

will, therefore, direct the Japanese authorities to make every feasible effort to avoid such inflation. However, prevention or restraint of inflation shall not constitute a reason for limiting the removal, destruction, or curtailment of productive facilities in fulfillment of programs for reparations, restitution, demilitarization, or economic disarmament.

Elimination of Certain Elements in the Japanese Economic System

23. You will prohibit the retention in or selection for positions of important responsibility or influence in industry, finance, commerce, or agriculture of all persons who have been active exponents of militant nationalism and aggression, of those who have actively participated in the organizations enumerated in paragraph 5 g (page 141, Political and General Part) of this directive, and of any who do not direct future Japanese economic effort solely towards peaceful ends. (In the absence of evidence, satisfactory to you, to the contrary, you will assume that any persons who have held key positions of high responsibility since 1937, in industry, finance, commerce or agriculture have been active exponents of militant nationalism and aggression.)

24. You will require the protection from destruction and the maintenance for such disposition as may be determined by this and other directives of all plants, equipment, patents, books and records and all other significant property of the large Japanese industrial and financial companies and trade and research associations that have played an important part in the Japanese war effort or economy.

Democratization of Japanese Economic Institutions

25. It is the intent of the United States Government to encourage and show favor to:

a. Policies which permit a wide distribution of income and of ownership of the means of production and trade.

b. The development of organizations in labor, industry, and agriculture organized on a democratic basis. Accordingly, you will:

- (1) Require the Japanese to establish a public agency responsible for reorganizing Japanese business in accordance with the military and economic objectives of your government. You will require this agency to submit, for approval by you, plans for dissolving large Japanese industrial and banking combines or other large concentrations of private business control.
- (2) Establish and maintain surveillance, until satisfactory plans for reorganization have been approved, over the Japanese businesses described in subparagraph (1) above in order to ensure conformity with the military and economic objective of your government.
- (3) Dissolve the Control Associations. Any necessary public function previously performed by these associations should be transferred to public agencies, approved and supervised by you.
- (4) Abrogate all legislative or administrative measures which limit free entry of firms into industries to be reorganized where the purpose or effect of such measures is to foster and strengthen private monopoly.
- (5) Terminate and prohibit all Japanese participation in private international cartels or other restrictive private international contracts or arrangements.
- (6) Require the Japanese to remove, as rapidly as practicable, wartime controls over labor and reinstate protective labor legislation.
- (7) Require the removal of all legal hindrances to the formation of organizations of employees along democratic lines, subject to any necessary safeguards to prevent the perpetuation of militaristic influences under any guise or the continuation of any group hostile to the objectives and operations of the occupying forces.

- (8) Prevent or prohibit strikes or other work stoppages only when you consider that these would interfere with military operations or directly endanger the security of the occupying forces.

Foreign Economic Transactions.

26. You will establish controls over all Japanese foreign trade in goods and services. Such controls should be so operated as to give effect during the initial period to the following policies:

a. Exports shall not be approved if such goods are clearly needed to meet minimum domestic requirements.

b. No exports of plant and equipment shall be permitted until determination has been made as to whether they may be required for reparations or restitution.

c. Exports other than those directed to be shipped on reparation account or as restitution may be made only to those recipients who agree to provide necessary imports in exchange or agree to pay for such exports in foreign exchange.

d. All proceeds of exports shall be controlled by you and made available in the first place for the payment for approved imports. No person, corporation or organization in Japan shall be permitted to acquire foreign assets of any kind except with your special approval.

e. Approval should be given only to imports which are clearly in accord with the economic policies elsewhere set down in this directive.

f. Neither the need for imports or exports (including exports that might be made on reparations account) shall be deemed a reason for requiring or permitting any branch of Japanese industry to be restored or developed to an extent that might significantly contribute to Japan's war-making potential, or promote dependence by other countries on Japan for strategic products.

27. The Japanese authorities are to enter into no economic agreements of any kind with foreign governments or interests except after prior consultation with you by your express approval. Any such proposed agreements should be submitted to the Joint Chiefs of Staff for their consideration.

