

GHQ/SCAP Records(RG 331)
Description of contents



- (1) Box no. 2240
- (2) Folder title/number: (18)
"C" Outgoing Radios: 1948
- (3) Date: Jan. 1948 - Dec. 1948

(4) Subject :

Classification	Type of record
020	n

(5) Item description and comment :

(6) Reproduction : Yes No

(7) Film no.

Sheet no.

BX 2240

SECURITY INFORMATION
CONFIDENTIAL

18

"C"

OUTGOING RADIOS

1948

JANUARY TO JUNE

AND

JUNE TO DECEMBER

SECURITY INFORMATION
CONFIDENTIAL

only copy ✓ C

[Handwritten signature]
New York
12

CONFIDENTIAL

**PRIORITY
CONFIDENTIAL**

CINC

GW/sh

17 DECEMBER 1948

170751

FROM : SOAP (MACARTHUR)

TO : DEPARTMENT OF ARMY

PAREN *P.66374* PAREN FOR CSCAD IGO PD REURAD WILLIAM EIGHT ONE
TWO NINE SEVEN CMA SUBJECT REVIEW OF CONSTITUTION PD ITEM AM IN ENTIRE
ACCORD WITH THE UNITED STATES POSITION AND WILL BE GUIDED BY IT IN MY
REPLY TO FAR EASTERN COMMISSION CONSULTATIVE MESSAGE PD MACARTHUR

GOVT

OFFICIAL:

R. M. LEVY,
Colonel, AGD
Adjutant General

Handling of this message as correspondence of the same classification has been authorized by the War Department in accordance with the provisions of paragraphs 18-C, 18-E, 53-A, 53-D (1) (2) (3), 53-A (1) (2) 31 (A) AB 220-5, 3 March 1946

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W-81297 Dec 17, 1948

SUPREME COMMANDER FOR THE ALLIED POWERS
AND
FAR EAST COMMAND
OUTGOING MESSAGE

CofS: PJM/wrb

FROM: SCAP

12 December 1948

TO : DEPT OF ARMY PRIORITY

(C-66236) For SAOUS. Reurad W81014. Part One. Reference query contained in paragraph five, no logical reason is seen for the exclusion of last sentence respecting the single exchange rate.

Part Two. Directive calls for the imposition of Economic controls probably without historical precedent. Its implementation will require reversal of the existing trend toward free enterprise under the influence of Japanese thought and initiative, and negation of many of the fundamental rights and liberties heretofore extended to labor and other segments of Japanese society pursuant to the philosophy underlying controlling allied policy. Imposed at this time when the Japanese are registering such marked and decisive strides toward their own economic rehabilitation and when the austerity of Japanese life is already reflected in an average monthly wage equivalent to less than \$20.00 United States currency and for whom a 1500 daily caloric basic ration is still an objective rather than a realization, its effect upon the local situation is impossible accurately to gauge. In these circumstances success of the program will depend upon the quality of the spiritual leadership we have developed in the course of the Occupation, as its implementation by forcible means is out of the question even had we available an infinitely stronger force than we now have. If the Japanese people follow us, if the workers remain at their jobs despite the freezing of their wages and sharp curtailment of the rights and liberties long extended them as inherent in a free trade union movement and they ignore the heavy communist pressure which is inevitable in such a situation, if capital and management moves with vigor and determination

and enterprise, despite the controls involved, and if Japanese politicians and political parties faithfully subordinate themselves and their policies and political efforts to the stated objective and the means prescribed for its realization, we will succeed. If any of these human forces fail in their part, explosive consequences well may result, but I shall do my best

Signed MacArthur

OFFICIAL:

R. M. LEVY
Colonel, AGD
Adjutant General

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CinC
Cof S
E&SS

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

RESTRICTED

OUTGOING MESSAGE

ESS/ST WFM/HCK/LHC/ng

DATE: 13 November 1948

Restricted

Gen Whiteley
8/0
F

FROM: SCAP

TO: DEPT OF ARMY

PRIORITY

30945

C-65379 For CSCAD ECON, Reurad Nov W 92418.

1. No objection should U. S. accept policy as outlined. However recommend first paragraph of policy be amended to read as follows:

"SCAP may, insofar as it proves administratively practical and without prejudice to existing arrangements for FEC member nations in accordance with principles established in FEC 280/9, permit investigation of Japanese technical processes by non-FEC countries which have been at war with Japan subsequent to 7 December 1941. Any technical or scientific information thus obtained should be promptly and fully disclosed to SCAP. Dissemination would be effected upon receipt of specific request."

