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respect to markets, raw materials, man power, power supply, and complementary facilities; and variations in specific products as among types, sizes, and other variable characteristics.

CONFIDENTIALA P P E N D I XDISCUSSION OF PROPOSED POLICY

1. Proposals submitted by the United States Government, in its paper on the Interim Reparations Removal Program for Japan, are based on the concept that the program was designed to remove only "obvious excess" production capacity and would in no sense be considered as final either in nature or degree. "Maximized" production capacity requirements were proposed within the practical limits dictated by consideration of Japan's present position as an isolated and economically disorganized defeated nation, as distinguished from a possible future position as a prosperous industrial nation enjoying free access to world markets. In so far as possible, requirements were based on civilian consumption manifested on the average during the period 1930-1936. In certain cases, adjustments were made for population changes and other factors that might affect post-war peacetime requirements, as defined for purposes of the Interim Removal Program. In keeping with the basic concept of "obvious excess" capacity, all estimates were on the liberal side.

2. The present paper proposes that production capacity levels in selected industries in Japan should now be fixed at interim "irreducible" minimum levels designed to safeguard from removal certain facilities which are necessary to support Japan's peaceful civil economy. The purpose of offering such a safeguard is to aid in the restoration of Japanese industrial initiative, the flow of capital into the selected enterprises, and the production of goods necessary to the support of a peacetime economy on a minimum basis.

3. Determination of such capacity levels has been carried forward by estimating Japan's minimized post-war peaceful requirements. These minimized requirements are established within the practical limits dictated by considerations of security and of an economy appropriate to a defeated aggressor nation committed to a drastic reparations program. Other conditioning factors such as availability:

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of raw materials and man power must be appraised by the appropriate authorities in Japan at the time when this program is put into operation.

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

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

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

7. Machine Tool Industry.

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

b. Japan's post-war production capacity requirements for machine tools are minimized at 10,000 units per year for purposes

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of establishing a level of assured production capacity not susceptible to removal under a final reparations program.

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

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

(1) Series No. 1.

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

(2) Series No. 2

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

(3) The figures derived from these two series show little divergence and present a reasonable basis for establishing an

CONFIDENTIAL

"assured" machine tool production capacity level at 10,000 units per annum.

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

8. Army and Navy Arsenals.

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

9. Aircraft industry (including aircraft engines).

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

10. Shipbuilding Industry.

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

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

c. In establishing "maximized" requirements, data for the period 1930-36 were used as a base. The size of the merchant fleet operating on the average during that period was adjusted roughly to eliminate that portion used for other than strictly peaceful purposes (i.e. military and empire expansion), and to account for

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reduced exports and imports resulting from Japan's presently disorganized economy. The resulting figure was presented as representing the upper limit as to the size of fleet that Japan might economically employ, assuming no lower limit is imposed on her under reparations and disarmament programs. Shipbuilding capacity necessary to support such a fleet was computed on the basis of average ship life of 20 years (5 percent per annum replacement with new ships).

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

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

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

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

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

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

CONFIDENTIAL

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

11. Iron and Steel Industry

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

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

c. Steel

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

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

CONFIDENTIAL

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

(4) The following considerations underlie this acceptance:

(a) The Japanese population has increased by 17 percent since 1930. In terms of per capita consumption, production to meet these requirements will make available 70 pounds of ingot per person in the post-war period (assuming the same volume of imports) as compared to 82 pounds per person (for peaceful purposes) in 1930. Even the higher figure is substantially below that prevailing in other industrial nations.

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

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

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

(6) An "assured" production capacity level of 2.0 million metric tons will leave 1,250,000 metric tons of

CONFIDENTIAL

capacity available for use during the interim period still susceptible, though not necessarily committed, to removal under a final reparations program.

d. Iron

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

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

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

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

12. Light Metals Industry

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

b. It was recommended, under the interim program, that facilities for the production of secondary aluminum and magnesium

CONFIDENTIAL

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

13. Thermal Electric Power Industry

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

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

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

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

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

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

CONFIDENTIAL

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

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

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

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

14. Caustic Soda, Soda Ash and Chlorine Industries

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

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

c. Caustic Soda

(1) In establishing "maximized" requirements, average annual consumption during the period 1930-1936 was used as a base. To this base was added a tolerance factor to provide for an increased demand from the synthetic fibre industry. This factor was estimated on the assumption that the synthetic fibre industry would operate at 60 percent of its present capacity, a level substantially higher than prevailed in the base period.

(2) Determination of "minimized" requirements is based on consumption in 1930. To this base is added an over-all allowance of 17 percent to provide for the population increase from that year to the present. For purposes of this

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determination no specific adjustment is made for increased demand from the expanded synthetic fibre industry because of uncertainty as to the current availability of raw materials, uncertainty as to markets for the product, and uncertainty as to the disposition that will be made of this industry under the final Allied reparations program. Use of caustic soda for direct or indirect war purposes at this time was negligible and no adjustment for this factor is necessary.

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

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

d. Soda Ash

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

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

CONFIDENTIAL

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

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

e. Chlorine

(1) In establishing maximized requirements for chlorine, average annual consumption during the period 1932-1936 was used as a base. Because chlorine has a direct war potential in the manufacture of chemical warfare agents and the amount used for these purposes during the base period could not be determined, no allowance was made for apparent increased requirements due to growth in population or technological advances. It was assumed that any such increases in requirements would be met by economics in the use of chlorine for bleaching of paper, pulp, etc.

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

CONFIDENTIAL

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

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

CONFIDENTIALCOPY NO. 169FEC-083/118 September 1946FAR EASTERN COMMISSIONASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN

(Reference: FEC-083)

Note by the Secretary General

1. The enclosure, a statement submitted by the United States member of Committee No. 2 amplifying the discussion of the proposed policy regarding assured production capacity levels for Japan contained in the appendix to FEC-083, is circulated herewith for the information of the Commission and is referred to COMMITTEE NO. 2: ECONOMIC AND FINANCIAL AFFAIRS.

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

NELSON T. JOHNSON
Secretary General

FEC-083/1

CONFIDENTIALE N C L O S U R EASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN

In 1930 and in the average of the 1930-34 period, production of ammonium sulphate and calcium superphosphate utilized over 70 percent of all sulphuric acid produced in Japan. In the post-war period as well, overall requirements for sulphuric acid will very largely depend on the need for these two vital chemical fertilizers.

Over a long period of years the intensive Japanese agriculture has required unusually large application of commercial fertilizers as a source of nitrogen, phosphorus and potash. Under the proposed reduced industry levels, maximum agricultural production will be of even more importance in the future than in the prewar years. In the past, imports have supplied substantial quantities of organic fertilizers (e.g. oil seed cake, fish scrap) and of chemical fertilizers (potash salts, phosphate rock for superphosphate manufacture, some ammonium sulphate.) No commercial deposits of phosphate rock exist in the four main islands and possibilities for production of potash salts are very limited. Maintenance of soil fertility will therefore require continued imports of phosphate rock and potash salts in substantial amounts. Because of the limited amount of foreign exchange which will be available in the future to pay for all needed imports, Japan should not be forced to import fertilizers which could be produced from materials available in the home islands nor should she be forced to import food which, with adequate supplies of fertilizer, could be produced more economically at home. To feed a 1950 population estimated at 79,000,000 Japan has critical need for adequate assured capacity in the chemical fertilizer industry and in the chemical industries which are basic to it.

Even assuming the availability of sufficient foreign exchange to pay for additional imports of fertilizer, it is unlikely that soybean cake from Manchuria and fish scrap and ammonium sulphate from Korea can be made available in the quantities

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imported before the war. On the basis of such considerations, the Supreme Commander for the Allied Powers has indicated that the Japanese will need to manufacture at home 1,600,000 metric tons of ammonium sulphate yearly as a source of chemical nitrogen fertilizer (in addition to about 400,000 metric tons of calcium cyanamide) and to make about 1,433,000 metric tons of calcium superphosphate from imported phosphate rock. Sulphuric acid requirements for this program total 2,637,000 metric tons.

To sum up, Japan in 1950 needs at least the following amounts of sulphuric acid for the chemical fertilizer program:

To maintain the 1936 use of ammonium sulphate and calcium superphosphate	1,842,000 m.t.
To replace part of 1936 requirements of imported organic fertilizer	440,000 m.t.
To help meet an increase food requirement or 2,000,000 metric tons in rice equivalents to support a 9,000,000 increase in population from 1936 to 1950	355,000 m.t.
	<hr/>
TOTAL	2,637,000 m.t.

All other uses of sulphuric acid in the postwar period are estimated at 400,000 metric tons. This is an increase over the 307,000 metric tons estimated from the apparent consumption pattern in 1930 (adjusted for population increase), and is believed justified on the basis of probably incomplete reporting of total sulphuric acid production in the early period, which would give a low figure for the "all other uses" category calculated by difference. Total requirements for sulphuric acid thus appear to be 3,037,000 metric tons annually. If the industry operates at 90 percent of capacity rate, total capacity required will be about 3,400,000 metric tons.

The attached table shows sulphuric acid requirements in pre-war periods, and as estimated under the proposed assured capacity level of 3,400,000 metric tons.

CONFIDENTIALSULPHURIC ACID REQUIREMENTS IN JAPAN

(in 1000 metric tons of 62% acid)

<u>Year</u>	Used for domestic production of ammonium sulphate a/	Required for net imports of ammonium sulphate a/	Used for domestic production of super- phosphate b/	All other uses c/	<u>Total</u>
Actual					
1930	319	300	488	250	1,357
Av. 1928-30	293	306	472	n.a.	n.a.
Av. 1930-34	500	239	510	422	1,671
Av. 1935-36	895	254	693	885	2,727
<u>Assured</u>	1920		717	400	3,037

a/ On basis of 1.2 tons of sulphuric acid per ton of ammonium sulphate.

b/ On basis of 0.5 tons of sulphuric acid per ton of superphosphate may be somewhat low.

c/ By difference; considered as estimates.

COPY NO. 91FEC-083/2CONFIDENTIALFEC-083/24 February 1947FAR EASTERN COMMISSION

ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN
(References: FEC-083, -083/1, SC-043, C2-023 series)

Note by the Secretary General

1. The enclosure, a proposed policy regarding assured production capacity levels for Japan, approved by the Steering Committee at its fiftieth meeting, 4 February 1947, is forwarded herewith for the consideration of the Far Eastern Commission.
2. The French and Soviet members reserved their positions on the enclosure.
3. With respect to the question of release to the press, the United States Member announced that the Supreme Commander for the Allied Powers had requested that the policy should not be released until he had designated specific plants.
4. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON
Secretary General

FEC-083/2

CONFIDENTIAL

E N C L O S U R E

ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN

1. Interim assured production capacity levels are hereby established for each of the eight categories of Japanese industry listed below.

The Supreme Commander for the Allied Powers may designate for retention specific plants and establishments, associated with each category, whose aggregate production capacity does not exceed the level established for that category. Such designation should be interpreted to mean that:

a. in the judgment of the Supreme Commander for the Allied Powers, operation of these plants and establishments, individually and collectively, is practical in terms of current needs for their products, and in terms of such conditioning factors as availability of raw materials, power, and labor;

b. owners and management are assured that the particular facility will not be subject to removal under the Interim Program or subsequent disarmament or reparations program.

2. Machine Tool Industry

The assured production capacity level for Japan's machine tool industry should be placed at a balanced type-size aggregate of 7,500 units annually.

3. Arsenals, Army and Navy

No assured production capacity level should be assigned to Army and Navy arsenals.

4. Aircraft Industry (including aircraft engines)

No assured production capacity level should be assigned to the aircraft industry.

5. Iron and Steel Industry

The assured production capacity level for Japan's iron and steel industry should be placed at an aggregate of 2.0

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million metric tons of steel ingot, and an aggregate of 800 000 metric tons of pig iron annually.

6. Light Metals Industry

No assured production capacity for Japan's light metals industry should be given.

