DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(B) OR (E) NNDG # _____

UNCLASSIFIED
ROUTINE

FROM : CSCAP TOO NR : 051946 6 MAR 49 CONT'D

is in violation of the Potsdam Declaration in respect to Japan and the decisions of the FEC re the democratization of Japan.

At the same time the above-mentioned anti-Democratic measures were approved by the Japanese Diet under the pressure of the US occupation auth in Japan, and were reflected in the amendments adopted by the Japanese Diet to the National Public Service Law of Nov 30, 38. In order to prove that the adopted laws are basically in contradiction with the principles, decided upon by the FEC in re to Japanese trade unions set forth in the decision of Dec 6, 46/(principles for Japanese trade unions) it is sufficient to give the fol examples:

"In para 1 of the above-mentioned decision it is stated:

'Japanese workers should be encouraged to form themselves into trade unions for the purpose of preserving and improving conditions of work participating in industrial negotations to this end, and otherwise assisting the legitamate trade union interests of workers, incl organized participation in building up a peaceful and Democratic Japan.'

"The same objective of protecting the Democratic rights of trade unions is pursued by para 2 of this decisions:

'The right of trade unions and their members to organize for these purposes should be assured and protected by law. The freedom of workers to join trade unions should be provided for by law. All laws and regs preventing trade unions achieving thoss objective should be imabrogated. Employers should be forbidden to refuse employment to, or discriminate against, a worker because he is a member of a trade union.'

"In para 4 it is also stated that:

'Trade unions should be encouraged to negotiate with the employers on behalf of their members re terms and conditions of employment. The Japanese Govt should establish mediation and arbitration machinery for dealing with industrial disputes that cannot be settled by dir and volunteer negotiation between the worker or his representative and the employer. The mediation and arbitration machinery should operate under conditions assuring the protection of the interests of the workers.'

"Such are the FEC decisions the purpose of which is to protect the legitamate interests of Japanese workers and trade unions fr the arbitrary actions of employers.

"However, the above-mentioned laws deprive the workers and

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ROUTINE
UNCLASSIFIED
-2-

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG #

INCOMING MESSAGE

DECLASSIFIED
E.O. 11652

FROM : CSCAD TCO NR : 051946 Z 6 MAR 49 CONT'D

employees of govt enterprises and institutions of the elementary rights of protecting their interests by means of concluding collective agreements as well as by means of participation in labor conflicts. Severe repressive measures incl imprisonment for a period of 1 to 3 years and a fine of 100,000 yen are imposed for participation in such conflicts.

"As to the workers and employees of other branches of industry and the national economy, these laws give the cabinet ministers the right to define the categories of workers and employees which are allowed to participate in trade unions and also the right to determine a list of questions which according to the opinion of the govt, may be incl in collective agreements for workers.

"13 of the above-mentioned decision of the FEC is also violated. This par reads as fols:

'Japanese Govt and other agencies which were set up or functioned for the purpose of obstructing or in such a way as to obstruct free labor organization and legitimate trade union activities should be abolished or their powers in respect to labor revoked. No police or other govt agencies should be employed in spying on workers, breaking strikes, or suppressing legitimate union activities.'

"In violation of this par the revised national public sy lw establishes a system of police spying and repressive measures in respect to govt workers and employees. Besides, these illegal measures against the workers and employees are being taken on a more and more broad scale.

"Finally, par 6 of the com decisions reads:

'Trade unions should be allowed to take part in politicial activites and to support political parties'.

"Very often this par is rudely violated. This can be seen even fr a fact that the revised national public sv law permits the national pers auth which is under the prime minister to determine at its discretion the character of political activities of govt employees and also provided for the prohibition of the govt employees to engage in any political activities other than exercising the right to vote. In practice this has led to arbitrary measures of the part of Japanese auth in respect to govt employees and to an offensive against their elementary and inalienable rights.

(over)

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ROUTINE
UNCLASSIFIED

UNCLASSIFIED
ROUTINE

FROM : CSCAD ICO NR : 051946 Z : 6 MAR 49 CONT'D

"The above-mentioned examples refute the US representatives statement at the com meeting on Jan 13, 49 to the effect that the recent Japanese laws, mentioned above, allegedly are not inconsistent with the principles set forth in the FEC decision in respect to Japanese trade unions.

"It is notable that in his statement the US representitive could not but recognize the absolutely self-evident fact that the Com decisions do not make any distinctions between the workers and employees engaged in Govt enterprises and institutions and those engaged in private enterprises. Neverthelss, the US mil auth in Japan and the Japanese Govt acting under their patronage, do make such distinctions depriving first of all the workers and emplcyees engaged in govt enterprises and institutions of their legitimate rights.

"The attempt of the US representative to prove that the Susprema Commander, allegedly, has the right to interpret and implement the Com decisions at his own discretion was dictated by a clear intention to justify illegal action of Gen MacArthur and those of the Japanese Govt. This attempt constitutes an example of ignoring the rights of the FEC which is the only agency formulate allied policy in respect to Japan. Recently such attempts have become more and more numerous.

"In this connection it is impossible not that of aforesaid new laws have led to the increase of police reprisals against Japanese workers, trade union leaders, promoters of Democracy in Japan, and that these reprisals are now being extended not only to the workers and employees of Govt enterprises and institutions to whom new Japanese laws are dir applied, but also to the workers and employees of other branches of industry.

"As examples of arbitrations and repressions against workers and employees during the recent time one may point out the fol:

"In Nov 48 the Mil Tribunal of the 24th US Inf Div in Kokura sentenced 16 trade union offs to hard labor. The beating by the Japanese police on Nov 28, 48 of girl-operators of the Tokyo Central Telephone sta who were on strike may be taken as another example of unlawful practices. The sentencing of 20 railway workers in the city of Asahigawa (Nokkaido) to imprisonment, although they did not commit any crime or offense, also belongs to the same illegal tricks.

"It is also known that there are repeated cases when representatives of the Supreme Command summon trade union leaders and by threats of repressions and a din pressure upon the representatives of striking workers and employees deprive them of their legitimate rights and interests.

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ROUTINE
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DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNDS #

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

UNCLASSIFIED
ROUTINE

FROM : CSCAD ICO NR : 051946 Z 6 MAR 49 CONT'D

"On Feb 3 the Japanese Labor Ministry issued an order in respect to the activity of trade unions. By this order the profectural governors are required to examine the 'constitutionality' of trade unions and to dissolve those of them which will not answer the criterial established by the above-mentioned order of the Ministry of Labor. In accordance with these criteria, the trade unions which engage in the organization of mutual aid for their members, engage in cultural activities, and take part in political activities are considered as unconstitutional and subj to dissolution.

"It is not difficult to note that this order of the Japanese Ministry of Labor, approved on Feb 2, 49 by the Labor Div of Gen MacArthurs Hq, once again rudely violated the FEC decision of Dec 6, 46.

"According to the rpts widely published in the Japanese press the Japanese Govt is at the present time preparing itself for the further limitation of the rights of the Japanese working people by means of a new revision of labor legislation and trade union statutes as well. With this purpose there was created a goverment-al com which according to Mr Hepler, Chief of Labor Div of the US Occupation Forces Hq, should "prepare a bill for the revision of labor legislation."

"On Feb 14 the Japanese Ministry of Labor published new drafts for the revision of the trade union law and the labor relations law.

"The publishing of these drafts created a wave of protests on the part of Japanese Democratic organizations. In particular, the two largest trade union organizations of Japan-the National Congress of Industrial Trade Unions and the All Japanese Federation of Labor were against these drafts. In the statement of the National Congress of Trade Unions it is pointed out that the above mentioned drafts were 'one-sidedly and undemocratically worked out by the govt in an attempt to take advantage of the US program on the stabilization of Japanese economy for the revision of labor legislation to the worse.'

"On Feb 25 a delegation of 11 Japanese trade unions visited the members of the Allied Council for Japan and presented them a petition. In the petition it is stated that the above-mentioned

(over)

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bills, prepared by the Japanese Govt, are dir towards abolishing labor agreements, that they deprive the workers of elementary human rights, ignore the right of workers to participate in the consideration of the labor relations law and sanction the right of the local govt labor boards to interfere dir in trade union affairs. The delegation justly states that the anti-democratic measures and laws being passed in Japan are in contradiction with the decision of the FEC re the Japanese trade unions.

"The representatives of 11 trade unions appreal to the countries participating in the control over Japan, with the request to prevent these anti-democratic measures of the Japanese Govt.

"Such is the position of the Japanese workers and employees in re to the anti-democratic laws and measures, being passed by the Japanese Govt with the encouragement and on the dir orders of the US mil auth. How can the FEC not listen to the voice of the representatives of the Japanese trade unions? It cannot, of course, do this since not to reckon with these legitimate demands of the workers of Japan means to ignore its own decisions, dir toward the attainment of democratization of Japan.

"In view of the fact that the revised public sv law of Nov 30, 48 and the Public Corporations Labor Relations Law of Dec 11, 48, by the Japanese Diet on the basis of Gen MacArthur's dir of July 22, 48, as well as the drafts for the revision of the Labor Relations Adjustment Law and the Trade Union Law, published by the Japanese Govt on Feb 14 deprive the Japanese workers and employees of their inalienable right to fight for the protection of their legitimate interests and rights, provided for by the decisions of the FEC, the Soviet delegation submits the fol proposals for the consideration of the com:

"1. The FEC finds that the revised 'National Public sv law' and the 'Public Corporations Labor Relations Law' adopted by the Japanese Diet on Nov 30 and Dec 11, 48, respectively, as well as the draft of the Labor Relations Adjustment Law and the draft of the Trade Union Law, published on Feb 14, dir towards depriving the Japanese workers and employees of the possibility of protecting their legitimate rights, constitute a violation of the decisions of the FEC-'basic post-surrender policy for Japan' of 19 Jun 47 and 'principles for Japanese trade unions' of Dec 6, 46.

"2. The FEC deems it nec that on the part of the Supreme Comdr of the US Occupation Forces in Japan approp measures be taken towards the abrogation of the revised ' National Public Sv Law' and the 'Public Corporations Labor Relations Law!

"3. The FEC draws the attn of the Supreme Comdr to the nec of taking actions to prevent in the future the adoption by the Japanese Govt and the Japanese Diet of measures which violate the Potsdam Declaration in respect to Japan and the policy decisions of

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DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNDG # _____

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

UNCLASSIFIED
ROUTINE

FROM : CSCAD IGO NR : 051946 Z 6 MAR 49 CONT'D

the FEC."

NO SIG

ACTION : SECY GEN STAFF

INFORMATION :COMMANDER IN CHIEF, CHIEF OF STAFF, GOVT, ECON & SCI

NOTE : Service has been requested for verification of cite nbr.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # _____

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

Confidential
ROUTINE

LRS

3 Mar 49

FROM : STATE DEPT

TO : SCAP (ACTING POLITICAL ADVISER)

INFO : CSUSA

NR : 030419 Z (RELAYS MSG DTG 030048 Z) (STATE SERIAL 73 MAR 2, 7 PM SGD ACHESON)

Meeting Steering Committee, Feb 23 cancelled.
Fol summary FEC meeting, Feb 24:
Policy towards patents, utility models and designs (FEC-284/14)

USSR member stated FEC-284/14 not acceptable to his Govt unless Para 5 deleted. US member indicated deletion Para 5 acceptable provided Para 5 referred committee further discussion. UK member stated he could not accept deletion without further insts from his Govt. Chi Amendment to para 5 that.

1. In Lines 10 and 11 a period be placed after word "applications" and fol words deleted "as he would have been entitled to under arrangements existing with Japan immediately prior to the outbreak of hostilities"

2. In Line 10 "such" be changed to "a" was carried by vote 8 favor with 3 abstentions (USSR, FRANCE, NZ). Amended paper thereupon vetoed by USSR in face approval other members. US member immed introduced (1) as new paper original minus Para 5 with recommendation that members seek instrs from their Govts sc vote could be taken next meeting and (2) appended Para 5 as separate policy decision to be referred committee on further consideration.

Trial Jap War criminals (FEC-314/8.)

Committee 5 Feb 18, 1949 fwded commission FEC-314/7 by vote 6 favor, 4 abstentions (India, Phil, USSR, US) and 1 abstence. This paper differs from FEC-314/4 only respect to changing date terminating investigation "B" and "C" suspects to Jun 30, 49 and trials Sep 30 49.

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FROM : STATE DEPT NR : 030419 Z - - 3 MAR 49 - CONT'D

At suggestion US, Indian member proposed paper limited termination "A" trials Policy decision limited 1st Para FEC-314/7 approved vote 9 favor, 2 abstentions (USSR and Phil) UK member insisted 2d Para referred back to committee further consideration. Econ stabilization Japan (FEC-319/3).

US member referred to info that had already been made avail FEC and understanding further info would be circulated, as recd and suggested discussion questions raised could take place most appropriately working committee. Sov member opposed such motion and reiterated charges against US. Austral, Canada, NZ members indicated support US suggestion. NZ member pointed out he did not agree Sov contention US issuance interim directive illegal. Rather he thought method unfortunate and attempt should 1st have been made obtain FEC agreement. He implied NZ would have no objection issuance interim directive on patents paper. As to substance interim directive, his Govt recognized measures set forth were important to success occupation and took note assurances US Govt directive could not cut across Democratization Program. He thought reference committee would lead to more earnest and less public discussion. Austral member associated himself with views NZ member. Chi member called attention Close Relationship Econ stabilization and level Econ life and reparations, expressed interest further info on implementation and suggested subj be kept on agenda of comm and committee. US member agreed to keep item on agenda comm but refer view members and furter info to committee. USSR member accused US trying to lead FEC away from discussion interim directive and referred several articles New York Times as basis for allegation that American monopolists seeking control and Nationalize Jap Industry. He contended dropping of item from agenda comm premature. US member replied USSR member misunderstood him, but very nature Sov statement indicate appropriateness discussion at technical level. USSR member points out he was not just waiting for technical info but wanted to know what steps being taken in Japan now that "Banker Dodge" was there.

Under other business USSR member stated Communications Ministry USSR advised by SYGITU Jap Govt with permission SCAP joined intl convention telecommunications adopted Atlantic City 1947. He mentended SCAP in issuing directive permitting Japans joining convention had exceeded his authority since FEC policy, Jun 19 47, Basic Post-Surrender Policy for Japan, no provision authorizing SCAP decide for himself question Japans becoming member Intl Inter-Governmental orgs.

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ROUTINE
Confidential
-2-

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG # [illegible]

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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ROUTINE

INCOMING MESSAGE

FROM : STATE DEPT WR 1 030419 Z MAR 49 CONT'D

In this connection Soviet Govt considers SCAPs directive illegal as contradictory basic Post-Surrender Policy Japan "In accordance with which the Japanese Govt may, in the permission of the Supreme Commander, carry out functions connected only the questions of internal administration, but not foreign relations. Therefore, Japans joining to the International Convention of telecommunications has no legal value."

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : CIV COMM, GOVT, ECON & SCI, LEGAL, CIV PROP CUST (4 Mar 49)

44846

ROUTINE

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TOO : 030419 Z
MCN : 93996

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16—50735-1 GPO O—795839

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F.E.C.

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

Gen Whitney

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ekc

INCOMING MESSAGE

Confidential
ROUTINE

AEM
25 Feb 49

FROM : STATE DEPT

TO : SCAP (USPOLAD)

INFO : CSUSA

NR : 250206 Z (MSG TRUE TOO 250022 Z) (STATE SERIAL 66 FEB 24, 7 PM SGD ACHESON)

Steering committee MTG on Feb 16, 49 cancelled. Fol summary FEC MTG Feb 18, 49:

Economic stabilization in Japan (FEC-329/3).

