Therefore I would like to draw the attention of the Chairman to this matter and ask him to supply the Commission with the necessary information.

MR. GRAVES: Mr. Chairman, the Soviet delegate referred to the statement which I made a little earlier this morning. I think I ought to make one point clear. My statement does not contain any reference to a specific conflict with existing Far Eastern Commission policies. What it does contain is a remark that appears to be, in our view, an absence of a provision which we consider important,



namely, a provision that civil servants proper should have access to independent arbitration machinery. That is the substance of my statement; it doesn't extend beyond that.

(Dr. Koo, the Chinese representative, departed the meeting, and Dr. Tan assumed his chair as alternate.)

GEN. MCCOY: I think that the Ambassador will find that the Chairman has already attempted to answer those points that he made, at least I thought I had, in the sense of the information being presented to the Commission that the United States Government has, and which we have asked for, on the very points queried by the Ambassador. I will also call his attention to FEB-316/3, which has been circulated to the Commission on the 4th of October, which covers the statement at that time on these very points that the Ambassador has brought up. So that I will continue to try and keep the Commission informed as quickly as possible, and I will present all of the questions to my Government to see if we can fully meet every wish of the commissioners.

It's one of those things that we are all conscious of in this attempt to influence proposed legislation before a responsible government that is rather distant and where the action reported in the newspapers, and by me, trying to give the formal information, don't always click, and it brings up that primary question that we have discussed before us, especially at the time of the constitution, where there is a difference of opinion, at least on the part of the United States Government, with some of the other very honest and definite opinions of the other members as to just what are the functions of this Commission during the progress of the functioning of a responsible government in Japan. I personally have made the statement several times--not in sharp difference of opinion, only giving my opinion which I think would be the opinion of my Government in general--that we ought to consider the point



always that this Commission is not governing Japan but providing a policy for Japan, and that the safeguards on the part of the eleven countries represented here are in just such discussions as we have around the table where I am so often put on the spot for information-- you do get it eventually--which enables you, sitting together around the table--all of us to have our opinions expressed and the information given as things develop in Japan. Now under the terms of reference the Commission always has the right to seek review of any action of the Supreme Commander, but there is the problem that is not clearly agreed upon, I can see, by the Commission as to just how to meet the changing actions of a responsible and democratic government under a constitution that we have to watch and have discussions of this sort so that the government of Japan will carry out the policies of this Commission. But there's always the problem of meeting the rather misinformed action here, if we attempted to act on reports from the newspapers and also the delays that come in my furnishing information as to what's really going on from time to time. So that it all gets back to the fact that in the progress of this consideration here we do finally get our policies clearly defined and understood both here and out there, and I hope that will be the case in this affair. I agree with my colleagues in the importance of this legislation both from its present point of view and its future application. So that we will continue to discuss and try to get a clear action when the time comes.

MR. PANYUSHKIN: Mr. Chairman, I would like to know whether it wouldn't happen that while we are waiting for the information the Japanese Diet might adopt this legislation?

GEN. MCCOY: Yes, that is very likely.

MR. PANYUSHKIN: Then, what is the purpose of our consideration of this subject here? We are not in the Eighteenth Century when it was necessary perhaps a year and a half to get here from Japan.



Nowadays it would take perhaps only twenty-four hours to bring the necessary information here.

GEN. MCCOY: Well the information is here--there is a difference of opinion as to how it should be handled and what action should be taken. As I have tried to explain to the Ambassador, the information that he has asked has been furnished him except certain shades of his question which I am not able to answer just off-the-bat, but as far as I can see the information that has been asked for has already been furnished. But it's, as I say, not circulated to you as we received it only yesterday.

MR. PANYUSHKIN: Mr. Chairman, you raised the question of how the Commission should act. I believe that the purposes and the functions of the Commission are defined by certain decisions. I have in mind the terms of reference of the Far Eastern Commission, and the functions and responsibilities of the Commission are very clearly defined in this paper. It is very clearly stated that the functions of the Far Eastern Commission shall be:

"To formulate the policies, principles, and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished."

and:

"To review, on the request of any member, any directive issued to the Supreme Commander for the Allied Powers or any action taken by the Supreme Commander..."

and the Commission exists just for these purposes, that is, to fulfill its functions. Therefore I do not understand why our distinguished Chairman, General McCoy, questions the functions of the Commission. It is not clear to me, Mr. Chairman.

