

FORM DS-322
7-1-48

OUTGOING TELEGRAM

INDICATE

Collect

Charge Department

Charge to

Department of State

CONFIDENTIAL
CLASSIFICATION

- 3 -

FOR DC/T USE ONLY

objects which were in national and public use;
UNQTE
~~UNQTE~~ defeated by vote 7 opposed 1 in favor.

Soviet amendment to delete para 7c defeated vote
5 opposed and 1 in favor. Chi~~ese~~ member again requested
US views.

Removal of Aircraft and Private Munitions Plants from Japan
(SC-312)

Chi~~ese~~ member pressed for US views. Retained on
agenda.

Acheson
ACHESON

ACCEPTANCE DESK

1949 MAR 18 AM 11 43

DCT

DISTRIBUTION
DESIRED
(OFFICES ONLY)

MMS *oed*
FE:NA:ALDunning:clh
3/15/49

FE

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OFD

OR *ZIC*
MAR 18 1949

CONFIDENTIAL
CLASSIFICATION

Corrections made on this original MUST be made on all
copies before delivery to Telegraph Branch.

STANDARD FORM NO. 64

SECRET

File DC R

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth
FE - Mr. Allison *JMA*
FROM : NA - Mr. Bishop *MWB*
SUBJECT:

DATE: March 18, 1949

A conversation this afternoon with a prominent American businessman who has just returned from Japan where he represented one of the largest American companies brings again to our attention the undesirable activities of Mr. Welch who heads the Anti-Trust and Cartels Division. While I was in Japan on my recent trip I received many complaints from both Americans and Japanese of the undesirable activities of Mr. Welch who is apparently determined to institute his own ideas of an economic system regardless of the policies of the United States Government. The principal complaint in Japan was briefly that Mr. Welch still maintained his influence and still clung tenaciously to all of the drastic provisions of FEC-230. The businessman to whom we talked this afternoon stated that it was apparent that we were attempting to put into effect in Japan restrictions on economic activities which we refused to accept here in the United States.

I recommend that you take this matter up with Mr. Voorhees on an early occasion with a view to the removal of Mr. Welch from his official duties in Japan and assure that he not be given any position in the United States having to do with Japan or policies toward Japan.

*I strongly approve of the above.
JMA.*

FE:NA:MWBishop/pm

SECRET

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SECRET FILE CS/H

740.00119 CONTROL (JAPAN/3-1849)

*140.00119 Control (Japan)
3-1849*

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MAR 29 1949

UNCLASSIFIED

No. *42*

To the

Acting United States Political Adviser for Japan,
Tokyo.

The Secretary of State encloses for the information of the Acting United States Political Adviser a copy of a telegram, dated March 18, 1949 from Shanghai, regarding General MacArthur's occupation policies in Japan.

Enclosure:

✓ Copy of Telegram No. 928, dated March 18, 1949 from Shanghai

Mr. Tolson	
Mr. E.A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Pennington	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

Handwritten initials and a large signature are present over the routing slip.

A true copy of the signed original

Handwritten initials
FE:NA:HLory:kvc
3/25/49

Handwritten initials
MAR 29 1949

740.00119 CONTROL (JAPAN) / 3-1849

CS/H

740.00119 Control (Japan) 3-1849

Large handwritten signature



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

DIVISION OF
NORTHEAST ASIAN AFFAIRS

United States Political Adviser
for Japan

Tokyo, March 19, 1949.

REC'D
MAR 25

ACTION
FE

INFO
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No. 161.

UNCLASSIFIED

Subject: Transmitting General MacArthur's Denial of Intention
to Retire.

1/ The Acting Political Adviser has the honor to transmit herewith the text of a special press release on March 17, 1949 in which General Douglas MacARTHUR stated that there is no factual basis for the rumors which have circulated recently of a possible change in the regime of Japanese Occupation control, perhaps to be accompanied by his retirement. It will be noted that this language recalls provisions of the terms of reference of the Far Eastern Commission.

The statement drew attention to the fact that speculations concerning his status were "cloaked in anonymity" and declared that, so long as he is not assigned elsewhere by his Government, he intends to "see this job through to the signing of a peace treaty."

2/ As of possible interest, there is transmitted as a second enclosure to this despatch a speculation of the United Press, printed in the Nippon Times of March 18, 1949, which interpreted the MacArthur disclaimer as the "initial blow of an out-in-the-open fight by the General to retain control of the Occupation and prevent control from going over into the hands of a civilian administrator." The United Press story stated that "some quarters" in the Occupation see this statement as part of "a fight between the Army and civilian circles in Washington."

Enclosures:

1. Copy of General Headquarters Press Release, March 17, 1949.
2. Copy of article in Nippon Times, March 18, 1949, "SCAP Denies Rumors on Civilian Control and His Retirement."

Parchment Mat to the Department.

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AHaden:hh

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APR 20 1949

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ACTION COPY

RETURN TO DC/R FILES WITHIN 14 DAYS, WITH A NOTATION OF ACTION TAKEN.

740.00119 CONTROL(JAPAN)/3-1949

DMR

UNCLASSIFIED

Enclosure No. 1 to Despatch No. 161 of March 19, 1949 from the United States Political Adviser for Japan, Tokyo, subject: "Transmitting General MacArthur's Denial of Intention to Retire."

COPY

General Headquarters Press Release, March 17, 1949:

The following statement is released today to the press by General MacArthur:

"Recurrent published rumors have recently reached Tokyo suggesting the possibility of a change in the regime of Japanese occupation control, perhaps to be accompanied by my retirement. The source of these rumors has been consistently cloaked in anonymity. As has been repeatedly stated both here and in authoritative quarters in Washington, there is no known factual basis therefor. As far as I am personally concerned, I have no intention of seeking relief from my heavy responsibilities here. So long as I am not assigned by the Government to duty elsewhere, I reiterate my intention to see this job through to the signing of a Peace Treaty."

UNCLASSIFIED

UNCLASSIFIED

VBB 5 1949
Enclosure No. 2 to Despatch No. 161 of March 19, 1949 from United States Political Adviser, Tokyo, subject: "Transmitting General MacArthur's Denial of Intention to Retire."

COPY

Article in Nippon Times, March 18, 1949 "SCAP Denies Rumors on Civilian Control and His Retirement"

.....
By the United Press

The dramatic move yesterday by General MacArthur was seen here as the initial blow of an out-in-the-open fight by the General to retain control of the Occupation and prevent control from going over into the hands of a civilian administrator. Some quarters even saw it as a fight between the Army and civilian circles in Washington.

General MacArthur's bold statement of his intentions placed him as a strong barrier which would have to be removed — by official orders — before the present system of control could be abolished.

The action taken by General MacArthur now places the burden on those favoring civilian control. General MacArthur has made it plain that he will not just step down. It is too early to tell what effect General MacArthur's short but definite statement will have on repeatedly reported plans to change the Occupation control and that will have to come from Washington where the movement has been strongest.

General MacArthur noted that the sources of the rumors about the changes have been "consistently cloaked in anonymity" and observers here are wondering if the MacArthur blast will force them out in the open.

Voices Gratification

Gratification that General MacArthur was not leaving after all was expressed by Chief Secretary of the Cabinet Kaneshichi Masuda in behalf of the Government at a press conference Thursday.

"Ever since General MacArthur came to Japan his has been the great guiding hand for both the State and the people of Japan and it is a source of the utmost joy that we are to continue enjoying his enlightened guidance," Mr. Masuda said.

UNCLASSIFIED

STANDARD FORM NO. 64

SECRET

NA-MUR

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Allison

FROM : NA - Mr. Bishop

SUBJECT: Modification of Purge in Japan



See below

This document must be returned to the RAIN Control File

Attached are an airgram of March 10 from POLAD, which you sent to NA for comment (Tab A) and a number of copied excerpts from recent FBIB reports, weekly Headquarters Intelligence Summaries and other sources (Tab B) regarding modification of the purge. Although the picture as a whole is far from clear the following facts emerge.

A Purge Review Board has been set up to entertain appeals by political and economic purgees submitted before May 8. In setting up the Board, however, the Japanese Government announced that its establishment "does not constitute an attempt to revise, reinterpret or eliminate any of the existing purge categories". (You will recall that paragraph 13 of NSC 13/2 provides that "Categories of persons who have been purged or who are subject to the purge by virtue of their having held relatively harmless positions should be made re-eligible...") General Whitney is reported by Reuters to have informed the Board that "rescission of a purge could be considered only when the purge had been carried out in an extremely unjust manner or when the purge had been applied by error". Although estimates of the number expected to appeal run from 10,000 to 50,000 it seems clear that it will be a long process (POLAD estimates up to two years) and that the large scale early reinstatements of whole, relatively harmless categories contemplated in paragraph 13 will not take place. There is indication also that economic purgees will be regarded with an especially jaundiced eye; -- those "directly affiliated with the Zaibatsu" are specifically excluded from consideration. Yoshida is reported anxious to accomplish the reinstatement of leading economic figures to assist the stabilization program.

Although the information we have is far from complete all indications are that thorough going and speedy modification of the purge as called for by NSC 13/2 has not occurred and is not planned. If you approve I suggest that we forward the attached draft cable of inquiry (Tab C) to Army for dispatch to SCAP.

OK
See if you can get
Walt to send it
JMA

Enclosures:

State Dept.
northeast Asian
Affairs Division
From Fearey

Tab A, B, and C.

RAY FE:NA:RAFearey:fhh

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740.00119 CONTROL
SECRET FILE (Japan)
740.00119 Control
CSJC
3.2.149

B

*DC/R
File*

In reply refer to
NA

SECRET

March 22, 1949

Dear Bob:

Attached is a proposed cable to SCAP which we feel should go out at once. I hope you will agree and can expedite its dispatch.

Sincerely yours,

Max W. Bishop
Chief

Division of Northeast Asian Affairs

Enclosure:

Draft Cable to
SCAP.

DOR - NE Unit	
Anal	<i>[initials]</i>
Rev.	<i>LC</i>
Cat.	

Mr. Robert West,
Deputy to Assistant
Secretary of the Army,
Room 3E1006, Pentagon Building,
Washington 25, D. C.

SECRET

RAY
FE:NA:RAFearey:jh

740.00119 CONTROL (JAPAN) / 3-22-49

SECRET FILE

CS/H

3-22-49

SECRET

DRAFT CABLE TO SCAP

Info available from Headquarters Intelligence Summaries, FBIB and press reports insufficient as basis of appraisal recent actions looking toward modification purge restrictions. Desire interim report of actions in implementation para 13 of NSC 13/2 preliminary to regular quarterly report due April 1 on implementation all paras NSC paper within area of your responsibility.

SECRET

DEPARTMENT OF STATE
OFFICE OF THE SECRETARY

FE - Mr. Butterworth

For appropriate
action.

OFFICE OF
FAR EASTERN AFFAIRS
MAR 21 1949
DIRECTOR
DEPARTMENT OF STATE

TOP SECRET

~~NA~~
NA
000061

DEPARTMENT OF THE ARMY
WASHINGTON, D. C.

Office of
Far Eastern Affairs
MAR 23 1949
DIRECTOR
Department of State
MAR 1949

The Honorable
The Secretary of State
Dear Mr. Secretary:

Reference is made to your letter of 4 March 1949, in which you suggest that there be two versions of NSC 13/2: the present Top Secret version and an abbreviated Confidential version confined largely to occupational policies, excluding peace treaty and security matters, outline of which was enclosed with your letter.

I agree to the Confidential version, and a limited number of copies will be prepared within the Department of the Army for distribution at the operating level. It is expected that this action will be especially helpful to General MacArthur's headquarters.

A copy of this letter is being forwarded to the Executive Secretary of the National Security Council.

Sincerely yours,

Kenneth C. Royall
Kenneth C. Royall
Secretary of the Army

RECEIVED
DEPARTMENT OF STATE

MAR 22 1949

RECORDS BRANCH

DIVISION OF
NORTHEAST ASIAN AFFAIRS
MAR 24 1949
DEPARTMENT OF STATE

740.00119 Conf (Japan) / 3-22-49 (Rec'd)

TOP SECRET

4370

CONFIDENTIAL

UNITED STATES POLICY TOWARD JAPAN

1 February 1949

CONFIDENTIAL

1 February 1949

CONFIDENTIAL

UNITED STATES POLICY TOWARD JAPAN

The following occupational policies toward Japan, which have been determined by the U. S. Government, are reprinted for the confidential guidance and information solely of U. S. officials who are concerned with the occupation of Japan and who are qualified to receive confidential material:

1. Supreme Commander for the Allied Powers. This Government should not at this time propose or consent to any major change in the regime of control. SCAP should accordingly be formally maintained in all its existing rights and powers. However, responsibility should be placed to a steadily increasing degree in the hands of the Japanese Government. To this end the view of the United States Government should be communicated to SCAP that the scope of its operations should be reduced as rapidly as possible, with a corresponding reduction in personnel, to a point where its mission will consist largely of general supervisory observation of the activities of the Japanese Government and of contact with the latter at high levels on questions of broad governmental policy.

2. General Pre-Treaty Arrangements. We should clear away during this intervening period as many as possible of the matters which might otherwise be expected to enter into the treaty of peace. This applies particularly to such matters as property rights, restitution, etc. Our policy for the coming period should be shaped specifically with this in mind.

Every effort, consistent with the proper performance of the occupational mission as envisaged in this policy paper and with military security and morale, should be made to reduce to a minimum the psychological impact of the presence of occupational forces on the Japanese population. In determining the location of occupation forces, their employment, and support from the Japanese economy in the pre-treaty period, full weight should be given to the foregoing.

3. Internal Political and Economic Changes. Henceforth emphasis should be given to Japanese assimilation of the reform programs. To this end, while SCAP should not stand in the way of reform measures initiated by the Japanese if he finds them consistent with the overall objectives of the occupation, he should be advised not to press upon the Japanese Government any further reform legislation. As for reform measures already taken or in process of preparation by the Japanese authorities SCAP should be advised to relax pressure steadily but unobtrusively on the Japanese Government in connection with these reforms and should intervene only if the Japanese authorities revoke or compromise the fundamentals of the reforms as they proceed in their own way

CONFIDENTIAL

CONFIDENTIAL

with the process of implementation and adjustment. If exigencies of the situation permit, SCAP should consult with the U. S. Government before intervention in the event the Japanese should resort to action of such serious import. Definite background guidance embodying the above principles and indicating the United States Government's view as to the nature and extent of the adjustment to be permitted should be provided SCAP in the case of certain reforms.

4. The Purge. Since the purpose of the purge has been largely accomplished, the U. S. now should advise SCAP to inform the Japanese Government informally that no further extension of the purge is contemplated and that the purge should be modified along the following lines: (1) Categories of persons who have been purged or who are subject to the purge by virtue of their having held relatively harmless positions should be made re-eligible for governmental, business and public media positions; (2) certain others who have been barred or who are subject to being barred from public life on the basis of positions occupied should be allowed to have their cases re-examined solely on the basis of personal actions; and (3) a minimum age limit should be fixed, under which no screening for public office would be required.