US reply Soviet statement Feb 3, 49 transmitted to SCAP by DA Feb 17, 49. USSR Member made lengthy statement in which he reiterated charge US directive Dec 10 48 changed regime of control in Japan and that it's issuance in evasion of FEC consituted violation terms reference FEC. He referred to US refusal accept Soviet proposals that no limitation be imposed on development peaceful Japanese industry on grounds it served no useful purpose since Soviet proposals in substance rpts FEC policy decisions. He alleged that US attempt unilaterally and in evasion of FEC to force upon Japan it's on econ program was inconsistent with earlier position and in contradiction FEC policy decisions. He stated such actions could be explained by intention of US to subject Jap economy to interests Amer monopolistic groups.

He further alleged that contrary stated US intent create econ environment "in which democratization can take place" creation of governmental committee on revision of labor laws which is preparing for forthcoming session Diet bills for revision of labor union law and labor relations adjustment law aimed at introducing compulsory arbitration for "peaceful" settlement labor disputes and carrying out other measures, was clearly directed toward limitation democratic rights of Jap working people. He added that Labor Dept and Econ Stabilization Board

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Gen Whitney
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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG #

Confidential
ROUTINE

FROM : STATE DEPT NR : 250206 Z 25 FEB 49 CONT'D

were preparing establish strict control over wages workers and employees and maximum wage level which would clearly lead to further deterioration already very low standard living of Jap working people. He also pointed out that it was reported in Jap press that "rationalization" Jap enterprises by US Occupation Authorities and Jap Govt would be accompanied by mass discharges of workers and would lead to great increase in unemployment. It was also his view US is pursuing in Japan policy of it's own, directed towards preservation and strengthening large Jap concerns which played great part in aggression carried out by Jap militarists, in support of which he cited measures to revise Anti Trust Law and refusal US to discuss FEC-230.

He further noted that attempts Jap Govt stimulate development export industry by means Govt subsidies had met with opposition on part US Occupation Authorities and cited this as evidence intention US to close outlet Jap goods to export market in order create privileged conditions for Amer monopolies and that as result Japan's foreign trade indebtedness by Jun 48 amounted to huge sum 790 million dollars. SCAP's Cir Jan 14, 49 is also cited as attempt US encroach on econ independence Japan. The Soviet Member concluded by:

(1) Asking Comm to discuss problems set forth in directive,

(2) Pressing US provide FEC with comprehensive info concerning fulfillment by Gen MacArthur of policies FEC on econ questions--particularly regarding reduction Jap industrial war potential,

(3) Supporting proposals other members in respect necessity accelerating adoption by Comm of decisions on level of econ life text of statement almost immed released to press level of economic life in Japan, (FEC-242/32 and FEC 297/10) USSR member urged US present position in near future policy towards patents, utility models and designs (FEC 284/14) vote on Chi Amendment postoned as USSR did not have instrs other business.

UK Member called to attn Comm that problem review Jap Constitution still before committee III and that it was still duty Comm to see if Constitution fulfilled terms Potsdam Declaration and FEC policy decisions. He suggested that attempt be made to point out defects but not to prescribe detailed remedies. He

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FEC
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J.

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

File

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mrs

INCOMING MESSAGE

Confidential
PRIORITY

TBB
23 Feb 49

4 0 V T

FROM : CSCAD ICO

TO : SCAP

NR : W 84516

Reurad Jan C 67291.

FEC much appreciated your prompt reply to consultative msg on review of Japanese constitution. In course of Committee discussions several members indicated interest in what Japanese are doing in modes of constitutional review. UK and Australian members in FEC meeting on 17 Feb 49 formally proposed reconvening of Committee III as a part of FEC review of constitution to discuss defects of constitution but not to prescribe detailed remedies. It was their thought that summary of these discussions might be sent out to you for your comment or for possible guidance of Diet Committee. The US, in line with its position on review of constitution, will oppose any suggestion which hinders efforts to settle matter promptly and finally.

Australian member has informally indicated that his govt does not consider that Jap Diet has yet fulfilled provision of FEC policy decision that "not sooner than 1 yr and not later than 2 yrs after it goes into effect, the situation with respect to the new constitution should be reviewed by the Diet." Therefore he intends to propose that FEC send another consultative msg to you containing inter alia suggestion that Diet Committee meet and review situation with respect to constitution.

It would be desirable, it would be difficult, without add supporting info, for US delegation to take position that, in light of discussions held by Diet members on interpretations to be placed on various provisions of constitution as described in your rad, decision of Diet members to press for no IM modification of constitution at this time in fact constitutes fulfillment of FEC policy decision.

Your views are request.

(1) Whether a further FEC consultative msg requesting your views on fulfillment of FEC policy decision by Japanese

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PRIORITY

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Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

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PRIORITY

FROM : CSCAD ICO NR : W 84516 23 FEB 49 CONT'D

Diet would be embarrassing to you;

(2) Whether you could give now sufficient evidence in your reply to support fact of Japanese fulfillment or would prefer to turn such evidence now to forestall sending of further consultative msg;

(3) If you feel Japanese have not fulfilled FEC rqmt, what Japanese action is desirable and most expedient.

Acting POLAD has been send add background info on this question by state.

NO SIG

ACTION : SECY GEN STAFF

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT (23 Feb 49)

RELEVED
23 FEB 1949

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PRIORITY

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TOO : 221910 Z
MCN : 93605

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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

Restricted WE

ROUTINE

18 Feb 49

FROM : CSCAD ICO

TO : SCAP

NR : W 84347

For info text of US reply to Soviet statement of 3 Feb 49 read and distributed by US member FEC 17 Feb 49 as fols:

"At the Feb 3d meeting of the Far Eastern Commission, the Soviet Ambassador made a statement which reflected upon the legality of the US directive of 10 Dec on Japans ecohomic stabilization and upon an admaction of SCAP regarding fgn investments in Japan.

"I was able on Feb 3d to answer immediately the charge that the US interm directive was inconsistent with Far Eastern Commission policy and constituted in some way a compromise of the regime of control. My statement was circulated to you, is a matter of record, and its content need not be repeated.

"At this time, however, I wish to comment on the views expressed by the Soviet Ambassador regarding the rights which the Supreme Comdrs Cir Nbr 2 of 14 Jan, 49 will give to fgn businessmen. He suggests that the national independence of Japan is being endangered by these rights. He asserts further that the Supreme Commander has violated a provision in the commissions policy decision on conduct of trade with Japan through the exercise of his auth in granting the rights specified in Cir Nbr 2.

"It is the view of my govt that the Supreme Comdr, in issuing this cir, merely exercised an auth which he clearly possesses. Certainly, nothing in the Far Eastern Com policy on 'conduct of trade with Japan' can be regarded as limiting his discretion to establish regs for fgn investment in Japan. The Soviet representatives contention that Cir Nbr 2 is in some way in conflict with para 3 of this paper, which states that 'nothing in this policy decision is to be understood as rqg the reopening or opr of factories in Japan' is not understood.

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ROUTINE

Restricted

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

Restricted

ROUTINE

FROM : CSCAD ICO NR : W 84347 18 FEB 49 CONT'D

"This merely states that SCAP is not rqd to reopen or opr factories. It in no way precludes him from authorizing such reopening or opr when he feels it desirable.

"It should be pointed out that permission to invest in Japan is being granted equally to all non-Japanese and not to American investors alone-as seems to have been suggested by the Soviet Ambassador. Whatever the nationality of the investor the Japanese have adequate safeguards. For example, the cir states explicitly that any contract for the acquisition fr the Japanese fgn investors of business rights or properties 'will be void unless validated by the Japanese Govt and the Supreme Comdr for the allied powers.' It appears obvious that the national independence of Japan will not be endangered under this pattern of safeguards which the Japanese themselves will apply.

"It fols, I believe, that no foundation exists for the Soviet Ambassador's apprehensions that the Supreme Comdrs Cir Nbr 2 constitutes either a violation of Commission policy or a threat to Japanese independence.

"At the Feb 3d meeting of this commission, I stated that the maj objective of an economic stabilization program in Japan was to create an economic envoronment in which genuine democratization could take place. That continues to be the view of my govt. Since the Supreme Comdr Cir Nbr 2 clearly can help to accomplish that objective by making possible renewal of active participation of fgn business interests in Japan-under the controls which the Supreme Comdr has established-and since that process can effectively contribute to restoration of Japans normal fgn economic relations, to Japans economic self-support, and to an enlargement of Japans part in the economic rehabilitation of the Far East as a whole, the US approves it heartily and is confident that its views will be shared by other members of the commission."

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, AG, GOVT, STAT & RPTS, ECON & SCI, LEGAL, DIPLOMATIC

40623

ROUTINE

Restricted

TOO : 172321 Z
MCN : 93423

19 FEB 1949

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

Feb 6

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FEC

INCOMING MESSAGE

Confidential

ROUTINE: WE

16 Feb 49

FROM : DA

TO : SCAP (ACTING POLAD)

INFO : CSUSA

NR : 160036 Z (PASSES MSG TRUE TOO 152221 Z FROM DEPT OF STATE)
(STATE SERIAL 55 FEB 15, 4 PM SIGNED ACHESON)

FEC Meeting Steering Com Feb 8 cancelled.
Summary FEC Meeting Feb 10 follows: Economic stabilization Japan (FEC-329/3).

New Zealand member informed Commission his govt entirely adopted views he expressed in Steering Com Dec 21, 48. He added his govt regrets course action taken in matter and hopes Commission will discuss terms directive issued, as Commission entitled to. He concluded his govt entirely concurs with point of view expressed by Mr Bullock behalf Australia Dec 30, 48 in which, amongst other things, he expressed an apprehension lest this attempt-this very proper attempt-at stabilization might preclude some of objectives which Commission has been aiming at in past.

French Member called attn Comm to 3 fundamental conditions according to which, in conformity with Art 11 of Potsdam Declaration Jap Economy should be rehabilitated:

A. Fixation of levels for econ life;
B. Suppression war industries;
C. Exaction of reparations.

Altho Fr del was aware importance helping Japan become capable satisfying its own needs as soon as possible, it felt obliged emphasize fact that interests must take precedence over those of nations which not so long ago were victims Japanese aggression and must not set aside right to reparations of countries which until now recd no compensation. Fr del attached particular interest to FEC 242/32 which however imperfect had merit to determine for nbr of categories of essential industries, activity of Japanese Econ life consistent with security safeguards which Allied Bowers must impose on Japan. By authorizing only nbr of peaceful industries on one hand (FEC 242/32) and by

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ROUTINE

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

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ROUTINE

FROM : DA NR : 160036 Z 16 FEB CONT'D

suppressing war industries on other, the Comm would have to certain extent compied with first two aforesaid conditions for restoration Jap econ life in conformity with Potsdam Declaration.

Furthermore, it was view Fr del that levels econ life cannot be rationally and definitely estab without final div shares for reparations among legitimate beneficiaries. In mind of fr govt determination of levels econ life in Japan and settlement of reparations claims were obviously linked. Neither questions had recd any settlement if FEC debates. Besides, it also seemed clear Jap industrialists and traders were anxious learn how both questions were going to be solved and in absence of any such settlement gen uneasiness prevailed in several fields of Japanese economy.

On consideration of above French Delegation emphasizes necessity of review of whole problem:

A. By a careful study of measures taken or to be taken by SCAP in conformity with directive FEC 329/2 issued by the US Govt on Dec 10 48, with reference to the economic stabilization in Japan, as compared with the proposed levels for economic life included in Document FEC 242/32:

B. By drafting simultaneously a final div of the reparations shares to be distributed among the countries members of the Far Eastern Commission UK member referred par 3 FEC 329/2 and inquired of US member when program was initiated.

Policy toward patects, utility models and designs (FEC 284/14).

Indian member stated he still had no instructions Chinese member proposed deletion following phrase in first sentence: "As he would have been entitled to under arrangements existing with Japan immediately prior to the outbreak of hostilities." Australian member was of view meaning of sentence would disappear if reference to pre-war priority were ommitted.

Further discussion postponed.

NO SIG

ACTION : DIPLOMATIC
INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF
ADDED DIST : GOVT, ECON & SCI, CIV PROP CUST (17 Feb 49)
39770

ROUTINE TOO : 160036 Z
MCN : 93315

Confidential

file

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

LRS
jag

INCOMING MESSAGE

Confidential

ROUTINE JLA

9 Feb 49

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : 090321 Z (RELAYS MSG DTG 090045 Z FROM DEPT OF STATE) (STATE SERIAL 46 FEB 8, 7 PM SIGNED ACHESON)

Part 1. Subj summary Steering Comit MTG Feb 1.

Replacement lost cultural objects (SC-272/12). In reply to query of Indian Member re use cultural objects by SCAP for purpose democratization in Japan, US member stated His govt understood SCAP has used and is currently using selected cultural objects for purpose democratization and education Jap people.

Sov member requested consideration amendment be postponed until all members had instruction. Item retained on Agenda.

Removal of aircraft and private munitions plants from Japan (SC-312). Retained on Agenda.

Part 2. Subj summary FEC MTG Feb 3.

Labor Policy in Japan (FEC-045/5). No discussion.

Economic stabilization in Japan (FEC-329/3). Sov member referred to SCAP and State Dept replies to his statement of Jan 27, 49, that directive to SCAP involved change in regime of control in Japan and reiterated view that directive to Gen MacArthur was contrary to decisions adopted by FEC. Also referred to SCAP's Cir Nbr 2, Jan 14, 49, on foreign business and investment activities in Japan and press release on same subj and inquired if "investments made by Amer investors and the businessmen from Wall Street would foster the Japanese national independence." Felt such rights given to businessmen by this cir would on the contrary endanger natl independence of Japan, and that this was in contradiction with FEC policy decisions. Also alleged that cir was not in accordance with para 3 for FEC policy decision on conduct of trade with Japan.

(over)

37462

ROUTINE

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Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

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ROUTINE

FROM : DA - - NR : 090321 Z - - - 9 FEB 49 CONT'D

Concluded as Follows:

"In connection with the carrying on of the program for the economic stabilization of Japan, on Jan 14, 49, the SCAP issued to the Japanese Govt a dir and directive which required unlimited expansion of the field of activity for foreigners in Japan, allow free investment of foreign capital, and permit the acquisition of property by foreigners. The directive requires the Japanese Govt to remove limitations existing in the Japanese legislation in respect to foreign enterprises. New regulations which are being introduced on the basis of the dir and the directive put foreign nationals, with the exception of transactions in respect to immovable property, on the same footing with persons of Japanese nationality and Japanese firms.

"The dir and the directive issued by Gen MacArthur also lead to substantial changes in the regime of control over Japan and consequently should be discussed by the Far Eastern Commission."

US member pointed out that as chairman he had made great effort to try to obtain international cooperation in FEC, but that Sov Amb did not seem desire to cooperate in that he tilted at every windmill that came out in newspapers. Added, however, that Sov member had right to call attention of comm to any act of SCAP inconsistent with FEC policies and that he would try to give reasonable replies to the many charges of Amb which were usually made with sinister implications.

In reply to Sov statement made at last mtg, US member read formal statement--text of which was transmitted by Army Dept on Feb 3, he

Sov member categorically rejected statement of US member that he, Sov representative, did not want to cooperate, adding that everything done by Sov representative had objective of FEC policy decisions. Reserved his right to answer statement of US member at latest mtg.

US member replied he would try to keep comm informed of developments in economic situation in Japan and would bring Sov statements to attention of his govt. Also indicated that Sov member was within his rights, under FEC policy on press, to release his statements to the press without waiting for a reply if he felt such action met his responsibilities to other members of comm without giving them opportunity to consider statement or hear a reply.

37462

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ROUTINE

FROM : DA NR : 090321 Z 9 FEB 49 CONT'D

Policy toward patents, utility models and designs in Japan (FEC-284/14). This paper represents Comite revision of FEC-284/10 which was referred to Comite 1 on Jul 14, 48. Chairman of Comite 1 indicated Sov amendments to paras 4 and 5 and Neth amendments had been defeated and that in place of either US or UK amendment to para 5 A compromise wording of para 5 had been agreed upon as follows:

"Nationals of countries at war with Japan who had duly filed in any country the 1st application for a patent [illegible] not earlier that 12 months hiatus."