2. It is understood the terminal date of the period of investigation is not affected by this policy.

OFFICIAL:

Approved by:

R. M. LEVY
Colonel, AGD
Adjutant General

W. F. MARQUET
Major General, U. S. Army
Chief, ESS

Copies to:
CC, CS, G-1 G-2, G-4, DS, G-3, SRS, Govt, ESS

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

Restricted **RESTRICTED INFORMATION COPY**

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CofS - PJM/jss
21 Apr 48

Out to

15

SCAP

210601

CSCAD ECON. PRIORITY

PAREN C-60078 PAREN REURAD WILLIAM NINE NINE EIGHT ZERO
 NINE THERE HAS BEEN NO CHANGE IN THE CONSIDERED OPINION PREVIOUSLY
 INDICATED IN MY RADIO CHARLIE FIVE TWO FIVE THREE FIVE THAT JAPAN
 CANNOT RPT CANNOT AFFORD AT THIS TIME TO EMBARK UPON ABLE
 RESTORATION PROGRAM INVOLVING LARGE OUTLAYS OF YEN FOR
 REHABILITATION OF RESTORED PROPERTIES OF NON HYPHEN JAPANESE
 NATIONALS CMA AS OUTLINED. IN SUGAR WILLIAM NAN CHARLIE CHARLIE
 THREE FIVE SEVEN CMA WITHOUT DEVASTATING EFFECT UPON THE ECONOMIC
 RECOVERY PROGRAM PD THERE IS NO CONTENTION AGAINST THE VALIDITY
 OF FUTURE CLAIMS AGAINST THE JAPANESE GOVERNMENT BUT THE ACTION
 SUGGESTED IS CONSIDERED TO BE PREMATURE AND WOULD JEOPARDIZE THE
 ECONOMIC RECONSTRUCTION OF JAPAN WHICH HAS NOW BEEN DIRECTED
 FROM THE DEPARTMENT OF THE ARMY AS OF PARAMOUNT IMPORTANCE PD
 JAPAN IS NOT RPT NOT SELFSUPPORTING AND THE GAP BETWEEN HER
 PRODUCTION AND CONSUMPTION IS IN GENERAL EFFECT BEING MET BY
 UNITED STATES APPROPRIATIONS PD THESE AMOUNT TO SEVERAL HUNDRED
 MILLION DOLLARS PER YEAR CMA ABLE BURDEN WHICH RESTS DIRECTLY
 UPON THE AMERICAN TAXPAYER AND ONE WHICH SHOULD NOT RPT NOT BE
 INCREASED OR EXTENDED BY ANY ACTION OF SUBSIDIZING EFFORTS BY
 THE JAPANESE GOVERNMENT TO REPAIR AND RESTORE TO OPERATING
 CONDITION THE PROPERTIES OF PRIVATE INTERESTS WHICH WERE DAMAGED

GOVT SEC

plain text of this message as correct
 has been authorized by the War Department
 in accordance with the provisions of paragraphs 16-C, 18-E, 53-A,
 53-B (1) (2) (3) and 60-A (1) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20) (21) (22) (23) (24) (25) (26) (27) (28) (29) (30) (31) (32) (33) (34) (35) (36) (37) (38) (39) (40) (41) (42) (43) (44) (45) (46) (47) (48) (49) (50) (51) (52) (53) (54) (55) (56) (57) (58) (59) (60) (61) (62) (63) (64) (65) (66) (67) (68) (69) (70) (71) (72) (73) (74) (75) (76) (77) (78) (79) (80) (81) (82) (83) (84) (85) (86) (87) (88) (89) (90) (91) (92) (93) (94) (95) (96) (97) (98) (99) (100)