GEN. MCCOY: Well--I think we agree on the clarity of the terms of reference and in general on the statement made, but there are certain complications which go to the action of the Commission and



the Commission hasn't acted yet--we are in the process of consideration of the question and we'll continue to be until we bring the question to a vote. Now, if the representative wishes to bring the matter to a vote right now, I have no doubt we could settle the question, but I don't think that would be satisfactory from the point of view of some of the members of the Commission that want to have the thing considered in a proper and statesmanlike way and not just on the opinion of one representative. It's the Commission that has got to act under the terms of reference--not on the proposition put forward by the one member. It's the action of the Commission on that proposition. Now we're considering before we act and we've had very interesting and proper consideration which I, as representing the United States, am quite interested in and in the statements of the Ambassador. But it's still in the realm of discussion and I would hope that we can have a meeting of minds on the subject when we are fully informed and when we can agree with the Ambassador, if possible.

MR. PANYUSHKIN: Mr. Chairman--

GEN. MCCOY: I am not trying to force the issue in disagreement--I am just trying to approach agreement if we can do it.

MR. PANYUSHKIN: Mr. Chairman, I am very grateful for your statement and the clarification that you are trying to bring this matter to a settlement. However, Mr. Chairman, it might happen that this legislation would be adopted and we know that this legislation in substance would be illegal since this legislation which is under consideration in the Japanese Diet was prepared on the ground of the illegal directive. And this legislation provides to deprive the Japanese worker of such right as strikes. Thus a great part of the Japanese workers of government enterprises and employees of government institutions are deprived of their political rights. Does it mean that the Far Eastern Commission should not consider this question--



this matter? Does it mean that these measures are not in contradiction with the purposes of the occupation? As it is known, the purposes of the occupation are to make Japan democratic and introduce democratic principles there, that is, to help Japan in establishing democratic organizations and institutions in Japan, and if we see this illegal directive by General MacArthur to the Japanese Government we will see that it is in direct contradiction with the policy decisions of the Far Eastern Commission. Certain representatives here stated that the so-called recommendations are not in contradiction with the policy decisions and at the same time stated that if the legislation doesn't provide arbitration mechanism, and so on, this legislation would contradict the policy decisions of the Far Eastern Commission. Thus there is no logical consequence.

Now, Mr. Chairman, the question is not whether I would like to put our proposal to a vote. I just would like, Mr. Chairman, that you inform the Commission what is the status of this matter now, and I would like to draw the attention of the Commission to the fact that it might happen that while the Commission hasn't yet begun to consider this legislation the Japanese Diet would adopt this illegal legislation. And in connection with this, Mr. Chairman, I have taken some time from the members and spoken three times. That is all, Mr. Chairman.

GEN. MCCOY: Well I find a good many questions there that the Ambassador has posed that I could probably answer off-the-bat, but I shall have to consider them when I see them in the minutes. Possibly some of the points that he made have not been answered--I think they all have and are before the Commission for their consideration--but I don't want to act as Chairman in a cavalier manner, so that I will have to consider the questions that the Ambassador posed again and hope that I can be more satisfactory when I have them before me and can give them proper consideration with what has already gone



before. But I can say that this Commission is acting strictly in accordance with its powers and its limitations as defined in the terms of reference--I don't think there is any disagreement about that, but there is a disagreement as to the incidents that are mentioned and this Commission has full power to meet them and consider them and act on them. Now, if I had pushed without consideration by the Commission, I would have had to veto this resolution originally by the Ambassador, and we're trying to meet the thing in a reasonable way and keep him informed, with the other members, and consider the points that are brought out around the table by not only the Ambassador but also the other nations here represented that are just as much concerned with the proper legislation in Japan--that it shall be democratic and in conformity with the policy of this Commission.

Is there any other statement or discussion desired this morning on this Labor Policy in Japan?

(No response)

GEN. MCCOY: I would like to keep the other items on the agenda and ask for any matter concerning you under "Other Business".