5. Occupation Costs. The occupation costs borne by the Japanese Government should continue to be reduced to the maximum extent consonant with the policy objectives of the pre-treaty period as envisaged in this paper.

6. Economic Recovery. Economic recovery should be stressed as one of the primary objectives of United States policy in Japan for the coming period. It should be sought through a combination of United States aid program envisaging shipments and/or credits on a declining scale over a number of years, and by a vigorous and concerted effort by all interested agencies and departments of the United States Government to cut away existing obstacles to the revival of Japanese foreign trade, with provision for Japanese merchant shipping, and to facilitate restoration and development of Japan's exports. In developing Japan's internal and external trade and industry, private enterprise should be encouraged. Recommendations concerning the implementation of the above points, formulated in the light of Japan's economic relationship with other Far Eastern countries, should be worked out between the State and Army Departments after consultation with the other interested departments and agencies of the Government. We should make it clear to the Japanese Government that the success of the recovery program will in large part depend on Japanese efforts to raise production and to maintain high export levels through hard work, a minimum of work-stoppages, internal austerity measures and the stern combatting of inflationary trends including efforts to achieve a balanced internal budget as rapidly as possible.

CONFIDENTIAL

7. Ryukyu Islands. On a long-term basis the facilities on the Ryukyu Islands are important to U. S. interests and will be developed and maintained accordingly. The United States agencies responsible for administering the above-mentioned islands should promptly formulate and carry out a program for the economic and social well-being and, to the extent practicable, for the eventual reduction to a minimum of the deficit in the economy of the natives. Beginning 1 April 1949, United States Armed Forces and other government agencies stationed in these islands should pay their way to the extent necessary and practical to carry out this program, and these islands should no longer be financially dependent upon or obligated to any other occupied area.

8. Property Matters. SCAP should be advised to expedite the restoration or final disposal of property of United Nations members and their nationals in such a way that the process will be substantially completed by July 1, 1949. It should be the objective of United States policy to have all property matters straightened out as soon as possible and certainly well in advance of a treaty of peace in order that they may not hamper treaty negotiations.

9. Information and Education.

a. Censorship. Censorship of literary materials entering Japan should be conducted with the minimum of delay and pre-censorship of the Japanese press should cease. This should not operate, however, to prevent SCAP from exercising a broad post-censorship supervision and from engaging in counter-intelligence spot-checking of the mails.

b. Radio. The United States Government should immediately undertake a regular program of medium - and long-wave broadcasts to Japan from a suitably located transmitter station possibly on Okinawa. These programs should be carefully prepared with a view to developing an understanding and appreciation of American ideas and at the same time to maintaining as wide a Japanese radio audience as possible.

c. Interchange of Persons. The interchange between Japan and the United States of scholars, teachers, lecturers, scientists and technicians should be strongly encouraged. SCAP should continue the policy of permitting approved Japanese to go abroad for cultural as well as economic purposes.

CONFIDENTIAL

10. War Crimes Trials. The trial of Class "A" suspects is completed and decision of the court is awaited. We should continue and push to an early conclusion the screening of all "B" and "C" suspects with a view to releasing those whose cases we do not intend to prosecute. Trials of the others should be instituted and concluded at the earliest possible date.

FE

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: March 23, 1949

TO : NA - Mr. Bishop
 FROM : ^{Northwest Asian} NA - ^{affairs Division} Mr. Moseley *NMM*
 SUBJECT: Organization of GHQ, SCAP.

740:00419
 RMR
 Central
 Files

Surprising as it may seem, there does not appear to be available in the Department of the Army a detailed table of organization of GHQ, SCAP. The attached chart appears to be the best guide in this connection.

I have obtained what appears to be a correct figure of the total number of personnel working for General MacArthur in his capacity as SCAP and as CINCFE. The following figures are to be used by the Army in presenting its budget requests to Congress as indicating the personnel engaged in military government activities in Japan:

Officers and Enlisted Men	3,127
U. S. Civilians	7,424
Japanese Civilians	29,142

(JAPAN)
 /3-2349

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 Rev _____
 Cat _____

740:00419 Central
 (Systems) /3-2349
 CS/Y

STANDARD FORM NO. 64

DM/R
Office Memorandum · UNITED STATES GOVERNMENT

DATE: 3/25/49

TO : FE - Mr. Butterworth
FROM : NA - Mr. Bishop *WMB*
SUBJECT: Organization of GHQ, SCAP

may need
WMB
Office of
WAR EASTERN AFFAIRS
MAR 25 1949
DIRECTOR
Department of State
Fm 948:00119 Contract (Japan) / 3-2349

now
This seems to be all of the material available in Washington on the organization of GHQ, SCAP.

Attachments:

- Memo from Mr. Moseley to Mr. Bishop, dtd. 3/23/49.
- Organization Chart of GHQ, SCAP.
- List of GHQ's Non-Military Activities.

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FE:NA:HLory:kvc
3/25/49

March 23, 1949

NA - Mr. Bishop

NA - Mr. Moseley

Organization of GHQ, SCAP.

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I have obtained what appears to be a correct figure of the total number of personnel working for General MacArthur in his capacity as SCAP and as CINCPAC. The following figures are to be used by the Army in presenting its budget requests to Congress as indicating the personnel engaged in military government activities in Japan:

Officers and Enlisted Men	3,322
U. S. Civilians	7,424
Japanese Civilians	29,142

GHQ's Non-Military Activities**Central Purchasing Office****Administrative Division****Fiscal Division****Procurement Division****Pearls****Jewelry****Service & Supplies****Art Goods****Textiles, Women's Wear****Textiles, Men's Wear****Traffic Division****Chaplain Section****Administrative****Personnel****Chemical Section****Executive Administration and Training****Technical and Intelligence****Supply****Personnel & Administration Ass't.****Civil Communications Section****Administrative Division****Analysis Division****Postal Affairs**

- 2 -

Civil Communications Section (continued)**Domestic Postal Division****Transportation****Personnel & Training****Postal Service Survey****Parcel Post Surveillance****International Postal Division****Finance, Savings & Life Insurance Division****Telecommunications Division****Domestic Radio Division****Broadcast Branch****Frequency Allocation Branch****Radio Operations Branch****Technical Branch****Industry Division****Manufacturing Branch****Operations and Requirements Branch****International Radio Division****Research and Development Division****Radio Research Engineer****Tel & Tel Research Engineer****Telephone and Telegraph Division****Plant Branch****Wire Operations****Commercial Engineer****Local Exchange Engineer****Toll & Trunk Traffic Engineer**

- 3 -

Civil Information and Education Section

Administrative Division

Personnel Coordinator

Clerical Branch

Translation Unit

Supply Branch

Reports & Dissemination Branch

Education Division

School Education Branch

Higher Education Branch

Adult Education Branch

Education Specialist Branch

Education Research Branch

Institute for Educational Leadership

Information Division

Exhibits Branch

Policy & Programs Branch

Press & Publications Branch

Radio Branch

SCAP--CIE Information Centers Branch

Central Motion Picture Exchange

Motion Picture and Theatrical Branch

Information Media Research Branch

Public Opinion and Sociological Research Division

Religions & Cultural Resources Division

Field Liaison Officer

- 4 -

Religions & Cultural Resources Division (continued)

Religious Adviser

Religious Education

Special Projects & Research

Civil Property Custodian

Policy & Control Advisors

Secretariat RAC

Executive Division

Personnel Branch

Japanese Personnel

Supply & Transportation Branch

Property Service Branch

Administration & Reports

Reparations Property Division

Administrative Division

Claims & Allocations Division

Field Operations Branch

Allied Liaison Unit

Shipping Unit

Inventory, Evaluation & Catalog Division

Comptroller Division

Accounts Branch

Enemy Property Unit

Precious Metals Branch

Production & Licensing Unit

Acquisition & Control Unit

- 5 -

Comptroller Division (continued)

Custody & Disposition Unit
Statements & Reports Branch
External Audits Branch
Foreign Exchange Assets
Shipping Survey Branch

Foreign Property Division

Land, Title & Trust Advisors
Miscellaneous Property Branch
United Nations Branch
Investigator & Review Unit
Property Control & Exam Unit
Allied Enterprise Reorganization Branch
Patent Property Branch
Copyrights & Trademarks
Research & Analysis

Looted German Property Division

Property Revenue Branch
Looted Property Branch
Ships & Floating Craft Unit
Precious Metals & Cultural Objects Unit
Production Equipment & Automotive Unit
Raw Materials Unit
Enemy Property Branch
Property Certification Unit

- 6 -

Looted German Property Division (continued)

Property Management Unit

Specifications & Title Unit

Dissolved Organization & Arrested Persons Branch

External Assets Branch

Civil Transportation Section, GHQ, SCAP

Administration Division

Mail & File Branch

Special Movements Branch

Highway Transportation Division

Traffic & Statistics Branch

Operations & Materials Branch

Regulations Branch

Plans, Policies & Requirements Division

Policy Branch

Plans Branch

Rates Branch

Requirements Branch

Research & Statistics Branch

Rail Transportation Division

Operations & Traffic Branch

Equipment Branch

Engineer Branch

Signal Branch

- 7 -

Water Transportation Division
Foreign Shipping Branch
Operations Branch
Traffic Branch
Ships Service Branch
Civilian Personnel Section
Operation Division
Personnel Representatives
Administrative Division
Subsistence & Quarters
Travel & Termination
Travel Orders
Payroll Branch
Services Division
Employee Service Branch
Economic & Scientific Section
Far East Command Allocation Committee
Deconcentration Review Board
Occupied Japan Export-Import Revolving Fund
Director, Bank Operations Branch
Administration Division
Personnel Branch
Supply-Services Branch

- 8 -

Antitrust and Cartels Division

Controls Branch

Reorganization Branch

Securities Branch

Surveillance & Restricted Concerns Branch

Trade Laws Branch

Finance Division

Money and Banking Branch

Public Finance Branch

Foreign Trade & Commerce Division

Chemicals & Minerals Branch

Foods Branch

Import-Export Control Unit

Machines & Consumer Durable Goods Branch

Shipping Unit

Plans & Policies Branch

Funds Control Division**Industry Division**

Industrial Program Committee

Commodities Production Branch

Chemical Industries Unit

Machinery & Equipment Unit

Consumer Goods Unit

- 9 -

Industry Division (continued)**Construction, Shipyard & Utilities Branch****Shipyard Industries Unit****Public Utilities Unit****Raw Materials & Requirements Branch****Coal Coordinating Unit****Metals & Metallic Minerals Unit****Non-Metallic Materials Unit****Requirements Unit****Internal Revenue Division****Labor Division****Labor Relations and Education Branch****Manpower Branch****Wages & Working Conditions Branch****Research, Coordination & Analysis Branch****Price & Distribution Division****Food Branch****Price Branch****Distribution Branch****Enforcement Branch****Research & Programs Division****Planning Branch****Financial Statistics Branch****Foreign Trade Branch****Population & Labor Branch**

- 10 -

Research & Programs Division (continued)

Price & Distribution Branch

Corporation Branch

Production Branch

Scientific & Technical Division

Engineering & Technology Branch

Fundamental Research Branch

Field & Reports Branch

Special Projects Unit

Textile Division

Cotton Branch

Merchandising and Sales Branch

Procurement and Operations Branch

Silk and Synthetic Textile Unit

Wool and Misc. Textile Branch

Trade Service Division

Registration & Billeting Branch

Overseas Automotive Service Branch

Reports & Analysis Branch

Hotel Management Branch

Overseas Supply Store Branch

Statistical Control Branch

Engineer Section

Administration Division

- 11 -

Engineer Section (continued)

Engineering & Operations Division

Planning & Construction Branch

Budget, Policy & Reports Branch

Design

Intelligence Division

Research & Reports Branch

Geological Surveys

Repairs & Utilities Division

Management Branch

Buildings & Grounds Branch

Utilities Branch

Supply Division

Finance Office

Fiscal Section

Administration Division

Budget & Accounts Division

Budget Branch

Fiscal Branch

Accounting Branch

Receipts & Disbursements Division

Commercial Accts. & Collections

Funding

Pay, Allowances & Travel

- 12 -

Fiscal Section (continued)

Audit Agency

Industrial & Misc. Account Division

Research & Advisory Section

Statistical Section

Hdqts & Hdqts Section

Foreign Liquidation Commissioner, Office of the

Sales Division

Fiscal Division

General Accounting Section

Administrative Division

Occupation Cost Division

Indigenous Accounts Branch

Allied Accounts Branch

Auditing Division

Occupation Cost Branch

Reparations & Property Custody Branch

Foreign Trade & Industrial Branch

Korea-Ryukyus Branch

General Procurement Agent

Government Section

Administrative Division

Civil Service Division

Parliamentary & Political Division

Public Administration Division

Public Affairs Division

- 13 -

Headquarters And Service Group

Civilian Personnel Division

Labor Control Division

Reserve Affairs Division

Inventory Division

Furniture Repair Section

Supply Division

Jap Proc. Division

Laundry Division

Baggage Division

Beverage Ration Division

Fuel Division

Supply Co.

Billeting Section

Billeting Division

Central Billetting Office

Supply Division

Dependent Housing Division

Assignment, Listing, Drawing & Clearance

Dependent Arrivals

Dependents Returning to ZI

Information

Termination Orders

Japanese Personnel Division

Jap Gov't Rep for Billet'g Sec.

Community Housing Areas

- 14 -

Headquarters and Service Group (continued)

Building Section

Operations Division

Security Fire & Safety

Repairs & Utility Officer

Supply

Food Service Section

Nutritional Consultant

Planning & Equip.

District Supervisors

Mess Officers

Foreign Liaison Section

Public Information Office: (GHQ Special News Service)

Repairs & Utilities Section

Management Division

Work Orders & Projects

Procurement Accounting

Property & Cost Accountant

Engineer Supply

Property Records

Architectural Engineers

Mechanical Engineer

Drafting Room

Water & Sewage Branch

Maintenance & Repair Division

- 15 -

Headquarters and Service Group (continued)

Safety Division

Legal Section

Governmental Powers Division

Investigation Division

Legislation & Justice Division

Law Division

Prosecution Division

War Crimes Tribunal Division

Australian Division

British Division

Chinese Division

Medical Section

Administrative Division

Personnel Division

Plans & Operations Division

Supply & Fiscal Division

Natural Resources Section

Administration Division

Agriculture Division

Economic Branch

Agri. Cooperative

Land Reform

Agri. Income, Credit & Taxes

Production Branch

Agronomist

- 16 -

Agriculture Division (continued)

Entomologist

Staple Crop Collection

Horticulturist

Livestock Specialist

Agri. Extension Specialist

Soils & Fertilizer Branch

Soil Survey Specialists

Fertilizer Specialist

Statistics Branch

Editorial & Production Division

Fisheries Division

Economic Branch

Facilities Branch

Production & Processing Branch

Resources Branch

Wildlife Branch

Forestry Division

Pulp & Paper Branch

Mining & Geology Division

Metallurgy Branch

Ferrous Branch

Mineral Economics Branch

Minerals Branch

Petroleum Branch

Plans & Policies Division

- 17 -

Public Health & Welfare Section

Administrative Division

Health Statistics Division

Medical Services Division

Narcotic Control Division

Nursing Affairs Division

Preventive Medicine Division

Sanitary Engineering Branch

Laboratory Branch

Epidemiology Branch

Port Quarantine Branch

Venereal Disease Con Br.