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DURING THE WAR PD PARA CONSIDERED FROM THE PERSPECTIVE OF THE DOMESTIC JAPANESE ECONOMY ANY SATISFACTION OF CLAIMS CMA BEYOND THE RESTITUTION OF PROPERTY QUOTE AS IS UNQUOTE CMA FOR DAMAGE CAUSED BY WAR DESTRUCTION WOULD HAVE TO BE BORNE BY THE ISSUANCE OF UNSECURED CURRENCY WITH RESULTING SPIRALING OF INFLATION AND BY AN ADDITIONAL DRAIN UPON THE NATURAL RESOURCES AND MANUFACTURED PRODUCTS OF THE COUNTRY CMA ALL OF WHICH WOULD PRODUCE ABLE JEOPARDIZING EFFECT UPON THE ACHIEVEMENT OF ABLE BALANCED BUDGET PD SUCH ACTION WOULD INDEED AMOUNT TO THE GRANTING OF PREFERRED REPARATIONS IN KIND FROM RESOURCES LARGELY PROVIDED BY THE UNITED STATES PD SUCH ACTION AT THIS TIME BY THE UNITED STATES GOVERNMENT IS COMPLETELY CONTRARY TO AND TRAVERSES DIRECTLY THE RECENT INSTRUCTIONS WHICH HAVE BEEN RECEIVED HERE FROM DEPARTMENT OF THE ARMY PD PARA THE WITHDRAWAL OF OBJECTIONS TO THE INTRODUCTION OF SUGAR WILLIAM NAN CHARLIE CHARLIE THREE FIVE SEVEN CMA CONTAINED IN BY CHARLIE FIVE SIX ONE SIX FOUR CMA WAS PREMISED UPON ACCORDING ME AUTHORITY TO SET THE TIME WHEN COMPENSATION SHOULD BE PAID IN CASES WHERE AGREEMENT IS REACHED BETWEEN THE JAPANESE GOVERNMENT AND RESTOREE AND UPON THE POSTPONEMENT OF ESTABLISHMENT OF THE CLAIMS TRIBUNAL PENDING PAREN ONE PAREN THE SIGNING OF ABLE PEACE TREATY PAREN TWO PAREN THE ESTABLISHMENT OF ABLE RATE OF EXCHANGE AND PAREN THREE PAREN THE OPENING OF UNRESTRICTED TRADE PD UNDER AN ACCEPTANCE OF SUGAR WILLIAM NAN CHARLIE CHARLIE THREE FIVE SEVEN WITH THE REVISIONS MENTIONED HERETOFORE CMA RESTITUTION OF PROPERTIES

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AND EQUITIES COULD BE EFFECTED WITHOUT INVOLVING ALE BROAD PROGRAM OF FINAL SETTLEMENTS CMA LARGE SCALE YEN COMPENSATION TO BE PAID IMMEDIATELY OR EXTENSIVE PHYSICAL REHABILITATION OF DAMAGED PROPERTIES PD PARA ON THE OTHER HAND IF THE ISSUE OF ESTABLISHING ALE CLAIMS TRIBUNAL IS RESOLVED AS INDICATED IN UNAD WILIAM NINE ZERO NINE FOUR SIX CMA IT IS TO BE ANTICIPATED THAT UNCEASING PRESSURES WILL BE BROUGHT TO BEAR LOCALLY AND INTERNATIONALLY TO ESTABLISH THE TRIBUNAL AND TO EFFECT IMMEDIATE PAYMENT OF CLAIM SETTLEMENTS REGARDLESS OF THE AVAILABILITY TO THE JAPANESE OF RESOURCES TO MEET PAYMENTS PD TO ESTABLISH THE TRIBUNAL WHILE AT THE SAME TIME GRANTING TO ME THE AUTHORITY TO WITHHOLD PAYMENT WOULD PLACE ME IN AN UNTENABLE POSITION PD IT SHOULD BE RECOGNIZED FURTHER THAT UNLESS CLAIM SETTLEMENTS ARE MET PROMPTLY THE VARIATION AT ALE LATER DATE IN THE VALUE OF THE DOMESTIC CURRENCY MAY BE OF SUCH PROPORTIONS AS TO REVISE COMPLETELY THE ATTITUDE OF THE CLAIMANT AS TO ACCEPTANCE OF THE TERMS OF SETTLEMENT PD PARA IT IS MY MOST SINCERE PURPOSE NOT RPT NOT ONLY TO RESTITUTE PROPERTY RIGHTS TO PRE HYPHEN WAR ALIEN RESIDENTS BUT ALSO TO POST HYPHEN WAR ENTRANTS AND TO ACCORD EVERY FEASIBLE OPPORTUNITY FOR THE INVESTMENT OF FOREIGN CAPITAL UPON THE BASIS OF MUTUAL BENEFIT TO THE INVESTOR AND THE JAPANESE ECONOMY AND WITH PROPER SAFEGUARDS OF THE RIGHTS OF BOTH PD MY POSITION WITH RESPECT TO THE RECOGNITION OF FULL LEGITIMATE CLAIMS OF ALLIED NATIONALS IS OF REPEATED RECORDING HERE AND IN WASHINGTON PD IT BECOMES ALE MATTER OF NECESSITY