7. Thermal Electric Power Industry

The assured production capacity level for Japan's thermal electric power industry should be placed at an aggregate installed public utility capacity of 1.0 million kilowatts.

8. Soda Ash, Chlorine, and Caustic Soda Industry

The assured production capacity level for Japan's soda ash, chlorine, and caustic soda industry should be placed at 207,000 metric tons of soda ash, of which 72,000 are required to produce caustic soda, 28,000 metric tons of chlorine, and 80,000 metric tons of caustic soda annually.

9. Sulphuric Acid Industry

The assured production capacity level for the Japanese sulphuric acid industry should be placed at 3,000,000 metric tons annually.

FEC-083/2

EC-112

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ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN: SOVIET AMENDMENT
(References: FEC-083, -083/1, SC-043, C2-C23 series)

Note by the Secretary General

1. The enclosure, a proposed amendment to paragraph 1 of FEC-083/2, Assured Production Capacity Levels for Japan, submitted by the Soviet Representative at the forty-fourth meeting of the Far Eastern Commission, 6 February 1947, is circulated herewith for the consideration of the Far Eastern Commission.

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

WELSON T. JOHNSON
Secretary General

FEC-083/3

3-C

COPY NO. 160FEC-083/4CONFIDENTIALFEC-083/413 February 1947FAR EASTERN COMMISSION

ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN: U. S. AMENDMENT
(References: FEC-083, -083/1, SC-043, C2-023 series)

Note by the Secretary General

1. The enclosure, a proposed alternative amendment to paragraph 1 of FEC-083/2, Assured Production Capacity Levels for Japan, submitted by the United States Representative at the forty-fifth meeting of the Far Eastern Commission, 13 February 1947, is circulated herewith for the consideration of the Far Eastern Commission.

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

NELSON T. JOHNSON
Secretary General

FEC-083/4

COPY NO. 218FEC-083/3CONFIDENTIALFEC-083/36 February 1947FAR EASTERN COMMISSION

ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN: SOVIET AMENDMENT
(References: FEC-083, -083/1, SC-043, C2-023 series)

Note by the Secretary General

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NELSON T. JOHNSON
Secretary General

FEC-083/3

CONFIDENTIALE N C L O S U R EASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN: SOVIET AMENDMENT

Paragraph 1, second paragraph:

The Supreme Commander for the Allied Powers upon consultation with the Allied Council for Japan may designate for retention specific plants and establishments, associated with each category, whose aggregate production capacity does not exceed the level established for that category. Such designation should be interpreted to mean that:

- a. ~~in-the-judgment-of-the~~ Supreme Commander for the Allied Powers, upon consultation with the Allied Council for Japan decides that operation of these plants and establishments, individually and collectively, is practical in terms of current needs for their products, and in terms of such conditioning factors as availability of raw materials, power, and labor.

3-c

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ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN: U. S. AMENDMENT
(References: FEC-083, -083/1, SC-043, C2-023 series)

Note by the Secretary General

1. The enclosure, a proposed alternative amendment to paragraph 1 of FEC-083/2, Assured Production Capacity Levels for Japan, submitted by the United States Representative at the forty-fifth meeting of the Far Eastern Commission, 13 February 1947, is circulated herewith for the consideration of the Far Eastern Commission.

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NELSON T. JOHNSON
Secretary General

FEC-083/4

CONFIDENTIALE N C L O S U R EASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN: U. S. AMENDMENT

Paragraph 1, second paragraph:

The Supreme Commander for the Allied Powers, upon such consultation with the Allied Council for Japan as is required by the Council's Terms of Reference, may designate for retention specific plants and establishments, associated with each category, whose aggregate production capacity does not exceed the level established for that category. Such designation should be interpreted to mean that:

a. ~~in the judgment of the~~ Supreme Commander for the Allied Powers, upon such consultation with the Allied Council for Japan as is required by the Council's Terms of Reference, decides that operation of these plants and establishments, individually and collectively, is practical in terms of current needs for their products, and in terms of such conditioning factors as availability of raw materials, power, and labor.

COPY NO. 308FEC-083/5CONFIDENTIALFEC-083/527 February 1947FAR EASTERN COMMISSIONASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN
(References: FEC-083 Series; SC-043; C2-023 Series)Note by the Secretary General

1. Enclosure "A", a policy decision relating to assured production capacity levels for Japan, was unanimously approved at the forty-sixth meeting of the Far Eastern Commission, 20 February 1947.
2. The letter of transmittal of the Secretary General, forwarding this decision on behalf of the Commission to the Secretary of State of the United States Government in accordance with the Terms of Reference, is circulated herewith as Enclosure "B".
3. With respect to the question of release to the press, the United States Member announced that the Supreme Commander for the Allied Powers had requested that the policy should not be released until he had designated specific plants.
4. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON
Secretary General

FEC-083/5

CONFIDENTIALENCLOSURE "A"ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN

1. Interim assured production capacity levels are hereby established for each of the eight categories of Japanese industry listed below.

The Supreme Commander for the Allied Powers, upon consultation with the Allied Council for Japan in accordance with the Terms of Reference and the Allied Council for Japan, may designate for retention specific plants and establishments, associated with each category, whose aggregate production capacity does not exceed the level established for that category. Such designation should be interpreted to mean that:

a. The Supreme Commander for the Allied Powers, upon consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan, decides that operation of these plants and establishments, individually and collectively, is practical in terms of current needs for their products, and in terms of such conditioning factors as availability of raw materials, power, and labor;

b. Owners and management are assured that the particular facility will not be subject to removal under the Interim Program or subsequent disarmament or reparations programs.

2. Machine Tool Industry

The assured production capacity level for Japan's machine tool industry should be placed at a balanced type-size aggregate of 7,500 units annually.

3. Arsenals, Army and Navy

No assured production capacity level should be assigned to Army and Navy arsenals.

4. Aircraft Industry (including aircraft engines)

No assured production capacity level should be assigned to the aircraft industry.

5. Iron and Steel Industry

The assured production capacity level for Japan's iron and steel industry should be placed at an aggregate of 2.0 million metric tons of steel ingot, and an aggregate of 800,000 metric tons of pig iron annually.

6. Light Metals Industry

No assured production capacity for Japan's light metals industry should be given.

7. Thermal Electric Power Industry

The assured production capacity level for Japan's thermal electric power industry should be placed at an aggregate installed public utility capacity of 1.0 million kilowatts.

CONFIDENTIAL8. Soda Ash, Chlorine, and Caustic Soda Industry

The assured production capacity level for Japan's soda ash, chlorine, and caustic soda industry should be placed at 207,000 metric tons of soda ash, of which 72,000 are required to produce caustic soda, 28,000 metric tons of chlorine, and 80,000 metric tons of caustic soda annually.

9. Sulphuric Acid Industry

The assured production capacity level for the Japanese sulphuric acid industry should be placed at 3,000,000 metric tons annually.

CONFIDENTIALENCLOSURE "B"

20 February 1947

The Honorable George C. Marshall
Secretary of State
Washington, D. C.

My dear Mr. Secretary:

The Terms of Reference of the Far Eastern Commission provide that one of the functions of the Commission should be to "formulate the policies, principles and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished."

It is further provided that when such decisions are made by the Far Eastern Commission. "The United States Government shall prepare directives in accordance with the policy decisions of the Commission and shall transmit them to the Supreme Commander through the appropriate United States Government agency."

At the forty-sixth meeting of the Far Eastern Commission held at 2516 Massachusetts Avenue, Northwest, Washington, D. C., on 20 February 1947, the enclosed policy decision relative to Assured Production Capacity Levels for Japan was unanimously approved.

As Secretary General of the Far Eastern Commission, I have been instructed to forward this decision to you on behalf of the Commission, in order that the appropriate directives may be prepared and transmitted to the Supreme Commander in accordance with the Terms of Reference.

Before the enclosed policy decision was formally approved by the Commission, the Chinese Representative made a statement setting forth the position of his Government with regard to paragraph 5, Iron and Steel Industry, of the enclosed decision. He recommended that his statement be recorded in the minutes and be transmitted to the Supreme Commander for his information. Excerpt from the draft minutes of the Commission's forty-sixth meeting, including this statement verbatim, is enclosed. The French Representative expressed his concurrence in the Chinese statement. The Commission has accordingly instructed me to ask that the United States Government in transmitting the appropriate directive based on the enclosed policy decision to the Supreme Commander, also forward the Chinese statement for the Supreme Commander's information.

In adopting the enclosed policy decision, the Commission accepted the recommendation of the Supreme Commander that the decision not be released to the press until specific plants had been designated by the Supreme Commander pursuant to the terms of the enclosed policy. The Commission would appreciate it if the Supreme Commander could inform us when in his opinion the release of this policy decision to the press would be appropriate.

The Australian Representative pointed out that consultation with the Allied Council, as provided by the enclosed policy decision, might involve public disclosure of its contents and desired that it be understood that a Power would not be violating the Commission's decision on publication if it raised any question connected with the policy at a meeting of the Allied Council.

Sincerely yours,

Nelson F. Johnson
Secretary General

COPY NO. 30
FEC-083/6

CONFIDENTIAL
FEC-083/6
20 March 1947

FAR EASTERN COMMISSION

ASSURED PRODUCTION CAPACITY
LEVELS FOR JAPAN
(Reference: FEC-083/5)

Note by the Secretary General

1. The enclosure, a United States directive to the Supreme Commander for the Allied Powers forwarding the statement of policy of the Far Eastern Commission on assured production capacity levels for Japan, is circulated herewith for the information of the Far Eastern Commission.
2. This directive was forwarded to the Supreme Commander on 7 March 1947.
3. A certified copy of the United States directive to the Supreme Commander for the Allied Powers has been filed with the Commission in accordance with Section III, paragraph 4, of the Terms of Reference.
4. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON
Secretary General

FEC-083/6

CONFIDENTIALSerial No. 71

7 March 1947

E N C L O S U R EASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN

The following directive, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on February 20, 1947, under the provisions of paragraph II, A, 1, of its terms of reference has been received from the State, War and Navy Departments for transmission to you for your guidance in accordance with paragraph III, 1, of those terms of reference:

"1. Interim assured production capacity levels are hereby established for each of the eight categories of Japanese industry listed below.

The Supreme Commander for the Allied Powers, upon consultation with the Allied Council for Japan in accordance with the terms of reference of the Allied Council for Japan, may designate for retention specific plants and establishments, associated with each category, whose aggregate production capacity does not exceed the level established for that category. Such designation should be interpreted to mean that:

a. The Supreme Commander for the Allied Powers, upon consultation with the Allied Council for Japan in accordance with the terms of reference of the Allied Council for Japan, decides that operation of these plants and establishments, individually and collectively, is practical in terms of current needs for their products, and in terms of such conditioning factors as availability of raw materials, power, and labor;

b. Owners and management are assured that the particular facility will not be subject to removal under the interim program or subsequent disarmament or reparations programs.

"2. Machine tool industry

The assured production capacity level for Japan's machine tool industry should be placed at a balanced type-size aggregate of 7,500 units annually.

"3. Arsenals, Army and Navy

No assured production capacity level should be assigned to Army and Navy arsenals.

"4. Aircraft industry (including aircraft engines)

No assured production capacity level should be assigned to the aircraft industry.

"5. Iron and steel industry

The assured production capacity level for Japan's iron and steel industry should be placed at an aggregate of 2.0 million metric tons of steel ingot, and an aggregate of 800,000 metric tons of pig iron annually.

"6. Light metals industry

No assured production capacity for Japan's light metals industry should be given.

CONFIDENTIAL

"7. Thermal electric power industry

The assured production capacity level for Japan's thermal electric power industry should be placed at an aggregate installed public utility capacity of 1.0 million kilowatts.

"8. Soda ash, chlorine, and caustic soda industry

The assured production capacity level for Japan's soda ash, chlorine, and caustic soda industry should be placed at 207,000 metric tons of soda ash, of which 72,000 are required to produce caustic soda, 28,000 metric tons of chlorine, and 80,000 metric tons of caustic soda annually.