Virus & Rickettsial Disease Control Branch

Tuberculosis Control Branch

Rockefeller Foundation Consultant

Social Security Division

Social Insurance Branch

Health Insurance Branch

Economic Analysis Branch

Supply Division

Veterinary Affairs Division

Welfare Division

Welfare Administration Branch

Public Assistance Branch

Welfare Rehabilitation & Organization Branch

Social Work Training Branch

- 18 -

Public Information Office

Executive Division

Administration Division

News Division

Press Branch

Special Services Section

Exchange Division

Recreation Division

Welfare Funds Division

Motion Picture Division

Statistics & Reports Section

Administrative Division

Historical Division

Statistical Branch

Library Division

Transportation Section

Control Division

Budget Branch

Reports & Statistics Branch

Administration Division

Mail & File Branch

Plans & Intelligence Division

Policies & Procedures Branch

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Movements Division (continued)

Personnel Movements Branch

Operations Division

Vessel Assignment & Maintenance Branch

Port Operations Branch

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Secretary of State,
Washington.

A-73, March 24, 1949.

Reference this Mission's despatch no. 151 of March 15, 1949 concerning the inspection of Japanese police facilities on March 9 by members of the Allied Council for Japan.

This inspection tour was apparently inspiration for considerable comment in the Japanese press on the desirability of merging the autonomous local police forces with the National Rural Police in the interest of greater economy and efficiency.

Discussion of such a merger raises, however, the question of concentration of police power in the national government, a feature of the pre-surrender Japanese police system the return of which General Headquarters unequivocally opposes.

Shortly after the Allied Council inspection of police facilities, the Government Section of General Headquarters summoned State Minister HIGAI Senzo (the Cabinet member in charge of the National Rural Police) and informed him that General Headquarters will give no approval to any plans designed to develop a single centralized police system. Since press discussion of the subject continued, Mr. Higai was reminded a few days later of Headquarters views on the matter.

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Tokyo's A-73,
March 24, 1949.

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-2-

Although some Japanese officials have informally discussed the advantages of merging the police systems and there is known to be strong opinion among them in favor of such a change, there is no indication that police or other officials have formulated a specific plan for such a merger.

The efficient operation of the local autonomous police forces is to a considerable degree dependent upon the efficient operation of the local political subdivisions. Local government finances in general are in a precarious position. Sources of revenue are derived in large part either from borrowing from postal savings accumulations or from the issuance of local government bonds. The latter method has not proved very satisfactory since the bonds have been difficult to sell, while the indefinite borrowing from postal savings accumulations, especially to meet current operating expenses, endangers the entire credit system. The expenses of the local police forces are met by a first lien on revenue obtained from admission taxes and on ten percent of the tax levied on alcoholic beverages. Although the police forces have first call on these sources of revenue, they are usually not sufficient to meet expenses. In the larger cities these sources of revenue may approximate the cost of the police force, but in smaller subdivisions the amount of revenue derived from these sources is negligible. In some of the smaller communities citizens have grouped together and formed "police support associations" to collect funds for the police forces. In some cases the city assemblies have assessed leading citizens arbitrary amounts for the support of the local police.

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SUPREME COMMANDER FOR THE ALLIED POWERS
TOKYO.

MAR 24 1949

109
INFO: ARMY CHIEF OF STAFF
FOR ACTING POLITICAL ADVISER.

Subj is Summary Steering Comite Mtg, Mar 15, 1949.
Trial of Jap War Criminals (SC-314/11)

Without objection. SC-314/11 was forwarded to Comm
with opposing votes of Phil and Sov members recorded.

Agrarian Reform in Japan (SC-335)

US member introduced fol amendments:

1) para 1 to read QTE In the view of the FEC an equitable
and sound agrarian reform program is an important factor
favoring the democratization of Japan UNQTE;

2) in line 2 of para 2 insert phrase QTE the basic prin-
ciples embodied in the UNQTE before QTE fol steps UNQTE;

3) delete para 3c. UK member, who was responsible for
initiating paper, agreed to accept first amendment; suggested
that phraseology of second amendment be changed so that sent-
ence read: QTE The FEC approved the basic principles ...
UNQTE. He also expressed regret at US proposal to delete

para 3c stating that this para was one of most important pro-
visions in proposal and its deletion wld go far to destroy
value of paper. Consideration postponed.

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Priority for Patent Applications in Japan (SC-333/1)

Without objection, SC-333/1 was forwarded to Comm with opposing vote of Sov memb recorded.

Replacement of Lost Cultural Objects (SC-272/12)

Retained on Agenda.

Removal of Aircraft and Private Munitions Plants from Japan (SC-312).

Retained on Agenda.

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MAR 24 1949

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STANDARD FORM NO. 64

Office Memorandum • DIVISION OF UNITED STATES GOVERNMENT
NORTHEAST ASIAN AFFAIRS

File #20

*NWB
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RM/R*

*1 cc: Mr. Helms' file
MAR 30 1949*

DATE: March 29, 1949

TO : NA - Mr. Max Bishop

DEPARTMENT OF STATE

FROM : DRF - Charles C. Stelle

SUBJECT: DRF #138 - Possible Korean Reaction to a Proposed Plan for Determination of the Status of Koreans in Japan.

Two copies of DRF 138 are forwarded herewith. This study was prepared as the result of a conversation with Mr. Bond on March 14, 1949, and an unnumbered, unedited draft was delivered to Mr. Bond on March 22, 1949.

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Copy No. 1CONFIDENTIALDEPARTMENT OF STATE
Division of Research for Far EastPOSSIBLE KOREAN REACTION TO A PROPOSED
PLAN FOR DETERMINATION OF THE STATUS
OF KOREANS IN JAPANDRF #138
March 29, 1949CONFIDENTIAL

CONFIDENTIALPOSSIBLE KOREAN REACTION TO A PROPOSED PLAN FOR
DETERMINATION OF THE STATUS OF KOREANS IN JAPAN

The Acting Political Adviser for Japan, under a covering despatch dated February 18, 1949, has forwarded a study, prepared by members of the Diplomatic Section with the concurrence of the various staff sections of General Headquarters, on the status of the Koreans in Japan.¹ The Acting Political Adviser specifically solicits the views or suggestions of the Department upon the problem.

The study was made in accordance with the continuing policy of the Diplomatic Section to advocate "working decisions" of a temporary nature on the part of the Supreme Commander for the Allied Powers, pending final settlement between Korea and a fully sovereign Japan. Its thesis, as summarized in the covering despatch, is that:

"...all parties and legitimate interests concerned with the problem of Koreans in Japan will be best served by reducing the Korean minority in this country to the lowest possible proportions. On the premise that Korean nationality was extinguished by Japanese absorption of Korea in 1910, and that Koreans in Japan can avail themselves of the benefits of nationality newly opened up to them by the liberation of their country only by performing a positive act to that end, it is believed that registration as Korean nationals should be limited to those Koreans in Japan who demonstrate their immediate intention of returning to Korea or who remain in Japan for official Korean purposes or certain limited other purposes acknowledged to be Korean."

The stated premises of international law need not be questioned, although Japanese practice after 1910 and Korean official action since liberation are pertinent to the acceptance of them as valid assumptions.

1. Enclosure 1 to D-111, Tokyo, February 18, 1949, CONFIDENTIAL, which is based upon a previous study enclosed in D-580, Tokyo, September 3, 1948, CONFIDENTIAL.

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The questionable aspects of the thesis of the study arise, instead, from the integration of the legal problem of the nationality status of Koreans in Japan with a purely political policy directed solely to satisfying Japanese interests. To seek to make the according of Korean nationality contingent upon the willingness of an individual Korean to be repatriated, while understandable from the view of Japan, avoids the legal determination of the status of Koreans in Japan in order to achieve the political objective of repatriating the Korean minority, postpones a urgent question that was to be settled at a time when a "duly established Korean government accords recognition to the individual concerned as a Korean national," and presents the government of Korea with serious economic and political difficulties. Since the application of the program set down in the study is almost certain to arouse Korean hostility and affect the relations between the United States and Korea to a degree detrimental to United States policies and programs now being carried on in Korea, it is believed that the nature and extent of Korean reaction to such a plan should be considered before its implementation.

Postwar Status of Koreans in Japan¹

The 600,000 Koreans in Japan, the largest foreign minority in the country, have given rise to several problems; their status under international law and under the directive requiring treatment as liberated rather than enemy people, and the policy problems connected with their repatriation, the

1. See OIR-4672, May 15, 1948, pp. 7-19.

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maintenance of public order, and the extension or denial of special privileges. During and before World War II, more than a million and a half Koreans entered Japan. Between October 1945 and August 1948, 1,115,550 of them were repatriated.¹ Less than 600,000 remain in Japan.

In accordance with its objective of liberating Korea from Japanese rule, the US has regarded the Koreans as a liberated rather than as an enemy people like the Japanese, and on June 5, 1946 the Far Eastern Commission directed that the Koreans in Japan, like the Formosan-Chinese, should be treated as a liberated people as far as military security permitted.² This directive was not interpreted, however, as affecting the actual national status of the Koreans in Japan, and under a policy agreed to by the Department of State on May 31, 1946 the Koreans in Japan have been considered presumptively as retaining their Japanese nationality "pending such time as a duly established Korean Government shall have accorded recognition to the individual concerned as a Korean national."³ It would appear, therefore, that the only result of the directive to consider Koreans as "liberated people" was to provide a legal basis for registration of them by the Japanese authorities and for their repatriation to Korea. Uncertainty concerning their status has been per se a major factor fostering unrest and irresponsibility in the Korean community in Japan. Many of the Koreans interpreted their "liberated" status incorrectly to mean that they were no longer subject to Japanese law.

1. US Army Forces in Korea, South Korean Interim Government Activities, No. 34, July-August 1948, UNCLASSIFIED, p. 8.
2. FEC 034/3, cited in D-265, Tokyo, May 6, 1948, CONFIDENTIAL, p. 1.
3. W-89799, Washington, May 29, 1946, CONFIDENTIAL, approving the policy proposed in W-C 61223, Tokyo, May 21, 1946, CONFIDENTIAL.

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According to US policy, the status of Koreans in Japan was to be clarified as soon as an independent Korean government had been formed and had given the individuals concerned the status of Korean nationals.¹ This policy was publicized both in Japan and Korea.² That such clarification was both immediately necessary and wise was indicated by the US Political Adviser for Japan in May 1948:

"We further believe that serious consideration should be given at once to the formulation of a policy under which Koreans remaining in Japan after the establishment of a Korean government would receive the status of Korean nationals, provided registration is made by a Korean authority duly recognized by the new Korean government and further, that such authority issues proper documentation to each individual concerned. Preferably, a time limit should be set for the completion of such registration upon the expiration of which Koreans who have not registered would henceforth be considered for all purposes as Japanese subjects. We believe that a solution of this kind could most readily be undertaken under the influence of the Occupation and that a later determination, at a time when the Japanese Government has resumed full sovereignty, would be most difficult of accomplishment."³

The plan now presented to allow registration and grant Korean nationality to only those Koreans who signify a willingness to return to Korea immediately is practically a reversal of this policy.

Nationality in Korean Law and Practice

The principles of international law set forth in the study are not

1. Ibid.
2. General Headquarters, US Army Forces Pacific, Public Relations Office, Press Release, November 12, 1946, UNCLASSIFIED, modified by a subsequent release. (See D-720, Tokyo, November 21, 1946, UNCLASSIFIED.) Both these releases were given wide publicity in Korean newspapers and led to press inquiries to the American Military Governor in Korea. See Headquarters, US Army Military Government in Korea, Department of Public Information, Press Conferences, November 16 and 26, 1946, UNCLASSIFIED.
3. D-265, Tokyo, May 6, 1948, CONFIDENTIAL, p. 7.

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the questionable elements of the policy advocated.¹ In fact, the study makes no pretense that its premises of international law concerning the loss of Korean nationality in 1910 and the terms of restoration require or even justify the conditions it seeks to place upon the registration of Koreans. A sound distinction between Korean and Japanese nationality has actually been generally accepted both in Japan and in Korea. Throughout the period of Japanese rule over Korea, a distinction between Japanese and Koreans, both in practice and in law, was based upon whether the individual was entered in a Japanese or Korean family register.² This same distinction has been used since World War II as a basis for the handling of the Koreans in Japan and of the Japanese in Korea.³ Recent Korean legislation on the subject has followed the same trend. Public Act Number 11, entitled "Temporary Provisions Concerning the Law of Nationality," which was

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1. The applicability of general international law principles to the situation under consideration is, however, highly uncertain. Dr. Charles Pergler, Opinion 1269, "Status of Koreans in Japan. Effect of Cairo Agreement and Potsdam Declaration," October 22, 1947, in US Army Forces in Korea, Selected Legal Opinions of the Department of Justice, US Army Military Government in Korea, Vol. II, pp. 376-7, makes the following analysis: "The Korean situation is without recedent [sic] and therefore there are no precedents. Appeal to conventional international law will hardly furnish, in this case, a guide. There are, perhaps, certain analogies. During World War I many members of the oppressed nationalities were accorded the treatment of Allied nationals although technically citizens and subjects of Austria-Hungary.... In a situation without precedent new precedents are being established."
 2. Dr. Ernst Fraenkel, Opinion 923, "Nationality of Alien Women Married to Koreans," March 25, 1947, in US Army Forces in Korea, Selected Legal Opinions of the Department of Justice, US Army Military Government in Korea, Vol. II, pp. 261-5.
 3. Dr. Charles Pergler, op. cit.

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enacted by the Korean Interim Legislative Assembly of the South Korean Interim Government, evidently envisaged a cancellation of Japanese family registry, if such registry had been made, as the only act needed to re-establish Korean nationality.¹ The Law on Nationality passed by the National Assembly of the Republic of Korea on December 3, 1948, which superseded Public Act Number 11, does not mention even this procedure as necessary.² From the Korean point of view, therefore, it would appear that the Koreans in Japan are regarded as Korean nationals if they are entered in a Korean family register. Since it appears that actual practice and the laws on nationality of the Korean Government are in conflict with the policy advocated by the study, and since it is realized that such a policy³ could be implemented only through negotiation with the Republic of Korea, the current opinion and probable reaction of the people and the government of Korea should be considered.

-
1. Section V of the law reads: "Any person who obtained foreign nationality or was entered in a Japanese family register and has waived such nationality or cancelled such Japanese family registry on the effective date, or shall waive or cancel hereafter, shall be deemed to be restored to Korean nationality as of, and prior to, 9 August 1945." (Headquarters, US Army Military Government in Korea, Official Gazette, May 11, 1948, UNCLASSIFIED). In analyzing the effects of Public Act Number 11, the Diplomatic Section of SCAP concluded that "most of the Koreans in Japan either possess Korean nationality or could by the act of canceling their Japanese registry acquire Korean nationality." (Enclosure 1 to D-580, Tokyo, September 3, 1948, CONFIDENTIAL, p. 2).
 2. For text of the law and an analysis of it, see enclosures to D-5, Seoul, January 6, 1949, UNCLASSIFIED.
 3. D-111, Tokyo, February 18, 1949, CONFIDENTIAL, enclosure, p. 4.