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CMA HOWEVER CMA THAT THE PAYMENT OF APPROVED CLAIMS BE ACCORDED
ABLE PRIORITY WHICH WILL NOT RPT NOT RETARD THE STRENUOUS EFFORTS
TO REESTABLISH ECONOMIC STABILITY NOW BEING EXERTED BY THE JAPANESE
WITH UNITED STATES FINANCIAL AID CMA AND IT IS INCUMBENT TO
INSURE THAT UNITED STATES APPROPRIATED FUNDS ARE NOT RPT NOT
PREFERENTIALLY APPLIED TO THE IMMEDIATE RECOVERY FROM JAPAN BY
PRIVATE INTERESTS OF LOSSES CONSEQUENT TO THE ACCEPTANCE OF RISKS
INHERENT IN THE PROBLEM OF MAKING INVESTMENTS IN POTENTIAL
ENEMY COUNTRIES PD PARA ITEM REITERATE AND REPEAT MY PREVIOUS
RECOMMENDATIONS CONTAINED IN MY RADIO CHARLIE FIVE SEVEN ONE EIGHT
TWO AND URGE THEIR ACCEPTANCE PD

MAGARTHUR

OFFICIAL:

R. M. LEVY
Colonel, AGD
Adjutant General

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31 Jan 48
22

INFO: SCAP (SEBALD).....ROUTINE
CSUSA.....ROUTINE

CX58324

22, January 31, 1948. (PASS TO DEPARTMENT OF STATE)

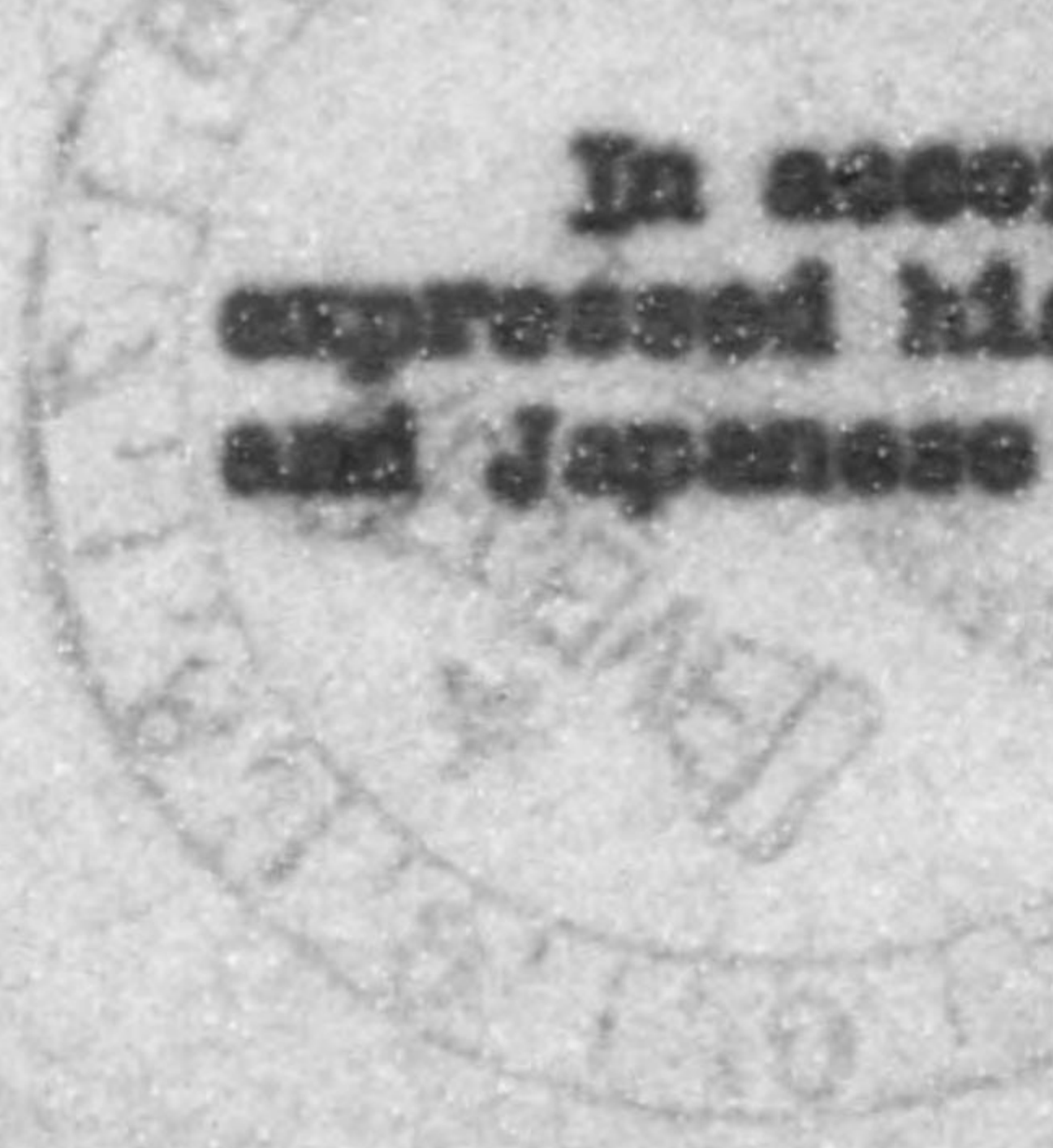
Reference telegram's telegram 24, January 28, settlement of AWB HARA claim.