ITEM 7 - REPARATIONS REMOVALS; ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5; -/6, -/7, -/8, -/9)

DR. TAN: Mr. Chairman, may I ask whether the representatives of other delegations have any opinion to express regarding the amendment of the Chinese delegation to paragraph 2 of item 7?

GEN. MCCOY: At the 127th meeting of the Far Eastern Commission on the 11th of November the Chinese representative moved that paragraph 2 of FEC-299/5 be amended. That has been circulated and the Chinese delegate asks if there is any comment this morning on that proposed amendment on the part of the Commission.

As far as the United States representative, I can state



that your amendment is under active consideration by my Government and has not been lost in the shuffle, I assure you.

MR. GRAVES: That is also our position, Mr. Chairman.

MR. MAKIN: That is ours also, Mr. Chairman.

ITEM 8 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)

- b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

(There was no discussion of this item.)

ITEM 9 - OTHER BUSINESS

GEN. MCCOY: Is there any other business this morning, gentlemen?

(No response)

GEN. MCCOY: There seems to be none. We stand adjourned.

(The meeting adjourned at 11:55 A.M.)



**CONFIDENTIAL**

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FAR EASTERN COMMISSION

Transcript of 130th Meeting of the Far Eastern Commission

Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.

Thursday, December 2, 1948

NOTE: The attention of all concerned is invited to the classification of this transcript which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

**CONFIDENTIAL**



**CONFIDENTIAL**FAR EASTERN COMMISSION

Transcript of 130th Meeting of the Far Eastern Commission  
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.  
Thursday, December 2, 1948

Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
Mr. H. W. Bullock	(Australia)
Mr. R. E. Collins	(Canada)
Mr. Y. C. Yang	(China)
Mr. J. Daridan	(France)
Mr. R. Douteau	(France)
Mr. S. N. Banerji	(India)
Mr. O. Reuchlin	(Netherlands)
Mr. G. J. Jobsis	(Netherlands)
His Excellency Sir Carl Berendsen	(New Zealand)
Mr. Emilio Abello	(Philippines)
Mr. J. U. Jovellanos	(Philippines)
His Excellency Mr. A. S. Panyushkin	(U.S.S.R.)
Mr. H. A. Graves	(United Kingdom)
Mr. J. F. Ford	(United Kingdom)

Secretary General

Mr. Nelson T. Johnson

Reporter: Mr. R. Holtz, Department of State--FEC



(The 130th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:35 A.M., 2 December 1948, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Good morning, gentlemen. The session is now open.

ITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 129th MEETING

GEN. MCCOY: The usual consideration will be given to the minutes of the last meeting. The Secretary General tells me he has already some corrections to bring to your attention.

MR. JOHNSON: Mr. Chairman, on page 3, at the bottom of the page, substitute for the last paragraph which is ascribed to Dr. Koo the following words. This is rather long but--

GEN. MCCOY: Would it be satisfactory if it is a long - we have so much to cover this morning I wonder if we could-- Has this been circulated in other words?

MR. JOHNSON: Not yet, sir.

GEN. MCCOY: Well, then I guess we will have to go ahead and make it.

MR. JOHNSON: It can be circulated unless there is any objection.

GEN. MCCOY: Is there anything that needs consideration or is it a routine correction that can be circulated and checked later on?

MR. JOHNSON: I'm told that it is apparently a routine correction, sir, and that it could be circulated.

GEN. MCCOY: If there is no objection, I will have this correction made and the correction can be circulated and if any comment is desired it can be brought up at the next meeting.

Are there any other corrections before us this morning?

MR. JOHNSON: No, sir.

GEN. MCCOY: Gentlemen, are there any other comments or corrections besides this one that has been presented by the representative of China?

(No response)

GEN. MCCOY: There seems to be none, and the usual record will be made of the minutes.



ITEM 2 - SECOND PUBLIC REPORT ON COMMISSION ACTIVITIES (FEC-316/10,  
FEC-316/11)

GEN. MCCOY: I am informed informally that one of our members has not yet received final instructions and has asked postponement until next week. If there is no objection, it will be postponed.