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Korean Opinion and Attitudes Regarding the Koreans in Japan

Since the November 1946 declaration of the policy of treating the Koreans in Japan presumptively as Japanese, Korean opinions on the subject have been decided, consistent, and uniform. The treatment of Koreans in Japan is closely associated in the minds of Koreans at home with their own struggle for liberation, the removal of Japanese influences in Korea, the punishment of Koreans who collaborated with the Japanese, and the reestablishment of an independent state. Their strong resentment of past handling of the situation by authorities in Japan and demands for its settlement upon terms recognizing their nationality were restrained under American Military Government, but now virtually compel early action by the Korean Government and delimit its freedom of action in settling the problem.

The November 1946 declaration of SCAP that the Koreans who remained in Japan would be treated as Japanese nationals received wide publicity and created great furor among Koreans both in Japan and in Korea. The Korean press became extremely agitated over the problem, and the American authorities in Korea were hard-pressed to quiet this agitation.¹ Strong interest in and resentment of the treatment of the Koreans in Japan continued to be manifested in the Korean press, however, and feeling ran high in Korea each time incidents developed involving their countrymen in Japan. It must be remembered that the November 1946 announcement of SCAP also publicized the assurance that Korean nationality would be established when an independent Korean Government was formed.

1. See, for example Headquarters, US Army Military Government in Korea, Department of Public Information, Press Conferences, November 16 and 26, 1946, UNCLASSIFIED.

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Even under military government, the Korean Interim Legislative Assembly attempted to press the matter in the spring of 1947. On April 25, 1947, the Assembly passed a resolution urging that Koreans in Japan be granted equal treatment with other foreign nationals, that they be permitted to bring industrial and commercial property with them, and that the "frozen funds" of Korean repatriates be released.¹ This resolution was the only action unanimously passed by the Assembly in any field up to that time.²

When the Koreans established an independent government in August 1948, even in the midst of pressing internal problems they still evidenced an intense interest in the problem of Koreans in Japan, since there was no longer a military government to restrain Korean nationalist feeling in this direction and also since the time set for its settlement according to the American statement of November 1946 had arrived. The "readjustment" as well as repatriation of Koreans living in Japan was discussed by President RHEE Syngman in one of his early speeches on government policy before the National Assembly, on September 30, 1948.³ Foreign Minister CHANG Taeksang, in his speech on foreign policy before the National Assembly on October 6, declared that the Department of Foreign Affairs was then drafting a "special measure for the protection of our countrymen in Japan."⁴ Shortly afterward, on October 12, as President RHEE was departing for Tokyo to discuss Korean-Japanese problems with General MacArthur, the National Assembly of Korea

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1. US Army Forces in Korea, South Korean Interim Government Activities, No. 31, April 1948, UNCLASSIFIED, p. 155.
 2. REF-951.9/Z2820/#515, April 26, 1947, CONFIDENTIAL, p. 3.
 3. T-89, Seoul, September 30, 1948, UNCLASSIFIED.
 4. Enclosure 1 to D-78, Seoul, November 2, 1948, RESTRICTED, p. 5.

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passed a "Bill Incorporating Suggestions for Urgent Action on the Movement of Korean Property in Japan." Article IV of this bill asserts: "The right of residence and civil rights of Koreans in Japan should be secured and they should be treated as nationals of an ally."¹ This bill was introduced with the signature of 185 of the 198 members of the National Assembly, and was passed unanimously on the afternoon of the day it was introduced.² The executive authorities of the Republic of Korea, and especially its representative to SCAP, Mr. Henry DeYoung (Ch'ong), have entered into relations with SCAP in a generally cooperative spirit and with moderation in tone, emphasizing Korean interest in repatriating the Koreans in Japan and in combating Communism in the Korean community in Japan.³ Mr. DeYoung has announced that representatives of the Republic of Korea in Japan will work only with the rightist organizations of the Korean community, thus definitely undermining the position of the Communist-inclined League of Koreans Residing in Japan. (It is this League that has extended its Communist influence widely under the guise of "representing" the Koreans in Japan and has been the agency responsible for many of the disorders among Koreans in Japan.) The cooperative attitude of the Korean Government toward SCAP cannot, however, be considered an indication that the government is not keenly interested in early settlement of the problem or that it will easily compromise in regard to recognition of Korean nationality for the whole of the Korean community in Japan.

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1. An unofficial translation in a Memorandum for the Record of the American Mission in Korea, dated October 16, 1948, UNCLASSIFIED.
 2. Ibid.; American Mission in Korea, Memorandum for the Record, "National Assembly Summary (Afternoon Meeting), October 12, 1948", dated October 13, 1948, UNCLASSIFIED.
 3. See A-66, Seoul, December 23, 1948, RESTRICTED: General Headquarters, Far East Command, Public Information Office, Press Release, January 29, 1949.

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

SECRET

TO : FE - Mr. Butterworth
FROM : NA - Mr. Bishop *MB*
SUBJECT: Modification of Purge in Japan

DATE: March 29, 1949

13-

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On March 22 I sent a letter to Mr. West enclosing a draft cable to SCAP requesting that in view of the incomplete and confusing information available here he submit an interim report of his actions in implementation of paragraph 13 of NSC 13/2, preliminary to his regular quarterly report, due April 1, on implementation of all paragraphs of the paper within his area of responsibility. Mr. West replied (~~Tab B~~) that he believed such a cable "would be quite undesirable and inappropriate" at this time, and that "there appears to be little reason to doubt that SCAP is carrying out the spirit of the policy decision of paragraph 13 of NSC 13/2..."

As indicated in my memorandum of March 21 to Mr. Allison (Tab B), all information available to the Department (including a personal letter from a member of Sebald's staff) indicates that full and prompt implementation of paragraph 13 has not occurred and is not planned. This impression is confirmed by a letter I just received from Sebald stating that "almost every day something appears in the press here regarding a relaxation of present purge standards, quickly followed by a denial by a SCAP spokesman or other occupation official."

The success or failure we encounter in our efforts to accomplish implementation of paragraph 13 can be expected in large measure to determine whether we are to succeed or fail in our efforts for the implementation of the paper as a whole. Action seems imperative, and I believe should be of a nature to remind SCAP of Sebald's position as State Department Representative in Japan and to assist in establishing Sebald as one of SCAP's principal advisers on matters of State Department interest. There is accordingly attached (Tab A) a proposed cable to Sebald requesting him to discuss the matter fully with General MacArthur and report to us the steps taken and projected by SCAP and the Japanese Government to carry out the purge modifications.

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*State Dept.
Northeast Asian
Affairs Division
From Fearey*

NA - Mr Bishop

FORM NO. 64

TOP SECRET

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth

FROM : NA - Mr. Bishop

DATE: April 1, 1949

SUBJECT: NA Comment on NSC 44, "Limited Military Armament for Japan".

ALL P 3

It seems to me that this paper brings to the front two basic questions:

1. The problem of anticipating and preparing for a degree of re-armament of Japan; and
2. The problem of military security of the Japanese islands.

With reference to the first problem, Secretary Royall and General MacArthur are agreed that it would be inadvisable for a long time to come to permit the establishment of Japanese armed forces. You will recall General MacArthur's remarks to me on this subject when I was out there in February. I am inclined to agree with them. I would add that in considering the question of re-armament of Japan it is important to bear in mind the attitude of the Japanese themselves. It was the Emperor who on the night he ordered Japan to surrender stated in unequivocal terms that Japan would never again have military forces. The idea of a pacifist state perhaps was not widely held in Japan and frankly is contrary to their entire history, but nevertheless it was held in the highest quarters. Those quarters as we have witnessed during the occupation, go a long way toward determining how the Japanese people think. Accordingly it would be wise before going too far in any planning to determine the attitudes and inclinations of Japan's leaders. I think it would be taking a grave risk to attempt to sound out Japanese thinking on this delicate subject during the period of the occupation, and without a great deal of exploration I would strongly recommend against it.

There is much that can and should be done, however, under NSC 13/2, paragraph 7, "The Japanese Police Establishment" which states:

"The Japanese Police establishment, including the coastal patrol, should be strengthened by the re-enforcing and re-equipping of the present forces, and by expanding the present centrally directed police organization."

I perceive no real obstacle to the creation of police reserves, located on the outskirts or near by concentrations of population or in other strategic centers, which can be used to control widespread civil disturbance, riot and rebellion.

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With regard to the second question which is the JCS recommendation that it would be unwise to postpone "consideration of the problem of Japanese military security until such time as peace treaty negotiations may be undertaken", I wholeheartedly agree with the JCS. I would suggest, however, that they have misinterpreted paragraph 4 of NSC 13/2, which, I believe, was intended to cover the question of controls to be, or not to be, written into the peace treaty as well as the question whether Japan's integrity would be guaranteed by international agreement or by the United States. I do not believe that paragraph 4 was intended in any way to place any limitation upon the planning by the National Military Establishment for such security arrangements as may be necessary in that part of the world to protect the United States and its interests.

I should, therefore, recommend that if my interpretation of paragraph 4 of NSC 13/2 is correct the NME be advised that there is no limitation on United States planning in this respect. The JCS will, of course, be concerned not only with the present situation, but also with the post-treaty situation. In the latter connection my recommendation would be that the United States should allow the Japanese themselves to decide whether or not they will have military forces in the post-treaty period. I believe that it would be wise until we have evidence to the contrary to plan U.S. security in that part of the world on the assumption that Japan will remain to all intents and purposes a military vacuum. I have been under the assumption that U.S. security in that part of the world as well as the military security of the Japanese islands can be maintained from bases not on the main Japanese islands. You will recall that it is General MacArthur's concept that the Japanese islands should be militarily neutralized (Russia and other hostile forces kept out) by superior United States air and naval forces based principally in the Ryukyu Islands. We are, of course, well aware that the Navy considers the Ryukyus totally inadequate and believes that the only suitable naval bases are to be found in Japan. This is a difference of view which only military experts can reconcile.

To refer once again to General MacArthur's views, you will remember that he told me that he thought it was highly probable that if war came the Japanese would be fighting on our side before it was over. I would certainly be in favor of using Japanese manpower in our war effort if that were militarily feasible and agreeable to the Japanese. I can see no objection to the NME's making secret plans for such contingency.

I believe

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I believe that the problems raised by NSC 44 can be solved by an understanding within the NME of the proper interpretation of paragraph 4 of NSC 13/2 and by adoption by the NSC of the following:

DRAFT NSC 44/1

DISCUSSION

In the light of the evident trend toward world unrest and in view of the fact that it may well become extremely important to our national security for Japan to be capable of providing some degree of military assistance to the United States, at least to the extent of Japan's own self-defense, it appears desirable that the question of the possible use of Japanese armed forces be carefully explored.

In the light of United States commitments to disarm and demilitarize Japan, of the whole concept of the occupation and of the sensibilities of our Allies and former friends who share in the regime of control of Japan, any consideration of this question must be undertaken only under extremely tight security requirements.

RECOMMENDATION

The National Military Establishment should under the most stringent security precautions make plans now for the possible use of limited Japanese armed forces for the defense of Japan in the event of war.

If you approve I shall prepare a draft memorandum from you to the Secretary.

Please do
y

FE:NA:MWBishop/pm

TOP SECRET



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

[Handwritten signature]
DC/R

United States Political Adviser
for Japan
6 DIVISION OF
NORTHEAST ASIAN AFFAIRS
Tokyo, March 30, 1949.

APR 7 1949

DEPARTMENT OF STATE

no action required

No. 191.

UNCLASSIFIED

REC'D
APR 4

ACTION
FE ENC

INFO
DCR
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CLI ENC

Subject: Eighty-third Meeting of the Allied Council for Japan,
March 30, 1949.

74.00119 Control (Japan) / 3-30-49

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1/ 2/

The Acting Political Adviser has the honor to refer to this Mission's despatch no. 155 of March 16, 1949 and to previous correspondence in regard to meetings of the Allied Council for Japan, and to forward as enclosures five copies each of the Agenda and Corrected Verbatim Minutes of the eighty-third meeting of the Council held on March 30, 1949.

As there were neither procedural nor official matters on the Agenda, there was no discussion and the meeting adjourned after approval of the minutes of the eighty-second meeting.

Enclosures:

1. Five copies of Agenda, Eighty-third Meeting of the Allied Council for Japan, March 30, 1949.
2. Five copies of Corrected Verbatim Minutes, Eighty-third Meeting of the Allied Council for Japan, March 30, 1949.

310
RBFinn:hh

cc: American Embassy, London.
American Embassy, Nanking.
American Embassy, Moscow.
American Embassy, Canberra.
American Embassy, New Delhi.
American Legation, Wellington.
Parchment Mat to the Department.

UNCLASSIFIED

740.00119 CONTROL (JAPAN) / 3-3049

APR 28 1949

BT/END

DMR

ACTION COPY

RETURN TO DC/R FILES WITHIN 14 DAYS, WITH A NOTATION OF ACTION TAKEN.

Enclosure No. 1 to Despatch No. 191 dated March 30, 1949 from United States Political Adviser for Japan, Tokyo, subject: "Eighty-third Meeting of the Allied Council for Japan, March 30, 1949."