"9. Sulphuric acid industry

The assured production capacity level for the Japanese sulphuric acid industry should be placed at 3,000,000 metric tons annually."

COPY NO. 168FEC-083/7CONFIDENTIALFEC-083/715 April 1947FAR EASTERN COMMISSIONASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN
(References: FEC-083/5, /6)Note by the Secretary General

1. At the sixtieth meeting of the Steering Committee on 15 April 1947, the Australian member moved and the New Zealand member seconded the motion that the Steering Committee at its next meeting consider recommending to the Far Eastern Commission that the policy decision on assured production capacity levels for Japan (FEC-083/5, approved 20 February 1947 and transmitted to the Supreme Commander for the Allied Powers as directive Serial No. 71 on 7 March 1947) be released to the press as soon as possible.

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

NELSON T. JOHNSON
Secretary General

FEC-083/7

92

FEC-083/8CONFIDENTIALFEC-083/821 April 1947FAR EASTERN COMMISSION

PROPOSAL FOR PUBLIC ANNOUNCEMENT OF ADOPTION
BY FAR EASTERN COMMISSION OF POLICY ON ASSURED
PRODUCTION CAPACITY LEVELS FOR JAPAN (FEC-083/5)
(References: FEC-083 series; Minutes,
54th FEC Mtg., page 1)

Note by the Secretary General

1. At the fifty-fourth meeting of the Far Eastern Commission on 17 April 1947, the Australian Representative moved that, pending designation by the Supreme Commander for the Allied Powers of specific industrial plants for retention in Japan, the Commission release the following statement to the press:

"On 27 February the Far Eastern Commission established minimum levels for several key industries in Japan, and authorized the Supreme Commander to designate factories and plants up to those levels for permanent retention by the Japanese. At the request of the Supreme Commander, details of this decision will not be made public until a later date."

The Commission unanimously agreed to postpone further consideration of this motion until its next meeting.

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

NELSON T. JOHNSON
Secretary General

FEC-083/8

FEC-083/9FEC-RESTRICTEDFEC-083/91 August 1947FAR EASTERN COMMISSIONASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN
(Reference: FEC-083 Series)Note by the Secretary General

1. Enclosure "A", a proposed amendment submitted by the United Kingdom representative on the Far Eastern Commission to the policy decision on assured production capacity levels for Japan, FEC-083/5, adopted by the Commission at its forty-sixth meeting on 20 February 1947, is circulated herewith for the consideration of the Far Eastern Commission and is referred to COMMITTEE NO. 2: ECONOMIC AND FINANCIAL AFFAIRS.
2. Enclosure "B", is an accompanying memorandum submitted by the United Kingdom representative in explanation of the amendment in Enclosure "A".

NELSON T. JOHNSON
Secretary General

FEC-083/9

FEC-RESTRICTEDENCLOSURE "A"ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN

The Far Eastern Commission decides as a matter of policy that the following paragraph shall be added to the Commission's policy decision relating to the Assured Production Capacity Levels for Japan (FEC-083/5):

"10. Shipbuilding Industry.

The assured production capacity level for Japan's shipbuilding industry should be placed at 80,000 gross tons of new construction. This should include no facilities for the construction of ships with a tonnage in excess of 5,000 gross registered tons or with a speed greater than 12 knots."

FEC-RESTRICTEDENCLOSURE "B"EXPLANATORY MEMORANDUM

The United Kingdom delegation appreciates that at a time when so-called "final" levels for Japanese industry are under discussion, it may be thought unnecessary to give the Japanese the assurance of a minimum level for her shipbuilding industry. His Majesty's Government in the United Kingdom have, however, found it difficult to reach definite conclusions at this stage as to the amount of shipbuilding capacity that should be left to Japan. They are aware of cogent security arguments for reducing that capacity to the very minimum; against these must be set the desirability of allowing Japan to carry at least a portion of her overseas trade and the majority of her coast-wise trade in her own ships in order to avoid imposing an intolerable burden on her foreign exchange resources. His Majesty's Government are disposed to concur in the proposals regarding shipping contained in C2-242, subject to minor amendments, since they are informed that, if a draft policy now under consideration by the Far Eastern Commission is passed, these proposals are likely to be effective only until the 1st January, 1949, or until the end of the present phase of the occupation, whichever is the earlier. They would not, however, wish themselves to be regarded as committed in any way to these levels for the Japanese shipbuilding and shipping industries beyond that time and they think that the best way of making their point of view clear is to propose the establishment of an assured minimum level of 80,000 tons per annum for Japan's shipbuilding industry. His Majesty's Government do not contemplate reducing the industry below that level.

CONFIDENTIALCOPY NO. 14FEC-08413 August 1946FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL
WAR POTENTIALNote by the Secretary General

1. The enclosure, a proposed policy statement on the reduction of Japanese industrial war potential submitted by the United States Member of the Far Eastern Commission, is circulated herewith for the consideration of the Commission and is referred to COMMITTEE NO. 2: ECONOMIC AND FINANCIAL AFFAIRS.

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

NELSON T. JOHNSON
Secretary General

FEC-084

CONFIDENTIAL

ENCLOSURE

REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL

1. Summary.

Subject to the provisions stated in paragraph 10, the following actions, as detailed in paragraphs 2-9, should be taken during the period of the occupation, in order to reduce Japanese industrial war potential:

a. All special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products, should be destroyed.

b. All other industrial machinery and equipment in primary war industries, and such other industrial facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of the Japanese economy should be made available for claim as reparations.

c. During the period of the occupation, a prohibition should be maintained against the re-establishment of primary war industries; and specified war-supporting industries should be limited to the productive capacity levels remaining after completion of the reduction program outlined above, except as modifications in these levels may be authorized by the Far Eastern Commission.

2. Primary War Facilities.

a. Definitions:

(1) Primary War Facilities are defined as plants and establishments primarily engaged in the development, manufacture, assembly, testing, repair, maintenance, or storage of combat equipment and end-products and civil aircraft, and plants and establishments building merchant vessels of over 5,000 gross tons.

(2) Combat Equipment End-Products are defined as military end-products which may be identified as weapons, ammunition, missiles, explosives, chemical or bacterial warfare agents, ultra-shortwave radio equipment (radar), naval combatant vessels, armored vehicles, or aircraft (including air frames and aircraft engines).

CONFIDENTIAL

b. Disposition:

(1) All firms and organizations, whether publicly or privately owned and operated, whose activities have related primarily to the operation of primary war facilities and whose continued existence is deemed by SCAP to be undesirable from a security standpoint, should be dissolved by SCAP, who should at the same time seize their records and register all their key executive, managerial, research and engineering personnel.

(2) All plants and establishments identified by SCAP as primary war facilities should be impounded, and their machinery and equipment made available for reparations, subject to the following limitation: all buildings, machinery, and equipment in primary war facilities which, by virtue of initial design, construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with combat equipment end-products should be destroyed.

3. Secondary War Facilities.a. Definition:

Secondary war facilities are defined as plants and establishments primarily engaged in manufacturing, repairing or maintaining major fabricated component parts, sub-assemblies, accessories, or equipment especially designed for use in the products of primary war facilities.

b. Disposition:

(1) In plants and establishments identified by SCAP as being originally organized or completely re-equipped to operate as secondary war facilities, as defined in subparagraph a. above, all machinery and equipment, except as noted under (3) below, should be made available for reparations.

(2) In plants and establishments other than those covered in (1) above, all machinery and equipment, except as noted under (3) below, should be disposed of under the

CONFIDENTIAL

recommendations in paragraph 5 covering the industry with which, in the opinion of SCAP, they were associated prior to their conversion or diversion to war production.

(3) All buildings, machinery, and equipment in secondary war facilities which by virtue of initial design, construction, or major structural change are as individual items special purpose in nature and functionally limited to use in connection with combat equipment end-products should be destroyed.

4. Dispersed Machinery and Equipment from Primary and Secondary War Facilities.

All special purpose machinery and equipment, as defined under 2 b (2) and 3 b (3) above, should be sought out in locations to which they may have been removed from primary and secondary war facilities, and should be destroyed wherever found. Other machinery and equipment which was formerly used in primary and secondary war facilities but subsequently dispersed, need not be sought out and identified under the provisions of this paragraph but should be treated under paragraph 5, as a part of the industry with which it is associated.

5. War Supporting Industries.

a. Over-All Policy:

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined below, should be made available for removal as reparations.

b. Criteria Underlying Over-All Policy:

A determination should be made by the Far Eastern Commission as to the categories and volume of industrial productive capacity in war-supporting industries which are in excess of the peaceful needs of the Japanese people.

For the above purpose, these peaceful needs should be defined substantially as the standard of living prevailing in Japan during the years 1930-34 (i.e., average Japanese per capita consumption during those years). Satisfaction of the peaceful needs of the Japanese people should therefore be understood to require sufficient capacity in war-supporting industries for:

CONFIDENTIAL

(1) support of domestic consumer goods industries functioning collectively at a level essential to maintenance of the 1930-34 living standard;

(2) payment, through exports, for imports needed to sustain the 1930-34 living standard;

(3) construction, repair, and maintenance of transport, housing, public utility, industrial, and other facilities to the degree that they are essential to maintenance of the 1930-34 living standard.

c. Application of Criteria:

(1) The following specific industries are considered as being "war-supporting", for purposes of the industrial removals proposed in this paper:

(a) the iron and steel industry, producing pig, ingot, and basic shapes;

(b) the non-ferrous metals industry, producing pig, ingot, and basic shapes;

(c) the light metals industry, producing alumina, primary aluminum and magnesium, rolled, drawn, or extruded shapes;

(d) the metal working machinery industry, producing machine tools, cutting tools, and secondary metal working machinery;

(e) the ball and roller bearing industry;

(f) the chemical industry, producing explosives, sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen, and calcium carbide;

(g) the railway equipment industry;

(h) the electric power industry;

(i) the cement and abrasives industries;

(j) the steel merchant shipbuilding and repair industry (residual after removals effected under paragraph 2):

(k) the merchant marine, fishing, whaling and cannery fleets, including publicly and privately owned steel vessels of 100 tons or over;

CONFIDENTIAL

(1) the oil refining and synthetic fuel industry and storage;

(m) the synthetic rubber industry.

(2) In addition to reductions in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metal-working capacity in excess of the peaceful needs of the Japanese people as defined under paragraph 5 b.

d. Plant Selections.

The identification, and selection for removal of specific plants, machinery, and equipment which represent excess capacity in various industries, as determined by the Far Eastern Commission, should be the responsibility of SCAP. In making that selection, SCAP should give consideration to the following:

(1) security requirements, which indicate that facilities which have been employed in primary and secondary war industries should be made available for reparations in preference to those which have not been so employed;

(2) the desires of reparations claimants for specific industrial plants and items of equipment which might be assigned to them in accordance with decisions of the appropriate reparations authority as to over-all categories and amounts of such facilities to be made available;

(3) occupation policies looking towards the destruction of Zaibatsu wealth and influence, and the encouragement of new industrial ownership and management which will contribute to industrial rehabilitation in a manner consistent with the purposes of the occupation;

(4) the needs of the Japanese economy, with respect to such factors as geographical location of individual plants in reference to markets, raw materials, manpower,

CONFIDENTIAL

fuel supply, and complementary facilities, and variations in specific products as among types, sizes and other variable characteristics.

6. Residual Capacity.

After the satisfaction of all approved reparations claims, and the destruction of special purpose machinery, as defined in paragraphs 2 and 3, residual productive capacity in the industries designated in this paper which is in excess of Japan's peaceful needs, as defined herein, should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition.

7. Property of the United Nations' Nationals.

In carrying out industrial disarmament policies, SCAP should, all other factors being equal, give preference to retention in Japan of property of United Nations nationals.