Reparations and Restitutions

28. You will assure the execution of programs of reparations in kind and of restitution of identifiable looted property in accordance with decisions of the appropriate Allied authorities transmitted to you by the Joint Chiefs of Staff. Reparations will be accomplished:

a. Through the transfer of Japanese property located outside of the territories to be retained by Japan;

b. Through the transfer from Japan of goods, existing plant, equipment, and facilities that are not necessary to the operation of a peaceful Japanese economy, or the supplying of the occupying forces.

All requests received by you, for reparations or restitution from the United Nations which have been victims of Japanese aggression will be reported with your recommendations to the Joint Chiefs of Staff.

B. CIVILIAN SUPPLY AND RELIEF

Civilian Supply Policy and Standard of Provision

29. a. You will assure that all practicable economic and police measures are taken to achieve the maximum utilization of essential Japanese resources in order that imports into Japan may be strictly limited. Such measures will include production and price controls, rationing, control of black markets, fiscal and financial controls and other measures directed toward full employment of resources, facilities and means available in Japan.

b. You will be responsible for providing imported supplies only to supplement local resources and only to the extent supplementation is needed to prevent such widespread disease or civil unrest as would endanger the occupying forces or interfere with military operations. Such imports will be confined to minimum quantities of food, fuel, medical and sanitary supplies and other essential items, including those which will enable local production of such supplies which you would otherwise have to import.

c. Supplies necessary to be imported under paragraph 29 b above will be obtained to the extent possible from surpluses available from other Asiatic and Pacific Ocean areas. To the extent that such surpluses are available in areas under the jurisdiction of other United States commanders, arrangements may be made by you directly with such other commanders. To the extent that such surpluses are available in areas under the jurisdiction of governments other than the United States, or the military commanders of such governments, negotiations necessary to obtain such surpluses will be conducted by or with approval of local United States diplomatic representatives in the areas in question. In the event such diplomatic representatives are not available, you will report the situation, with your recommendations to the Joint Chiefs of Staff.

d. If you deem that you should assume responsibility for additional imports to accomplish the objectives of your occupation, you will submit your recommendations to the Joint Chiefs of Staff.

Methods and Conditions of Distribution

30. You will require that all practicable steps be taken to assure the fair and equitable distribution of supplies under uniform ration scales.

31. To the maximum extent consistent with military expediency, imported supplies for the civilian population should, in so far as

practicable and desirable, be delivered to such Japanese public supply agencies or other consignees as are acceptable to you and under your direct supervision or control. Whenever possible, such deliveries will be at ports of entry, but if necessary, deliveries may take place at appropriate inland centers of distribution.

32. You may make sales directly to wholesalers or other commercial dealers in the event that no satisfactory public supply agency exists or that operational or other reasons render distribution of civilian supplies through such an agency impracticable. In order to limit direct provision and distribution of supplies by you to the civilian population, you should assure that the Japanese do not unnecessarily involve the occupying forces in such responsibility. Such direct sales by you as are necessary will be paid for by the purchaser in local currency at prices determined by you to be consistent with the internal economy.

33. Supplies delivered to supply agencies or other consignees will be sold by them through distribution channels and in accordance with distribution policies satisfactory to you and at prices determined by you to be consistent with the internal economy. When military necessity requires, civilian supplies may be made the subject of direct relief issue by you or by supply agencies under your supervision or control.

PART III

FINANCIAL

34. In the financial field you will make full application of the principles stated elsewhere in this directive, acting through the Japanese Government to the extent that effective execution of the policies and programs hereinafter enumerated will permit, but establishing administrative machinery not dependent upon Japanese authorities and agencies to the extent necessary to execute or assure the effective execution of such policies and programs. You are specifically directed to establish such independent administrative machinery in order to execute or assure the effective execution of the provisions of paragraphs 40, 41, 45, 46 and 47 of this directive.

35. Japanese financial organizations and the public finance system will be expected to function on the basis of Japanese resources. You will take no steps designed to maintain, strengthen, or operate the Japanese financial structure except in so far as may be necessary for the purposes specified in this directive.

36. You may authorize or require the Bank of Japan or any other bank or agency to issue bank notes and currency which will be legal tender; without such authorization no Japanese governmental or private bank or agency will be permitted to issue bank notes or currency.

37. You will require the Japanese authorities to make available to you legal tender yen notes or yen credits free of cost and in amounts sufficient to meet all expenses of your forces including the costs of your military occupation.