Positions of CHI, Indian and Sov members reserved on this para. No action taken on comm level.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT, ECON & SCI, CIV I & E, CIV PROP CUST
(10 Feb 49)

37452

ROUTINE
Confidential
-3-

TOO : 090321 Z
MCN : 93030

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

EXTRA

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

GPM

Restricted
ROUTINE

4 Feb 49

FROM : DA CSCAD (ICO)

TO : SCAP

NR : W 83704

For your info at Far Eastern Commission Meeting 3 Feb 49 fol statement by US Govt was read and distributed by US member:

"At the Jan 27 meeting of the Far Eastern Commission the Soviet member made a statement on the Interim Directive issued by the US Govt on 10 Dec 48 regarding the economic stabilization of Japan.

"On behalf of my govt, I wish to comment on several points which the Soviet Ambassador made. It was suggested that by issuing the 10 Dec Directive the US Govt modified unilaterally the regime of control in Japan. In our view the directive in no way affects the regime of control for Japan which consists of the auth in Japan of SCAP, the chain of command to SCAP, the policy-making auth in Wash; the FEC and the US Govt operating within the terms of RE of the FEC. Far fr violating in any way the regime of control, the US Govt exercised its auth, clearly recognized by the terms of RE of the FEC, to take unilateral action on matters of urgency.

"It was suggested further that because the 10 Dec directive did not mention specifically the Democratization Program for Japan, the US Govt had ceased to be concerned in that objective. My govt was fully aware that policy dicisions previously adopted by the FEC on the Democratization of Japan were in existence. Since they are controlling, it was considered that there was no need to refer to them in this directive. In this connection it seemed to go without saying that the major objective of an Economic Stabilization Program for Japan is to create the ecomomic environment in which genuine Democratization can take place.

Gen Whitney
35934

(over)
ROUTINE
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Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

Restricted

ROUTINE

FROM : DA OSCAD (ICO) NR : WAR 83704 4 FEB 49 CONT'D

"My govt regrets that the Soviet Ambassador failed to understand the purposes of the recent directive to SCAP on economic stabilization, for Japan and regrets particulary that the Soviet Ambassadors mistake understanding of the directive was made pub before it could be corrected."

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, G-4, AG, GOVT, ECON & SCI, LEGAL, DIPLOMATIC

RECEIVED
5 FEB 1949

35934

ROUTINE
Restricted

TOO : 041713 Z
MCN : 92806

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

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ROUTINE

29 Jan 49

FROM : DA (CSCAD ICO)

TO : SCAP

NR : W 83402

For your info fol is text of statement made by Soviet member FEC at Comm meeting 27 Jan 49:

"On Dec 11, 48, the US Representative handed over to the FEC a document on the question of economic stabilization in Japan. It is pointed out in this document that the US Govt considers it a matter of urgency that the Supreme Comdr, Gen MacArthur, require the Japanese Govt immediately to put into effect a program of Japane economic stabilization. On Dec 10, 48, the US Govt issued and interim dir to the Supreme Comdr on the question of stabilizing Jspanese economy and on Dec 16, 48, submitted the text of this dir to the FEC as a matter of info.

"It is seenfor the above-mentioned document of Dec 11, 48, as well as fr the text of the dir, that the Supreme Comdr is charged with the task of formulating and carrying out, together with the Japanese Govt, measures dealing with the most important fields of Japanese economy. The program provides for the achievement of a balanced budget, the changes in the tax and credit policies, measures to achieve wage stability, measures in respect to price control, foreign trade and so on.

"The list of measures provided for by the dir shows that the Supreme Comdr is charged, together with the Japanese Govt, with carrying out such measures which touch upon the vital interests of the Japanese people as well as the interests of member-govts of the FEC which determines basic policies in respect to Japan.

(over)

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ROUTINE

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Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

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ROUTINE

FROM : DA (CSCAD ICO) NR : W 83402 29 JAN 49 CONT'D

"It goes without saying that such important measures in the field of Japanese economy should be in accordance with the decisions adopted by the FEC on economic matters. I have in mind first of all FEC decisions on economic demilitarization of Japan;

Reduction of Japanese industrial war potential;
Resumption of peaceful economic activity;
Fiscal, monetary, and banking policies;
On international trade and financial relations, and others.

"The decisions of the FEC adopted in respect to these matters constitute an intergral part of the regime of control over Japan, and the deviation for these decisions means the change in regime of control which is outside of the auth of the Supreme Comdr. The Supreme Comdr may carry out measures of political and economic character only in conformity with the policies formulated by the FEC as is provided for in the terms of ref of the com.

"It is directly pointed out in the terms of ref of the FEC apd at the Moscow meeting of the Foreign Ministers of the 3 powers in Dec of 45, that the dir dealing with fundamental changes in the "Regime of control: may be issued only fol consultation and fol the attainment of agreement in the FEC. It fol fr the above said that the issuance, in evasion of the comm, of a dir to the Supreme Comdr providing for changes in the regime of control in respect to Japanese economy constitutes the violation of the terms of ref of the FEC and its auth.

"It will be quite enough to compare the text of the dir with certain important policy decisions of the comm in order to see that the measures provided for by the dir are in a dir contradiction with the policies established by the FEC in respect to the economy of Japan. Thus, for example, it is pointed out in the dir Par 1 to the necessity of adopting 'whatever measures' by the Supreme Comdr in order to achieve fiscal, monetary, price and wage stability, and the increase of exports. Meanwhile, in the FEC decision basic post-surrender policy for Japan, Part IV, it is dir pointed out to the necessity of encouraging those forms of economic activity which are 'deemed likely to strengthen the Democratic forces in Japan and to prevent economic activity fr being used in support of mil ends.'

"The very fact that in the dir not a single word is said in respect to the above-mentioned task of carrying out measures capable of strengthening Democratic forces in Japan deserves a very serious attn, especially because of the fact that large

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FROM : DA (CSCAD ICO) NR : W 83402 29 JAN 49 CONTINUED

concerns which assisted, as is said in the FEC decision of May 13, 46, in Japanese aggression still continue to exist and occupy a dominant position in the economy in Japan.

"The fact that certain measures in the field of Japanese economy pursued by Gen MacArthur until now have not led to the necessary results also speaks in favor of discussing the question of economic stabilization in the FEC. In particular, this refers to foreign trade. According to the statement of Japanese Finance Minister Oya Japan's debt in foreign trade constituted by Jun of 48, the sum of $790,000,000. It is clear that such a situation in respect to Japan's foreign trade cannot be considered as normal.

"The inflation in Japan and the steady rise in prices of goods and, in the first of all, consumption goods, which fact affects, in the first place, the economic welfare of broad masses of Japanese people-are also indisputable facts. Even the US Govt was forced to recognize the existence of inflation. In the joint statement of the US State and Army Depts of Dec 17, 48, it is said that over the period between Nov 47 and Nov 48, the consumer price level and note issued increased 60%. This fact also shows that the measures pursued until now by Gen MacArthur in respect to the stabilization of Japanese economy have not led to the necessary results.

"Therefore, drawing the attn of the comm to the inadmissibility of such a situation when, in evasion of the comm, the US Govt unilaterally adopts important decisions in respect to Japanese economy, the Soviet Delegation insists that the comm should discuss the tasks set forth in the above-mentioned dir to the Supreme Comdr and adopt its own decision on this matter.

"In the course of discussing this question it would be necessary for the comm to rec from the US Govt add info on the extent of fulfillment of the policy decision already adopted by the FEC in respect to economic matters, in particular, the policy decision of Aug 14, 47, on reduction of Japanese industrial war potentiality.

NO SIG

ACTION : SEC GEN STAFF
INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF
ADDED DIST : G-2, GOVT, ECON & SCI, DIPLOMATIC (30 Jan 49)
33686

ROUTINE
Restricted
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TOO : 290029 Z
MDN : 92430

Parsphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

F.

EXTRA

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INCOMING MESSAGE

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ROUTINE

LRS

29 Jan 49

FROM : CSCAD ECON

TO : SCAP

NR : W 83335

Value of liquid assets in Japan is subj.

1. Proposal under consideration FEC Sub Committee re definition occupation costs and pri for repmt (FEC 288) makes prov for 1st pri charge against stocks gold, silver, other precious metals and precious stones and jewels, including monetary stocks, provided they are of clearly established Japanese ownership and were located within 4 main islands Japan prior 2 Sep 45 or produced during occupation of Japan. Excluded are such assets as are eligible for restitution or which are reqd for minimum essential needs of Japanese economy.

2. Request soonest info re dollar value of assets covered by above prov, listing different types of assets separately.

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, FISCAL, GOVT, STAT & RPTS, LEGAL, CIV PROP CUST

33372

ROUTINE

Confidential

TOO : 281814 Z
MCN : 92379

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

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INCOMING MESSAGE

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ROUTINE

27 Jan 49

FROM : DA (JCOS)

TO : CINCFE (PASS FOR ACTION TO CG USAFIK) (TO MACARTHUR AND COULTER)

NR : W 83240

The following interim directive, regarding resumption of trade between Korea and Japan, has been received from the State and Army departments for transmission to you for your guidance.

Directive begins.

"1. Reference CG USAFIK's ZTFGCA-OPN 327, 3 Dec 48 and W 82886 July 47.

"2. Regarding Part I, ZTFGCA, the provisions of Par 21 of W 82886 are hereby rescinded. Communication and personal contact between Korean nationals and Japanese nationals for the purpose of developing mutually beneficial trade relationships between Korea and Japan may be permitted under such regulations as may be agreed upon between the government of the Republic of Korea, and SCAP's in Japan. Such regulations should be coordinated with appropriate US officials in Korea.

"3. Regarding Part II, ZTFGCA, the State Dept hopes that the Korean Republic will avoid any arrangement which would unnecessarily limit the scope of private trade (basic assumption 'A') or unnecessarily encourage barter trade (procedure 'E'). CINCFE comments on procedure D noted.

"4. Regarding Part II, ZTFGCA, request that the State and Army dept be kept advised of developments resulting from negotiations between you and the Republic of Korea, concerning reciprocal trade between Korea and Japan."

Directive ends.

Happy birthday.

NO SIG

32569

ROUTINE

TOO : 262308 Z
MCN : 92229

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

35

Secret
ROUTINE

FROM : DA (JCOS) NR : W 83240 27 JAN 49 CONT'D

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, FISCAL, DIPLOMATIC, CIV PROP CUST, TOECA LO

NOTE : This msg passed to Signal Center for electrical transmission to CG USAFIK for action.

ADDED DIST : G-1, GOVT, ECON & SCI (27 Jan 49)

32569

ROUTINE
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TOO : 262308 Z
MCN : 92229

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Gen Whitney

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INCOMING MESSAGE

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NONE TBB

24 Jan 49

FROM : JOHNSON (SCAP OBSERVER TO IHFB CONFERENCE MEXICO)

TO : SCAP

NR : NR 9

Part 1. During the debate of the plenary of 14 Jan the UK in supporting made statement approximately as follows "Since in a matter of days Japan will be full member with the right of voting, therefore exclusion of the Japanese technical adviser is now impossible". Since then several delegations have asked the observer whether the right of a vote would be asked. Observer has not answered but is of the opinion the answer is no, for the following reasons:

1. Think such would be legally impossible as Japan has diplomatic and intergovernmental relations only through SCAP and SCAP has intergovernmental relations at conferences as observer only as provided by the FEC ruling of 9 June 48.

2. Am convinced requests stating rights would be political mistake even if legally possible.

The US delegation through Ambassador Thuoston who has been the head of the delegation since middle of Dec concurs in 1 and 2 above. Request clarification and, if answer is no, instructions as to whether observer is to answer questions on this subj.

Part 2. 1 member of the UK delegation has expressed the opinion to the observer that in view of accession SCAP would no longer have right of representation at conferences. Think this wrong due to nature of diplomatic and intergovernmental relations of Japan. However, request clarification.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, AG, CIV COMM, GOVT

31311 NONE

Gen Whitney
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Confidential

TOO : 211640 Z
MCN : 92057

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60a, AR 380-5.

EXTRA

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INCOMING MESSAGE

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ROUTINE

20 Jan 49

FROM : DA

TO : SCAP (POLAD)

INFO : GSUSA

NR : 192305 Z (PASSES MSG DTG 191936 Z FROM DEPT STATE) (SERIAL 18, JAN 19, 2 PM, SIGNED LOVETT)

Subj is summary FEC Meeting, Jan 13, 49.

Review of Japanese Constitution (FEC 326/4). Substance of consultative message approved with minor modification.

Economic stabilization in Japan (FEC 329/3). Re inquiries Chi and Philippine Membs concerning phrase "in some cases surpassed" in US statement of Dec 30, 48, US Memb stated that he would:

"Like to reassure them that there was no implication whatever in this phrase that SCAP or US Govt contemplated any compromise of principles set forth in the FEC decision dealing with determination of peaceful needs of Japan. They will note, that, policy deals with problems of Japan's consumption needs or, in other words, standard of living of Japanes people. That policy was explicit in disassociating standard of living concept from any arbitrary prescription for pattern of Japanese industry. In other words, para's 2 and 3 of that policy make clear that nature and size of a Japanese industrial structure capable of satisfying Japan's peaceful needs will be effected by population growth and various other factors and that 1930-34 standard should not be interpreted to imply any specific level for any particular industry."

Labor policy in Japan (FEC 045/3). In response to New Zealand inquiry of Dec 9, 48, US Memb made statement cited W 82710 of Jan 13.

New Zealand Memb on personal basis interpreted US statement as replying "no" to first question and "yes" to second and stated that such interpretation was not in consonance with FEC policy decision.

(over)

30295

ROUTINE

Gen Whitney.

Confidential

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Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

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FROM : DA NR : 192305 Z (PASSES MSG DTG 191936 Z FROM DEPT STATE) (SERIAL 18, JAN 19, 2 PM, SIGNED LOVETT) 20 JAN 49
CONTINUED

USSR Memb stated that FEC, and not US Govt should interpret policy decisions passed by FEC. He inquired what was basis of decision by SCAP to deprive govt workers of right to strike.

US Memb replied that there was no attempt on part of US to interpret Comm policies and that he hoped membs of Comm would view US statement in light of conditions in Japan.

Level of economic life in Japan: Policy towards Japanese industry (FEC 242/32): Policy toward shipbuilding and shipping (FEC 297/10). UK Memb urged that US position be presented in near future as this was most important question under consideration by FEC. New Zealand, Australia, and Netherlands associated themselves with UK views.

Policy towards patents, utility models and designs in Japan (FEC 284/10). In order to meet Soviet objection to para 5, US Memb proposed deletion in 2d line par 5 of words "which is a memb of union for protection of industrial property" and substitution therefor of words "at war with Japan." UK Memb considered deletion of above phrase adequate without substitution of further wording.

In view of USSR, US and UK amendments and prospect of submission of Netherlands amendments, paper referred to working committee.

Recommendations regarding Japanese-owned patents, utility, models and designs in territories of countries at war with Japan (FEC 311/2). Also referred to working committee.

In reply to Netherlands inquiry of Dec 30, 48 re charter on purchase of 91 Liberty ships by Japanese, US Memb replied there was no foundation to this report.

On adjourning FEC Meeting Gen McCoy called together reps of memb govts of FEC authorized to discuss applications of Pakistan and Burma to FEC and informed them that in view of inconclusive nature of discussions held by them on this subj, US intends to take up this question directly through diplomatic channels with other memb govts of FEC, but that US does not feel that direct approach to other govts would require termination of discussions among reps of memb govts of FEC.