8. Reparations.

Removals of industrial capacity to be executed for security purposes under the terms of this paper should have priority over, and should not be restricted in order to compensate for the effects of, other industrial removals which may be executed for purposes of reparations.

9. Post-Removal Restrictions on Japanese Industrial Capacity.

Throughout the period of the occupation the following limitations of Japanese industrial capacity should be maintained:

a. Primary War Facilities:

Within the framework of the definitions given in paragraphs 2 and 3:

(1) The following should be prohibited in Japan: the establishment, possession or operation of any facilities for the development, manufacture or assembly of combat equipment end-products; the development, manufacture, assembly, importation or possession of any special purpose machinery and equipment as defined under paragraph 2 b (2) and 3 b (3); the development, manufacture or assembly of any combat equipment end-products,

CONFIDENTIAL

or their possession except as authorized by SCAP for the purposes of the occupations; the building of merchant vessels over 5,000 gross tons; the development, manufacture or assembly of civil aircraft; and the participation by the Japanese Government or Japanese nationals in the ownership or airborne operation of civil aircraft.

(2) Japan should be directed to prohibit any of its nationals from taking part in the ownership or operation of primary war facilities outside of Japan.

b. War-Supporting Industries:

The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining, synthetic oil and rubber industries, after the completion of the industrial removals proposed in this paper and after the disposition of remaining "excess" facilities as provided for under paragraph 6, should constitute the permissible maxima in these industries during the period of the occupation, pending a decision by the Far Eastern Commission as to long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission. If, at any time during the occupation, SCAP considers an adjustment in these levels necessary, he should recommend such an adjustment and submit appropriate supporting data.

Since this paper deals only with measures to be taken during the period of the occupation, the question of post-occupation industrial disarmament controls should be reserved for a future paper dealing specifically with this subject.

10. Occupation Needs

SCAP should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, insofar as such facilities are required to meet the needs of the occupation.

11. Records of Property Removals and Destruction.

SCAP should keep records of all property removed from Japan or destroyed in the execution of the policies proposed in this paper. In these records of removals and destruction, property of United Nations nationals should be clearly identified.

CONFIDENTIAL

A P P E N D I XDISCUSSIONIntroduction

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

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

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

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

CONFIDENTIAL

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

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

6. No attempt is made here to outline a long-term program of disarmament controls. It is believed that this question should be reserved for decision at a later date, when the conditions and requirements of the post-occupation period can be more clearly envisaged. The principal steps to be taken for the present are the elimination of primary war facilities, and the scaling down of existing capacity throughout the war-supporting industries to a level not in excess of that required to meet legitimate civilian requirements as defined in this paper. These steps follow in turn on earlier measures which have been

CONFIDENTIAL

taken to demobilize the Japanese armed forces, close down research directed towards military purposes, confiscate Japanese external assets, and deprive Japan of overseas territories gained through aggression. In order to reserve the future possibility of such long-term controls over certain selected industries, however, it is proposed to establish ceilings on capacity in these industries during the period of the occupation, such ceilings to be continued or modified as may eventually be determined.

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

Special Purpose vs. General Purpose Machinery

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

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

Primary War Industries

10. Primary war industries are defined as those producing combat equipment end-products, civilian aircraft, and merchant vessels of over 5,000 gross tons. The latter two categories are included since it is considered that machinery capable of producing civilian aircraft is susceptible of rapid conversion

CONFIDENTIAL

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

Secondary War Industries

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

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

CONFIDENTIAL

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

Dispersion of Machinery in Primary and Secondary War Industries

14. In both primary and secondary war industries, dispersion of machinery and equipment took place during the war as a result of Allied bombings. It may also have occurred since the end of hostilities, as a result of Japan's fear that if the machinery and equipment were left in primary and secondary war facilities it would be removed as a part of disarmament or reparations programs. It is thus possible that a considerable amount of machinery and equipment formerly associated with primary and secondary war facilities is not currently to be found within those plants.

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

CONFIDENTIAL

War-Supporting Industries

15. If only the measures with respect to primary and secondary war facilities described above were carried out, the large war-time industrial base which supported these facilities would be left available to play a similar role in the future. To avoid this possibility, special consideration must be given to those elements of Japanese general industry which have proved particularly useful in supporting Japanese primary and secondary war facilities. The specific industries involved are listed in paragraph 5 c of the Conclusions. Obviously, these industries have peacetime as well as wartime uses, and their total elimination would constitute a crippling blow to Japan's peacetime economy. On the other hand, most of these industries were greatly expanded in order to support Japanese war production. Their current capacity is in most instances far in excess of the peacetime needs of the Japanese economy, as those needs are defined in this paper. Elimination of this excess capacity can most appropriately be effected through the medium of reparations, with the result of strengthening the industrial potential and economic development of other countries in the Pacific while reducing Japan's ability to prepare for war.

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

CONFIDENTIAL

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

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

b. A period after 1934 is likewise open to objection for several reasons. During the middle and late thirties, the Japanese enjoyed the highest standard of living in their history. Level-of-industry determinations related to the Japanese standard in the years 1935-39 would leave Japan with a considerable margin of industrial capacity readily available for reconversion to war purposes. After 1938, moreover, conversion to war production progressed so rapidly and the availability of data concerning Japan's economy declined so severely, that statistics of industrial capacity, production, consumption, and foreign trade offer a far less satisfactory guide to peacetime requirements than similar data for earlier years.

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

CONFIDENTIAL

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

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

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

CONFIDENTIAL

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

21. One final point should be stressed regarding this proposal. The 1930-34 living standard has been introduced only as a base line for determining industrial capacity to be exempt from security removals. Nothing in this suggestion should be interpreted as in any way a proposal to guarantee such a standard of consumption for the Japanese, either now or in the future. First, there will probably be additional removals of equipment to satisfy reparation claims even when such removals are not justified on security grounds. Second, achievement of this standard of living is a function not only of industrial plant and equipment, but also of organization, finance, access to sources of imports, competitive ability in export markets, and related factors. Industrial capacity is one thing; full utilization of that capacity quite another. It is proposed in this paper merely that industrial removals for reasons of security should not be carried beyond the point where achievement of the pre-war level of living would be prejudiced for lack of industrial plant. It is anticipated, however, that some time must elapse before industrial and foreign trade activity recovers sufficiently to achieve even this level of well-being.

Disposition of Assets Declared Available for Reparations but Unclaimed.

22. It is anticipated that most, if not all, of the machinery and equipment declared available for reparations under the terms of this paper will be claimed by countries entitled to receive

CONFIDENTIAL

reparations, and transferred to such countries in accordance with policies and procedures laid down by inter-Allied agreement. In the event that certain facilities declared available for transfer are not desired by authorized claimants, a question arises as to their disposition.

23. The alternatives for disposal of such residual assets are either that they be destroyed or that they be retained in Japan under such restrictions with respect to their use as the Far Eastern Commission might choose to impose. If reparations transfers fail to accomplish the removal of machinery and equipment representing, in the aggregate, significant war potential, it will be desirable to eliminate such facilities by destruction. On the other hand, it may turn out that the facilities left unclaimed are fragments of plants and processes which do not possess, either individually or collectively, any significance for war purposes, but have some utility for peaceful use in Japan. It is proposed, therefore, that disposition of such unclaimed equipment be reserved for future decision by the Far Eastern Commission in the light of knowledge at the time as to the precise amount and character of the items in question.

Limitations on Industrial Capacity

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

25. It is not anticipated that Japan will again be allowed to own or operate primary war industries. Restoration of these industries should, therefore, be prohibited. The total elimination of primary war industries in turn will destroy the raison d'etre of secondary war industries, which existed only to supply these primary war industries. However, a prohibition against types of facilities employed in secondary war industries would be unworkable, since these facilities are essentially the same

CONFIDENTIAL

as those used for the production of civilian goods of like character. In so far as restrictions are imposed on industries classed here as "war-supporting", they will apply equally to similar facilities formerly organized as secondary war facilities.

26. Any war-supporting industries whose capacity is to be limited after the period of the occupation should certainly be subjected to capacity limitations throughout the occupation. What permanent limitations may be imposed at a later date is for future decision. In the meantime, it is proposed that residual capacities left after completion of the removals program recommended in this paper should be regarded as capacity ceilings for the duration of the occupation in the following: oil refining, iron and steel, light metals, metal working machinery, synthetic rubber, shipbuilding, and the merchant marine. It is believed that such direct restrictions on industrial capacity or production as are deemed essential should be confined within the list of industries itemized above.

Research as War Potential

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

CONFIDENTIALCOPY NO. 165FEC 084/129 October 1946FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL

(Reference: FEC 084; SC 037/6; SC 041/5;
C2 022/1)

Note by the Secretary General

1. The enclosure, a proposed statement of policy on the reduction of Japanese industrial war potential, approved by the Steering Committee at its thirty-sixth meeting, 29 October 1946, is forwarded herewith for the consideration of the Far Eastern Commission.
2. The Soviet member opposed the motion approving the document on the grounds that the enclosure should not be approved until a decision had been reached on the question of disposition of property owned by nationals of members of the United Nations.
3. The United Kingdom member reserved his position on the question of industrial explosives.
4. In accordance with paragraph 3 of FEC 067/3 the Steering Committee recommends that the enclosure be released to the press in the normal procedure after receipt by the Supreme Commander for the Allied Powers of a directive based on it.
5. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of the information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON
Secretary General

FEC 084/1

CONFIDENTIAL

ENCLOSURE

REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL

1. Summary

Subject to the provisions stated in paragraph 10, the following actions, as detailed in paragraphs 2-9, should be taken during the period of the occupation, in order to reduce Japanese industrial war potential:

a. All special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products, should be destroyed.

b. All other industrial machinery and equipment in primary war industries, and such other industrial facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of the Japanese economy should be made available for claim as reparations.

c. During the period of the occupation, a prohibition should be maintained against the re-establishment of primary war industries; and specified war-supporting industries should be limited to the productive capacity levels remaining after completion of the reduction program outlined above, except as modifications in these levels may be authorized by the Far Eastern Commission.

2. Primary War Facilities

a. Definitions:

(1) Primary War Facilities are defined as plants and establishments primarily engaged in the development, manufacture, assembly, testing, repair, maintenance, or storage of combat equipment end-products and civil aircraft, and plants and establishments building merchant vessels above a size to be determined by the Far Eastern Commission.

(2) Combat Equipment End-Products are defined as weapons, ammunition, missiles and explosives used for military purposes; chemical or bacterial warfare agents; ultra-shortwave radio equipment (radar); naval combatant vessels; armored vehicles; or aircraft (including air frames and aircraft engines).

CONFIDENTIAL

b. Disposition:

(1) All firms and organizations, whether publicly or privately owned and operated, whose activities have related primarily to the operation of primary war facilities and whose continued existence is deemed by the Supreme Commander for the Allied Powers to be undesirable from a security standpoint, should be dissolved by the Supreme Commander, who should at the same time seize their records and register all their key executive, managerial, research and engineering personnel.

(2) All plants and establishments identified by the Supreme Commander as primary war facilities should be impounded, and their machinery and equipment made available for reparations, subject to the following limitation: All buildings, machinery, and equipment in primary war facilities which, by virtue of initial design, construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with combat

equipment end-products should be destroyed, unless they are unique and new development items desired for examination or research.

3. Secondary War Facilitiesa. Definition:

Secondary war facilities are defined as plants and establishments primarily engaged in manufacturing, repairing or maintaining major fabricated component parts, sub-assemblies, accessories, or equipment especially designed for use in the products of primary war facilities.

b. Disposition:

(1) In plants and establishments identified by the Supreme Commander as being originally organized or completely re-equipped to operate as secondary war facilities, as defined in subparagraph a above, all machinery and equipment, except as noted under (3) below, should be made available for reparations.

(2) In plants and establishments other than those covered in (1) above, all machinery and equipment, except as noted under (3) below, should be disposed of under the recommendations

CONFIDENTIAL

in paragraph 5 covering the industry with which, in the opinion of the Supreme Commander, they were associated prior to their conversion or diversion to war production.