ITEM 3 - TRIAL OF JAPANESE WAR CRIMINALS (FEC-314/4)

GEN. MCCOY: FEC-314/4 is a proposed policy decision approved by the Steering Committee on the 16th of November by a vote of 7 in favor, those in favor being Australia, Canada, China, France, India, Netherlands, United States, with 4 abstentions, New Zealand, Philippine Republic, U.S.S.R., United Kingdom. The Philippine, U.S.S.R., and United Kingdom positions are reserved.

Are there any statements from those representatives in connection with the trial of Japanese war criminals or any discussion that would advance our consideration of this paper?

SIR CARL BERENDSEN: Mr. Chairman, I would really like to explain that the abstention of New Zealand in the Steering Committee was due solely to the fact that New Zealand has had the honor of chairmanship of that Committee. But I do want to point this out, sir, that there is a date mentioned in this paper and time is rapidly approaching us. If we don't pass or dispose of this paper in some way the effective date at which it will come into operation will have come and past. I really think we ought to face this problem one way or another.

GEN. MCCOY: Have you anything that would help us as representing the Philippines?

MR. ABELLO: Mr. Chairman, I am still awaiting instructions from my Government but those instructions are expected at any time now. So that we might be able at our next meeting or meeting after next to state the position of the Philippines.

GEN. MCCOY: Can either of you gentlemen help the situation here on that paper as regards your wishes or statements or discussions desired?



MR. PANYUSHKIN: The Soviet delegation is ready to participate in voting on this paper.

MR. GRAVES: I am ready to vote, Mr. Chairman. My reservation was made solely on the grounds that this recommendation contains the words "if possible". We would rather have had those out, but I wouldn't like to hold up the paper because of that and I am ready to vote on it.

GEN. MCCOY: Do you wish the paper postponed for final consideration?

MR. ABELLO: Mr. Chairman, I would ask for postponement until the next meeting. At the least we can act on this paper at the next meeting.

GEN. MCCOY: Well I think the remarks of Sir Carl are pertinent and, since there is now only one country awaiting instructions, we will postpone it for final action next week.

ITEM 4 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35, FEC-242/36)

GEN. MCCOY: FEC-242/32 is still before us with the final position on the 9th of September when the United States representative stated that his Government would endeavor to present its views as soon as possible. At present, therefore, the Chinese, Soviet, and United States positions remain to be expressed, with the Chinese representative stating on the 11th of November that he was anxious to learn the Soviet and United States views. FEC-242/36 is a French statement on the subject containing also the French views on the Soviet proposal regarding the Level of Economic Life in Japan in sub-item b. So that, as far as the United States is concerned its position is still reserved, and since the Chinese representative has stated that he was anxious to learn both the Soviet and United States views, I would ask the Soviet representative if he cares to make any further reply or statement to that effect in answer to the Chinese request.



MR. PANYUSHKIN: No, Mr. Chairman. I haven't got anything to say. But the matter is not only me; some other representatives also haven't yet stated their opinion.

GEN. MCCOY: I stated that I am not ready to state the position of the United States.

MR. PANYUSHKIN: You are not ready also?

GEN. MCCOY: No.

ITEM 4 - b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN  
(FEC-320, /1, /2, /3, /4, /5; FEC-084/21)

GEN. MCCOY: In sub-item b there was the Soviet proposal regarding the Level of Economic Life in Japan with its accompanying papers. I believe statements were made on this in various meetings except there was a reservation on the part of the Indian representative.

MR. BANERJI: Yes, Mr. Chairman.

GEN. MCCOY: Are you ready to make a statement this morning or discuss it?

MR. BANERJI: Yes, Mr. Chairman, I am prepared to make a statement if I may. My Government has given this proposal contained in FEC-320/1 their careful consideration and, while they agree that the principles embodied in this principle are generally acceptable, they feel that no useful purpose will be served by adopting a paper which is so vaguely worded as the present one. As regards the second part of the proposal, which contains the reference to establishment of a control body in Japan for this purpose, my Government has taken note of the clarifications that have been given from time to time by the Soviet Ambassador at this meeting and previous meetings of the Commission, especially the statement made by him at the 122nd Far Eastern Commission meeting in which he stated that "The establishment of control should be discussed at the peace conference and included as an integral part of the peace treaty". In view of this statement and other discussions that have taken place in the Commission, my Govern-