38. a. In the event that for any reason adequate supplies of regular legal tender yen notes are not available you will use supplemental military yen (Type "B") issued

pursuant to military proclamation, Supplemental yen will be declared legal tender and will be interchangeable at par without distinction with other legal tender yen currency.

b. Regular yen currency will include currencies which are now legal tender in the area.

c. Japanese military yen issued for circulation in territories occupied by the Japanese will not be legal tender and will not be acceptable nor interchangeable with supplemental yen or regular yen currencies.

39. You will not announce, establish or permit the use or publication, until receipt of further instructions, of any general rate of exchange between the Japanese yen on the one hand the U. S. dollar and other currencies on the other. However, a rate of conversion to be used exclusively for pay of military and naval personnel and for military and naval accounting purposes, namely 15 regular or supplemental yen equal one U. S. dollar, has already been communicated to you.

40. You will remove and exclude from positions of important responsibility or influence in all public and private financial institutions, agencies or organizations all persons who have been active exponents of militant nationalism and aggression or who actively participated in the organizations enumerated in paragraph 7 of this directive. It may be generally assumed in absence of evidence to the contrary that any persons who have held key positions in any such institutions, agencies, or organizations are active exponents of militant nationalism and aggression. You will also prevent the retention in or selection for places of importance in the financial field of individuals who do not direct future financial effort solely towards peaceful ends.

41. You will close and not allow to reopen banks and other financial institutions whose paramount purpose has been the

financing of war production or the mobilization or control of financial resources in colonial or Japanese occupied territories. These include:

- a. The Wartime Finance Bank,
- b. The National Financial Control Association and its member control associations,
- c. Offices, in the area, of the Bank of Chosen and the Bank of Taiwan,
- d. The various banks and development companies whose fields of operation have been outside Japan proper such as the Southern Development Company, the Southern Development Company Bank and the Tokyo offices of the Central Bank of Manchu, Bank of Mongolia, Federal Reserve Bank of China, and Central Reserve Bank of China. You will take custody of all the books and records of these banks and other institutions.

42. You are authorized to take such financial measures as you may deem necessary to accomplish the objective of your military occupation, specifically including, without limitation, the following:

- a. Close banks, other than those indicated in paragraph 41 above, only where clearly necessary for the purposes of introducing satisfactory control, removing objectionable personnel and taking measures to effectuate the program for the blocking of certain accounts and transfers or the determination of accounts to be blocked or for other reasons of military necessity. You should reopen any banks so closed except those indicated in paragraph 41 above, as promptly, as is consistent with the accomplishment of the foregoing purposes;
- b. Prohibit, or regulate transfers or other dealings in private or public securities or real estate or other property;
- c. Establish a general or limited moratorium or moratoria only to the extent clearly necessary to carry out the

objectives of your military occupation;

d. Close stock exchanges, insurance companies and similar financial institutions for such periods as you deem appropriate.

43. You will prohibit the payment of:

a. All military pensions, or other emoluments or benefits, except compensation for physical disability limiting the recipient's ability to work, at rates which are no higher than the lowest of those for comparable physical disability arising from non-military causes;

b. All public or private pensions or other emoluments or benefits granted or conferred:

- (1) By reason of membership in or services to the Political Association of Great Japan, the Imperial Rule Assistance Association (Taisei Yokasankai), the Imperial Rule Assistance Political Society (Taisei Sojikei), their affiliates and agencies or any successor or similar organizations, and all Japanese nationalistic terroristic and secret patriotic societies and their agencies and affiliates.
- (2) To any person who has been removed from an office or position in accordance with paragraphs 5 or 40 of this directive.
- (3) To any person interned in accordance with paragraph 7 of this directive, during the term of his internment, or permanently in case of his subsequent conviction.

44. a. Any laws, ordinances and regulations or practices relating to taxation or other fields of finance which tend to discriminate for or against any person because of nationality, race, creed or political opinion will be amended, suspended or abrogated to the extent necessary to eliminate such discrimination. The collection of contributions

of any kind for nationalistic, imperialistic, militaristic, or anti-democratic societies of any kind will be prohibited.

b. You will insure that Japanese public expenditures are consistent with the objectives stated elsewhere in this directive.