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, DIPLOMATIC
ADDED DIST : GOVT, ECON & SCI, CIV PROP CUST (21 Jan 49)
30295 ROUTINE TOO : 192305 Z
MCN : 91898

RECEIVED 21 JAN 1949

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INCOMING MESSAGE

Restricted
PRIORITY TBB

14 Jan 49

FROM : CSCAD ICO

TO : SCAP

NR : W 82710

At Far Eastern Commission meeting 13 Jan 49 US member read and distributed fol US statement on labor policy in Japan.

"At recent meeting of the commission the New Zealand member asked 2 questions of my delegation:

(1) Whether, in our opinion, FEC 045/5 (principles for Japanese trade unions) applies to all or to some workers employed by the Japanese govt; and

(2) Whether, in our opinion, the recent Japanese legislation on the subj is in conformity with FEC 045/5.

"FEC 045/5 is a broad statement of principles for Japanese trade unions. It does not indicate the specific categories of workers, govt or otherwise, to which it applies or does not apply.

"While we are all aware that virtually every national distinguishes between labor relationships in govt and labor relationships in private enterprise, and makes further distinctions in the treatment accorded various categories of govt workers, such distinctions are not made in FEC 045/5. The implementation of this policy decision is left, of course, to the Supreme Comdr in the exercise of his executive auth.

"The Supreme Comdr from time to time in the course of the occupation has given sponsorship and apl of necessary and appropriate Japanese legislation dealing with labor relations both in industry and in the public sv. Legislation in these important areas has been amended and revised from

(over)

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PRIORITY
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Paraphrase not required. Handle as correspondence of classification carried hereon [redacted] per paragraphs 51*i* and 60*a*, AR 380–5.

[redacted]

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FROM : CSCAD ICO NR : W 82710 14 JAN 49 CONT'D

time to time by constitutional processes within the framework of the regime of control, to meet the objectives and needs of both the Japanese Govt and the occupation. It may be reasonably expected that the legislative code thus evolved will undergo further further revision by the same processes in the future.

"This code of Japanese legislation pertaining to labor relations within and without the public svc is not patterned precisely on that of any other single nation, nor should it be. It has been developed for Japan, in consultation between the successive Japanese govts and the Supreme Comdr who alone on behalf of the allied powers in a position to assess and appraise from an adm standpoint, the situation in Japan in which pertinent policy directives must be implemented by specific provisions of specific laws.

"In view of the fact that the policy decision has in effect left its precise application to Japanese labor to the Supreme Comdr, as a matter of implementation, I can only say in answer to the New Zealand members questions, that my govt considers it inappropriate for it to attempt to provide, by its opinion, precise terms for such implementation, and that it regards the implementation thus far effectuated by the Supreme Comdr as within his prerogatives and the latitude given him by the policy decision. My govt does not consider that the recent Japanese legislation is inconsistent with FEC 045/5."

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, AG, GOVT, STAT & RPTS, LEGAL, DIPLOMATIC

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PRIORITY
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TOO : 132059 Z
MCN : 91600

RECEIVED
15 JAN 1949

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INCOMING MESSAGE

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ROUTINE

14 Jan 49

FROM : DA

TO : SCAP (ACTING POLITICAL ADVISER)

INFO : CSUSA

NR : 140355 Z (RELAYS MSG TRUE TOO 140133 Z FROM STATE) (STATE SERIAL 13, JAN 13, 7 PM SGD LOVETT)

Subj Summary FEC dtd Jan 6, 49. ECON stabilization in Japan (FEC 329/3). In reply rptd Sov inquiries re nature program US member indicated objectives program expressed in directive and, comm would be kept informed developments.

Chi and Phil members pointed out in their view fol statement incl US reply to Aust member was not consistent with FEC folicy on determination peaceful needs of Japan.

"Raw material shortages and difficulties in finding markete for Japan exceed 1930-34 levels even with maximum effort on part Japanese. Yet unless those production levels reached and even some cases surpassed due to population technological and trade pattern changes Japan will not be self supporting and deficits will fall upon US taxpayer."

US member referred to last par policy decision which provides:

"Acceptance above policy should not be interpreted mean acceptance in advance of specific level for any particular industry."

Labor policy in Japan (FRF EC 318/10). US member indicated not yet in position give views his gov on NZ inquiry. USSR member insisted vote be taken on his proposal. Aus NZ, Canada, Indian, Phil, French members indicated would vote against Sov proposal grounds it was inappropriate but their vote without prejudice to their views on long term legis recently passed by Diet. Chi member stated would abstain grounds Sov proposal unnecessary. Sov proposal defeated vote 9 opposed 1 favor, 1 abstention.

USSR member made statement effect countries opposing Sov proposal were supporting Anti Demo Policies American mil auth in Japan and violating Potsdam Declaration and decisions on democratization of Japan adopted by FEC.

NZ Phil Aus members pointed out Sov statement contrary facts

(over)

ROUTINE

28316

Confidential

Paraphrase not required. Handle as correspondence of classification carried hereon [redacted] per paragraphs 51*i* and 60*a*, AR 380–5.

[redacted]

16—48710-1 GPO

EMS
WS

Confidential
ROUTINE

FROM : DA, NR : 140355 Z, 14 JAN 49 CONTINUED

and should it be issued to press comm also should issue statement.

Comm agreed despite disapproval MacArthur SA subj of labor policy in Japan should be kept on agenda.

Reparations removals: Acessory facilities buildings technical data(FEC 299/5).

Phil member raised question of "buildings" pointing out buildings such design available only for specific purposes and conversion of which impossible should be made avail as reparations. He noted critical shortage steel for buildings in Phil and need such buildings adding he could support Chi amendment Par 2.

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, DIPLOMATIC

ADDED DIST : GOVT (16 Jan 49)

28316

ROUTINE
Confidential
-2-

TOO : 140355 Z
MCN : 91625

FAR EAST COMMAND

GENERAL HEADQUARTERS,
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

FEC

LRS
hje

INCOMING MESSAGE

5853†

ROUTINE

SM

14 Jan 49

FROM : DA

TO : SCAP (ACTING POLITICAL ADVISER)

INFO : CSUSA

NR : 140344 Z (MSG TRUE TOO 140144 Z) (STATE SERIAL 12 JAN 13, FM SCD LOVETT)

Subj is summary Steering Comittee meeting, Jan 11, 49.

Replacement of lost cultural objects (SC-272/10). UK amendment which would delete in subpara 3 B, 2d to 5th lines, words "or had served to demonstrate the evolution of natl culture and art of the claimant country, or had been used for other public cultural purposes;" and which would substitute therefore "or were typical of the evolution of the natl culture of the claimant country;" was accepted by vote of 7 in favor, 1 opposed (USSR) and 3 abstentions (US, Philippines, Canada)

Indian member accepted UK Amendment but stated paper involved question replacement equivalent objects and not restitution of looted property an commission should not lay itself open to charge of reciprocal looting.

Soviet Memb proposed.

(1) Par 3 be deleted in its entirety and following substituted "The Japanese Govt should replace cultural objects which were in natl and public use:"

(2) Par 7 C be deleted.

Re Par 7 C Indian Memb inquired of US memb if SCAP was using items for purpose of democratization of Japanese.

Further action deferred.

Removal of aircraft and private munitions plants from Japan (SC-312). US memb stated he had no instructions from his govt on this question.

(over)

28234

ROUTINE

Gen Whitney.

Exo

F

Paraphrase not required. Handle as correspondence of classification carried hereon [redacted] per paragraphs 51*i* and 60a, AR 380–5.

[redacted]

V

16—48710-1 GPO

Confidential

ROUTINE

FROM : DA NR : 140344 Z DTD 14 JAN 49 NO SIG CONT'D

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT (16 Jan 49).

28234

ROUTINE

Confidential

TOO : 140344 Z
NCN : 91617

FAR EAST COMMAND

GENERAL HEADQUARTERS,
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

FEC-J

INCOMING MESSAGE

Confidential

LRS

ROUTINE

12 Jan 49

FROM: DA

TO : SCAP (POLAD)

INFO: CSUSA

NR : 110536 Z (RELAYS MSG FROM STATE DEPT DTG 110027 Z)
(STATE SERIAL 8 JAN 10, 6 PM SIGNED LOVETT)

Subj is summary FEC DTG Dec 30, 1948. Review Jap constitution (FEC 326/4) retained on agenda at request Sov member. Econ stabilization in Japan (FEC 329/3).

US member made fol statement:

"The Australian member has requested that my govt explain the relations between Para "H" of FEC 329/2, an interim directive sent by the US Govt to SCAP on 10 Dec 48, and the level of industry problem now being considered by the Commission. Other members of the Comm have associated themselves with this question. Para "H" directs SCAP to increase production of all essential indigenous raw materials and manufactured products."

"The level of industry discussions which have taken place in this Commission have been concerned with determination of that industrial capacity in Japan which should be considered available for removal as reparations, it having already been agreed by this Comm that industrial facilities (except those which have been destroyed by virtue of being specialized war making facilities) required for needs of a Japanese peace economy should not be removed as reparations. In SCAP's reports on Japan's econ development, we see that the overall index of Japan's manufacturing activity, with no adjustments made for population growth, etc, is no more than 60% of 1930-1934 levels. Needless to say, none of this manufacturing activity is of a military character. Raw material shortages and difficulties in finding markets for manufactured

(over)

27304

ROUTINE

Confidential

Paraphrase not required. Handle as correspondence of classification carried hereon [redacted] per paragraphs 51*i* and 60*a*, AR 380–5.

[redacted]

16—48710–1 GPO

RECEIVED 13 JAN 1949

Confidential

ROUTINE

IF ONE DA... NR 110536 Z 12 JAN 49 CONTINUED

output will make it most difficult for Japan to exceed 1930-1934 levels even with maximum effort on part of Japanese. Yet unless those production levels are reached and, even, in some cases surpassed, due to population, technological and trade pattern changes, Japan will not be self-supporting and its deficits will fall upon the US tax payer. My govt feels therefore that there is no conflict and, in fact, no practical relation between the consideration being given to the level of industry problem by the FEC and Para "H" of the directive which the US Govt has issued to SCAP."

Australian member stated while his govt has no real objection to substance of interim directive it was of opinion that FEC should not have been by-passed. He noted need to stabilize Jap economy had been recognized by the Commission and by Allied Council early in 1947. He pointed out that issuance of an interim directive should imply no inference that FEC and Allies generally had been unaware their responsililities this connection. He felt one inference that might be drawn from issuance of an interim directive might well be that the US had little confidence in FEC's willingness or ability cooperate quickly and emergency situation. He added however US must bear considerable share of blame in paralyzing Commission in not submitting US positions on may important econ questions. That as result of issuance of interim directive it had been popularly assumed in Jap that objectives of this stabilization program are to be achieved, if necesary, at sacrifice of certain processes of democratization of Jap. He referred to relationship between wage stabilization program and development of healthy trade union movement and stated there was reason fear that possibly Jap Govt itself under guise this economic stabilization program, might assume they have right go back to authoritarian and anti labor practices to the subordination of democratic rights. He inquired of US member if it was intention of US Govt that this interim directive supersedes or is to be carried out at expense of democratic policies which have been passed by FEC.

In reply to Sov inquiries US member replied the directive is broad statement of policy given to SCAP to work out with Jap Govt under the constitution and democratic policies trial of Jap war criminals (FEC 314/4).

27304

ROUTINE

Confidential

-2-

FAR EAST COMMAND

GENERAL HEADQUARTERS,
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

ROUTINE

FROM: DA NR: 110536 Z 12 JAN 49 CONTINUED

Neth member stated he now shared views of Phil member that there should not be any target dates and any recommendation in view of fact his govt now had definite proof there were at least 600 Japs fighting in Indonesia. The Commission agreed refer paper back to the Working Committee.

Labor policy in Japan (FEC 318).

USSR member called for a vote on his proposal. Australian member requested postponement on grounds he would like to hear first US interpretation of applicability of FEC-045/5 to workers in govt enterprises. Action postponed.

Under other business USSR member referred to reports in US press that Gen MacArthur had sent Wash a report in which it was suggested to reestablish Jap Army and question of rearming Japan is raised. He added press reports link this plan of rearming Jap with recent directive by Gen MacArthur to Jap Govt ordering development of a 5 year plan for highway construction in Jap and stated his delegation considered it necessary that US member inform FEC on this matter.

Neth member asked for info as to news items which appeared in New York World Telegram that 91 Liberty ships are either chartered or are bought outright by Japanese.

NO SIG

ACTION : DIPLOMATIC

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST : GOVT (13 Jan 49)

27304 ROUTINE TOO: 110536 Z
MCN: 91443

Confidential

-3-

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

[redacted]

16—48710-1 GPO

C R O S S R E F E R E N C E

FILE UNDER: JCS, SANNAC, FEC – 48

DATE: 19-Dec-48

FROM: JCOS
RADIO # W-F1395

TO: SCAP

SUBJECT: Principals of Japanese farmers organizations

DOCUMENT FILED UNDER: INCOMING "W" 1948 CLASSIFICATION

CABINET #

SHELF #

GEN AL HEADQUARTERS, FAR EAST COM ND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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AEM

INCOMING MESSAGE

(Confidential)

PRIORITY

17 Dec 48

FROM : CSCAL ICO

TO : CINCFE

AR : W 81297

1. Committee 3 Constitutional and Legal Reform has just been reactivated at request Australian member, in order begin review of Constitution as provided in FEC 031/41. FEC formally recognized initiation of review on 9 Dec 48.

2. US has adopted firm position re review as fols:

"(A) That the Far Eastern Commission should as inconspicuously as possible and with the minimum of debate review promptly the Constitution, and (B), that the Far Eastern Commission should determine that Constitution meets all reqmts within the purview of the Far Eastern Commission without any further investigation or action (such as requiring a referendum or any other procedure to determine Japanese public opinion) on the part of the Far Eastern Commission."

3. On 14 Dec, Steering Committee fwded to FEC by vote 10 in favor, 1 abstention, USSR, proposed draft consultative msg to you which reads as fols:

"The FEC has begun a review of the Japanese Constitution, as provided in FEC 031/41, provisions for the review of a new Japanese Constitution. The Commission, which would, of course, attach the utmost importance to the views of the Supreme Commander would appreciate any comments the Supreme Commander may desire to make, together with any info which he believes may be of assistance to the Commission in this review."

4. US reps on Committee apd substance above msg only after failure his effort to have included statement defining scope of info desired as that which "SCAP considers of assistance to Commission in determining that this Constitution fulfills terms of Potsdam Declaration and other controlling documents." Because of nature of review set forth in FEC 031/41, and in light of firm

18797

(over)

PRIORITY

(Confidential)

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COPY No.

16—50735-1 GPO O—795839

Confidential

PRIORITY

FROM : CSCAD ICO NR : W 81297 17 Dec 48 CONTINUED

US position, it was felt not necessary insist on above definition.
5. Expect consultative msg may be apd by FEC 16 Dec. and fwdad to you shortly thereafter. This msg merely for your info and to keep yau informed developments this important problem, but would welcome comment. if any.

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, G-4, AG, GOVT, STAT & RPTS, ECON & SCI, DIPLOMATIC

18707

PRIORITY
Confidential

TOO : 161811 Z
MCN : 89875

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

LRS
mr S

INCOMING MESSAGE

Secret
URGENT
URGENT 11 Dec 48

FROM : DA (JOINT CHIEFS OF STAFF)

TO : SCAP (MACARTHUR)

NR : W 81058

The following Interim Directive of the US Govt, Serial Nbr 96, prepared by the DA in accordance with Par III, 3 of the terms of ref of the Far Eastern Commission and concurred in by the National Security Council, has been received from the DA for transmission to you for necessary action:

Interim Directive begins;

"1. You will direct the Japanese Govt immediately to carry out a program of economic stabilization by adopting whatever measures may be required rapidly to achieve fiscal, monetary, price and wage stability in Japan and to maximize production for export.