(3) All buildings, machinery, and equipment in secondary war facilities which by virtue of initial design, construction, or major structural change are as individual items special purpose in nature and functionally limited to use in connection with combat equipment end-products should be destroyed, unless they are unique and new development items desired for examination or research.

4. Dispersed Machinery and Equipment from Primary and Secondary War Facilities

All special purpose machinery and equipment, as defined under 2 b(2) and 3 b(3) above, should be sought out in locations to which they may have been removed from primary and secondary war facilities, and should be destroyed wherever found. Other machinery and equipment which was formerly used in primary and secondary war facilities but subsequently dispersed, need not be sought out and identified under the provisions of this paragraph but should be treated under paragraph 5, as a part of the industry with which it is associated.

5. War Supporting Industries

a. Over-All Policy

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined by the Far Eastern Commission, should be made available for removal as reparations.

b. Application

(1) The following specific industries are considered as being "war-supporting," for purposes of the industrial removals proposed in this paper:

(a) The iron and steel industry, producing pig iron, steel ingots and basic shapes

(b) The coal carbonization industry

(c) The non-ferrous metals industry, producing pig, ingot and basic shapes

CONFIDENTIAL

(d) The light metals industry, producing alumina, primary aluminum and magnesium, rolled, drawn or extruded shapes

(e) The metal working machinery industry, producing machine tools, cutting tools and secondary metal working machinery

(f) The ball and roller bearing industry

(g) That part of the chemical industry producing industrial explosives, sulfuric acid, soda ash, caustic

soda, chlorine, chemical nitrogen and calcium carbide. *In the case of industrial explosives "capacity" which is in excess of that*

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(h) The railway equipment industry *necessary to meet the peaceful needs of the Japanese people" is defined as capacity which is in excess of that necessary to meet Japanese domestic requirements*

(i) The automotive industry

(j) The electric power industry

(k) The cement and abrasives industries

(l) The steel merchant shipbuilding and repair industry (residual after removals effected under paragraph 2)

(m) The merchant marine, fishing, whaling and cannery fleets, including publicly and privately owned steel

vessels of 100 tons or over. *(This shall not be interpreted to prevent vessels of less than 100 tons being considered for reparations)*

(n) The oil refining and synthetic fuel industry and storage

(o) The synthetic rubber industry. *and mechanism*

(p) The heavy electrical equipment industry.

China

(2) In addition to reductions in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metal-working capacity in excess of the peaceful needs of the Japanese people as defined by the Far Eastern Commission.

(g) optical and precision instrument industry.

6. Residual Capacity

After the satisfaction of all approved reparations claims, and the destruction of special purpose machinery, as defined in paragraphs 2 and 3, residual productive capacity in the industries designated in this paper which is in excess of Japan's peaceful needs, as defined herein, should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition.

CONFIDENTIAL

7. Property of Nationals of Members of the United Nations

A separate statement of policy covering the treatment of property of nationals of members of the United Nations will be issued by the Far Eastern Commission. In the meantime, no action should be taken under the present paper with respect to such property.

8. Reparations

Removal or destruction of industrial capacity for security purposes under the terms of this paper should not be limited in order to compensate for the effects of industrial removals for reparations.

9. Post-Removal Restrictions on Japanese Industrial Capacity

Throughout the period of the occupation the following limitations of Japanese industrial capacity should be maintained:

a. Primary War Facilities:

Within the framework of the definitions given in paragraphs 2 and 3:

(1) The following should be prohibited in Japan: The establishment, possession or operation of any facilities for the development, manufacture or assembly of combat equipment end-products; the development, manufacture, assembly, importation or possession of any special purpose machinery and equipment as defined under paragraphs 2 b(2) and 3 b(3); the development, manufacture or assembly of any combat equipment end-products, or their possession except as authorized by the Supreme Commander for the purposes of the occupations; the building of merchant vessels above a size to be determined by the Far Eastern Commission; the development, manufacture or assembly of civil aircraft; and the participation by the Japanese Government or Japanese nationals in the ownership or airborne operation of civil aircraft.

(2) Japan should be directed to prohibit any of its nationals from taking part in the ownership or operation of primary war facilities outside of Japan.

b. War-Supporting Industries:

The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries, after the

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completion of the industrial removals proposed in this paper and after the disposition of remaining "excess" facilities as provided for under paragraph 6, should constitute the permissible maxima in these industries during the period of the occupation, pending a decision by the Far Eastern Commission as to long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission. If, at any time during the occupation, the Supreme Commander considers an adjustment in these levels necessary, he should recommend such an adjustment and submit appropriate supporting data.

Since this paper deals only with measures to be taken during the period of the occupation, the question of post-occupation industrial disarmament controls should be reserved for a future paper dealing specifically with this subject.

10. Occupation Needs

The Supreme Commander should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, in so far as such facilities are required to meet the needs of the occupation. In such cases the Supreme Commander will provide an explanation of reasons for retention and an estimated date of removal or destruction.

11. Records of Property Removals and Destruction

The Supreme Commander should keep records of all property removed from Japan or destroyed in the execution of the policies in this paper. (In these records of removals and destruction, property of nationals of members of the United Nations should be clearly identified.)

CONFIDENTIALCOPY NO. 140FEC-084/215 November 1946FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL:
UNITED KINGDOM AND UNITED STATES AMENDMENTS
(Reference: FEC-084 Series)Note by the Secretary General

1. The enclosure, amendments to FEC-084/1, Reduction of Japanese Industrial War Production, submitted by the United Kingdom and the United States representatives at the thirty-fourth meeting of the Far Eastern Commission, is circulated herewith for the information of the Far Eastern Commission.

2. The Commission at its thirty-fourth meeting, 14 November 1946, agreed to defer consideration of FEC-084/1 until it could be considered in conjunction with the proposed policy relative to the selection of plants for reparations removals, retention or destruction in Japan (FEC-091/2).

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

NELSON T. JOHNSON
Secretary General

FEC-084/2

CONFIDENTIAL

E N C L O S U R E

REDUCTION OF JAPANESE INDUSTRIAL WAR
POTENTIAL: UNITED KINGDOM AND UNITED
STATES AMENDMENTS

I. UNITED KINGDOM AMENDMENTS

Paragraph 5 b (1) (g)

That part of the chemical industry producing industrial explosives, sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen and calcium carbide. In the case of industrial explosives the capacity retained should be limited to that required for Japanese domestic needs and no capacity for manufacturing for export should be allowed.

Paragraph 11

Records of Property Removals and Destruction

The Supreme Commander should keep records of all property removed from Japan or destroyed in the execution of the policies in this paper. ~~In these records of removals and destruction, property of nationals of Members of the United Nations should be clearly identified.~~

II. UNITED STATES AMENDMENTS

Paragraph 5 b (1) (g)

That part of the chemical industry producing industrial explosives (Capacity surplus to Japan's domestic requirements is defined as "excess of that necessary to meet peaceful needs"), sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen and calcium carbide.

Paragraph 11

Records of Property Removals and Destruction

The Supreme Commander should keep records of all property removed from Japan or destroyed in the execution of the policies in this paper. ~~In these records of removals and destruction, property of nationals of Members of the United~~

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~~Nations should be clearly identified.~~ In the Supreme
Commander for the Allied Powers records, property of
nationals of Members of the United Nations should be
clearly identified.

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FEC-084/321 November 1946FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL(References: FEC-084; 084/1; 084/2;
SC-037/6; SC-041/5; C2-022/1)Note by the Secretary General

1. The Far Eastern Commission at its thirty-fourth meeting, 21 November 1946, referred FEC-084/1, Reduction of Japanese Industrial War Potential and the United Kingdom and United States proposed amendments, (FEC-084/2) back to COMMITTEE NO. 2: ECONOMIC AND FINANCIAL AFFAIRS for consideration together with the following amendments proposed by the Chinese Representative:

FEC-084/1 paragraph 5b (1) (p). The heavy electrical and mechanical equipment industries.

Add new paragraph 5b (1) (q). Optical and precision instruments industry.

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

NELSON T. JOHNSON
Secretary General

FEC-084/3

FEC-084/4RESTRICTEDFEC-084/412 December 1946FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL
(References: FEC-084 Series; SC-037 Series;
C2-022 Series)Note by the Secretary General

1. The enclosure, a revised draft of the proposed policy on the Reduction of Japanese Industrial War Potential, approved by Committee No. 2: Economic and Financial Affairs, at its thirty-eighth meeting, 10 December 1946, is forwarded herewith for the consideration of the STEERING COMMITTEE.

2. The Chinese and Soviet members reserved their positions on the document.

3. In deleting the last sentence of paragraph 11 in FEC-084/1, Committee No. 2 agreed to refer paragraph 11 to Committee No. 6 for consideration along with paragraph 7.

4. The Steering Committee, at its thirty-sixth meeting, 29 October 1946, recommended that the enclosure be released to the press, in the normal procedure after receipt by the Supreme Commander for the Allied Powers of a directive based on it.

NELSON T. JOHNSON
Secretary General

FEC-084/4

RESTRICTEDE N C L O S U R EREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL1. Summary

Subject to the provisions stated in paragraph 10, the following actions, as detailed in paragraphs 2-9, should be taken during the period of the occupation, in order to reduce Japanese industrial war potential:

a. All special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products, should be destroyed.

b. All other industrial machinery and equipment in primary war industries, and such other industrial facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of the Japanese economy should be made available for claim as reparations.

c. During the period of the occupation, a prohibition should be maintained against the re-establishment of primary war industries; and specified war-supporting industries should be limited to the productive capacity levels remaining after completion of the reduction program outlined above, except as modifications in these levels may be authorized by the Far Eastern Commission.

2. Primary War Facilitiesa. Definitions:

(1) Primary War Facilities are defined as plants and establishments primarily engaged in the development, manufacture, assembly, testing, repair, maintenance, or storage of combat equipment end-products and civil aircraft, and plants and establishments building merchant vessels above a size to be determined by the Far Eastern Commission.

(2) Combat Equipment End-Products are defined as weapons, ammunition, missiles and explosives used for military purposes; chemical or bacterial warfare agents; ultra-shortwave radio equipment (radar); naval combatant vessels; armored vehicles; or aircraft (including air frames and aircraft engines).

RESTRICTED

b. Disposition:

(1) All firms and organizations, whether publicly or privately owned and operated, whose activities have related primarily to the operation of primary war facilities and whose continued existence is deemed by the Supreme Commander for the Allied Powers to be undesirable from a security standpoint, should be dissolved by the Supreme Commander, who should at the same time seize their records and register all their key executive, managerial, research and engineering personnel.

(2) All plants and establishments identified by the Supreme Commander as primary war facilities should be impounded, and their machinery and equipment made available for reparations, subject to the following limitation: All buildings, machinery, and equipment in primary war facilities which, by virtue of initial design, construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with combat equipment and-products should be destroyed, unless they are unique and new development items desired for examination or research.

3. Secondary War Facilities

a. Definition:

Secondary war facilities are defined as plants and establishments primarily engaged in manufacturing, repairing or maintaining major fabricated component parts, sub-assemblies, accessories, or equipment especially designed for use in the products of primary war facilities.

b. Disposition:

(1) In plants and establishments identified by the Supreme Commander as being originally organized or completely re-equipped to operate as secondary war facilities, as defined in subparagraph a above, all machinery and equipment, except as noted under (3) below, should be made available for reparations.

(2) In plants and establishments other than those covered in (1) above, all machinery and equipment, except as noted under (3) below, should be disposed of under the recommendations

RESTRICTED

in paragraph 5 covering the industry with which, in the opinion of the Supreme Commander, they were associated prior to their conversion or diversion to war production.

(3) All buildings, machinery, and equipment in secondary war facilities which by virtue of initial design, construction, or major structural change are as individual items of special purpose in nature and functionally limited to use in connection with combat equipment end-products should be destroyed, unless they are unique and new development items desired for examination or research.