It is General MacArthur's opinion that any attempt to discharge AWB HARA claim by negotiation and set-off against specific material and equipment furnished, as suggested in reference telegram, would leave scars which cannot be healed by ordinary processes of bargaining and that it would be preferable to attempt settlement along the lines indicated below.

Rather than attempt settlement by negotiation on a quid pro quo basis, General MacArthur proposes approaching this problem along broad political lines in consonance with the equities of the situation as they have developed since the Occupation of Japan by reason of the direct and indirect assistance already rendered by the United States to the Japanese people and economy. The United States having poured into Japan many hundreds of millions of dollars' worth of food, equipment, and material of all kinds, has little prospect of receiving repayment from Japan, whether charged to cost of Occupation or otherwise and irrespective of any agreement which might conceivably be made at time of conclusion of treaty of peace.

General MacArthur believes that the basis of settlement should be the assistance which has already been rendered to Japan and that in reaching agreement full opportunity should be given to the Japanese to make a gesture of appreciation for help given, a gesture which would be of infinite value in boosting Japanese morale and restoring their self-respect.

In accordance with above principles, General MacArthur has expressed his readiness to act as intermediary between United States and Japanese Governments and to use his good offices to effect settlement



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31 Jan 48
22

SCAP (SEBALD)
DEPARTMENT OF ARMY.....ROUTINE
INFO: GSUSA.....ROUTINE

GX58324

22, January 31, 1946. (PASS TO DEPARTMENT OF STATE)