"2. In the development of the above program you will direct the Japanese Govt to adopt measures designed to:

a. Achieve a true balance in the consolidated budget at the earliest possible date by stringent curtailing of expenditures and maximum expansion in total Govt revenues, including such new revenue measures as may be necessary and appropriate.

b. Accelerate and strengthen the program of tax collection and insure prompt, widespread and vigorous criminal prosecution of tax evaders.

c. Assure rigorous limitation of credit extension to projects contributing to economic recovery of Japan.

d. Establish an eff program to achieve wage stability.

e. Strengthen and, if necessary, expand the coverage of existing price control programs.

f. Improve the operation of foreign trade controls and tighten existing foreign exchange controls, to the extent that such measures can appropriately be delegated to Japanese agencies.

16821

URGENT
Secret

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COPY No. 67

Secret

URGENT

FROM : DA NR : W 81058 11 DEC 48 CONT'D

"g. Improve the law effectiveness of the present allocation and rationing system, particularly to the end of maximizing exports.

h. Increase production of all essential indigenous raw material and manufactured products.

i. Improve efficiency of the food collection program.

"3. The above plans will be developed to meet a target date for the establishment of a single general exchange rate not later than 3 months after the initiation of the stabilization program by the Japanese Govt."

NO SIG

R E V I S E D : (11 Dec 48)

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

NOTE: This message removed from SECURITY HANDLING per instructions from Secretary General Staff.

ADDED DIST : NAT RESOURCES ((18 Dec 48)

ADDED DIST : G-2, G-3, G-4, (GOVT, STAT & RPTS (20 Dec 48)

16821

URGENT

Secret

TOO : 110047 Z
MCN : 89498

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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chh

INCOMING MESSAGE

UNCLASSIFIED
PRIORITY

11 Dec 48

FROM : CSPID

TO : CINCFE (PERSONAL TO MACARTHUR) (PASS TO CG EIGHTH ARMY)

INFO : CG USAFIK (PERSONAL TO COULTER), CINCAL, CG USARPAC, CG USARCARIB, CINCARIB, JUSMAG PHIL, JUSMAG CHINA

NR : WCL 28634

Wash Star Bulletin 9 Dec: "The 11 nation FE Comm rejected today a Soviet proposal to set up a new system of international control to prevent revival of Japan's war industry. The proposal also called for unhampered development of Japanese peace time industry."

AP: "The US today abandoned as 'Outmoded' a detailed plan to break up combines and broaden the ownership of industry in Japan. The American representative notified the 11 nation FE Comm this govt has withdrawn support from its own proposal, known as FEC-230. Maj Gen Frank McCoy said the objectives of the program continued to be a fundamental aim of Gen MacArthur. But, he said, Gen MacArthur, as SCAP already has largely carried them out and the American proposal for action by the FEC has 'largely been overtaken by events.' Gen McCoy's statement, released by the State Dept, listed several steps taken by Gen MacArthur and the Japanese govt in making 'substantial progress,' toward reorganization of ownership and control of industry....The Japanese govt meanwhile, he said, has made substantial revision in the country's basic economic legislation, adopting an Anti Trust Law and setting up a Fair Trade Commission."

Baltimore Sun, AP Buck Hill Falls, Pa 9 Dec: "Methodist Bishop Fred P Corson said today if the Communists win control of China 'the US will have to rearm Japan,' and establish a strong mil base in the Phil. The Philadelphia Church Leader made the statement after Frank T Cartwright, Associate Secy for China of the Methodist Church, predicted early Communist control of

(over)

17026

UNCLASSIFIED
PRIORITY

FROM : CSPID NR : WCL 28634 11 DEC 48 CONTINUED

China through a mil victory or a coalition govt...."

Wash Post Reporter Genevieve Reynolds, 10 Dec: "Mrs J L Blair Buck, Pres of the Gen Federation of Women's Clubs, declared yesterday that the native Japanese and Koreans blame the Americans for the strength of Communism in their countries. The club leader had just returned from a 5 weeks visit to Tokyo, Shanghai, Seoul; Manila and Hono...."

NY Star Columnist Jennings Perry, 10 Dec: "Our gracious human hope to do justice appears to have led us into conflict with the moral assumptions upon which we postulate our wars, and to have produced an earthquake in Japan.... When Gen MacArthur.... recd the submission of the enemy, that should have been the final verdict of the 'Arbitrament at arms.' There was then no question of the 'Legality' of the punishments we had intended and meted out. We had assumed the enemy to be guilty of unforgivable crimes, to have forfeited all claim to conventional 'due process.' We had sentenced 100,000 of the enemy at a place called Hiroshima and executed the judgement on the spot in 1 instant. It is understandable that the decision of the US Supreme Court to accept for review at this late date the cases of a handful of Japanese war lords waiting in the shadow of the gallows should loose some confusion here, and mystify the Japanese completely. At least one of the members of the International Tribunal that heard the evidence and passed the judgement on Hideki Tojo and 6 associates-Judge Jo Ao Mei of China-thinks our High court has made a mistake.

"We do not have to agree with Jo to realize that the court has moved in a manner to upset some rather famous applecarts and possibly to destroy a few cherished illusions. Obviously the court has acted on the side of justice....but at the risk of exposing a human fallibility we do not countenance in ourselves we justify wars. Just suppose that we find out now the extermination of the war criminals in the west, to say nothing of the large batch at Hiroshima, was a miscarriage of justice? We should not know whether our conscience should be clear in the last place or in the first one.... or ever. Where this business of trying to be right legally hits hardest is in Japan, the province we turned over lock, stock and barrel to Gen MacArthur after V-J Day. Since then, as has been remarked elsewhere, the

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

UNCLASSIFIED
PRIORITY

FROM : CSPID NR : WCL 28634 11 DEC 48 CONTINUED

good, gifted Gen has been the peerless authority in those Islands, his own word the law and the prophets. Gen MacArthur himself has been the USA.

"The International Court sat and heard, but all in Japan knew that over thecourt sat the Gen, and over the Gen nothing but the vaulted sky. Now, suddenly, over the General's shoulder has appeared another face, more lustrous than his; a hand reaching out of a black sleeve has lifted the scepter from the General's hand. A ripple of dismay runs through a trusting people, anxious to please, and whose faith, transferred from the old, disabled Sun God to the New Son of Heaven with the open throated shirt has again been shaken. We must be just, but we also have plans for the consolidation of our victory in Japan. Our plan has been to let Gen MacArthur handle it. It is a late hour for the USA to intrude itself by a new, strange symbol upon the Generals realm, to be reminding the Japanese that after all their fate resides not on Gen MacArthur's visible desk but on the distant knees of an authority to which even that handsome potentate must defer.

"We hope to do justice, we grope toward that end-and it is charming of us'. But is it practical?...It would have been simple to let Gen MacArthur himself call upon the Supreme Court for an opinion-an advisory opinion of course-so that the ultimate decision still would have been his, and the serenity of his glamorous rule unmarred."

Wash Star, 10 Dec: "US withdrawal from Korea cannot help but bring civil war and 'Terrible slaughter' with the Russians taking over the country like a 'ripe plum.' A district area resident just returned from the Far East said today. The statement came from Dr George E Beauchamp...he is Pres of the Wash Ethical Society... Dr Beauchamp said Russian forces in Northern Korea are 'ready to move in' as soon as the Americans move out...He said Korea lacks leadership in all fields, because the Japanese prevented able intelligent Koreans from occupying important positions.'The Koreans are trying to lift themselves by the bootstraps,' Dr Beauchamp commented."

(over)

17026

FROM : CSPID NR : WCL 28634 11 DEC 48 CONTINUED

Wash Star, AP Tokyo 10 Dec: "Gen MacArthur today granted permission for a defense attorney to go to Wash to present arguments to the US Supreme Court in behalf of some convicted Japanese war criminals. The attorney, John G Brannon of Kansas City, plans to leave by plane, arriving in Wash Monday...."

Wash Star, Tokyo 10 Dec: "The Russians have again increased the intensity of their propaganda barrage to Japan. At least 8 Siberian stations are now beaming propaganda broadcasts to Japan daily. Some are so powerful they can be heard plainly in Tokyo on the standard 4 tube set....Japanese listen eagerly to regular broadcasts giving info concerning nearly 500,000 POWs of war still in Soviet prison camps. Most, however, seem indifferent to the Russian version of the news. The Soviets have been piping propaganda into Japan for the past 2 years but it was only a month ago that the signals became so powerful that the majority of Japanese listeners could pick up broadcasts on medium wave band...."

BROWN

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, AG, PUBLIC INFORMATION, GOVT, CIV I & E; DIPLOMATIC, JSPOG

NOTE : This message passed to Signal Center for electrical transmission to CG EIGHTH ARMY for info.

GENE[illegible]. HEADQUARTERS, FAR EAST COMM[illegible]D
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

Restricted
PRIORITY

10 Dec 48

FROM : DA (SAOUS)

TO : SCAP

NR : W 80978

Far Eastern Commission voted down USSR proposal FEC 320 by 10 to 1 vote at today's meeting. USSR member released statement which no doubt already reached you through press. Chairman of FEC plans to release statement substantially as follows 12 noon, Washington time, 10 Dec:

The Soviet member of the FEC has issued a statement to the press concerning the action taken by the Commission on a Soviet proposal regarding the level of economic life in Japan. It is not the custom of the Commission to publicize those measures which are proposed and considered but which fail of agreement among its members. The Soviet member has nevertheless seen fit to make public the fact that his proposal was rejected and to comment on the views of the opposing majority. Under these unusual circumstances, therefore, I feel it is my duty as chairman, with the express auth of "the majority" in question, to clarify the situation to the public on the basis of Commission records which have been accepted by all members.

The Soviet proposal was that the Commission should adopt the following policy:

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

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

(over)

16553

PRIORITY
Restricted

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COPY No.

16—50735-1 GPO O—795839

Restricted
PRIORITY

FROM : DA (SAOUS) NR : W 80978 DTD 10 DEC 48 CONT'D

preventing a new Japanese aggression.

Following extended deliberations in which all members of the Commission participated, it developed that a majority composed of all 10 other members opposed this proposal for the following reasons:

1. The first paragraph of the Soviet proposal was regarded by the other members as unnecessary since no limitation on the development of Japanese peaceful industry had ever been adopted or even considered by the Commission. On the contrary, the effect of all established policies of the Commission has been to permit such development without hindrance.

2. The second paragraph of the Soviet proposal, as interpreted by its author to call for international control over war industries in Japan beyond the conclusion of a Japanese peace treaty, was regarded by the other members as falling outside the jurisdiction of the Commission, which is not concerned with the post-treaty period.

In view of the public statement of the Soviet member of the Commission on this subj, in which comment was made on the views of other members, I consider it incumbent on me as chairman to release these other members from adherence in this instance to the custom of refraining from the issuance of individual statements setting forth the views of their respective governments. Members of the Commission are therefore at liberty, should they so desire, to express their views publicly on this important matter which has been considered by the Commission.

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, G-4, AG, GOVT, DIPLOMATIC

16553

PRIORITY
Restricted
-2-

TOO : 100300 Z
MCN : 89439

11/12/48
0820

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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FEC

INCOMING MESSAGE

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UNCLASSIFIED
PRIORITY

10 Dec 48

FROM : DA (SAOUS)
TO : SCAP
NR : WCL 28295

Subj is deconcentration and FEC 230. Fol statement made by US member to Far Eastern Commission today, released to press by State after meeting.

"Some months ago, my govt suspended its participation in discussions in the Far Eastern Commission of a US policy proposal which was then under active consideration in the commission. This proposal, designated as FEC 230, presented an extremely detailed plan for the implemertation of a gen policy which already had been stated in existing directives to the Supreme Comdr. That policy, which called for the dissolution of certain Japanese combines and a widening in the distribution of the income and ownership of Japanese industry, was then and continues to be, in the view of my govt, a fundamental objective of the occupation.

"The action of the US in suspending consideration of its proposal, however, has led to certain questions among the members of this commission and among the Japanese people. The purpose of this statement is to clarify the pos of the US with respect to FEC 230.

"Since the very first weeks of the occupation, the Supreme Comdr has devoted a considerable part of the time and resources of his staff to the problem of reorganizing the financial and industrial institutions of Japan. This prog which has been based upon the post surrender directive issued Dec 6, 45 and on the Far Eastern Commission's own basic post surrender policy for Japan, was designed to make possible the early development of democratic and peacefully-inclined economic institutions in Japan. To bring about that result, plans were immediately developed and put into effect to dissolve the control of Japanese

PRIORITY
UNCLASSIFIED

finance and industry which rested in the hands of a few powerful Japanese families.

"As a part of this prog, the Supreme Comdr directed the Japanese Govt to adopt various laws and to create certain governmental bodies charged with the responsibility of undertaking a major reorganization of the ownership and control of Japanese industry. In the brief span of 3 yrs substantial progress has been made by these bodies. The assets of the 56 persons who comprised the heads of the 10 major Zaibatsu families and the assets of the 83 holding companies controlled by these persons have been acquired by the govt and are in process of being sold to the Japanese public. A much larger nbr of companies have been compelled to divest themselves of holdings in and control over smaller enterprises. Such control was exercised thru inter-corporate stockholdings, interlocking directorates and similar devices. Contractual arrangements to which these Japanese enterprises were parties which had the effect of placing the control of production or trade in the hands of such enterprises have been declared void. The innumerable control associations thru which Japanese enterprises exercised their collective auth are being liquidated. Action is being taken and is well advanced towards reorganization of former Savings Banks, Trust Companies and governmental banking institutions, making possible the emergence of a significant nbr of new commercial banks to compete with and supplement the few large banking combines which formerly dominated Japanese credit sources. Finally, some score of Japanese companies whose present state may constitute a threat to competitive enterprise are being scrutinized, one by one. Where necessary, these combines will be subjected to such reorganization as may be required to remove the existing threat.

"To insure that the dispersion of economic control which is developing fr these measures will not likely be reversed in the yrs to come, substantital revisions have been effected in the basic economic legislation of Japan. To begin with, an Anti-Trust Law has been adopted and a Fair Trade Commission set up to enforce the law. In gen, the law seeks to restrain the development of new combines, excessively large or powerful, by outlawing agreements which restrain production or trade, by placing limitations upon inter-corporate stockholdings, interlocking directorates, and similar devices for the concentration of

16583

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

FROM : DA NR 1 WCL 28295 10 DEC 48 CONTINUED:

of corporate control, and by setting up procedures and penalties for the enforcement of these provs. Other legislation now requires Japanese corporations to make considerably more info avail to their stockholders and the public than heretofore has been the case and generally requires the management of corporations to adhere to much higher standards of public responsibility in the management of their enterprise.

"Moreover, many existing laws which tended to centralize the control of Japanese industry within a small gp have been abrogated outright. Others have been modified drastically. The Fair Trade Commission and other govt agencies are analyzing still other Japanese laws to eliminate provs which confer special privilege or tend to restrain or eliminate competition. Various laws relating to the conduct of Japanese banking have been placed under particularly careful scrutiny. One of the principal objectives of the revision of Japanese banking laws is to create a climate in which the undesirable pre-war concentration of Japanese credit in a few hands could not recur.

"In all this, the Japanese Govt has demonstrated a commendable abilit- to comprehend allied objectives and has cooperatively fulfilled its obligations. The Japanese Fair Trade Commission has prosecuted a significant series of cases against Japanese business men who were violating one prov or another of the statutes which seek to prevent new concentrations of Japanese industry. The Japanese Holding Company Liquidation Commission has made a careful study of the structure of the larger Japanese combines and, in close cooperation with the Supreme Comdr, is currently developing plans for such reorganization of these combines as may be needed.