4. Dispersed Machinery and Equipment from Primary and Secondary War Facilities

All special purpose machinery and equipment, as defined under 2 b(2) and 3 b(3) above, should be sought out in locations to which they may have been removed from primary and secondary war facilities, and should be destroyed wherever found. Other machinery and equipment which was formerly used in primary and secondary war facilities but subsequently dispersed, need not be sought out and identified under the provisions of this paragraph but should be treated under paragraph 5, as a part of the industry with which it is associated.

5. War Supporting Industries

a. Over-All Policy

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined by the Far Eastern Commission, should be made available for removal as reparations.

b. Application

(1) The following specific industries are considered as being "war-supporting," for purposes of the industrial removals proposed in this paper:

(a) The iron and steel industry, producing pig iron, steel ingots and basic shapes

(b) The coal carbonization industry

(c) The non-ferrous metals industry, producing pig, ingot and basic shapes

RESTRICTED

(d) The light metals industry, producing alumina, primary aluminum and magnesium, rolled, drawn or extruded shapes

(e) The metal working machinery industry, producing machine tools, cutting tools and secondary metal working machinery

(f) The ball and roller bearing industry

(g) That part of the chemical industry producing industrial explosives, sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen and calcium carbide (In the case of industrial explosives "capacity which is in excess of that necessary to meet the peaceful needs of the Japanese people" is defined as capacity which is in excess of that necessary to meet Japanese domestic requirements)

(h) The railway equipment industry

(i) The automotive industry

(j) The electric power industry

(k) The cement and abrasives industries

(l) The steel merchant shipbuilding and repair industry (residual after removals effected under para.2)

(m) The merchant marine, fishing, whaling and cannery fleets, including publicly and privately owned steel vessels of 100 tons or over (this shall not be interpreted to prevent vessels of less than 100 tons being considered for reparations)

(n) The oil refining and synthetic fuel industry and storage

(o) The synthetic rubber industry.

(p) The heavy electrical equipment industry

(2) In addition to reductions in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metal-working capacity in excess of the peaceful needs of the Japanese people as defined by the Far Eastern Commission.

6. Residual Capacity

After the satisfaction of all approved reparations claims, and the destruction of special purpose machinery, as defined in paragraphs 2 and 3, residual productive capacity in the industries designated in this paper which is in excess of Japan's peaceful needs, as defined herein, should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition.

RESTRICTED7. Property of Nationals of Members of the United Nations

A separate statement of policy covering the treatment of property of nationals of members of the United Nations will be issued by the Far Eastern Commission. In the meantime, no action should be taken under the present paper with respect to such property.

8. Reparations

Removal or destruction of industrial capacity for security purposes under the terms of this paper should not be limited in order to compensate for the effects of industrial removals for reparations.

9. Post-Removal Restrictions on Japanese Industrial Capacity

Throughout the period of the occupation the following limitations of Japanese industrial capacity should be maintained:

a. Primary War Facilities:

Within the framework of the definitions given in paragraphs 2 and 3:

(1) The following should be prohibited in Japan: The establishment, possession or operation of any facilities for the development, manufacture or assembly of combat equipment and-products; the development, manufacture, assembly, importation or possession of any special purpose machinery and equipment as defined under paragraphs 2 b(2) and 3 b(3); the development, manufacture or assembly of any combat equipment and-products, or their possession except as authorized by the Supreme Commander for the purposes of the occupations; the building of merchant vessels above a size to be determined by the Far Eastern Commission; the development, manufacture or assembly of civil aircraft; and the participation by the Japanese Government or Japanese nationals in the ownership or airborne operation of civil aircraft.

(2) Japan should be directed to prohibit any of its nationals from taking part in the ownership or operation of primary war facilities outside of Japan.

b. War-Supporting Industries:

The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries, after the

RESTRICTED

completion of the industrial removals proposed in this paper and after the disposition of remaining "excess" facilities as provided for under paragraph 6, should constitute the permissible maxima in these industries during the period of the occupation, pending a decision by the Far Eastern Commission as to long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission. If, at any time during the occupation, the Supreme Commander considers an adjustment in these levels necessary, he should recommend such an adjustment and submit appropriate supporting data.

Since this paper deals only with measures to be taken during the period of the occupation, the question of post-occupation industrial disarmament controls should be reserved for a future paper dealing specifically with this subject.

10. Occupation Needs

The Supreme Commander should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, in so far as such facilities are required to meet the needs of the occupation. In such cases the Supreme Commander will provide an explanation of reasons for retention and an estimated date of removal or destruction.

11. Records of Property Removals and Destruction

The Supreme Commander should keep records of all property removed from Japan or destroyed in the execution of the policies in this paper.

FEC-084/5RESTRICTEDFEC-084/513 December 1946FAR EASTERN COMMISSION

REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL:
REPORT BY COMMITTEE NO. 6: ALIENS IN JAPAN
(References: C6-016, FEC-084/1)

Note by the Secretary General

Committee No. 6: Aliens In Japan at its thirtieth meeting on 13 December 1946, unanimously approved the deletion by Committee No. 2: Economic and Financial Affairs, of the final sentence of paragraph 11 of FEC-084/1 regarding records of property removals and destruction under the reduction of Japanese Industrial War Potential, and forward herewith this report to the STEERING COMMITTEE.

NELSON P. JOHNSON
Secretary General

FEC-084/5

FEC-084/6RESTRICTEDFEC-084/618 December 1946FAR EASTERN COMMISSION

REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL
(References: FEC-084 Series; SC-037 Series;
C2-022 Series)

Note by the Secretary General

The enclosure, a proposed amendment to paragraph 5 b (2) of FEC-084/4, Reduction of Japanese Industrial War Potential, submitted by the Chinese Representative at the forty-fourth meeting of the Steering Committee, 17 December 1946, is circulated herewith for the consideration of the STEERING COMMITTEE.

NELSON T. JOHNSON
Secretary General

FEC-084/6

RESTRICTEDE N C L O S U R EREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL

5. b (2) In addition to reduction in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metal-working capacity; e.g., for manufacturing heavy prime movers, cranes, mining equipment and chemical equipment in excess of the peaceful needs of the Japanese people as defined by the Far Eastern Commission.

FEC-084/7RESTRICTEDFEC-084/72 January 1947FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL
(References: FEC-084 Series; SC-037 Series;
C2-022 Series)Note by the Secretary General

1. The enclosure, a revised draft of the proposed policy on the Reduction of Japanese Industrial War Potential, as amended by the Steering Committee at its forty-fifth meeting, 31 December 1946, is circulated herewith for the consideration of the STEERING COMMITTEE.

2. The Soviet member reserved his position on the document.

3. In deleting the last sentence of paragraph 11 in FEC-084/1, Committee No. 2: Economic and Financial Affairs agreed to refer paragraph 11 to Committee No. 6 for consideration along with paragraph 7.

4. The Steering Committee, at its thirty-sixth meeting, 29 October 1946, recommended that the enclosure be released to the press, in the normal procedure after receipt by the Supreme Commander for the Allied Powers of a directive based on it.

NELSON T. JOHNSON
Secretary General

FEC-084/7

RESTRICTED

E N C L O S U R E

REDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL

1. Summary

Subject to the provisions stated in paragraph 10, the following actions, as detailed in paragraphs 2-9, should be taken during the period of the occupation, in order to reduce Japanese industrial war potential:

a. All special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products, should be destroyed.

b. All other industrial machinery and equipment in primary war industries, and such other industrial facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of the Japanese economy should be made available for claim as reparations.

c. During the period of the occupation, a prohibition should be maintained against the re-establishment of primary war industries; and specified war-supporting industries should be limited to the productive capacity levels remaining after completion of the reduction program outlined above, except as modifications in these levels may be authorized by the Far Eastern Commission.

2. Primary War Facilities

a. Definitions:

(1) Primary War Facilities are defined as plants and establishments primarily engaged in the development, manufacture, assembly, testing, repair, maintenance, or storage of combat equipment end-products and civil aircraft, and plants and establishments building merchant vessels above a size to be determined by the Far Eastern Commission.

(2) Combat Equipment End-Products are defined as weapons, ammunition, missiles and explosives used for military purposes; chemical or bacterial warfare agents; ultra-shortwave radio equipment (radar); naval combatant vessels; armored vehicles; or aircraft (including air frames and aircraft engines).

FEC-004/7

RESTRICTEDb. Disposition:

(1) All firms and organizations, whether publicly or privately owned and operated, whose activities have related primarily to the operation of primary war facilities and whose continued existence is deemed by the Supreme Commander for the Allied Powers to be undesirable from a security standpoint, should be dissolved by the Supreme Commander, who should at the same time seize their records and register all their key executive, managerial, research and engineering personnel.

(2) All plants and establishments identified by the Supreme Commander as primary war facilities should be impounded, and their machinery and equipment made available for reparations, subject to the following limitation: All buildings, machinery, and equipment in primary war facilities which, by virtue of initial design, construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with combat

equipment end-products should be destroyed, unless they are unique and new development items desired for examination or research.

3. Secondary War Facilitiesa. Definition:

Secondary war facilities are defined as plants and establishments primarily engaged in manufacturing, repairing or maintaining major fabricated component parts, sub-assemblies, accessories, or equipment especially designed for use in the products of primary war facilities.

b. Disposition:

(1) In plants and establishments identified by the Supreme Commander as being originally organized or completely re-equipped to operate as secondary war facilities, as defined in subparagraph a above, all machinery and equipment, except as noted under (3) below, should be made available for reparations.

(2) In plants and establishments other than those covered in (1) above, all machinery and equipment, except as noted under (3) below, should be disposed of under the recommendations

RESTRICTED

in paragraph 5 covering the industry with which, in the opinion of the Supreme Commander, they were associated prior to their conversion or diversion to war production.

(3) All buildings, machinery, and equipment in secondary war facilities which by virtue of initial design, construction, or major structural change are as individual items special purpose in nature and functionally limited to use in connection with combat equipment end-products should be destroyed, unless they are unique and new development items desired for examination or research.

4. Dispersed Machinery and Equipment from Primary and Secondary War Facilities

All special purpose machinery and equipment, as defined under 2 b(2) and 3 b(3) above, should be sought out in locations to which they may have been removed from primary and secondary war facilities, and should be destroyed wherever found. Other machinery and equipment which was formerly used in primary and secondary war facilities but subsequently dispersed, need not be sought out and identified under the provisions of this paragraph but should be treated under paragraph 5, as a part of the industry with which it is associated.

5. War Supporting Industries

a. Over-All Policy

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined by the Far Eastern Commission, should be made available for removal as reparations.

b. Application

(1) The following specific industries are considered as being "war-supporting," for purposes of the industrial removals proposed in this paper:

(a) The iron and steel industry, producing pig iron, steel ingots and basic shapes

(b) The coal carbonization industry

(c) The non-ferrous metals industry, producing pig, ingot and basic shapes

FEC-384/7

RESTRICTED

(d) The light metals industry, producing alumina, primary aluminum and magnesium, rolled, drawn or extruded shapes

(e) The metal working machinery industry, producing machine tools, cutting tools and secondary metal working machinery

(f) The ball and roller bearing industry

(g) That part of the chemical industry producing industrial explosives, sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen and calcium carbide (In the case of industrial explosives "capacity which is in excess of that necessary to meet the peaceful needs of the Japanese people" is defined as capacity which is in excess of that necessary to meet Japanese domestic requirements)

(h) The railway equipment industry

(i) The automotive industry

(j) The electric power industry

(k) The cement and abrasives industries

(l) The steel merchant shipbuilding and repair industry (residual after removals effected under para. 2)

(m) The merchant marine, fishing, whaling and cannery fleets, including publicly and privately owned steel vessels of 100 tons or over (this shall not be interpreted to prevent vessels of less than 100 tons being considered for reparations)

(n) The oil refining and synthetic fuel industry and storage

(o) The synthetic rubber industry

(p) The heavy electrical equipment industry

(2) In addition to reduction in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metal-working capacity e.g., for manufacturing heavy prime movers, cranes, mining equipment and chemical equipment, in excess of the peaceful needs of the Japanese people as defined by the Far Eastern Commission.