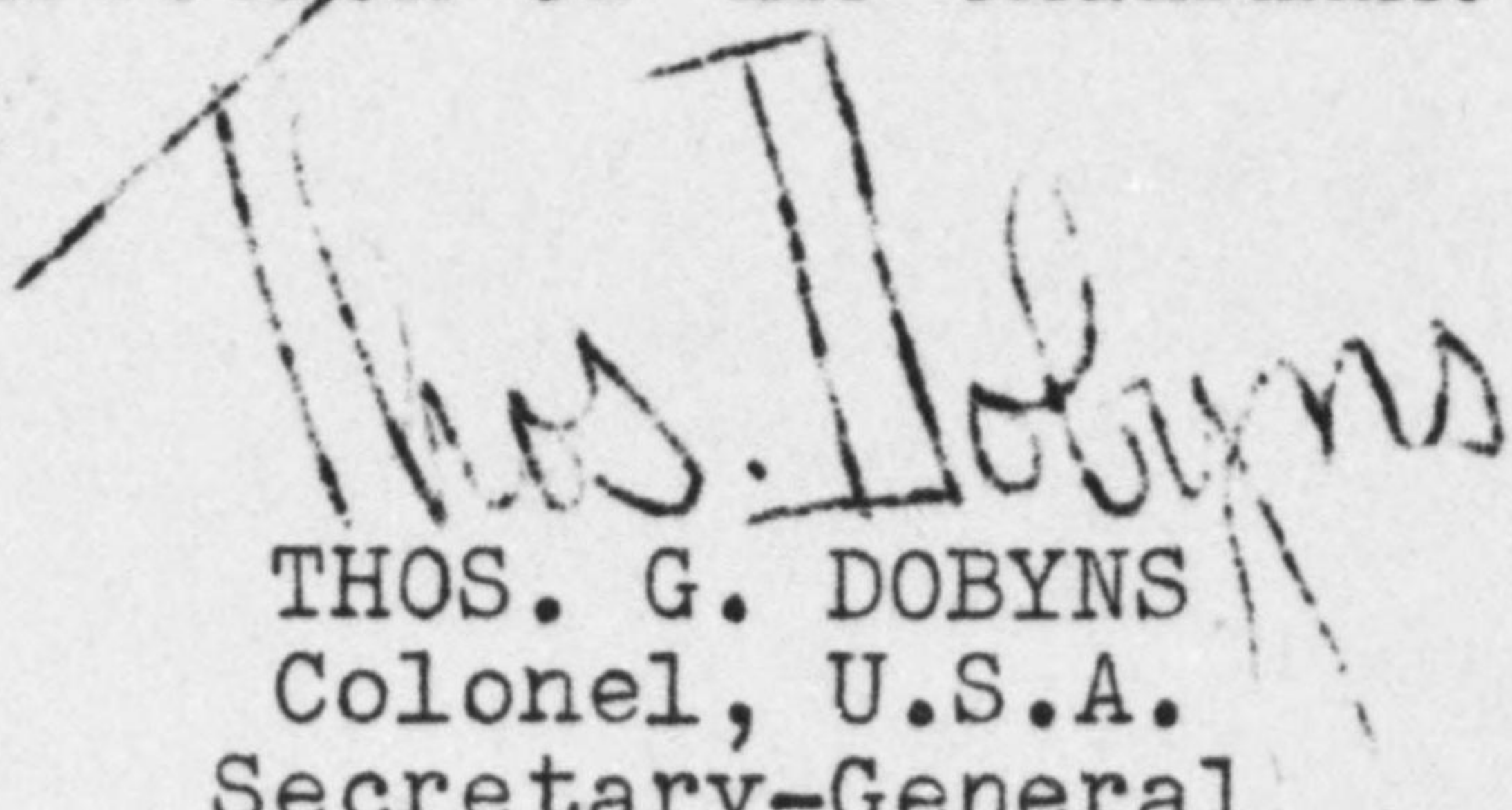
83-330

AGENDA
for the
EIGHTY-THIRD MEETING
ALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo
Wednesday, 30 March 1949, at 1000 Hours

- I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE EIGHTY-SECOND MEETING (1 Session, numbered 82-316).
- II PROCEDURAL MATTERS
None held over or submitted as subjects for this Agenda.
- III OFFICIAL MATTERS
None held over or submitted as subjects for this Agenda.

By Direction of the Chairman:


THOS. G. DOBYNS
Colonel, U.S.A.
Secretary-General

25 March 1949

Enclosure No. 2 to Despatch No. 191 of March 30, 1949 from United States Political Adviser for Japan, Tokyo, subject: "Eighty-third Meeting of the Allied Council for Japan, March 30, 1949."

83-330

CORRECTED
VERBATIM MINUTES
of the
EIGHTY--THIRD MEETING
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 30 March 1949, at 1000 Hours

MEMBERS PRESENT

The Honorable William J. Sebald, Deputy for the Supreme Commander, Chairman, and Member for the United States

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

Mr. Patrick Shaw, Member representing jointly the United Kingdom, Australia, New Zealand and India

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

SECRETARY-GENERAL

Colonel Thos. G. Dobyms

Office of the Secretariat
Allied Council for Japan
30 March 1949

THE CHAIRMAN: The meeting will please come to order.

The Corrected Verbatim Minutes of the Eighty-second Meeting have been circulated among the Members and in the absence of objection (Pause) are approved.

Are there any procedural matters? (Pause)

There are no official matters on the agenda, that would appear to conclude the meeting.

The meeting is adjourned.

(The meeting adjourned at 1001 hours.)

Enclosure No. 1 to Despatch No. 191 dated March 30, 1949 from United States Political Advisor for Japan, Tokyo, subject: "Eighty-third Meeting of the Allied Council for Japan, March 30, 1949."

83-330

AGENDA

for the

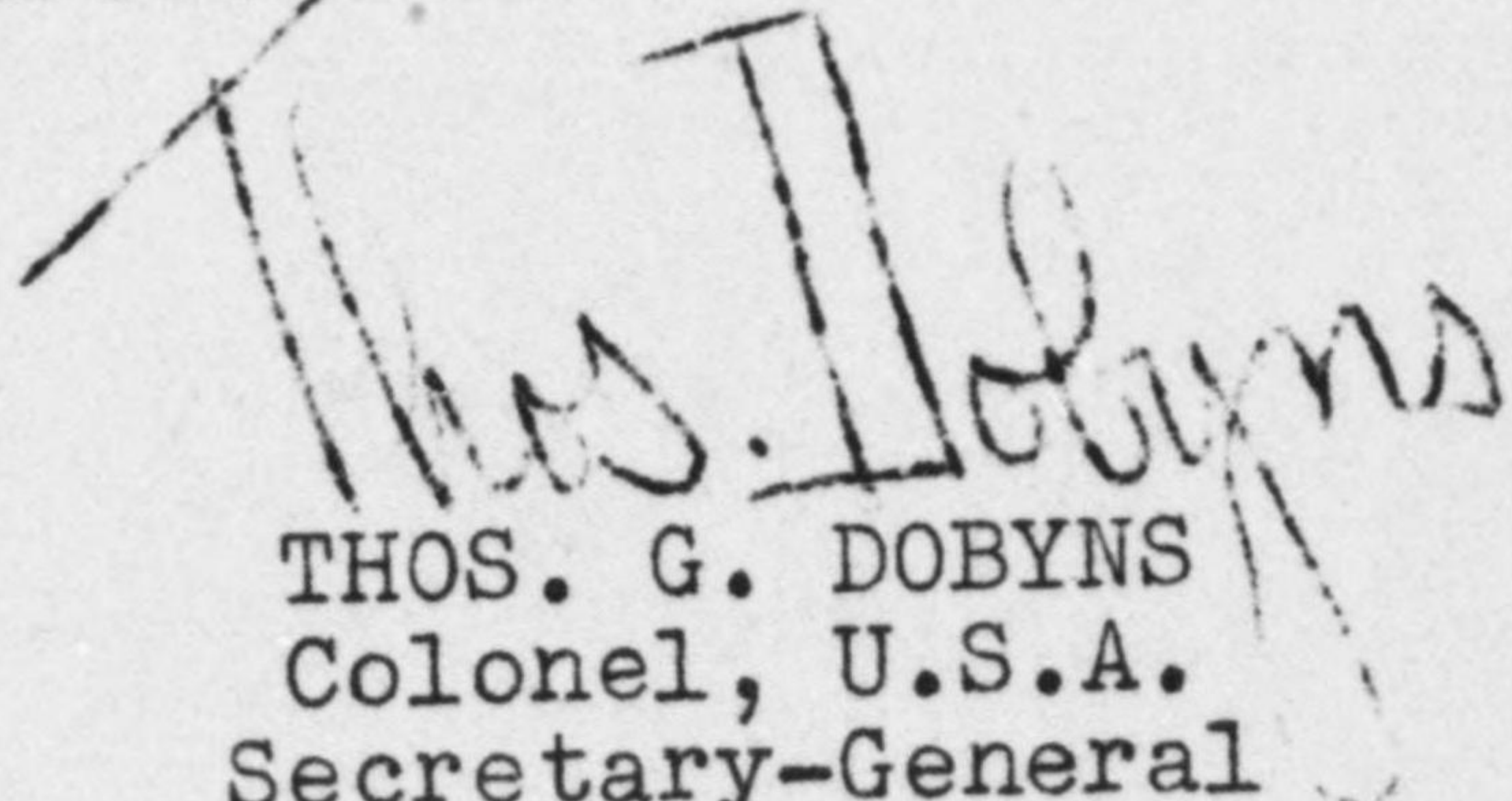
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THOS. G. DOBYNS
Colonel, U.S.A.
Secretary-General

25 March 1949

Enclosure No. 2 to Despatch No. 191 of March 30, 1949 from United States Political Advisor for Japan, Tokyo, subject: "Eighty-third Meeting of the Allied Council for Japan, March 30, 1949."

83-330

CORRECTED

VERBATIM MINUTES

of the

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Allied Council for Japan
30 March 1949

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There are no official matters on the agenda, that would appear to conclude the meeting.

The meeting is adjourned.

(The meeting adjourned at 1001 hours.)

STANDARD FORM NO. 64

Office Memorandum

UNITED STATES GOVERNMENT
NORTHEAST ASIAN AFFAIRS

NA file

TO : NA - Mr. Bishop

MAR 31 1949

DATE: 31 March 1949

FROM : FEC - David K. Eichler

DEPARTMENT OF STATE

SUBJECT: Immediate Release of Far Eastern Commission Policy Decision on Access to Japanese Technical and Scientific Information in Japan

1. As you know, the Far Eastern Commission this morning approved "without objection" a decision (copy attached) to extend until 1 July 1949 the two previous policy decisions permitting Access to Japanese Technical and Scientific Information in Japan (FEC-280/9, FEC-315/7). Inasmuch as the expiration date of both previous policies is today (31 March 1949), and since one of the policies covers non-FEC countries, it seems to me the Far Eastern Commission has an obligation to inform, as soon as possible, those countries not members of the Commission that their rights under the policy will be extended to 1 July 1949. I would, therefore, suggest the following procedure in this matter:

2. It has been customary for the Commission to wait until General MacArthur has received the JCS directive based on a Far Eastern Commission policy decision before releasing that decision to the press. The reason for this procedure was to assure that General MacArthur would not be embarrassed by learning through the press that he was about to be given certain new instructions. The transmittal of a JCS directive based on an FEC policy decision usually takes between 8 and 10 days. It seems to me that in the present instance, where speed is a primary consideration, the State Department might simply request the Army Department to cable the Supreme Commander as a matter of information the action taken by the Commission this morning in connection with the policy referred to above, together with the notification that the Commission plans to issue this policy decision to the press for release at 1 p.m. tomorrow (April 1). The Army might wish to add that the Supreme Commander will, in due course, receive the usual JCS directive embodying the Far Eastern Commission policy decision.

3. The Secretariat stands ready to issue this decision immediately upon learning that the Army Department will undertake to inform the Supreme Commander as suggested above.

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Eichler advised his proposal unceremoniously. He agrees & will not take action proposed 7/31/49 HLL

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EXTENSION OF FAR EASTERN COMMISSION POLICIES ON
ACCESS TO JAPANESE TECHNICAL AND SCIENTIFIC INFORMATION IN JAPAN

The Far Eastern Commission decides as a matter of policy that the provisions of the FEC policy decisions entitled "Access to Japanese Technical and Scientific Information in Japan" (FEC-280/9, approved 24 June 1948) and "Access to Japanese Technical and Scientific Information by Non-FEC Countries at War with Japan" (FEC-315/7, approved 23 December 1948) are hereby extended until 1 July 1949.

Approved by the Far Eastern Commission on 31 March 1949

dc/R

RESTRICTED

March 31, 1949

In reply refer to
NA

Gov. Relief in Okinawa

My dear Mr. West:

This will confirm that the Department of State, while obviously not prepared to express views on the individual items in the projects, fully supports the overall Department of the Army request for appropriations for fiscal year 1950 for the EROA and GARIOA projects in Japan.

Sincerely yours,

*Empire
Hoffman
5723*

Signed

Max W. Bishop
Chief
Division of Northeast Asian Affairs

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Mr. Robert West,
Deputy to Assistant Secretary
of the Army,
Washington, D. C.

MWB
FE:NA:MWBishop/pm

[Signature]
FE

Certified P. 74

*CSIA
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(Japan)*

RESTRICTED

STANDARD FORM NO. 64

TOP SECRET

FE Japan
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Office Memorandum • UNITED STATES GOVERNMENT

TO : U - Mr. Webb
Thru : S/S PB
FROM : FE - Mr. Butterworth *bwb*

DATE: April 4, 1949
RECEIVED
FAR EASTERN AFFAIRS
AUG 7 1952
ASSISTANT SECRETARY
Department of State

SUBJECT:

Apropos of our conversation this forenoon, I quote below the pertinent paragraph of a memorandum of the Secretary's conversation with Mr. Bevin of April 2:

"As regards Japan, I said the Far Eastern Commission had become useless, since it had become a forum for Soviet complaints. However, we will let it go its way. Since the U.S. is spending about 900 million dollars a year in Japan, MacArthur has been told to take more vigorous steps toward recovery. While reparations in themselves are not much of a drain, they are a confusing factor in the Japanese economy and we shall let them fall into oblivion. There was small chance of a treaty being concluded, and as far as I knew, no work was being done along these lines at present."

There is also transcribed below paragraph 9 of the National Security Council's policy paper with respect to Japan which received the approval of the President on October 7, 1948:

"9. Far Eastern Commission. The United States Government should ensure for its own part, and urge other FEC member Governments, that proposals considered by the FEC be confined strictly to policy matters directly related to the fulfillment by Japan of its obligations under the Terms of Surrender, and be couched in broad terms leaving questions of implementation and administration to SCAP. The position of the United States should further be based upon the fact that these surrender terms, as envisaged by the Potsdam Declaration, have been substantially implemented. On matters still within the purview of the FEC, such as civil aviation policy in Japan, the United States Government should seek to establish as promptly as possible firm United States positions and then adopt an aggressive and positive attitude, by direct discussions with FEC member Governments and by forceful backing in the FEC

policies
SEP 10 1952

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policies desired by the United States. In matters of urgency, where it has become evident that, after efforts to achieve maximum international support, agreement cannot be promptly reached, we should not hesitate to use the interim directive. SCAP should also be encouraged to make greater use of his authority as sole executive for the Allied Powers, asking where necessary for the United States Government's views. On the other hand, the United States Government should not hesitate to render assistance to SCAP by elucidating its interpretation of previous directives and general policies, notably those appearing in the "Basic Post-Surrender Policy for Japan".

bw3

FE:WWButterworth:mss

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In reply refer to
NA

Dear Mr. Secretary:

I am writing in reference to the implementation of paragraph 6, "Naval Bases", of NSC 13/2, "Recommendations With Respect to US Policy Toward Japan", approved by the President on October 9.

In accordance with paragraph 2a of NSC Action 123, you are notified that action responsibility for the implementation of paragraph 6 of NSC 13/2 is assigned, as indicated in the paragraph itself, to the Department of the Navy.

To enable this Department to fulfill its responsibilities as the coordinating agency for NSC 13/2, it would be appreciated if the officer or officers assigned direct responsibility within your Department for the implementation of the subject paragraph would communicate with Mr. Max W. Bishop, Chief of the Division of Northeast Asian Affairs, Department of State, regarding the Navy Department's plans for implementation.

Sincerely yours,

The Honorable
John L. Sullivan,
Secretary of the Navy.