45. You will impound or block all gold, silver, platinum, currencies, securities, accounts in financial institutions, credits, valuable papers and all other assets within the categories listed below:

a. Property owned or controlled directly or indirectly, in whole or in part, by any of the following:

- (1) The Japanese national, prefectural and local governments, or any agency or instrumentality of any of them, including all utilities, undertakings, public corporations or monopolies under the control of any of the above;
- (2) The Governments, nationals, or residents of Germany, Italy, Bulgaria, Rumania and Hungary, including those of territories formerly occupied by them and by Japan;
- (3) The Japanese Imperial Household;
- (4) The Political Association of Great Japan, the Imperial Rule Assistance Association, the Imperial Rule Assistance Political Society, their affiliates and agencies or any successor or similar organizations, and all Japanese nationalistic, terroristic and secret patriotic societies, agencies and affiliates and their officials, leading members and supporters;
- (5) The National Shinto;
- (6) All organizations, clubs or other associations prohibited or dissolved by you;
- (7) Absentee owners of non-Japanese nationality including United Nations and neutral governments and

Japanese outside of Japan;

(8) Any person or concern in any area under Japanese control at any time since 1894, except the islands of Honshu, Hokkaido, Kyushu, Shikoku and whatever minor islands are left to Japan;

(9) Persons subject to internment under provisions of paragraph 7, and all other persons specified by Military Government by inclusion in lists or otherwise.

b. All Japanese (public and private) foreign exchange and external assets of every kind and description located within or outside Japan.

c. Property which has been the subject of transfer under duress, wrongful acts of confiscation, dispossession or spoliation, whether pursuant to legislation or by procedure purporting to follow forms of law or otherwise.

d. Works of art of cultural or material value of importance, regardless of ownership.

You will take such action as will insure that any impounded or blocked assets will be dealt with only as permitted under licenses or other instructions which you may issue. In the case particularly of property blocked under a (1) above, you will proceed to adopt licensing measures which will maintaining such property under surveillance permit its use by you or by the licenses in consonance with this directive. In the case of property blocked under c above, you will institute measures for prompt restitution, in conformity with the objectives of this directive and subject to appropriate safeguards to prevent the cloaking of military and other undesirable influence.

You will require from the Japanese Government such reports as you deem necessary to obtain full disclosure of all assets mentioned in b above.

46. You will seek out and reduce to the possession or control of a special agency established by you within your command all

Japanese (public and private) foreign exchange and external assets of every kind and description located within or outside Japan.

47. All foreign exchange transactions, including those arising out of exports and imports, will be controlled with the aim of preventing Japan from developing a war potential and of achieving the other objectives set forth in this directive. To effectuate these purposes, you will:

a. Prohibit, except as authorized by regulation or license, all dealings in gold, silver, platinum, foreign exchange, and all foreign exchange transactions of any kind.

b. Make available any foreign exchange proceeds of exports for payment of imports directly necessary to the accomplishment of the objectives of this directive, and authorize no other outlay of foreign exchange assets without specific approval of your government through the Joint Chiefs of Staff.

c. Establish effective controls with respect to all foreign exchange transactions, including:

- (1) Transactions as to property between persons inside Japan and persons outside Japan;
- (2) Transactions involving obligations owed by or to become due from any person in Japan to any person outside Japan; and
- (3) Transactions involving the importation into or exportation from Japan of any foreign exchange asset or other form of property.

d. You will provide full reports to your government with respect to all Japanese foreign and external assets.

48. No extension of credit to Japan or Japanese by any foreign person, agency or government will be permitted except as may be authorized by your government through the Joint Chiefs of Staff upon your recommendations.

49. It is not anticipated that you will make credits available to the Bank of Japan or any other bank or to any public or private institution. If, in your opinion, such action becomes essential, you may take such emergency actions as you may deem proper, but in any such event, you will report the facts to your government through the Joint Chiefs of Staff.

50. You will maintain such accounts and records as may be necessary to reflect the financial operations of your military occupation and you will provide the Joint Chiefs of Staff with such information as it may require, including information in connection with the use of currency by your forces, any governmental settlements, occupation costs, and other expenditures arising out of operations or activities involving participation of your forces.