6. Residual Capacity

After the satisfaction of all approved reparations claims, and the destruction of special purpose machinery, as defined in paragraphs 2 and 3, residual productive capacity in the industries designated in this paper which is in excess of Japan's peaceful needs, as defined herein, should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition.

RESTRICTED

completion of the industrial removals proposed in this paper and after the disposition of remaining "excess" facilities as provided for under paragraph 6, should constitute the permissible maxima in these industries during the period of the occupation, pending a decision by the Far Eastern Commission as to long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission. If, at any time during the occupation, the Supreme Commander considers an adjustment in these levels necessary, he should recommend such an adjustment and submit appropriate supporting data.

Since this paper deals only with measures to be taken during the period of the occupation, the question of post-occupation industrial disarmament controls should be reserved for a future paper dealing specifically with this subject.

10. Occupation Needs

The Supreme Commander should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, in so far as such facilities are required to meet the needs of the occupation. In such cases the Supreme Commander will provide an explanation of reasons for retention and an estimated date of removal or destruction.

11. Records of Property Removals and Destruction

The Supreme Commander should keep records of all property removed from Japan, or destroyed in the execution of the policies in this paper.

7. Property of Nationals of Members of the United Nations

A separate statement of policy covering the treatment of property of nationals of members of the United Nations will be issued by the Far Eastern Commission. In the meantime, no action should be taken under the present paper with respect to such property.

8. Reparations

Removal or destruction of industrial capacity for security purposes under the terms of this paper should not be limited in order to compensate for the effects of industrial removals for reparations.

9. Post-Removal Restrictions on Japanese Industrial Capacity

Throughout the period of the occupation the following limitations of Japanese industrial capacity should be maintained:

a. Primary War Facilities:

Within the framework of the definitions given in paragraphs 2 and 3:

(1) The following should be prohibited in Japan: The establishment, possession or operation of any facilities for the development, manufacture or assembly of combat equipment end-products; the development, manufacture, assembly, importation or possession of any special purpose machinery and equipment as defined under paragraphs 2 b(2) and 3 b(3); the development, manufacture or assembly of any combat equipment end-products, or their possession except as authorized by the Supreme Commander for the purposes of the occupations; the building of merchant vessels above a size to be determined by the Far Eastern Commission; the development, manufacture or assembly of civil aircraft; and the participation by the Japanese Government or Japanese nationals in the ownership or airborne operation of civil aircraft.

(2) Japan should be directed to prohibit any of its nationals from taking part in the ownership or operation of primary war facilities outside of Japan.

b. War-Supporting Industries:

The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries, after the

FEC-084/8RESTRICTEDFEC-084/84 March 1947FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL:
PROPOSED SOVIET AMENDMENTS
(References: FEC-084 Series; SC-037 Series;
C2-022 Series)Note by the Secretary General

1. The enclosure is a revision of FEC-084/7, (Reduction of Japanese Industrial War Potential) incorporating amendments proposed by the Soviet member at the fifty-fourth meeting of the Steering Committee.

2. The Steering Committee at its fifty-fourth meeting on 4 March 1947 unanimously agreed to refer FEC-084/7, back to COMMITTEE NO. 2: ECONOMIC AND FINANCIAL AFFAIRS for further consideration in the light of the proposed Soviet amendment.

NELSON T. JOHNSON
Secretary General

FEC-084/8

RESTRICTEDE N C L O S U R EREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL1. Summary

Subject to the provisions stated in paragraph 10, the following actions, as detailed in paragraph 2-9, should be taken during the period of the occupation, in order to reduce Japanese industrial war potential:

a. All special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products, should be destroyed.

b. All other industrial machinery and equipment in primary war industries, and such other industrial facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of the Japanese economy should be made available for claim as reparations.

c. During the period of the occupation, a prohibition should be maintained against the re-establishment of primary war industries; and specified war-supporting industries should be limited to the productive capacity levels remaining after completion of the reduction program outlined above, except as modifications in these levels may be authorized by the Far Eastern Commission.

2. Primary War Facilitiesa. Definitions:

(1) Primary War Facilities are defined as plants and establishments primarily engaged in the development, manufacture, assembly, testing, repair, maintenance, or storage of combat equipment end-products and civil aircraft, and plants and establishments building merchant vessels above a size to be determined by the Far Eastern Commission.

(2) Combat Equipment End-Products are defined as weapons, ammunition, missiles and explosives used for military purposes; chemical or bacterial warfare agents; ultra-shortwave radio equipment (radar); naval combatant vessels; armored vehicles; or aircraft (including air frames and aircraft engines).

b. Disposition:

(1) All firms and organizations, whether publicly or privately owned and operated, whose activities have related primarily to the operation of primary war facilities and whose continued existence is deemed by the Supreme Commander for the Allied Powers to be undesirable from a security standpoint, should be dissolved by the Supreme Commander, who should at the same time seize their records and register all their key executive, managerial, research and engineering personnel.

(2) All plants and establishments identified by the Supreme Commander as primary war facilities should be impounded, and their machinery and equipment made available for reparations; subject to the following limitation: All buildings, machinery, and equipment in primary war facilities which, by virtue of initial design,

RESTRICTED

construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with combat equipment and end-products should be destroyed, ~~unless they are unique and new development items desired for examination or research.~~

3. Secondary War Facilitiesa. Definition:

Secondary war facilities are defined as plants and establishments primarily engaged in manufacturing, repairing or maintaining major fabricated component parts, sub-assemblies, accessories, or equipment especially designed for use in the products of primary war facilities.

b. Disposition:

(1) In plants and establishments identified by the Supreme Commander as being originally organized or completely reequipped to operate as secondary war facilities, as defined in subparagraph a above, all machinery and equipment, except as noted under (3) below, should be made available for reparations.

(2) In plants and establishments other than those covered in (1) above, all machinery and equipment, except as noted under (3) below, should be disposed of under the recommendations in paragraph 5 covering the industry with which, in the opinion of the Supreme Commander, they were associated prior to their conversion or diversion to war production.

(3) All buildings, machinery, and equipment in secondary war facilities which by virtue of initial design, construction, or major structural change are as individual items special purpose in nature and functionally limited to use in connection with combat equipment end-products should be destroyed, ~~unless they are unique and new development items desired for examination or research.~~

4. Dispersed Machinery and Equipment from Primary and Secondary War Facilities

All special purpose machinery and equipment, as defined under 2 b(2) and 3 b(3) above, should be sought out in locations to which they may have been removed from primary and secondary war facilities, and should be destroyed wherever found. Other machinery and equipment which was formerly used in primary and secondary war facilities but subsequently dispersed, need not be sought out and identified under the provisions of this paragraph but should be treated under paragraph 5, as a part of the industry with which it is associated.

5. War Supporting Industriesa. Over-All Policy

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined by the Far Eastern Commission, should be made available for removal as reparations.

RESTRICTEDb. Application

(1) The following specific industries are considered as being "war-supporting," for purposes of the industrial removals proposed in this paper:

(a) The iron and steel industry, producing pig iron, steel ingots and basic shapes

(b) The coal carbonization industry

(c) The non-ferrous metals industry, producing pig, ingot and basic shapes

(d) The light metals industry, producing alumina, primary aluminum and magnesium, rolled, drawn or extruded shapes

(e) The metal working machinery industry, producing machine tools, cutting tools and secondary metal working machinery

(f) The ball and roller bearing industry

(g) That part of the chemical industry producing industrial explosives, sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen and calcium carbide (In the case of industrial explosives "capacity which is in excess of that necessary to meet the peaceful needs of the Japanese people" is defined as capacity which is in excess of that necessary to meet Japanese domestic requirements).

(h) The railway equipment industry

(i) The automotive industry

(j) The electric power industry

(k) The cement and abrasives industries

(l) The steel merchant shipbuilding and repair industry (residual after removals effected under para. 2)

(m) The merchant marine, fishing, whaling and cannery fleets, including publicly and privately owned steel vessels of 100 tons or over (this shall not be interpreted to prevent vessels of less than 100 tons being considered for reparations)

(n) The oil refining and synthetic fuel industry and storage

(o) The synthetic rubber industry

(p) The heavy electrical equipment

(2) In addition to reduction in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metalworking capacity ~~e.g., fer-~~ ~~manufacturing-heavy-prime-movers,-cranes,-mining-equip-~~ ~~ment-and-chemical-equipment,~~ in excess of the peaceful needs of the Japanese people as defined by the Far Eastern Commission.

RESTRICTED6. Residual Capacity

After the satisfaction of all approved reparations claims, approved by the Far Eastern Commission, and the destruction of special purpose machinery, as defined in paragraphs 2 and 3, residual productive capacity in the industries designated in this paper which is in excess of Japan's peaceful needs, as defined herein, should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition.

7. Property of Nationals of Members of the United Nations

A separate statement of policy covering the treatment of property of nationals of members of the United Nations will be issued by the Far Eastern Commission. In the meantime, no action should be taken under the present paper with respect to such property.

8. Reparations

Removal or destruction of industrial capacity for security purposes under the terms of this paper should not be limited in order to compensate for the effects of industrial removals for reparations.

9. Post-Removal Restrictions on Japanese Industrial Capacity

Throughout the period of the occupation the following limitations of Japanese industrial capacity should be maintained:

a. Primary War Facilities:

Within the framework of the definitions given in paragraphs 2 and 3:

(1) The following should be prohibited in Japan: The establishment, possession or operation of any facilities for the development, manufacture or assembly of combat equipment end-products; the development, manufacture, assembly, importation or possession of any special purpose machinery and equipment as defined under paragraphs 2 b(2) and 3 b(3); the development, manufacture or assembly of any combat equipment end-products, or their possession except as authorized by the Supreme Commander, after consultation with the Allied Council for Japan in accordance with the terms of Reference of the Allied Council for Japan, for the purposes of the occupations; the building of merchant vessels above a size to be determined by the Far Eastern Commission; the development, manufacture or assembly of civil aircraft; and the participation by the Japanese Government or Japanese nationals in the ownership or airborne operation of civil aircraft.

(2) Japan should be directed to prohibit any of its nationals from taking part in the ownership or operation of primary war facilities outside of Japan.

b. War-Supporting Industries:

The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries, after the completion of the industrial removals proposed in this paper and after the disposition of remaining "excess" facilities as provided for under paragraph 6,

RESTRICTED

should constitute the permissible maxima in these industries during the period of the occupation, pending a decision by the Far Eastern Commission as to long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission. If, at any time during the occupation, the Supreme Commander considers an adjustment in these levels necessary, he should, after consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan, recommend such an adjustment and submit to the Far Eastern Commission appropriate supporting data. Changes in the established levels can be made after the adoption of the policy decision on this matter by the Far Eastern Commission.

Since this paper deals only with measures to be taken during the period of the occupation, the question of post-occupation industrial disarmament controls should be reserved for a future paper dealing specifically with this subject.

10. Occupation Needs

The Supreme Commander should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, in so far as such facilities are required to meet the needs of the occupation. In such cases the Supreme Commander will after consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan provide an explanation of reasons for retention and an estimated date of removal or destruction.

11. Records of Property Removals and Destruction

The Supreme Commander should keep records of all property removed from Japan or destroyed in the execution of the policies in this paper.