MMS
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11/29/48

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TOP SECRET

4/6/49

In reply refer to
IR CONFIDENTIAL

My dear Secretary Royall:

I wish to bring to your attention recent developments relating to our program for the deconcentration of Japanese industry about which this Department is somewhat concerned.

At the time of the arrival of the Deconcentration Review Board in Japan last spring, changes in the Japanese Antitrust Law were being drafted jointly by SCAP and Japanese Government agencies, mainly for purposes of clarification. The Deconcentration Review Board took an interest in this problem and subsequently made proposals for revision of the law. These proposals were contained in a report submitted to the Department of the Army in January by Mr. Walter Hutchinson of the Board. Amendments to the law practically identical with the recommendations of the Board were later introduced in the Japanese Diet and are soon to be acted upon.

As you know, Japanese industry has been characterized in the past by concentrations of economic power unique in character and unparalleled in any other industrial nation. They have been based in large measure on the social and political power of a few families and individuals, and have been maintained in part through extensive use of holding companies, intercorporate stockholdings and interlocking directorates in such a way as to unite large segments of industry in many different fields of manufacture and sale. Their strength has been further enhanced through close relations with the leading banks and resultant favorable treatment in the granting of credit. The deconcentration program was of course initiated to correct this situation.

The Antitrust Law was passed to prevent the re-emergence of this so-called "Zaibatsu" form of industrial organization

after

The Honorable
Kenneth C. Royall,
Secretary of the Army.

CONFIDENTIAL

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CONFIDENTIAL

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after completion of the deconcentration program. It is the view of this Department that some of the proposed changes in the Law now before the Diet would so weaken it as to prejudice this basic aim of the law.

Since these changes are of United States rather than Japanese origin, I am further concerned that they will be interpreted by the Japanese as a reversal in our basic policy and will contribute to a conviction on their part that we are not sincere in our previously publicized intent to establish a democratic political and economic system in Japan. The recent growth of both Communist and extreme conservative strength in Japan has been alarming to all of us. If this conviction should become firm, it would in my opinion contribute materially to a further trend toward these extremes.

I recommend therefore that you give earliest consideration to the adoption of the following steps:

Strong public reaffirmation in Washington of our basic policy for the deconcentration of Japanese industry.

An early withdrawal of the Deconcentration Review Board, since its basic work has now been largely completed.

Appropriate publicity in Japan concerning these steps and a clear indication to the Japanese Government that in the view of this Government revision of the Antitrust Law should await a thorough review of its desirability.

Mr. Hutchinson, in his report to the Department of the Army, made the recommendation that an antitrust lawyer be sent to Japan for the purpose of making such a review. I am in accord with this recommendation, and I feel that, in order to have the proper qualifications, he should be appointed by the Antitrust Division of the Department of Justice. I recommend therefore that the Antitrust Division be requested to furnish such a man at the earliest possible time.

If you agree with the recommendations set forth above, I request that an appropriate communication be forwarded to General MacArthur. I am enclosing a draft cable for this purpose.

Sincerely yours,

Enclosure:

Draft cable to SCAP.

^{RCD}
ITP:IR:RCDixon:osm
4-6-49

ITP E FE S/S

STANDARD FORM NO. 64

Office Memorandum · UNITED STATES GOVERNMENT

DATE: April 6, 1949

TO : ITP - Mr. Martin
FROM : IR - Mr. Dixon
SUBJECT: Japanese deconcentration

The attached documents include a letter to the Army and draft cable to SCAP, revised to accord with the revision of the Webb memo. I assume you will want to carry them up at the same time.

Attachments

CONFIDENTIAL FILE

FD 740,00119 Control (8/20/49) / 4-6-49

CONFIDENTIALDRAFT CABLE TO SCAP

State and Army concerned proposed changes in Antitrust Law now before Diet will so weaken law as to prejudice its main purpose of preventing re-emergence Zaibatsu form of industrial organization after completion deconcentration program. Further concerned that since these amendments of US origin, will be interpreted by Japanese as basic change in policy. Conviction their part that we are not sincere our aims to democratize Japan could contribute materially to strength extreme political elements.

Following steps appear desirable:

1. Strong public reaffirmation here of policy on deconcentration Japanese industry.
2. Early withdrawal of Deconcentration Review Board by Army Department.
3. Appropriate publicity of these steps in Japan and an indication to Japanese Government that in view of US Government Diet action should await review of need for revision of law by qualified antitrust lawyer, as proposed ourad ___ and agreed to by you ().

Steps now being taken here obtain services such lawyer.

Also desirable, after completion these steps, to give Japanese widest possible latitude in completion deconcentration program, with review by you limited to seeking assurance that basic aims of program not prejudiced.

CONFIDENTIAL

RM NO. 64

SECRET*Pls. see me → NH
mrs.***Office Memorandum • UNITED STATES GOVERNMENT**

TO : NA - Mr. Bishop

DATE: April 7, 1949

FROM : NA - Mr. Hemmendinger *WH**file Occupation costs
[new file]*

SUBJECT: Occupation Costs and Reparations

The object of this memorandum is to suggest that the time has come when it is necessary to seek a decision on all the questions of Japanese reparations and occupation costs as a single problem.

As matters stand, we expect soon to inform the friendly FEC countries that we cannot go along with any further industrial removals, by reason of the burden on the United States which would be entailed, and we shall seek their acquiescence in this position. It would be natural for them to go into the whole reparations picture, once we gave them our position on industrial removals. We would presumably point out that our position with respect to both external assets (\$20-25 million) in neutral countries and Japanese-owned gold (\$130-175 million) is that they are subject to a prior charge for occupation costs (FEC-288), and we would have to indicate that such costs exceed the amount realizable from these assets.

This situation raises the following interrelated questions: (1) whether we will make any concessions to the desire of the FEC countries for tangible realizations as reparations, (2) how we propose to realize the assets in neutral countries and the gold to pay occupation costs, and (3) what use of the gold is in the best interest of the United States.

(1) The desirability of some concession to the FEC countries on reparations in the interest of an international settlement is beyond the scope of this memorandum. If such a concession is to be made, the choice of the area in which it should be made involves the following considerations, among others. A concession on external assets in neutral countries might be the least costly to the United States, in view of the amounts involved, and the least disruptive to the Japanese economy, but it would be the most difficult procedurally, because it would be necessary to persuade the neutrals to surrender the assets for this purpose. It would be much easier to persuade them to release the assets to the Japanese Government to use to pay for current imports into Japan. A concession on gold would be procedurally easy, and would probably be most welcome to the recipients if delivery could be made soon. The United States would want to see present arrangements whereby some of the gold is used as a base for credit to finance imports continued for the period of the occupation, however, and the surrender of claims to the gold by the United States might be the most difficult to explain to the appropriations committees of the Congress. A concession on the removal of industrial equipment, and in particular of primary war facilities would involve the least direct cost to the United States (in terms of giving up assets which otherwise could be applied to diminish costs of occupation), and would

probably

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probably have the maximum political advantage (in terms of compliance with FEC decision and removing opportunity for propaganda that the United States was safeguarding Japan's war potential), but it would *perhaps* be the most disruptive of present efforts to stabilize the Japanese economy.

If no concession is to be made to the desire of the FEC countries for reparations, no settlement of the question is possible, and the whole reparations problem will remain to be taken up in connection with the treaty of peace. This means that no FEC action will be possible on the various papers pending before it on industrial removals, external assets and occupation costs.

(2) If some concession is made on reparations, it may be possible to get at least UK agreement with respect to releasing assets in neutral countries to the Japanese Government, and to press that program. If no concession is made, the likelihood of even UK agreement appears slight, and while the effort should be made, we will probably have to leave those assets in status quo. After a peace treaty, they will presumably be released to the Japanese Government ~~as~~ their owners, unless the peace treaty provides otherwise. We should consider requesting such release unilaterally before a peace treaty, but that decision can be made only after our whole position has been discussed with the friendly FEC countries.

Similarly, with respect to gold, there is no possibility of any concession to the United States view unless we make some concessions on reparations. Since a portion of the gold is being used as a base for credit, this is not too bad from the United States standpoint. If a concession is made, we might get the support of enough countries to enable sale of the gold to pay costs ~~of~~ imports, which would put it to much better use than at present.

(3) It is possible that in the last analysis the United States would desire to see all or part of the gold remain in the hands of the Japanese Government to help stabilize its currency. This is inconsistent with FEC decisions, under which it must go as reparations or to the United States under the first-charge principle. If the whole question is postponed to a treaty of peace, however, the governments could modify the FEC decisions at that time. A study of whether this disposition would be most advantageous from the standpoint of the United States should be undertaken in OFD.

Wk
FE:NA:NHemendinger:clh

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STANDARD FORM NO. 64

TOP SECRET*Office Memorandum* • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth

DATE: April 7, 1949

FROM : NA - Mr. Bishop

SUBJECT: Conditions in Japan

In the last paragraph of my memorandum of February 18, 1949, on the impressions gained during my visit to Japan I emphasized the belief that we were moving into a period of crisis requiring immediate and full implementation of NSC 13/2 as an interim policy toward the early realization of a peace treaty. Recent reports from Japan have impressed upon us the growing urgency of the situation there and the necessity for positive action if disturbing trends now evident are not to be allowed to develop with grave consequences.

You may recall that in acknowledging receipt of the stabilization directive on December 12 General MacArthur stated that "If the Japanese people follow us, if the workers remain at their jobs . . ., and if Japanese politicians and political parties faithfully subordinate themselves and their policies and political efforts to the stated objective . . ., we will succeed."

It is becoming increasingly clear that these vital "ifs" are not being realized. Instead of buckling down with a will on the British pattern, the Japanese people (who previously, due to American aid, subsidies and the gradually rising production indices which these made possible, had thought they were doing quite well on the whole) appear to have received the directive with shock and resentment, and to be affording the stabilization program poor support. At a time when the talk was all of rehabilitation and recovery and further improvement of living conditions, the people were suddenly directed to put such thoughts from their minds and to prepare for greater hardships and privations. The fact that the stabilization program was imposed by the occupation authorities instead of being developed by the Japanese themselves has of course greatly reduced possibilities of the people's putting their backs into the program in a spirit of self-sacrifice, patriotism and promotion of the common good. Labor, particularly, has balked at the prospect of wholesale firing and stabilized wages, and complains that the stabilization program is to be carried through mainly at its expense. Agitation against the National Public Service Law and against Government plans to amend basic labor legislation is intensive. Sensing the popular opposition to the stabilization program and seeking to capitalize on the situation thus presented, the opposition political parties, particularly the Socialists and Communists, are attacking the program from all sides.

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Within the Government, Prime Minister Yoshida has been under increasing pressure from members of his own Democratic-Liberal Party to resign on the grounds that the Party, under compulsion to execute the stabilization program, is being forced to repudiate its campaign pledges (repeal of the transactions tax, raising of the income tax exemptions, maintenance of subsidies, etc.), thereby endangering its popular support. Although there is little indication that Yoshida will accede to these pressures, he did find it politic to remain "ill" at his country place throughout almost all of March while Headquarters forced the Government to put the Budget in satisfactory shape. This painful operation was reported in detail in the daily press. The Yoshida Government has been successful in diverting from itself to the occupation authorities a major part of the resentment occasioned by unpopular austerity measures.

Public demand for an early peace treaty, openly and vigorously championed by the Socialist and Communist Parties is increasing. Public petitions are being circulated and in response to a question in the Diet Yoshida himself has expressed as much enthusiasm as he dared.

While it is difficult to gauge precisely the state of popular opposition to the stabilization program and to the occupation generally, the possibility of widespread passive or even active resistance to the occupation programs is becoming increasingly real. Three persons were seriously injured in Osaka on April 2 when 15,000 demonstrators against "deterioration of the labor laws" clashed with police who had earlier forbidden the meeting, and a sympathy rally of 10,000 opposing labor law revision and mass discharges due to industrial rationalization was held in Tokyo the following day. If the trend continues and progressively severer industrial adjustments called for by the stabilization program evoke increased antagonism and resistance, tax and food collection, control of public demonstrations and strike-breaking may prove beyond the power of the civil authorities and require large-scale employment of occupation troops.

If this occurs the occupation will have turned a fatal corner and would quickly deteriorate into "Operation Quicksand". Forced onto the defensive in their relations with the Japanese, the occupation authorities would find no escape save ignominious retreat. Relaxation of occupation controls would be interpreted as concessions from weakness instead of from strength, and would impair our position where they could previously, by keeping ahead of the Japanese, have strengthened it. It is essential that such an eventuality be prevented or, if that proves impossible, that we extricate ourselves before we are caught in an untenable position.

It is important to bear in mind that Japan's economy, similar to that of Italy, is inherently deficient in the

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resources necessary to self-support. Therefore, it is unreasonable to expect that, even with a technically stabilized economy (balanced budgets, stabilized wages and prices, fixed exchange rates, etc.), Japan's basic problems will have been solved or that the Japanese people will have achieved a tolerable standard of living. Even on the basis of the most optimistic assumptions the Japanese economy is bound to remain a deficit economy in precarious straits for years to come. Accordingly, too arbitrary and inflexible stabilization measures which have as their price popular resentment and antagonism are likely to be both self-defeating for the end of enduring recovery and dangerous for other important objectives of the occupation.

In the light of Japanese history and psychology I have long been convinced that we would make a mistake if we were to plan our long-range policy on the assumption that 80,000,000 Japanese can be contained on their four main islands. Eventually they must reach out economically and socially and we must encourage and assist them in those fields if we are to prevent them from again breaking out militarily.

We have made several important recommendations for action which we believe would go far toward keeping us psychologically ahead of the Japanese and toward the accomplishment of our objectives. I believe it is greatly to be regretted that for one reason or another action has not been forthcoming. I have in mind particularly our efforts to bring about a relaxation of the purge. A draft telegram to Sebald on this subject has, as you know, been prepared. There is also the project for the relaxation of prohibitions on Japanese activity in the field of foreign relations. Our reparations paper is, as you know, before the Secretary, and still has the NSC and diplomatic conversations to hurdle before it is publicly announced and therefore before we can capitalize on it. The telegram which we drafted some two weeks ago pointing out to General MacArthur that the stabilization directive is not in conflict with the requirement that he withdraw as rapidly as possible to a supervisory function, and indeed that that course offers the only hope of success of the stabilization program, remains in obscurity in the "functional area" of E. In addition to mentioning these papers which have already been prepared, I should like to set forth certain specific proposals for your consideration. They are:

1. To implement with all possible speed the policy provisions of NSC 13/2, notably reduction of the psychological impact of the occupation on the Japanese, modification of the purge, and transfer of responsibility for their own affairs to the Japanese. (We are preparing a draft telegram

from State-Army

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from State-Army to General MacArthur expressing apprehension over the deteriorating psychological situation in Japan and urging him to take positive action to reduce the impact of the occupation on the Japanese. We are also preparing a draft telegram to Sebald expressing State Department apprehension over the general situation in Japan, requesting him to discuss with General MacArthur the question of implementation of NSC 13/2, and setting forth clearly what we consider to be the NSC paper's basic purposes. If these do not obtain prompt and favorable response I would recommend that the Secretary discuss this question at an early meeting of the NSC preparatory to bringing the impasse to the attention of the President.)