"As the objectives of the occupation have been evolved and as the economic situation has developed, there has been a corresponding evolution in the Deconcentration Prog. For example, it has proved possible and desirable to dissolve most of the wartime control associations. As new sources of credit have been created thru the conversion of other financial institutions to commercial banks, it has been possible to reconsider the need for the actual dissolution, once believed necessary, of Japan's biggest banks which under earlier circumstances had dominated the credit

(over)

16583

PRIORITY
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structure of Japan. With the daily growth of indication that the Japanese propose to enforce their Fair Trade Laws vigorously and effectively, it has been possible to reconsider the standards to be used in the dissolution of some of the combines still existing. These changes in emphasis have been responsive to changing circumstances and have represented relatively minor alterations in a prog which basically remains unchanged. That prog, adhering to the broad purposes of the directive of the Far Eastern Commission seeks to achieve in Japan an economic climate conducive to the development of a democratic society. It seeks to prevent the resurgence of economic power in the hands of a few who recognize no responsibility to the Japanese people or the world at large.

"When the US suspended its participation in the discussion of FEC 230 in the Far Eastern Commission, that decision was based upon the growing realization that the guidance for the Supreme Comdr and the Japanese envisaged therein had largely been overtaken by events. The major points of procedure set out in that document already had been implemented in Japan. Other details believed necessary to the accomplishment of the major objectives either had been faithfully adopted or had become unnecessary or inappropriate. Useful as the paper might have been at an earlier stage of the occupation, that usefulness no longer appeared to exist.

"That the paper has become outmoded in so brief a period is a singular tribute to SCAP and the Japanese Govt. Procedures which it was thought would take yrs to carry out in many cases have been accomplished in a matter of months. Major technical obstacles have been overcome and the demonstrated determination of the Supreme Comdr to carry the prog thru has elicited a gratifying deg of cooperation fr the Japanese themselves. Accordingly, upon a careful re-survey of the Deconcentration Prog now well advanced in Japan, the US now believes that, as a practical matter, there is no need to lay down policies for the guidance of the Supreme Comdr with respect to any remaining significant aspect of the prog. Indeed, to do so in the outmoded terms in which FEC 230 is cast might well do more harm to the prog than good. Hence, the US has withdrawn support of FEC 230, as a proposal upon which the Far Eastern Commission could act with benefit to the occupation.

"This does not mean that the Deconcentration Prog has been completed. Considerable amts of securities still remain in the hands of the govt and must be disposed of. Ingenuity and vigor

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INCOMING MESSAGE

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PRIORITY

FROM : DA NR : WCL 28295 10 DEC 48 CONTINUED:

must be brought to this task. Existing banking legislation will undoubtedly be elaborated and refined in consonance with the objectives of this prog. Those reraining Japanese combines whose existence may constitute a threat to competitive enterprise will, where necessary, be reorganized as required to remove such threat. But these progs no longer call for the development of policy. They call largely for a practical appl of judgment, energy and enterprise in implementing a prog whose philosophy and objectives are clearly understood by the Supreme Comdr and the Japanese Govt, as they have already convincingly demonstrated."

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, AG, GOVT, STAT & RPTS, ECON & SCI, DIPLOMATIC

16583

TOO : 100305 Z
MCN : AUD 62/10

C R O S S R E F E R E N C E

FILE UNDER:

DATE: 3 December 1948

W 80523

FROM: JCOS TO: SE CINCFE

SUBJECT: DIRECTIVE REGARDING CONDUCT OF TRADE WITH JAPAN

DOCUMENT FILED UNDER: CLASSIFICATION
GENERAL WHITNEY'S FILE OF POLICY DECISIONS
(SEE SHELIAH OR RUTH HAYES)

CABINET #

SHELF #

GPM
WS

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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EXTRA

INCOMING MESSAGE

Restricted

ROUTINE TBB

2 Dec 48

FROM : CSCAD RO

TO : SCAP

NR : W 80402

Reurad Feb W 96751. It is view of US Govt that failure FEC to pass FEC-240/16, interchange of persons between Japan and other countries for cultural purposes, because of USSR veto, has no bearing on bilateral cultural exchange programs. It is considered advisable that you continue to implement fully these important programs on basis of your ex-authority.

US Govt does not feel it necessary to issue interim directive on subj as it has been view of this govt, despite FEC consideration and in absence of applicable FEC policy, that it is within your ex-auth to make bilateral arrangements reading tvl of Japanese abroad and tvl of foreign natls into Japan. In this connection you may be interested in comments of other menbers recorded in minutes of FEC meeting 28 Oct 48, which have been fwded to you.

NO SIG

ACTION : G-1

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, AG, GOVT, PUBLIC H & W, ECON & SCI, CIV I & E, NAT RESOURCES, DIPLOMATIC

13216

ROUTINE

Restricted

TOO : 010020 Z
MCN : 88781

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

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EXTRA

INCOMING MESSAGE

AEM Govt

UNCLASSIFIED
PRIORITY

1 Dec 48

FROM : DA (CSPID)

TO : CINCFE (PERSONAL TO MACARTHUR)(PASS TO CG EIGHTH ARMY), CG USAFIK (PERSONAL TO COULTER), CINCAL, CG USARAL, CG USARCARIB, CINCARIB, JUSMAG PHILIPPINES, JUSMAG CHINA

NR : WCL 25831

NY Mirror editorial 29 Nov: ... We have a foothold in Japan, where Gen Douglas MacArthur has been one of the greatest proconsuls of all times. We hold half of Korea. But if Northern Korea, Manchuria and the maritime provinces of Siberia should be amalgamated into a Tartar Soviet state, MacArthur's position in Japan would be endangered. In time of war, it might even be untenable. Tokyo would be another Bataan. ...

AP Wash Star, Sydney, Australia 30 Nov: Sir William Webb, President of the International Mil Tribunal which tried top Japanese war leaders, said today that Emperor Hirohito was directly responsible for the war. Sir William returned yesterday from Tokyo to resume his work as a member of the Australian High Court. He said Hirohito had acted as if he were a constitutional monarch in accepting advice from his counselors to declare war. ... It was for that reason, he added, that he had named Hirohito as a "leader in the crime" of Japan's war criminals, but it was not within the International Tribunal's power to have the Emperor brought to trial.

UP Philadelphia Inquirer, London 28 Nov: The Russian press today praised the results of the Tokyo War Crimes Trial, but said that some of the sentences were too light. ... Izvestia described some of the sentences as "unjustifiably lenient' and warned that the Tokyo trial was "merely the first step in punishing Japanese war criminals."

UP Wash News, Tokyo 30 Nov: Gen Douglas MacArthur today granted a stay of execution to former Premier Hideki Tojo and 6 other condemned Japanese war lords as result of a 2 man appeal

(over)

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FROM : CSPID NR : WCL 25831 1 DEC 48 CONT'D

to the US Supreme Court. The 7 men ... were assured by Gen MacArthur's action that they would live at least until after the Supreme Court meets next Monday, Dec 6. Should the court turn down their appeal, it is likely they would hang immediately-perhaps on Pearl Harbor Day. ... It was believed they might have hanged today had not their appeal stayed the executions. ...

AP NY Times, Tokyo 30 Nov; Legislation suggested by Gen MacArthur outlawing strikes and collective bargaining by govt employees was passed by the Japanese House of Representatives today..... Gen MacArthur's no strike suggestion--amounting to and order--was intended to cripple the strength of the Communist influenced govt unions that consistently have tried to stage a nationwide strike.

BROWN

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, AG, PUBLIC INFORMATION, GOVT, CIV I & E, DIPLOMATIC, JSPOG

NOTE : This message passed to Signal Center for electrical transmission to CG EIGHTH ARMY for info. (1 Dec 48)

RECEIVED 2 DEC 1948

12942

PRIORITY
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TOO : 010043 Z
MCN : AUB 59/01

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG #

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GENERAL HEADQUARTERS, FAR EAST COMMAND
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INCOMING MESSAGE

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PRIORITY

TBB

1 Dec 48

FROM : CSCAD ECON

TO : SCAP

NR : W 80359

Discrimination by Japanese exporters against allied traders is subj. Re FEC minutes; 110th meeting Steering Comm, 22 Jun 48, P 6 and 7: Minutes, 85th meeting, Comm 2, 16 Oct 47, P 4; T-007, 29 Nov 46.

1. Netherlands Embassy alleged to State that pre war weapons of economic aggression being exerted against Dutch British, other allied traders re: Percentages on commissions in favor of Jap export houses and neutral concerns staying Jap thru war. Also claimed that pre war export associations similar to Japan Pottery Exporters Federation and Sugar Importers Association being revived under new names gaining control of Japanese export industries, particularly porcelain. Furthermore, NEI Emb states such associations might be in violation of Jap Anti-Trust Law and that foreigners cannot even join these postwar Japanese organizations. Concern also expressed re future Boeki Cho which they call bureaucratic and potentially monopolistic.

2. In view of fact that these allegations and problems have been raised in FEC references given above and that considerable difficulty has been encountered in obtaining MFN treatment for Japan which difficulty would be greatly accentuated if NEI allegations are true, State will appreciate receiving full report facts soonest. Request advice of action taken.

NO SIG

(over)

12771

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Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # [redacted]

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PRIORITY

FROM : CSCAD ECON NR : W 80359 1 DEC 48 CONTINUED

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT, RYUKYUS MG, STAT & RPTS, NAT RESOURCES, DIPLOMATIC

12771

PRIORITY
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TOO : 302036 Z
MCN : 88761

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG #

FEC

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INCOMING MESSAGE

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ROUTINE

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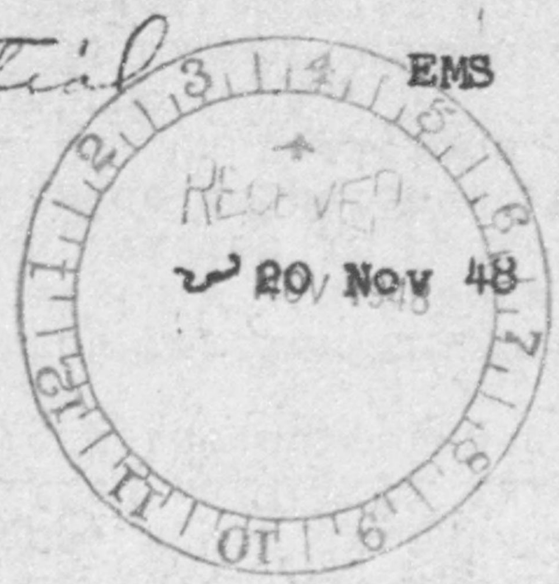

FROM : DA

TO : SCAP (ACTING POLAD)

INFO : CSUSA

NR : 182103 Z (RELAYS MSG DTG 181851 Z FROM STATE DEPT)
(STATE SERIAL 394 NOV 18, 1 PM SIGNED LOVETT)

Meeting Steering Committee Nov 9 cancelled.
Fol summary FEC meeting Nov 11:
Conduct of trade with Japan (FEC-273/19):
Chi rqstd postponement vote until he had instructions on Para 9, Level of Economic Life in Japan:
Policy towards Japanese industry (FEC 242/32):
Policy towards Japanese shipbuilding and shipping, (FEC 297/10).
US and USSR members pressed for pos their govts on these papers.
Soviet proposal re Level of Economic Life in Japan (FEC 320): US member read fol statement:
"I have noted the various statements on the subj of FEC 320 made by the Soviet Amb before the Far Eastern Commission. I have also noted his statements released to the press. In the light of the resolution by the Soviet Rep and the ensuing discussions in the Commission, it appears to me desirable at this juncture to state the views of my govt on this matter as will be recalled, the Allies and the Far Eastern Commission have on several occasions announced policies dealing with primary and secondary war facilities and, in principle, war-supporting industries. Insofar as the peaceful economy of Japan is concerned, the US, you will recall has never expressed the view that restrictions should be placed on peaceful Japanese production. On the contrary, the US has repeatedly advocated measures which would have the effect of stimulating the early revival of the peaceful Japanese economy. For example, it will be recalled that the basic pos of my govt on this matter was

Paraphrase not required. Handle as correspondence of classification carried hereon
per paragraphs 51*i* and 60*a*, AR 380-5.

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ROUTINE

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FROM : DA NR : 182103 Z 20 NOV 48 CONTINUED:

summarized as far back as Jan 21 of this yr when I said to the Commission:

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

"It would be highly inconsistent for my govt to take any other view when at the same time it is pursuing in other parts of the World Progs designed primarily to alleviate suffering and to bring about economic revival. We are making great efforts to contribute, in cooperation with other nations, to the raising of economic well-being and to bring about economic revival wherever possible.

"Accordingly, we welcome that part of the statement of the Sov representative which draws attention to the need for an early Japanese revival and which indicates support for the policies of the US Govt.

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

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

UK member stated view his govt first portion Sov proposal represented set of generalities which at this stage were insufficiently helpful and second portion, viewed in context introductory clauses statement, was outside competence FEC. Neth, Phil members indicated agreement US, UK positions. Australian, Indian members awaiting instructions.

Labor policy in Japan (FEC-318): US member announced draft Natl Publ Sv Law which would be presented Diet would be circulated members Commission. USSR member ref statements

09267

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DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNDB #

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FROM : DA NR : 182103 Z 20 NOV 48 CONTINUED:

made by French, Phil reps Oct 14 that action Gen MacArthur did not contradict Potsdam, FEC-014/9, FEC-045/5, and pointed out were no foundations for such assertions. In his view such statements absolutely incorrect. Alleged hundreds of workers arrested only because they were trying get their rights provided for them by Allies. Concluded FEC itself should defend it's decisions.

Reparations removals: Accessory facilities, buildings, tech date (FEC 299/5):

Chi proposed Para 2 be revised read as fol:

"Those structures or portions of such plants or establishments including equip accessory theretowhich by virtue of initial design or construction can be economically dismantled and re-erected and which, in the opinion of the SCAP, are not required for purposes of the occupation or for Japan's peaceful needs as defined by the FEC should be made avail for reparations."

Noted that in drafting para his del Tokyo had ascertained views SCAP tech experts.

Soviet statement re press reports of Mil Conference in Japan (FEC-322):

USSR member expressed dissatisfaction statements issued by State Dept and in Tokyo in answer Sov statement Oct 28. USSR also referred to press report appearing NY Times Oct 30, datelined Tokyo, which referred to Alaska and Honolulu as being MacArthur's flank and rear. Added was not difficult surmise where front was. In reply US member pointed out Commission should try to be reasonable where newspaper speculation was concerned.

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, AG, GOVT, STAT & RPTS, ECON & SCI, DIPLOMATIC

09267 ROUTINE TOO : 182103 Z
Confidential MCN : 38038

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

DECLASSIFIED E.O. 12356 SEC. 3(E) AND 3(D) OR (E) NNDG # [illegible]

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INCOMING MESSAGE

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ROUTINE

12 Nov 48

FROM : STATE DEPT

TO : SCAP (FOR ACTING POLAD)

INFO : CSUSA

NR : WAR SVC 8313 (RELAYS MSG DTG 102346 Z) (STATE SERIAL 389, NOV 10, 6 PM SGD LOVETT)

Subj summary FEC Meeting, Nov 4, 48.
Conduct trade with Japan, (FEC-27[illegible]/19):
Long discussion Para 1 B (2) finally resulted Chi and USSR acceptance fol wording: "In order that Japan may participate in providing goods for international trade." USSR introduced fol amendment Para 1 C which had been defeated in Steering Committee:

"Insure competitiv, conditions in trade free of contracts and arrangements which limit access to markets or foster monopolistic control; to oppose excessive concentration of economic power; to oppose encouragement and revival of Japanese monopolies in foreign trade whether with the participation of Japanese or foreign capital."

USSR pointed out first three words his proposal covered phrase "restrict competition" which he proposed delete. US member accepted deletion phrase but could not accept changes rest para. Compromise accepted by USSR. Chi inquired if cartels, price, fixing, other unfair practices which were covered by phrase "restrict competition" covered in Sov proposal. US stated was his understanding concept "restricting competition" covered by opening phrase "to insure competitive conditions." View Chi objection Para 9, vote on paper postponed.