FEC-084/9RESTRICTEDFEC 084/94 April 1947FAR EASTERN COMMISSIONREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIALReferences: FEC-084 Series; SC-037 Series;
C2-022 Series)Note by the Secretary General

1. The enclosure, a revision of FEC-084/7 (Reduction of Japanese Industrial War Potential), approved by Committee No. 2: Economic and Financial Affairs at its fifty-third meeting, 3 April 1947, is forwarded herewith for the consideration of the Steering Committee.
2. The United States member reserved his position on the amendments to FEC-084/7 and particularly those in paragraph 6 and the penultimate sentence of paragraph 9.b.
3. The Chinese member agreed to accept the amendment to paragraph 5.b.(2) on the condition that a statement that it was his Government's understanding that the paragraph would include equipment for manufacturing heavy prime movers, cranes, mining equipment and chemical equipment be incorporated in the minutes of the Commission meeting at which the policy is adopted.
4. Committee No. 2 decided to make no recommendation regarding the amendments proposed by the Soviet member to paragraphs 9.a.(1), 9.b. and 10 (indicated by underlining in the enclosure) for consultation with the Allied Council for Japan. The Committee considered that these proposals could be more appropriately discussed by the Steering Committee.
5. At its fifty-fourth meeting on 4 March 1947 the Steering Committee referred FEC-084/7 back to Committee No. 2 for further consideration in the light of the proposed Soviet amendments.

NELSON T. JOHNSON
Secretary General

FEC-084/9

RESTRICTEDE N C L O S U R EREDUCTION OF JAPANESE INDUSTRIAL WAR POTENTIAL1. Summary

Subject to the provisions stated in paragraph 10, the following actions, as detailed in paragraph 2-9, should be taken during the period of the occupation, in order to reduce Japanese industrial war potential:

a. All special purpose industrial machinery and equipment functionally limited to use in connection with combat equipment end-products, should be destroyed.

b. All other industrial machinery and equipment in primary war industries, and such other industrial facilities in secondary war industries and war-supporting industries as may be in excess of the peaceful needs of the Japanese economy should be made available for claim as reparations.

c. During the period of the occupation, a prohibition should be maintained against the re-establishment of primary war industries; and specified war-supporting industries should be limited to the productive capacity levels remaining after completion of the reduction program outlined above, except as modifications in these levels may be authorized by the Far Eastern Commission.

2. Primary War Facilitiesa. Definitions:

(1) Primary War Facilities are defined as plants and establishments primarily engaged in the development, manufacture, assembly, testing, repair, maintenance, or storage of combat equipment end-products and civil aircraft, and plants and establishments building merchant vessels above a size to be determined by the Far Eastern Commission.

(2) Combat Equipment End-Products are defined as weapons, ammunition, missiles and explosives used for military purposes; chemical or bacterial warfare agents; ultra-shortwave radio equipment (radar); naval combatant vessels; armored vehicles; or aircraft (including air frames and aircraft engines).

b. Disposition:

(1) All firms and organizations, whether publicly or privately owned and operated, whose activities have related primarily to the operation of primary war facilities and whose continued existence is deemed by the Supreme Commander for the Allied Powers to be undesirable from a security standpoint, should be dissolved by the Supreme Commander, who should at the same time seize their records and register all their key executive, managerial, research and engineering personnel.

(2) All plants and establishments identified by the Supreme Commander as primary war facilities should be impounded, and their machinery and equipment made available for reparations, subject to the following limitation: All buildings, machinery, and equipment in primary war facilities which, by virtue of initial design,

RESTRICTED

construction, or major structural change, are, as individual items, special purpose in nature and functionally limited to use in connection with combat equipment and end-products should be destroyed.

3. Secondary War Facilitiesa. Definition:

Secondary war facilities are defined as plants and establishments primarily engaged in manufacturing, repairing or maintaining major fabricated component parts, sub-assemblies, accessories, or equipment especially designed for use in the products of primary war facilities.

b. Disposition:

(1) In plants and establishments identified by the Supreme Commander as being originally organized or completely reequipped to operate as secondary war facilities, as defined in subparagraph a above, all machinery and equipment, except as noted under (3) below, should be made available for reparations.

(2) In plants and establishments other than those covered in (1) above, all machinery and equipment, except as noted under (3) below, should be disposed of under the recommendations in paragraph 5 covering the industry with which, in the opinion of the Supreme Commander, they were associated prior to their conversion or diversion to war production.

(3) All buildings, machinery, and equipment in secondary war facilities which by virtue of initial design, construction, or major structural change are as individual items special purpose in nature and functionally limited to use in connection with combat equipment and-products should be destroyed.

4. Dispersed Machinery and Equipment from Primary and Secondary War Facilities

All special purpose machinery and equipment, as defined under 2 b(2) and 3 b(3) above, should be sought out in locations to which they may have been removed from primary and secondary war facilities, and should be destroyed wherever found. Other machinery and equipment which was formerly used in primary and secondary war facilities but subsequently dispersed, need not be sought out and identified under the provisions of this paragraph but should be treated under paragraph 5, as a part of the industry with which it is associated.

5. War Supporting Industriesa. Over-All Policy

As a supplementary measure designed further to reduce Japan's industrial war potential, that portion of existing capacity in selected war-supporting industries which is in excess of that necessary to meet the peaceful needs of the Japanese people, as defined by the Far Eastern Commission, should be made available for removal as reparations.

RESTRICTEDb. Application

(1) The following specific industries are considered as being "war-supporting," for purposes of the industrial removals proposed in this paper:

- (a) The iron and steel industry, producing pig iron, steel ingots and basic shapes
- (b) The coal carbonization industry
- (c) The non-ferrous metals industry, producing pig, ingot and basic shapes
- (d) The light metals industry, producing alumina, primary aluminum and magnesium, rolled, drawn or extruded shapes
- (e) The metal working machinery industry, producing machine tools, cutting tools and secondary metal working machinery
- (f) The ball and roller bearing industry
- (g) That part of the chemical industry producing industrial explosives, sulfuric acid, soda ash, caustic soda, chlorine, chemical nitrogen and calcium carbide (In the case of industrial explosives "capacity which is in excess of that necessary to meet the peaceful needs of the Japanese people" is defined as capacity which is in excess of that necessary to meet Japanese domestic requirements)
- (h) The railway equipment industry
- (i) The automotive industry
- (j) The electric power industry
- (k) The cement and abrasives industries
- (l) The steel merchant shipbuilding and repair industry (residual after removals effected under para. 2)
- (m) The merchant marine, fishing, whaling and cannery fleets, including publicly and privately owned steel vessels of 100 tons or over (this shall not be interpreted to prevent vessels of less than 100 tons being considered for reparations)
- (n) The oil refining and synthetic fuel industry and storage
- (o) The synthetic rubber industry
- (p) The heavy electrical equipment industry

(2) In addition to reduction in capacity in the specific industries listed above, a further reduction in the total inventory of metal-working machinery in Japan should be effected in so far as this may be required to eliminate metalworking capacity in excess of the peaceful needs of the Japanese people as defined by the Far Eastern Commission.

RESTRICTED6. Residual Capacity

After the Supreme Commander for the Allied Powers has completed the selection for delivery to claimant countries of industrial plants or facilities within the categories of industry approved for removal as reparations by the Far Eastern Commission, and, after the destruction of special purpose machinery, as defined in paragraphs 2 and 3, residual productive capacity in the industries designated in this paper which is in excess of Japan's peaceful needs, as defined herein, should be appraised from the standpoint of the individual and collective war potential represented by this capacity, and a decision made by the Far Eastern Commission as to its disposition.

7. Property of Nationals of Members of the United Nations

A separate statement of policy covering the treatment of property of nationals of members of the United Nations will be issued by the Far Eastern Commission. In the meantime, no action should be taken under the present paper with respect to such property.

8. Reparations

Removal or destruction of industrial capacity for security purposes under the terms of this paper should not be limited in order to compensate for the effects of industrial removals for reparations.

9. Post-Removal Restrictions on Japanese Industrial Capacity

Throughout the period of the occupation the following limitations of Japanese industrial capacity should be maintained:

a. Primary War Facilities:

Within the framework of the definitions given in paragraphs 2 and 3:

(1) The following should be prohibited in Japan: The establishment, possession or operation of any facilities for the development, manufacture or assembly of combat equipment end-products; the development, manufacture, assembly, importation or possession of any special purpose machinery and equipment as defined under paragraphs 2 b(2) and 3 b(3); the development, manufacture or assembly of any combat equipment end-products, or their possession except as authorized by the Supreme Commander, after consultation with the Allied Council for Japan in accordance with the terms of Reference of the Allied Council for Japan, for the purposes of the occupation; the building of merchant vessels above a size to be determined by the Far Eastern Commission; the development, manufacture or assembly of civil aircraft; and the participation by the Japanese Government or Japanese nationals in the ownership or airborne operation of civil aircraft.

(2) Japan should be directed to prohibit any of its nationals from taking part in the ownership or operation of primary war facilities outside of Japan.

b. War-Supporting Industries:

The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries, after the completion of the industrial removals proposed in this paper and after the disposition of remaining "excess" facilities as provided for under paragraph 6,

RESTRICTED

should constitute the permissible maxima in these industries during the period of the occupation, pending a decision by the Far Eastern Commission as to long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission. If, at any time during the occupation, the Supreme Commander considers an adjustment in these levels necessary, he should, after consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan, recommend such an adjustment and submit to the Far Eastern Commission appropriate supporting data. Changes in the established levels can be made after adoption by the Far Eastern Commission of a policy decision authorizing such a change.

Since this paper deals only with measures to be taken during the period of the occupation, the question of post-occupation industrial disarmament controls should be reserved for a future paper dealing specifically with this subject.

10. Occupation Needs

The Supreme Commander should be authorized to except temporarily from the provisions of this paper particular primary war facilities, secondary war facilities and facilities in war-supporting industries, in so far as such facilities are required to meet the needs of the occupation. In such cases the Supreme Commander will after consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan provide an explanation of reasons for retention and an estimated date of removal or destruction.

11. Records of Property Removals and Destruction

The Supreme Commander should keep records of all property removed from Japan or destroyed in the execution of the policies in this paper.

FEC-084/10RESTRICTEDFEC 084/105 May 1947FAR EASTERN COMMISSIONUNITED STATES AMENDMENTS AND INTERPRETATIONS TO
REDUCTION OF JAPANESE INDUSTRIAL
WAR POTENTIAL. FEC 084/9Note by the Secretary General

The enclosure, United States amendments and interpretations relative to the proposed policy on Reduction of Japanese Industrial War Potential (FEC-084/9), is circulated herewith for the consideration of the STEERING COMMITTEE.

NELSON T. JOHNSON
Secretary General

FEC-084/10

RESTRICTEDE N C L O S U R EUNITED STATES AMENDMENTS AND INTERPRETATIONS TO
REDUCTION OF JAPANESE INDUSTRIAL
WAR POTENTIAL, FEC-084/91. U. S. Amendments:

- a. The following additional provision, probably to be added to paragraph 9:

"The provisions of this policy decision will apply until 1 January 1949 or until the end of the present phase of the occupation of Japan, whichever is the earlier."

- b. In paragraph 5 a., following the clause "as defined by the Far Eastern Commission", add the clause "in FEC-106/1".

- c. In paragraph 5 b. (1) line 3, substitute the words "in 5 a." for "in this paper."

- d. In paragraph 5 b.(2) at the end of the paragraph following the phrase "by the Far Eastern Commission", add the phrase "in FEC-106/1".

- e. In paragraph 6, line 8, substitute the phrase "as defined in FEC-106/1" for the phrase "as defined herein".

2. Interpretations of the U. S.

- a. "The U. S. Government understands 'Selection' to mean the Supreme Commander's designation of particular industrial facilities for actual removal to countries which have undertaken to transport them from Japan."

- b. "The U. S. Government understands 'Residual productive capacity' to refer to that capacity declared available for removal, but not requested for actual removal from Japan by any reparations claimant country."

- c. "The United States Government, for the time being, and pending further study of the Far Eastern Commission Terms of Reference and clearer determination of the views of other interested governments does not consider paragraph 9b to prejudice as exclusive or necessary Far Eastern Commission jurisdiction in the field of 'long term economic disarmament controls' beyond the period of occupation."

FEC-084/10