2. To announce our new reparations and level of industry policies.

3. To advise SCAP:

(a) to allow amendment of the more unpopular features of the National Public Service Law, and to permit revision of the 48-hour week;

(b) to give personal attention to the delicate problem of relations between the Japanese Government and the labor movement in Japan and to the discrediting of Communist influence within the labor movement;

(c) to bear in mind in his supervision of the implementation of the stabilization directive the prerequisites for its success to which he himself pointed in acknowledging receipt of the directive; specifically to implement the stabilization directive firmly and energetically but with sufficient allowance for the political consequences of particular measures, for example, mass dismissal of workers, so that popular resistance does not increase to a point where the program cannot succeed;

(d) to submit to the United States Government his views on a proposal to allow foreign governments, particularly foreign consular and trade representatives, limited direct access to the Japanese Government.

4. To announce that the United States will receive consular and trade representatives from Japan for limited activities.

5. To urge

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5. To urge other Governments through the diplomatic channel to take similar action.

6. To appoint an Ambassador as U.S. Political Adviser in Japan.

7. To announce that the United States still favors the conclusion of an early peace treaty for Japan.

8. To remove from Japan to nearby permanent bases all United States forces not necessary for United States security or for the maintenance of internal order.

9. To prepare for the "takeover" by "ECA" of relief and rehabilitation responsibilities in Japan.

We are preparing specific recommendations for all of the above points.

One fact stands out as our greatest obstacle -- the apparent reluctance of the personnel in Tokyo to implement wholeheartedly the spirit and intent of NSC 13/2. I do not believe that this reluctance arises initially with General MacArthur himself, but rather from the "entrenched bureaucracy" in both Washington and Tokyo. You will recall my remarks in this connection in my memorandum under reference.

If this program is to be pursued in full, it will require an early statement by the National Military Establishment of the military forces and facilities which United States security requires we have in Japan, both now and after an early peace treaty, in addition to those on nearby islands.

In conclusion I would emphasize that in putting forth this proposed program we are motivated by a desire to avoid being caught in a situation which will compel the United States to yield from weakness rather than from strength.

MWB
FE:NA:MWBishop/pm
FE:NA:RAFeareyRAY

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STANDARD FORM NO. 64

RESTRICTED

Office Memorandum • UNITED STATES GOVERNMENT

DATE: April 11, 1949

TO : FE - Mr. Butterworth

FROM : NA - Mr. Bishop

SUBJECT: Resumption by Japan of International Responsibilities Under SCAP Control.

File
(Japan Participation in Int. Relations)

It appears desirable to seek FEC approval to gradual resumption by Japan of some of its normal international responsibilities under SCAP control as set forth in the attached draft. There is no specific FEC policy on this subject at present, other than the general statement in the Preamble of the Basic Post-Surrender Policy wherein the FEC Members agreed:

This Document Must Be Returned to
Central Files
RM 740.00119-CONTROL (JAPAN) / 4-1149
740.00119 Control
CS/LW
4-1149

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"To help the people of Japan in their own interest as well as that of the world at large to find means whereby they may develop within the framework of a democratic society an intercourse among themselves and with other countries along economic and cultural lines that will enable them to satisfy their reasonable individual and national needs and bring them into permanently peaceful relationship with all nations; . . . "

The majority of the Representatives at the FEC have indicated that they definitely feel that this is a subject over which the FEC has jurisdiction, and it appears to be necessary to refer this matter there if for no other reason than to obtain their cooperation which is vital to the successful carrying-out of this program. Although the Soviets will undoubtedly veto, we can, after consideration in the FEC and failure of FEC to act, feel free to send an interim directive.

This policy may be a hard one to sell. It would undoubtedly be helpful to have our efforts in the FEC supported by discussions through the diplomatic channel. If you can find the time, it is recommended that you call in representatives of the friendly FEC countries. We are preparing a brief which you could use in such discussions.

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Northeast Asian
Affairs Office

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ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON 25, D. C.

DEPARTMENT OF STATE
WASHINGTON



In reply refer to
NA

MEMORANDUM FOR THE U. S. MEMBER
FAR EASTERN COMMISSION

The United States Member is authorized to introduce into the Far Eastern Commission the following proposed policy decision:

"In view of the fact that one of the basic objectives of the occupation of Japan is to encourage the development in Japan of respect for the rights of other nations and to facilitate the progressive resumption by Japan of its normal international responsibilities;

"The FEC decides as a matter of policy that SCAP, subject to his discretion and continued control, should permit Japan to participate with other nations or groups of nations in such international relations, conventions, meetings, consular arrangements or other bilateral or multilateral accords as Japan may be invited to enter into, accede to, attend or participate in and as SCAP shall consider to be in the interests of the occupation."

W. Walton Butterworth
Director for Far Eastern Affairs

FW 740,00119 Control (Japan) / 4-149

*Note
This Policy Introduced personally
by Mr. Butterworth in the FEC
when he acted as US Member
N u m*

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DIVISION OF PROTECTIVE SERVICES

APR 12 1949

*TO: Mr. Dwyer
Mr. [unclear]
Mr. [unclear]
4-12-49
atoc*

DEPARTMENT OF STATE
THE LEGAL ADVISER

April 11, 1949

TO: DS--Mr. Hunt
FROM: L--Mr. Tate



Your memorandum of March 21, 1949 requests my reconsideration of the views expressed in a memorandum of March 9, 1949 from L/P to OFD in response to Mr. Barnett's request for a legal opinion whether provisions in FEC 288 requiring Japan to defray as occupation costs "expenditures for maintenance and repatriation of civilians and Japanese military personnel, including expenses incurred in returning Japanese nationals to Japan" constitute a policy in conflict with the Geneva Prisoners of War Convention of 1929.

Article 4 of the Convention provides that "The power detaining prisoners of war is bound to provide for their maintenance." Nowhere in the Convention is there any provision for reimbursement of costs of maintenance by the power which the prisoners of war have served. Article VI of the Hague Convention of 1899 with respect to the laws and customs of war on land and Article VI of Hague Convention IV of 1907--each contained a provision authorizing the detaining power to deduct the cost of their maintenance from the wages of prisoners of war. A similar provision was contained in the project for the Geneva Conference of 1929 but was omitted from the Convention as concluded.

As you correctly point out, Article 73 of the Prisoners of War Convention of 1929 which provides that the expenses of repatriation or of transportation to a neutral country of prisoners of war shall be borne from the frontiers of the detaining power by the power in whose armies the prisoners have served relates only to direct repatriation and hospitalization in a neutral country of sick or invalid prisoners of war during hostilities and not to repatriation after hostilities have ceased. Article 75 of the Convention makes it mandatory to repatriate prisoners of war with the least possible delay after the conclusion of peace. To repatriate means to restore or return to one's own country (Webster's Dictionary). Nowhere in the Convention is there any provision for the reimbursement of repatriation costs by the power which the prisoners have served.

All

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All of the powers engaged in World War II have repatriated prisoners of war and so far as is known no such power has claimed that the costs of repatriation were an obligation of the power which the prisoners of war had served. Nor so far as is known has any detaining power contended that costs of maintenance were reimbursable under the Geneva Convention. These practices constitute a practical construction of the provisions of the Geneva Convention referred to above with respect to costs of maintenance and of repatriation of prisoners of war.

In view of the foregoing, it is the opinion of this office that a policy requiring Japan to pay as occupation costs the costs of maintenance and of repatriation of Japanese prisoners of war would be contrary to the provisions of the Prisoners of War Convention of 1929.

Although under Article 76 (5) of the treaty of peace Italy waives any claims and debts arising out of the conventions on prisoners of war, this Government has refused to take advantage of such waiver and has made an agreement with Italy for the settlement of all outstanding prisoner of war claims. Thus, the policy of this Government not to attempt to evade obligations imposed upon it by the Prisoners of War Convention of 1929 through terms imposed on a vanquished opponent is established. The provisions of FEC 288 with respect to costs of maintenance and of repatriation of prisoners of war seem to be inconsistent with this policy.

cc: OFD—Mr. Barnett
L/P—Mr. Snow

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : L - Mr. Tate

DATE: March 21, 1949

FROM : DS - Mr. Hunt

 LEGAL ADVISER

SUBJECT:

MAR 22 1949

DEPARTMENT OF STATE

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DS believes that for the reasons set forth below L will wish to give further consideration to the legal opinion and conclusion contained in the underlying memo of March 9 addressed by L/P - Mr. Snow to OFD - Mr. Barnett. These comments are directed primarily to numbered paragraph 2 of the reference memo.

Article 73 of the Geneva Prisoners of War Convention, which is cited as the justification for the position taken, is considered inapplicable to the situation under consideration. That article appears in title IV - "Termination of Captivity." Title IV is composed of two sections, Section I - "Direct Repatriation and Hospitalization in a Neutral Country," and Section II - "Release and Repatriation upon Cessation of Hostilities." Article 73 is included in Section I, all the articles of which relate to the exchange or accommodation in neutral countries of seriously sick and wounded prisoners of war during hostilities. Consequently, that section has no bearing on release and repatriation following the cessation of hostilities. Attention is invited to the fact that the FEC paper in dispute relates to "Costs incurred after 2 September 1945 by the Allied Powers."

Mr. Snow takes the position that there is nothing in the convention to prevent the victor from charging the defeated enemy with maintenance and repatriation costs. It is obvious that this, in fact, could be done. DS believes, however, that this is a dangerous line to follow, which, if carried to its logical conclusion, would permit the winning side to completely discard any and all of its obligations ⁱⁿ this or other international conventions. For example, under this reasoning the United States could have refused to honor its commitments to pay prisoners of war for work performed while in our hands. This was, in fact, not done, the decision being that we were obligated under the convention to honor our commitment. Agreements have recently been concluded, notably with Italy, and negotiations are in progress

with

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with other interested governments for the settlement of these outstanding obligations.

It is DS's understanding that the Geneva Prisoners of War Convention is an instrument which defines minimum standards to be accorded prisoners of war. On the one hand it imposes certain obligations and responsibilities on the detaining Power, while on the other hand it defines certain rights of the detaining Power in its treatment of prisoners of war. Some of the basic obligations provided for are that prisoners should be properly fed, clothed, given necessary medical attention by the detaining Power, and repatriated as soon as possible after hostilities. On the other hand, the detaining Power has the right to hold prisoners of war under conditions of essential security, to impose punishment for disciplinary and penal infractions, to require able-bodied prisoners of war to work. It would appear that where it was intended that the detaining Power should be reimbursed for services rendered, that provision is specifically stated in the convention. For example, Article 23 dealing with the payment of allowances to officers. Had it been the intention of drafters of the convention to permit costs of maintenance and repatriation costs to be charged to the opposite side, they would undoubtedly have so stated in the convention.

With respect to Mr. Snow's statement that "Neither Japan nor the USSR are signatories to the convention," reference is made to Mr. McCahon's underlying memo of February 25 to Mr. Dux which points out that by agreement reached after the outbreak of hostilities between the U. S. and Japanese Governments, the convention was made applicable. The Japanese Government was a signatory to the convention but never ratified it. The fact that the USSR is not a party to the convention is considered not material. It is the U. S. interests involved in the matter which concern DS.

Copies to: L/P - Mr. Snow
L/M - Mr. Yingling
EP - Mr. Dux

Attachment:
Working file.

 CON:DS:WHMcCahon:EBJ

Form DS-10 6-1-45	Department of State	Date 3/16/49
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REFERENCE SLIP

To: DS - Mr. McCahon

<input type="checkbox"/> Advise	<input type="checkbox"/> Note & Return
<input type="checkbox"/> Approve & Return	<input type="checkbox"/> Note & File
<input type="checkbox"/> As You Requested	<input checked="" type="checkbox"/> Per Telephone Talk
<input type="checkbox"/> Attention	<input type="checkbox"/> Previous Correspon.
<input type="checkbox"/> Attach File	<input type="checkbox"/> Priority Action
<input type="checkbox"/> Comment & Return	<input type="checkbox"/> Reconsider
<input type="checkbox"/> Consider	<input type="checkbox"/> Recommend Action
<input type="checkbox"/> Copying	<input type="checkbox"/> Record
<input type="checkbox"/> Correct	<input type="checkbox"/> Reply
<input type="checkbox"/> File	<input type="checkbox"/> Return to Sender
<input type="checkbox"/> Follow-up	<input type="checkbox"/> Rewrite
<input type="checkbox"/> Hold	<input type="checkbox"/> Signature Required
<input type="checkbox"/> Initials Needed	<input type="checkbox"/> See Me
<input type="checkbox"/> Investigate & Report	<input type="checkbox"/> Take Action
<input type="checkbox"/> Instruct	<input type="checkbox"/> Transfer
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<input type="checkbox"/> Keep Me Advised	<input type="checkbox"/> Verify
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REMARKS:

I should be interested in learning the outcome of your talk with Gen. Snow. If, after talking to Gen. Snow, you still cannot clear the instruction, I should appreciate having the whole file returned to me.

DIVISION OF *Adm. Serv.*
 PROTECTIVE SERVICES
Memo to EP
 MAR 16 1949
 DEPARTMENT OF STATE

From EP - M.J.Dux

OPD - Mr. Barnett

3-15-49

EP - Michael J. Dux

1. Attached is a legal opinion by General Snow on the question of the legality of seeking reimbursement for costs and maintaining and repatriating prisoners of war. You will recall that this question was raised by McCahon, DS, in a memorandum of February 25, 1949 (also attached).
2. General Snow denies McCahon's contention that the Geneva Convention of 1929 precludes repayment for costs of maintaining and repatriating prisoners of war, as provided for in FEC 288. On the other hand, General Snow questions the advisability of this provision on the grounds that it would give the Russians an undeserved award.
3. This provision was originally adopted at a time when few suspected the measure of intransigence of which the Russians have shown themselves capable in the matter of returning Japanese prisoners and in other matters. It should, I believe, be reexamined before final approval is given to FEC 288. However, that question will probably not arise for some time, in view of the probability that Committee 1 will decide to drop FEC 288 from the agenda when the report of the Subcommittee is placed before it.
4. FEC 288 does reflect the point of view which the U.S. presented to FEC, and, in my opinion, is still a convenient vehicle for dismissing future Russian demands to SCAP for discussion of the repatriation costs issue. I believe, therefore, that the underlying instruction to USPOLAD should be allowed to go forward. I have discussed this point with General Snow, and he agrees.

OPD:EP:MJDux:hc

DEPARTMENT OF STATE

THE LEGAL ADVISER

March 9, 1949

TO: OFD - Mr. Barnett

FROM: L/P - Conrad E. Snow *CS*

SUBJECT: Cost of Maintenance and Repatriation of Prisoners of War and Civilians as a Cost of Occupation

1. FEC 288, 19 Jan 1948, Definition of Occupation Costs and the Priority to be accorded their repayment, defines occupation costs as "costs incurred after 2 September 45 by the Allied Powers", by way of, among other things, "expenditures for maintenance and repatriation of civilians and Japanese military personnel including expenses incurred in returning Japanese nationals to Japan . . ." A legal opinion is requested whether this provision is in conflict with the Geneva Convention, and, if so, whether it is desirable to amend the policy proposal.