Soviet proposal re level economic life in Japan (FEC-320):
USSR referred queries as to terminology his statement and stated Sov del proposes proceed fr FEC policy decision reduction of Jap industrial war potential. Added: "Thus, war industry ought to include that gp of facilities which was defined in that paper as 'primary war, facilities' as well as that defined as 'secondary war facilities.' The industries enumerated in the cat of 'war

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Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR

06172

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Confidential

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDS #

Confidential

ROUTINE

FROM : STATE DEPT NR : WAR SVC 8313 12 NOV 48 CONTINUED:

supporting industries' should be permitted to the extent necessary for the satisfaction of peaceful non-mil needs of Japan. The remaining facilities and industries may be included in the cat of 'peaceful industry.'"

NZ stated his govt bound by Potsdam, basic surrender policy and FEC-084/21. Noted:

A. Unless and until FEC fixes specific levels referred to FEC-084/21, task carrying out industrial disarmament Japan has not been completed.

B. No suggestion any of these policies any limitation be imposed on development Japan's peaceful industries. Therefore, Para 1 USSR proposal unnecessary. Re first part Para 2 Sov proposal, NZ questioned what was meant by "war industry." Thought rest of para may or may not be within provs FEC. Re Jap war industry, NZ Govt believes large proportion Jap industry was never used for peaceful production and has consistently supported policy this excess productive capacity in Jap industry should be removed fr Japan as security measure and distributed as reparations.

Re controls to be provided for in peace treaty, no restriction should be imposed industries which neither primary war nor secondary war facilities nor key war-supporting industries. Controls should bear only on certain key war-supporting industries. Production certain goods such as light metals, synthetic oil and synthetic rubber, which have strategic importance might have to be entirely forbidden. Production and productive capacity other key industries such as iron and steel, possibly oil refining and storage, should be ltd defined levels determined after consideration Japan's legitimate peaceful needs. Special security restrictions may be required Japan's ship building, civil avn.

NZ subj his govt's view definition "war industry" appears Para 2 Sov proposal in principle accords with policy long held by NZ Govt. Urged consideration Sov proposal should not interfere with prompt, urgent disposal FEC-242/32.

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1 G-2, G-3, AG, GOVT, STAT & RPTS, ECON & SCI, DIPLOMATIC

06172

ROUTINE TOO : 110236 Z
MCN : 87578

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12 NOV 1948

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG #

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INCOMING MESSAGE

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ROUTINE

11 Nov 48

FROM : CSGPO

TO : CINCFE, CINCARIB, CINC EUROPE

INFO : CG USAREUR

NR : WX 92333

Part 1. Under existing JCOS directives the Navy is assigned as a primary function the responsibility for mine laying including the Air aspects thereof.

Part 2. In carrying out these responsibilities the CNO has requested an estimate of mine warfare qualified Naval officers required for joint and subordinate staffs for which DA is the executive agency.

Part 3. Request estimate of present and prospective rqmts for your staff and staffs of your subordinate commanders for Naval officers qualified in mine warfare. Reply rqstd by 21 Nov 48.

NO SIG

ACTION : JSPOG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, AG

06105

ROUTINE

Confidential

TOO : 102016 Z
MCN : 87568

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NNDG #

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INCOMING MESSAGE

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PRIORITY

16 Nov 48

FROM : DA (CSCAD ECON)

TO : SCAP

NR : WAR 92572

Soviet member, FEC, at meeting 11 Nov again attacked SCAP Labor Policy re govt workers, including repeated charge, "Hundreds of workers were arrested only because they were striving to get their rights." Request any avail statistical or other factual data on monthly volume arrests and convictions ascribed to labor disputes, before and since passage Cabinet Ordinance, 31 July; also summary, if avail, of number and disposition cases violation this ordinance, for use in preparation reply above charge.

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, G-4, AG, GOVT, STAT & RPT, DIPLOMATIC, JSPOG

07371

PRIORITY
Secret

TOO : 152309 Z
MCN : 87814

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

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INCOMING MESSAGE

PSL

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12 Nov 48

FROM : CSCAD ECON

TO : CINCFE

NR : W 92418

Access to Japanese tech and scientific info in Japan is subj.

1. FEC has recd request from Norway to participate in investigation of Japanese scientific and tech processes which is now taking place in accordance with FEC 280/9 and SCAPIN 1925 dtd 6 Aug 48. Norways request is based on fact that country was at war with Japan.

2. Following proposal (C 1-315/5 dtd 21 Oct 48) now under consideration in FEC:

1. "SCAP may, insofar as it proves administratively practical, and without prejudice to existing arrangements for FEC member nations in accordance with principles established in FEC 280/9, permit investigation of Japanese tech processes by non-FEC countries which have been at war with Japan. Any tech or scientific info thus obtained should be promptly and fully disclosed to SCAP for dessemination."

2. "Tech or scientific info disclosed to SCAP in accordance with Para 2 of 280/9 should, upon specific request, be made available to non-FEC countries which have been at war with Japan."

3. US presently inclined to accept above mentioned proposal if there are no serious objections on your part. Request your comments soonest, as next FEC meeting is 15 Nov.

ACTION : ECON & SCI

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, AG, GOVT, STAT & RPTS, DIPLOMATIC

061778 Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

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TOO : 111805 Z
MCN : 87592

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG #

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INCOMING MESSAGE

Govt

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PRIORITY

11 Nov 48

FROM : CSPID

TO : CINCFE (PERSONAL TO MACARTHUR) (PASS TO CG EIGHTH ARMY)

INFO : CG USAFIK (PERSONAL TO COULTER), CINCAL, CG USARPAC, CG USARCARIB, CINCARIB, JUSMAG PHILIPPINES, JUSMAG CHINA

NR : WCL 21532

N Y Times, Wash 9 Nov: The Far Eastern Commission announced today that Japanese business men now would be permitted to go to other countries to sell their products under a directive sent to Gen Douglas MacArthur, SCAP in Japan, for implementation. The directive, which was dispatched on 21 Oct, will permit such tvl by "carefully screened" Japanese commercial representatives. Their activities abroad, it was stated, would be restricted carefully to trade so that they might not engage in political or propaganda work....

Tokyo 9 Nov: Gen MacArthur's hq moved today to relax the stranglehold of bureaucracy that has been applied to Japanese corporations. The hq instructed the govt that almost eleven hundred "restricted" concerns no longer needed to ask for official permission for business operations involving capital and plant transfers....Other moves in the same direction were expected shortly....

N Y Times Correspondent Richard J H Johnston, Seoul 9 Nov: US aid to the newly created Korean Govt under the Economic Cooperation Administration is being held up pending the decisions of the United Nations Central Assembly, US Ambassador John J Muccio said today. He denied that a change had been made or was being contemplated by the US in its announced plans to aid the Korean Govt, but added: "The plans, however, are still subject to review after the United Nations reaches its decision on Korea."

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # _____

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FROM : CSPID NR : WCL 21532 DTD 11 NOV 48 CONT'D

Eric H Biddle...said yesterday that the administrative organization for the Aid Program was virtually completed.... A recurrent rumor in Korean quarters is that the US has abandoned its plans to fight the Soviet sponsored Communist bid for power here. This rumor has been given credence by inability of US aid to China to stem the Communist tide there. Both military and diplomatic officials of the US, however, deny categorically that plans to insure the success of the United Nations sponsored Korean Govt have been changed....

N Y Herald Tribune, Washington 9 Nov, AP: William C Bullitt, former Ambassador to Russia, left by plane today to make a rapid survey of China's needs, to be presented to Congress. Mr Bullitt...said he hoped to be back by Christmas with a report for the Joint Congressional Committee on Economic Cooperation. He is due in Shanghai Sunday and said he might visit a number of other cities....

N Y Herald Tribune, UP Tokyo 9 Nov: The Far East International War Crimes Tribunal ruled today that Japan massed her armies in Manchuria and North China to attack Russia, not as part of a "stop Communism" plan....The opinion was delivered during the fourth day of reading of the...verdict on war crimes...

Washington Post, AP New York 9 Nov: The economic price Japan must pay for her war guilt must be assessed at once, if she is to get back on her feet and support herself, the Under Secretary of the Army William H Draper Jr said today. "The reparations issue must be settled quickly, Draper told the thirty fifth meeting of the National Foreign Trade Convention. Those industrial plants which will actually be excess, and not needed for economic recovery, should be decided at once so that the Japanese know where they stand and how they can plan." Draper said that delay in deciding which plants will remain in Japan and which will be shipped out as reparations is holding back production because it destroys the incentive to repair and rehabilitate the industries of Japan. "The products which Japan could procure, given the raw materials, are needed throughout the Far East," Draper said... Draper noted that European Recovery Administrator Paul G Hoffman will soon add Korea to the group of nations receiving ECA aid....

N Y Hearld Tribune Columinsts Joseph and Stewart Alsop, Washington 10 Nov: President Truman...Almost before the ballots were counted, wired to Washington from Independence Mo that in his opinion the crisis in China demanded positive American action. The policy making dovecotes were considerably fluttered by the President's unexpected intervention....Before his departure for

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PRIORITY

FROM : CSPID NR : WCL 21532 DTD 11 NOV 48 CONT'D

Key West, he issued his interim directive. It was a brief order that the Marine Garrison should not be withdrawn from the Communist threatened North China port of Tsingtao, and that all steps should be taken to get American arms to the forces still resisting the Communists in the North China area....President Truman may want a positive China Policy, but a policy can hardly be evolved...the prediction now is that the Chinese Communists will eventually take all of China down to and including the Yangtze Valley...by accepting this outcome, we may avoid a heavy investment in Chinese aid. But the altered world strategic situation will then demand far heavier investments elsewhere.

KRAMS

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, AG, PUBLIC INFORMATION, GOVT, CIV I & E, DIPLOMATIC, USAFIK LO

06144

PRIORITY
UNCLASSIFIED
-3-

TOO : 110104 Z
MCN : AUC 73/11

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NND

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

ROUTINE

AEM

11 Nov 48

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : 100744 Z (RELAYS MSG DTG 100012 Z FROM STATE DEPT)
(STATE SERIAL 387 NOV 9, 7 PM SIGNED LOVETT)

Subj Steering Committee Nov 2, 48.

Policy towards patents, utility models, or designs in Japan (SC 284/7): Chi, French, Indian, Phil and Sov positions reserved. US member who is auth accept paper, pointed out was to interest Allied Powers have patent situation clarified.

Recommendations re Jap owned patents, utility models and designs in territories of countries at war with Japan (SC 311/1): Positions Chi, French, Phil members reserved and USSR opposed.

Trial Jap war criminals (SC 314/2): Fwded from working committee by vote 5 (Australia, France, India, NZ, US) favor, 1 (USSR) opposed, 4 abstentions, 1 absent. NZ member proposed Subpara A be deleted and fol words inserted after "policy decision" in Subpara B: "Including such offences alleged to have been committed by persons suspected of having committed offences falling under Para A of said policy decision."

US member stated present paper particularly favored by US by reason its character as recommendation. However, proposed final para be amended to read: "If possible, investigations in connection with offenses falling under Para 1 B and 1 C of the said policy decision should be completed before 31 Dec 48 and all trials thereof should be concluded if possible before 30 Jun 49." Last phrase penultimate para be amended to read "should be concluded if possible before 31 Dec 48." Pointed out these amendments desirable on grounds that a "recommendation," though not mandatory in character, should:

1. Set firm standard for implementing authorities to follow.

(over)

05869

ROUTINE

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60a, AR 380-5.

DECLASSIFIED EO 12958 SEC. 3(E) AND 3(B) OR (E) NNDB # _____

Confidential

ROUTINE

FROM : DA NR : 100744 Z 11 NOV 48 CONT'D

2. Specify clearly in text nature of flexibility of implementation regarded acceptable NZ member objected to US proposal and pointed out a recommendation should establish clear and undoubted standard which govt concerned would give effect to "when possible."

Added purpose his original proposal had been ensure persons, against whom was insufficient evidence to bring to trial, would not be kept in custody indefinitely.

USSR member stated could accept original NZ proposal (FEC 314) but had voted against revision in Working Committee because:

1. Provisions of document extended beyond Japan,

2. Document presumes commission cannot issue more specific policy decision to authorities in Japan.

Added US proposal contained to many "ifs" and he would object similar amendment to original proposal.

Replacement of lost cultural objects (SC 272/10): Australia, Can, French, Indian, USSR, UK, US positions reserved on either all or part of paper. Chi Del which favors paper urged immediate action.

Level of economic life in Japan: Policy towards Jap shipbuilding and shipping (SC 297/7): Fwded to commission by vote 8 favor, 3 abstentions (US, Chi, USSR).

After meeting Australian member informally called to attn member US Del fact that under policy decision passed by FEC Oct 17, 46, FEC due review Jap constitution before May 7. Pointed out at present his govt did not feel any substantive modification necessary in constitution and therefore hoped review could take place as harmoniously as possible.

NO SIG

REVISED: (11 Nov 48)

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, AG, GOVT, PUBLIC H & W, ECON & SCI, LEGAL, DIPLOMATIC, CIV PROP CUST

05869

ROUTINE

TOO : 100744 Z
MCN : 87518

Confidential

-2-

RECEIVED
11 NOV 1948

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDS #

CROSS REFERENCE

FILE UNDER:

DATE: 5 November, 1948

W 92042

FROM: JCOS TO: SCAP

SUBJECT: DIRECTIVE REGARDING TRAVEL OUTSIDE JAPAN OF JAPANESE COMMERCIAL REPRESENTATIVES

DOCUMENT FILED UNDER: CLASSIFICATION

GENERALS WHITNEY'S FILE OF POLICY DECISIONS
(SEE SHELIAH OR RUTH HAYES)

CABINET #

SHELF #

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

GPM

Confidential
ROUTINE

3 Nov 48

FROM : DA

TO : SCAP (ACTG POLAD)

INFO : CSUSA

NR : 020008 Z (RELAYS MSG DTG 022138 Z FROM STATE DEPT)(STATE SERIAL 379 NOV 2, 4 PM SGD LOVETT)

Subj summary FEC Meeting Oct 21, 1948.
Travel outside Japan of Jap commercial representatives (FEC-293/11): Commission voted down Sov amendment Para 3 that words fol "commission" be deleted and accepted UK compromise controversial phrase be deleted but "and the extent thereof" be inserted after "herein." UK and US assured Chi who favored retention phrase it was their understanding UK suggestion included "number" of Japanese travelling abroad. Paper as amended approved by vote 10 in favor with USSR abstaining. Chi, Phil, Australian members recorded understandings into minutes. Chi stated in view clarification UK amendment by UK and US he was able support paper. Also his understanding phrase "peaceful needs as defined by FEC" referred to peaceful needs as defined by FEC-106/1 and other relevant policy decisions. Phil member stated his govt felt reluctant approve travel Jap abroad before Peace Conference. However, was prepared support paper with understanding recorded by Chi member. However, he pointed out devastation committed by Jap was still fresh in minds Filipinos and anti-Jap feeling prevalent in Philippines does not warrant admission Jap. Notwithstanding his approval, Phil Govt would not allow Jap enter Philippines. Australian member supported view Chi and Phil members. Recalling early apprehension his govt Jap travelling abroad, he added his govt would support paper but would continue exercise vigilance over Jap going abroad. Indian member stated was view his govt time had come when no longer desirable place undue restrictions on

(over)

02913

ROUTINE

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5. Confidential

Confidential

ROUTINE

FROM : DA NR : 020008 Z 3 NOV 48 CONT'D

Jap. He emphasized need for self-supporting Jap subject to overriding consideration she not again become menace to world. In this connection favored more liberal policy than one

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Interchange persons between Japan and other countries for cultural purposes (FEC-240/16): USSR amendment which would have had effect permitting propaganda activities defeated. Chi in view US opposition deletion phrase "under this program" at end Para 3 stated willingness accept phrase "under the program." Change accepted by Commission. Motion had been made approve paper when Indian member inquired if paper included travel Jap technicians to other countries and stated he could accept paper if there was such understanding but would request postponement vote if there was not. No agreement among members on interpretation and vote postponed.