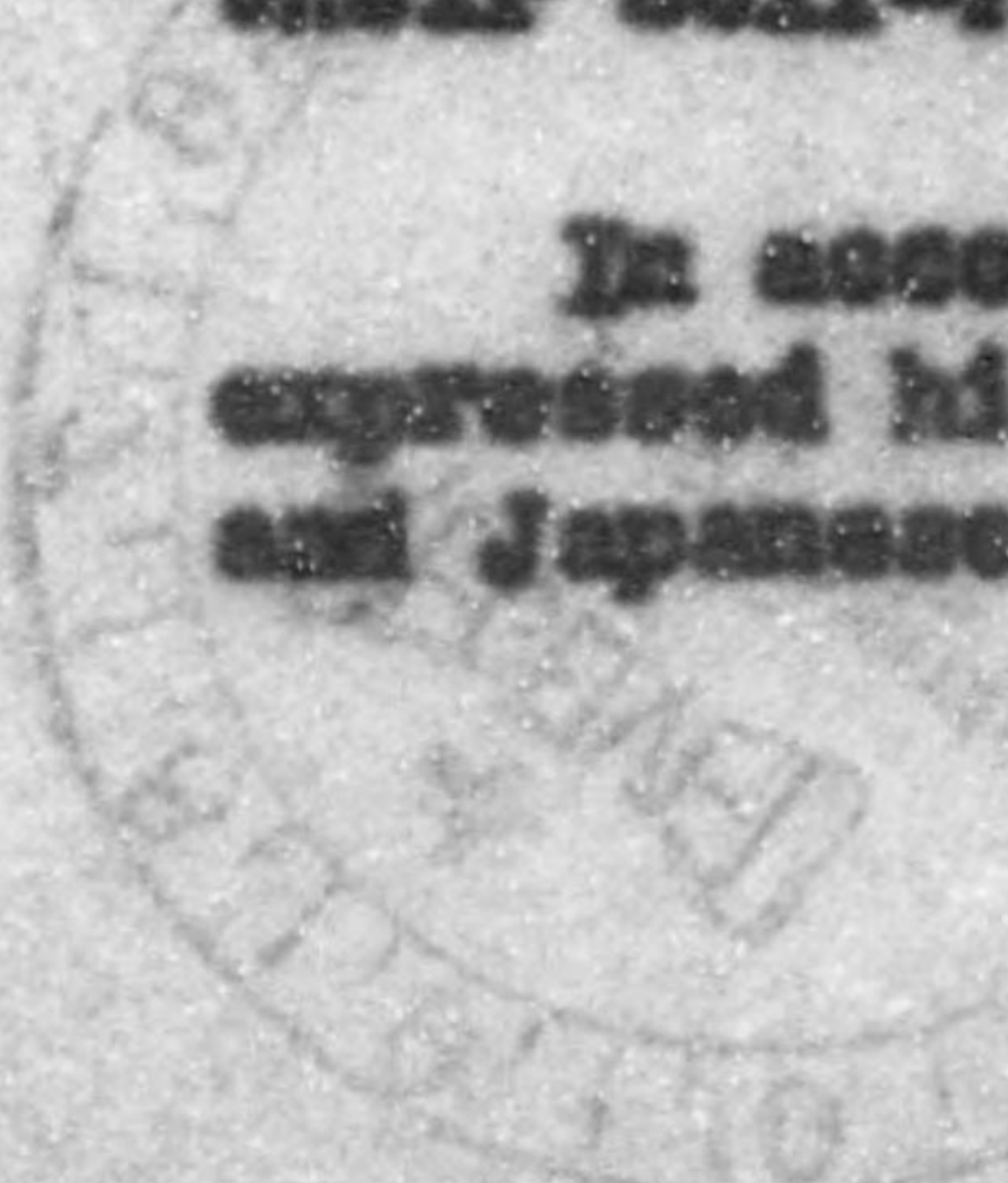
Reference telegram's telegram 24, January 28, settlement of Awa Maru claim.

It is General MacArthur's opinion that any attempt to discharge Awa Maru claim by negotiation and set-off against specific material and equipment furnished, as suggested in reference telegram, would leave scars which cannot be healed by ordinary processes of bargaining and that it would be preferable to attempt settlement along the lines indicated below.

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settlement

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BASIC: Rad, SCAP to DEPT OF ARMY 31 Jan 48

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- 2 -

settlement of this entire matter in such manner that Japanese Government will be thoroughly convinced that settlement is equitable and the result of spontaneous action on its part. In entering upon proposed solution it would of course be understood that United States while admitting responsibility and expressing regret for incident would nevertheless be relieved of any further claims on part of Japanese Government and victims.

In any settlement such as envisaged above timing should necessarily be left to SCAP, and approach to Japanese Government preferably made after approval of current Department of Army requests for appropriations for fiscal year 1949 in which, as Department is aware, considerable sums for Japan are being requested. It is not REPEAT NOT contemplated that settlement would in fact affect book value of obligations between Japanese and United States Governments arising out of Occupation.

SEBALD

OFFICIAL:

R. M. LEVY
Colonel, AGC
Adjutant General

APPROVED:

WJ
W. J. SEBALD
Chief
Diplomatic Section

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W/R:

Above telegram is in reply to rad WAR SVC 7797 (Department of State No. 24, Jan. 28), in which Dept. of State requests further comments concerning settlement of claim by Japanese Government arising out of sinking of Awa Maru. Dept. of State's suggestion involves set-off of certain material shipped to Japan and used in dependent housing program as well as other equipment.

Above reply fully discussed with CinC, who proposes settlement on the bases set forth in above reply.

Above tel. approved by CinC.

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WJS 26-7011

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