Apparently not intended.

2. Article 72 of the Geneva Convention of July 27, 1929, on Treatment of Prisoners of War, provides that "The expense of repatriation . . . of prisoners of war shall be borne, as from the frontier of the detaining Power, by the Power in whose armed forces such prisoners served." Neither Japan nor the U.S.S.R. were signatories to the Convention. Quite apart from this fact, there is nothing in the convention to prevent victorious belligerents, such as the Allied Powers in this case, from charging a defeated enemy such as Japan with the maintenance and repatriation of enemy civilians and military personnel, including repatriation from a point further away than the frontier of the detaining Power. *to be the victor*

3. The agreement between SCAP and the Soviet authorities of December 19, 1946, for the repatriation of Japanese prisoners of war and Japanese nationals from the territory of the U.S.S.R., provides that it is the responsibility of SCAP to see that the Japanese Government provides all the food supply and medical service and supply necessary for repatriates from the time of embarkation until the arrival at the port of destination; and ship stores (including fuel) for the entire round trip; and that all expenses connected with the repatriation of Japanese prisoners of war and Japanese nationals from the territory of the U.S.S.R. and territories under its control,

will

-2-

will be charged against the Japanese Government. It will be noted that this agreement would appear to be framed generally along the lines of the Geneva Convention. Repatriation is treated as beginning with the embarkation of the prisoners. Again, however, it should be said that there is nothing in the Agreement which would prevent the FEC from laying down a policy that would require Japan to reimburse an Allied Power for expenses of maintenance and repatriation antecedent to embarkation.

4. FEC 288 would appear open to the construction that the Allied Powers are to be reimbursed, under the head of "occupation costs", for the maintenance of Japanese civilians and prisoners of war from Sept 2, 1945, and for their complete repatriation, including movements both prior to and subsequent to embarkation.

While this is not believed to be in conflict with the Geneva Convention, it is in excess of what the U.S.S.R. is entitled to under the Agreement of December 19, 1946. FEC 288 should be amended unless it is desired to give the U.S.S.R. this larger remuneration.

L:L/P:CESnow:lml

STANDARD FORM NO. 64

RESTRICTED**Office Memorandum • UNITED STATES GOVERNMENT**

TO : General Snow - L/P

FROM : R. W. Barnett - OFD

SUBJECT:

LEGAL ADVISER

DATE: March 2, 1949

MAR - 3 1949

DEPARTMENT OF STATE

Attached is a memorandum from Mr. McCahon (DS) to Mr. Dux (EP) offering a comment upon a draft communication to USPOLAD, Tokyo. Mr. McCahon questions the desirability of forwarding this communication to Tokyo on the grounds that the U.S. policy position on repayment of occupation costs, now under discussion in the FEC, may be contrary to certain international agreements to which this Government is a party.

You are aware, of course, that the provision in FEC 288 which deals with repatriation, has no more than an incidental and probably a purely academic importance in connection with the basic purposes which the U.S. hoped to accomplish through securing FEC approval of that policy. In the light of the probable U.S. Government position on reparations, it now seems unlikely that any of the FEC countries will wish to approve of our proposal that repayment of occupation costs should constitute a first lien on all liquid assets in Japan.

Could you offer us a comment on the following points:

- a. Does FEC 288 constitute in fact a policy which is in conflict with the Geneva Convention, and
- b. Since it is improbable that any other FEC countries will be able to approve of FEC 288 as a whole in its present form, do you consider it desirable for us to introduce into the FEC an amendment of a fairly minor provision in our proposal, if your reply to question (a) above, is positive?

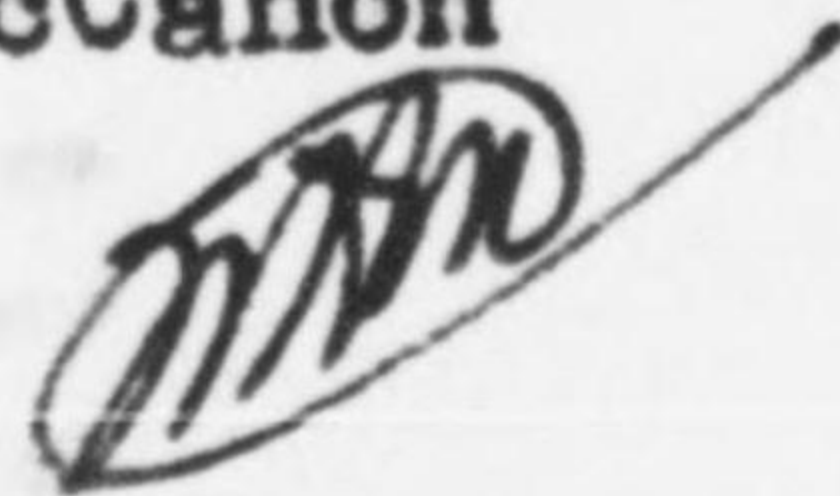
I am attaching the full file on this matter.

OFD:RWBarnett:mck
3/2/49

STANDARD FORM NO. 64

RESTRICTED

Office Memorandum • UNITED STATES GOVERNMENT

TO : EP - Mr. Dux
FROM : DS - Mr. McCahon
SUBJECT: 

DATE: Feb. 25, 1949

As I indicated to you on the phone late yesterday, DS has some reservations concerning the underlying draft instruction to USPOLAD, Tokyo. These reservations are based on the following considerations:

The proposal to permit a detaining Power to charge costs incurred by it in connection with the maintenance and repatriation of prisoners of war and enemy civilians to the Power to which those persons owe allegiance is contrary to customary international practice, if not actually in violation of international agreements to which this Government is a party (Geneva Prisoners of War Convention of 1929 which by agreement during World War II was applied to civilians). Furthermore, to carry into effect such a proposal would, in our view, have the effect of encouraging an unscrupulous Power to prolong the detention of such persons, utilizing them for forced labor as long as possible, with the knowledge that it would not have to bear even the cost of their maintenance. This would serve a purpose directly contrary to the U.S. position, which has been prominently reported in the press, favoring the early repatriation of prisoners of war. It also undoubtedly would undermine the efforts of SCAP to obtain from the Soviet authorities fulfillment of the Potsdam Declaration provisions with respect to the repatriation of Japanese nationals in Allied custody.

For these reasons it is believed that further consideration should be given to the action proposed, including the views of the Legal Adviser's Office on the possible effect such action might have on existing treaty obligations. The file is returned herewith.

CON:DS:WHMcCahon:EBJ

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To the

United States Political Adviser for Japan,

Tokyo.

740-94114 740-94114

The Secretary of State refers to the Political Adviser's despatches no. 712 of November 5, 1948 and no. 764 of December 6, 1948, concerning Soviet claims for the reimbursement of expenses incident to the repatriation of Japanese nationals from territories under Soviet control.

The Department concurs in the position taken by SCAP that the provisions of the agreement of December 19, 1946, relative to the obligation of the Japanese Government to repay repatriation expenses, apply only to those expenses incurred from the time of embarkation on repatriation vessels. With regard to expenses incurred by the Soviets for the maintenance of Japanese prior to repatriation and for their movement to ports of embarkation, it may be noted that a policy proposed by this Government and currently under discussion by the Far Eastern Commission (FEC 288) makes provision for treatment of such expenses. If the Soviets should again raise the question of repatriation expenses, SCAP may wish to point out that provisions on this subject are contained in a proposal now before the FEC, and that a statement of United States views on this question may be found in that proposal.

There is attached a copy of the policy introduced by this Government, as well as a copy of the latest draft of this proposed policy prepared by the FEC ad hoc Subcommittee on Occupation Costs.

Enclosure:

1. FEC 288.
2. Subcommittee Redraft.

SGK *[initials]*
OFD:EP:MJDax:hc

(2-11-49)
2-16-49

OFD

DS

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APR 12 1949

SUPREME COMMANDER FOR THE ALLIED POWERS

TOKYO

139
INFO: ARMY CHIEF OF STAFF

FOR ACTING POLITICAL ADVISER

Steering Comite Mtg Apr 5 cancelled.

Following is summary FEC Mtg Apr 7.

Access to Japanese Technical and Scientific Info in Japan (FEC 280/14)

FEC unanimously approved policy decision for extension of period of application of FEC 280/9 and FEC 315/7 to December 31, 1949. Indian, Chi and Austral members expressed their appreciation for U.S. acceptance of Dec 31 deadline and indicated their GOVTS would make full use of opportunity now offered.

Complaint Against SCAP by Deported German National (FEC 330/7)

At Phil request this item was retained on agenda.

No discussion of other items on agenda.

740.00119 CONTROL (JAPAN) / 4-1249

740.00119 Control (Japan) / 4-1249

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APR 12 1949

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENTSECRET

TO : The Secretary
 THROUGH : S/S
 FROM : FE - Mr. Butterworth

DATE: April 13, 1949

SUBJECT: Placing of Allied Missions in Japan on a Self-Supporting Basis.

1. The Problem

To determine what action should be taken in compliance with SCAP's recommendation (TAB A), supported by the Department of the Army (TAB B), that all *Allied Missions in Japan be placed on a completely self-supporting basis and that they be required to purchase their yen currency with acceptable foreign exchange.

2. Discussion

A U.S. interim directive, dated July 23, 1946 authorized (not directed) SCAP to advance yen to meet necessary official expenses incurred in Japan by *Allied Missions and by Allied governments for their occupation forces in Japan. The directive further stated that SCAP should take appropriate steps to insure that excessive amounts of yen are not issued under the above authorization and are limited to "such amounts as can reasonably be regarded as occupation expenses." On the basis of this directive SCAP has provided funded yen to Allied Missions at a monthly rate which has averaged since May 1, 1947 about 6,000 yen per member. U.S. occupation forces, too, have received funded yen, although SCAP has recently taken steps to eliminate such funding so far as his forces are concerned.

In addition to the funded yen, the Allied Missions and the occupation forces receive on procurement demand, without reimbursement to the Japanese Government, housing, office space, utilities, maintenance, rail transportation, etc. The value of the services, supplies and facilities received on a procurement demand basis greatly exceed the value of the funded yen.

In his cable (TAB A), SCAP has proposed that all the Allied Missions, but not the occupation forces, be "placed on a completely self-supporting basis", which is taken to mean the elimination for them of all yen funding and procurement demands. SCAP has advanced the following arguments: (a) the continuation of the present system of logistic support for Allied Missions by the Japanese Government is at variance with the U.S. Interim Directive on Japanese stabilization; (b) since this constitutes a drain on the Japanese economy, there is a corresponding

requirement

*The term "Allied Missions", as used in this paper and its enclosures, refers to the Tokyo Missions of FEC countries including their Reparations and IMT delegations and to the Soviet Member of the Allied Council and his staff. The term "occupation forces" refers to all personnel assigned to CINCFE, SCAP and to the British Commonwealth Occupation Forces.

DC/R

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CS/W

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requirement for increased U.S. relief and rehabilitation funds, and (c) it is inequitable to grant financial benefits, chargeable to the Japanese economy, to the Allied Missions all of which are primarily engaged "in furthering their own national interests."

This Office has long favored a marked reduction in occupation costs. However, to reduce the yen funding and free services for Allied Missions without making a commensurate reduction in the funding and free services of the occupation forces would be plainly inequitable. It is true that Allied Missions in Japan are intent on furthering their respective national interests, but it is also true that these missions are technically part of the occupation machinery in the sense that some of them have duties connected with the Allied Council for Japan and with reparations and restitution committees, while all of them may perform observation and reporting services on behalf of their representatives on the FEC. At the same time it must be emphasized that these Allied Missions, while having diplomatic status, are subject to the military restrictions applicable to occupation personnel (such as prohibition on the purchase of food from the Japanese market, on the acquisition of real property, on going "off-limits", etc.). This situation has already engendered considerable hard feeling on the part of the Allied Missions and foreshadows a marked adverse reaction by them to the withdrawal of the one factor which may have made the situation tolerable, namely, the limited amounts of free yen, services, supplies and facilities which they presently receive. It is believed that these Missions, and their Governments, could be induced to accept a reduction in the logistic support they now receive from the Japanese Government only if a corresponding reduction were made in the logistic support of the occupation forces. Since roughly 98% of this logistic support is supplied by the Japanese Government to the occupation forces and only 2% to the Allied Missions, it is essential from the point of view of reducing occupation costs that the yen funding and free services of the occupied forces be reduced along with those of the Allied Missions.

As an initial step it is suggested that SCAP might cease all funding of yen; that henceforth the requirements of both the Allied Missions and occupation forces should be met entirely by procurement demands which would be carefully scrutinized and justified before being passed on to the Japanese Government for compliance. Further steps might be along the lines of gradually reducing the types and amounts of procurement demands. Before recommending specific measures to SCAP, it is suggested that the Department discuss this matter informally with the representatives of certain FEC governments.

It would seem appropriate to cease all funding of yen following the institution of an international exchange rate for the yen. For as long as the yen has no real relationship to other currencies there is some justification for the present system of yen funding.

3. Recommendations

It is recommended that:

(a) The

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(a) The attached letter (TAB C) be sent to Secretary Royall, setting forth, in reply to his letter, the Department's views on how this matter should be approached.

Concurrences:

FN
cleared with
Mr. Strong

OFD
cleared with
Mr. Barnett

WA
L

G

*Northwest Asian
Affairs Division
mg.*
FE:NA:MGreen:clh:br
4-13-49

SECRET

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON 25, D. C.



DEPARTMENT OF STATE

WASHINGTON

SECRET

for new Dept

Dear Mr. Secretary:

Reference is made to your letter of January 28 supporting the recommendation of the Supreme Commander for the Allied Powers for placing all Allied Missions in Japan on a completely self-supporting basis, including the requirement that they purchase their yen currency with acceptable foreign exchange.

The Department of State agrees that every practicable step should be taken to lighten the burden of occupation costs now borne by a severely strained Japanese economy. While it is undoubtedly true, as SCAP points out, that Allied Missions in Japan are intent on furthering their respective national interests, it is also true that these missions are technically part of the occupation machinery. Thus, they are connected with the Allied Council for Japan, with reparations and restitution committees, and they may perform observation and reporting functions on behalf of their governments' FEC delegations. It must be recalled, at the same time, that all Allied Mission personnel are subject to a wide variety of military restrictions from which diplomats are traditionally exempt.

Under these circumstances, the Department of State cannot view the Allied Missions in Japan as normal diplomatic establishments and believes that they perform a number of occupational functions entitling them to at least some of the logistic support from the Japanese economy received by the occupation forces.

If, as seems desirable, there should be a marked reduction in the occupation costs, it is considered equitable as well as wise from the point of view of maintaining harmonious relations with Far Eastern governments that this reduction affect both the Allied Missions and the occupation forces.

The Department

The Honorable Kenneth C. Royall,
Secretary of the Army,
Department of the Army,
Washington, D. C.

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