HEADQUARTERS EIGHTH ARMY
United States Army
Office of the Commanding General
APO 343

OPERATIONAL DIRECTIVE)
NUMBER.....1/5)

13 September 1946

1. Paragraph 2, Operational Directive Number 1, this headquarters, dated 5 January 1946, is amended by adding sub-paragraphs e, f, and g, as follows:

"e, The following persons will not be employed the occupation forces in any position of executive or supervisory responsibility, or in any position which requires action in a liaison capacity with Japanese officials or nationals, or as instructors in schools sponsored by the occupation forces:

- (1) Japanese nationals who were formerly police officials, members of police forces or members of organizations or public agencies responsible for the control of thought, speech or assembly.
- (2) Japanese nationals who are affected by Memorandum to the Imperial Japanese Government, GHQ, SCAP, file AG 350 (22 Oct 45) CIE, (SCAPIN - 178), dated 22 October 1945, subject: "Administration of the Educational System of Japan," copy attached as Inclosure 14.
- (3) Japanese nationals who are affected by Memorandum to the Imperial Japanese Government, GHQ, SCAP, file AG 350 (30 October 1945), CIE (SCAPIN - 212), dated 30 October 1945, subject: "Investigation, Screening and Certification of Teachers and Educational Officials," copy attached as Inclosure 15.

f. The following persons will not be employed in any capacity by the occupation forces:

- (1) Japanese nationals who exhibit militaristic or militant nationalistic tendencies or who in a supervisory capacity attempt to limit or restrict freedom of speech, thought or assembly of others.
- (2) Japanese nationals who are affected by any of the following GHQ, SCAP Memoranda to the Imperial Japanese Government:
 - (a) AG 091.1 (4 Jan 46) GS, (SCAPIN - 550), dated 4 January 1946, subject: "Removal and Exclusion of Undesirable Personnel from Public Office," copy attached as Inclosure 16.
 - (b) AG 091.1 12 (4 Oct 45) CIS, (SCAPIN - 93) dated 4 Oct 45, subject; "Removal of Restrictions on Political, Civil and Religious Liberties," copy attached as Inclosure 17.
 - (c) Any other memorandum or directive which requires the dismissal and exclusion of any person from all government service.

g. Persons falling within any of the categories listed below will not be employed in any capacity by the occupation forces, except in cases involving tech-

nical specialists whose services are essential to the achievement of the occupation directives, and who are irreplaceable. Such exceptions will be referred to this headquarters for approval.

- (1) Nationals of Germany (including Austria), Bulgaria, Hungary and Rumania, except:
 - (a) Those who during the war were confined by the Japanese Government as anti-Nazis, anti-Fascists, anti-militarists or pro-Ally.
 - (b) Those who during the Nazi regime were rendered stateless for racial or political reasons.
 - (c) Such others as can show satisfactory evidence that they were opponents of the Nazi or Fascist regimes in their respective countries.
- (2) Nationals of Italy who, following the surrender of that country, registered as persons loyal to the Italian Fascist Republic.
- (3) Nationals of any of the United Nations who during the war were ardent sympathizers of collaborationists in their respective countries.
- (4) Nationals of the United Nations or of neutral countries who during the war acted as representatives in Japan of commercial interests of enemy (except Japanese) nationality or registry.

2. In the event of conflict with previous instructions, the above provisions will apply.

BY COMMAND OF LIEUTENANT GENERAL EICHELBERGER:

OFFICIAL:

SCHANZE
G-1

(Sgd) CLOVIS E. BYERS
Major General, GSC
Chief of Staff

Incls:

- 14 - Memo to AJG, file AG 350 dtd (22 Oct 45) CIE SCAPIN 178, sub: "Administration of the Educational System of Japan."
- 15 - Memo to AJG, file AG 350 datd (30 Oct 45) CIE SCAPIN 212, sub: "Investigation, Screening and Certification of Teachers and Educational Officials."
- 16 - Memo to IJG, file AG 091.1 dtd (4 Jan 46) GS SCAPIN 550, sub, "Removal and Exclusion of Undesirable Personnel from Public Office."
- 17 - Memo to IJG, file AG 091.112 dtd (4 Oct 45) SCAPIN 93, sub, "Removal of Restrictions on Political, Civil, and Religious Liberties."

DISTRIBUTION:

"A" plus "A" plus

4 copies to each Mil Govt Unit