Because of his ruling FEC-242/32, level economic life in Japan: Policy towards Jap industry, had priority and was independent of Sov proposal, Chairman recd Sov statement and proposed policy decision on level economic life in Japan for circulation members for later consideration.

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, AG, GOVT, STAT & RPTS, DIPLOMATIC

NOTE : Service has been requested for missing portions indicated by asterisks.

RECEIVED 4 NOV 1948

02913 ROUTINE TOO : 020008 Z
MCN : 87036

Confidential

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GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

LRS

Confidential
ROUTINE

1 Nov 48

FROM : DA

TO : SCAP (ACTING POLAD)

INFO : CSUSA

NR : WAR SVC 8127 (RELAYS MSG FROM STATE DEPT TRUE TOO 300147 Z)
(STATE SERIAL 376, OCT 29, 6 PM SIGNED LOVETT)

Subj summary Steering Committee Meeting, Oct 19, 48.

At suggestion UK member, Mr Blaine Hoover in personal capacity spoke to Steering Committee on background National Public Service Law and its proposed revision. Emphasized defects present labor relations practices existing among govt employees and described how semi-independent national personnel authority with its bureaus to deal with recruitment, efficiency, compensation and equity would correct such defects.

US, USSR members proposed certain changes 2d Annual Public Report on Commission activities (FEC-316) which, in addition replacement lost cultural objects (SC-272/9); policy towards Jap shipbuilding and shipping (SC-297/7); and revival aircraft and private munitions plants from Japan (SC-312) was retained on agenda.

NO SIG

REVISED : (2 Nov 48)

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, AG, ECON & SCI, DIPLOMATIC
ADDED DIST : GOVT, STAT & RPTS (2 Nov 48)
01962

ROUTINE
Confidential

TOO : 301253 Z
MCN : 86818

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

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PRIORITY

29 Oct 48

FROM : DA (SAOUS)

TO : SCAP

NR : W 91654

Following statement made today by Soviet Ambassador at meeting of Far Eastern Commission:

"According to the reports of the US press agencies from Japan, a secret military conference with General MacArthur was held in Tokyo during the period of Oct 12-14. At this conference, according to the Associated Press report of Oct 15, there was discussed the question of increasing American Occupation Forces in Japan and that of preparing measures against a surprise attack on Japan, although it is known by everyone that nobody threatens Japan. The same report of the above mentioned agency states that the US Mil key officers have expressed great satisfaction with the fact that the former Japanese Naval Base in Yokosuka is being converted into a modern Naval Base, capable of serving large naval forces, which is in contradiction to the Cairo and the Potsdam declarations as well as to the decisions of the Far Eastern Commission on the same subject.

"Drawing attention of the Far Eastern Commission members to the above mentioned reports and referring to the Far Eastern Commission 'Basic Post Surrender Policy for Japan' of June 19, 1947, Part 3-1-Disarmament and Demilitarization, the Soviet Delegation considers it necessary that the US representative on the Far Eastern Commission inform the Commission on the substance of this question."

Above statement later released to press by Soviet Embassy. In view considerable press interest aroused, Department of State then issued following reply:

"With regard to the statement made by the Soviet Ambassador before the Far Eastern Commission on Oct 28 and given to the press, it should be pointed out that General MacArthur, as

(over)

01135

PRIORITY

Paraphrase not required. Handle as ~~correspondence~~ of classification carried hereon per paragraphs 51*i* and 60a, AR 380-5.

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FROM : DA (SAOUS) NR : W 91654 29 OCT 48 CONT'D

a top US Commander, holds conferences in Tokyo with high US military officers from time to time, and that these are purely military matters of sole concern to this government. With respect to the allegation that the former Japanese Naval base, at Yokosuka is being converted into a modern naval base, it may be stated categorically that this is not true. This base has been used from the beginning of the occupation by US Naval Forces supporting the SCAP in carrying out the objectives of the occupation-which it is both necessary and proper for them to do. Accordingly the implication that the Far Eastern Commission decision on the Basic Post Surrender Policy for Japan is being violated is wholly without foundation."

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, AG, GOVT, STAT & RPTS, ECON & SCI, DIPLOMATIC

01135

PRIORITY
Restricted

TOO : 290031 Z
MCN : 36662

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ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

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Confidential
ROUTINE

24 Oct 48

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : W SVC 7969 (RELAYS MSG DTG 222352 Z FROM STATE DEPT)
(STATE SERIAL 368 OCT 22, 6 PM SIGNED LOVETT)

Meeting FEC Oct 14, 48, travel outside Japan of Jap commercial representatives. (FEC-293/11).

US member informed Commission that, at request US Govt, occupation auth have taken steps caution all Jap auth travel abroad that in interest their own country discretion should be used in public statements and press interviews avoid exciting suspicion they are engaging in propaganda activities. He noted this paper and FEC-240/16 contained provisions re propaganda activities Jap abroad and suggested if Commission passed these papers it would be doing great deal toward precluding recurrence incidents like Suzuki Affair. Soviet amendments, set forth SC-293/7, defeated. Chi Member suggested meaning Par 1 C would be clearer if words "in FEC-106/1" added. UK Member stated he interpreted wording Par 1 C to apply peaceful needs Japan as defined at any particular moment, and that he preferred phrase as is. USSR Member asked postponement in view fact he had no instructions on new version Par 1 C and would have ask his govt instructions on Chi Amendment if formally introduced.

USSR Member requested postponement FEC-240/16, interchange pers ns between Japan and other countries for cultural purposes; FEC-277/16, Princ_ples for Jap Farmers Organizations; and FEC-319/2, Danish Reparati ns Claim.

Conduct trade with Japan (FEC-273/19). Chi opposed; positions India and Phil reserved in absence instructions; position USSR reserved due unacceptability Par 1 C.

(ver)

99026 ROUTINE

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

Secretary

Confidential
ROUTINE

FROM : DA NR : W SVC 7969 24 OCT 48 CONT'D

Level economic life in Japan (FEC-242/32) and Soviet proposal (FEC-320). In reply UK inquiry re USSR views FEC-242/32, USSR stated that when Commission discussed FEC-242/32 he would present Soviet views and contended Soviet statement preceded consideration FEC-242-32. Re US question presented last meeting as to what powers USSR considered most interested in preventing new Jap aggression, he stated Soviet Del considered question should be decided at Peace Conference on principle second Par proposed policy decision. Re Australian question whether Soviet statement referred to facilities mentioned Paras 2 and 3 FEC-084/21 or those Par 5 that policy he replied Soviet Del agrees with definition categories of industries as stated FEC-084/21. Australian member did not consider this answer adequate and rephrased question to inquire meaning, "war industries" and "peaceful industries" relative FEC-084/21. NZ, Chi, Canadian and UK members supported Australian inquiry. USSR Member thought Australian question answered already but stated he would try have further explanation available next meeting. UK Member observed he found it difficult discuss Soviet statement until USSR position FEC-242/32 clarified. He thereupon brought FEC-242/32 under consideration and asked for Soviet position. USSR Member again reiterated contention discussion Soviet statement must precede discussion FEC-242/32. Chairman noted that next meeting he probably have make ruling whether FEC-242/32 or Soviet proposal should be considered first.

Labor policy in Japan: French Member made statement:

"The Soviet delegate in his statements and clarifications concerning the present labor policy in Japan has referred Commission to Art 10 of Potsdam Declaration and to policy decision of Commission FEC-014/9 "Basic Post-Surrender Policy for Japan" of Jun 19, 47.

"It is view of French Govt that these two papers do not contain any positive evidence that could be called upon in order to request a reconsideration by SCAP of latters letters to the Jap Premier dtd Jul 22 48.

"It seems clear on other hand that policy decision of Commission FEC-045/5 "Principles for Jap Trade Unions" of Dec 6 46, in its provisions relevant to Par 4 does not apply to the official labor in Japan but only to trade union workers.

"Since as shown by above the basic policy papers do not impose a solution to problem now before the Commission it would not be wise to cast any judgment in this matter in light only

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ROUTINE

of democratic principles when the case should be considered : also in close relation to the duties of the occupation. From this angle the responsible authorities for this occupation may maintain that any strike of the official labor in Japan would endanger order and security in that country and, therefore, the very objectives of the occupation.

"As a matter of fact, as long as Japan is under the terms of her surrender to allied powers, it is true that certain political liberties can be denied her, should higher objectives of occupation be at stake. It is only when Japan will be freed from all obligations which are still restricting her sovereignty that it will be up to her to recognize or not the right of strike for official labor."

Phil member stated that in considering issue FEC should not lose sight ultimate objectives occupation. He felt it unfortunate there no definite understanding applicability policy on trade unions to govt workers but this need not be resolved in deciding what position take on Sov proposal for, even if it were assumed policy applied such labor groups, SCAP empowered take action under Par 5 said policy expressed fear Interim Ordinance would tend become permanent. His govt intensely interested in what happening in Japan. Because lapse time he felt may become necessary Commission consider not only whole complex subject but also Interim Ordinance.

USSR member formally introduced proposed policy decision on labor. Neth Member associated himself with views French member stated it his govts opinion SCAP in issuing directive Jap govt never had in mind either formulate new policy on right strike or right collective bargaining, and SCAP had not violated any policy FEC. Item retained agenda.

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, AG, DIPLOMATIC

ADDED DIST : GOVT, STAT & RPTS (25 Oct 48)

99026 ROUTINE TOO : 230333 Z
MCN : 86334

Confidential

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

Confidential

ROUTINE AEM 21 Oct 48

FROM : DA

TO : SCAP (POLAD)

INFO : CSUSA

NR : WAR SVC 7928 (RELAYS MSG DTG 210058 Z FROM STATE DEPT)
(STATE SERIAL 365 OCT 20, 7 PM SIGNED LOVETT)

Subj Steering Committee meeting Oct 12, 1948.

Principles for Jap farmers organizations (SC-277/11) in course discussion US Amendment to Para 3, Chi member inquired if "gradually" qualified whole paper. US member assured other members US believed legislation should be formulated and approved by Diet but subjected gradual implementation. Australian member inquired if US considered this interpretation would be clear to SCAP from present working. US member answered in positive. US Amendment approved by vote 5 to 1 with 5 abstentions. Paper forwarded Commission. Chi, French, Phil and USSR members reserved positions on Paper, but had no objection its being forwarded Commission.

Conduct of trade with Japan (SC-273/17), Chi Amendment to delete Para 1 B 2 defeated by vote 4 to 2 with 5 abstentions. Chi member referred to Para 9 inquired who had authority establish exchange rate. US member pointed out it was general principle; but US willing delete para. Australian member proposed Paper be approved but all queries regarding exchange rate be referred Economic Committee consideration. Neth member pointed out that in view his govt this paper not a command to SCAP to fix exchange rate. French member said his delegation had 2 reservations on this para and understood:

1. It concerned and exchange rate for foreign trade and;
2. FEC establishes rate and not SCAP.

Chi proposal to add "Pursuant to the recommendations of the Inter-Allied Trade Board" at end Para 9 ruled out of order since it had been defeated at earlier meeting.

Paper was forwarded to Commission by vote of 8 to 1 with Chinese opposed on account Para 9. Phil and Indian members recorded general reservations. USSR member said he could approve paper with exception Para 1 C.

(over)

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

97985

ROUTINE

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ROUTINE

FROM : DA NR : WAR SVC 7928 21 OCT 48 CONT'D

Policy towards Jap shipbuilding and shipping (SC-279/7) Australia, India, Neth, New Zealand, Phil, UK generally approved. Positions Canada, China, France, USSR and US reserved.

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, G-4, AG, GOVT, STAT & RPTS, PUBLIC H & W, GEN PROC, CIV I & E, LEGAL, NAT RESOURCES, DIPLOMATIC, GARIOA

97985

ROUTINE

TOO : 210714 Z
MCN : 86206

Confidential

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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

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Confidential
ROUTINE

14 Oct 48

FROM : STATE DEPT

TO : SCAP (FOR POLAD)

INFO : CSUSA

NR : WAR SVC 7787 (RELAYS MSG TRUE TOO 130121 Z) (STATE SERIAL 357 OCT 12, 7 PM SIGNED LOVETT)

Subj is summary FEC Meeting Oct 7, 1948.

Inter-change of persons between Japan and other countries for cultural purposes, FEC-240/16. Pos China and Philippines still reserved and USSR opposed. Chinese proposed deletion phrase "under this prog" at end Para 3. Item retained on agenda.

US member referred to Soviet statement on level of economic life, stating his govt has pointed repeatedly to mutually beneficial effects upon economic rehabilitation Far Eastern Countries which may be expected fr development Jap peaceful industry and enlargement Jap foreign economic ties, that on Jan 21 this yr he had stated to commission US Govt expected take positive measures to bring about that objective; that his govt welcomes any indication other member countries FEC have similar interest in realizing potential advantages to all member countries which may be expected fr free and healthy development Jap trade and production for peaceful purposes.

USSR member referred to questions asked last meeting purposes statement answering that one when determining terms "War industry" and "War supporting industry" Soviet delegate adheres to definitions these categories industry shown in FEC-084/21; 2 conerning sources of reparations Soviet dels pos re this question coincides with principles stated Potsdam Declaration Para 11; FEC-014/9 Para 4; and FEC-084/21, Para 1 B; 3 concerning control over Jap industry Soviet del considers establishment control with purpose preventing revival and creation Jap war industry should be discussed at Peace Conference and included in Peace Treaty; that at present time task of Allies is to ensure FEC-084/21 and

Paraphrase not required. Handle as (over)correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

95110

ROUTINE

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ROUTINE

FROM : STATE DEPT NR : WAR SVC 7787 14 OCT 48 CONTINUED:

FEC 059/3 are completely fulfilled and Soviet del considers it necessary point out responsibility fulfillment these policy decisions is borne by SCAP.

US asked if Soviet del envisaged control to take place after Peace Conference. USSR replied control machinery should be decided at Peace Conference. US asked which powers USSR considered "most interested in preventing a new Jap aggression USSR postponed reply. Australian member sought to sound out USSR on attitude toward war supporting industries. No reply given this meeting.

No discussion on labor policy in Japan (FEC 318).

US pos on non-Jap civil avn in Japan submitted to FEC and referred committee 2 along with other outstanding amendments FEC 245/18.

Tvl outside Japan of Jap commercial reps (FEC 293/8/11). Working Committee, in effort reconcile Soviet and Chinese views, recommended to FEC fol compromise wording of Para 1 C.

"The specific tvl auth herein should be only that essential to raise Japan's foreign trade to a level consistent with her peaceful needs as defined by FEC and the nbr of Jap commercial reps permitted to tvl abroad should be similarly restricted," action postponed.

FEC 242/32 level of economic life in Japan and related items retained on agenda.

Rensuzuki, US member informed commission his govt has not as yet completed consideration of and action on questions arising fr this incident. He stated however, he was able inform commission of 2 preliminary measures already taken by his govt.

1. Re all Jap whose tvl fr Jap may be duly auth by SCAP, SCAP has been informed of support currently being accorded by this govt to pertinent provs policy proposals now under consideration by commission, specifically Para 3 FEC 240/16 and Para 1 D 293/8.

2. Re those Jap who will tvl to US this govt is taking action insure they are advised exercise discretion making any addresses or statements or giving interviews of public character in order avoid such comment on policy matters as might be capable interpretation as propaganda activity.

ACTION : DIPLOMATIC NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, AG

ADDED DIST : GOVT, STAT & RPTS, NEGON & SCI (16 Oct 48)

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RECEIVED 1948 ROUTINE

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TOO : 130354 Z
MCN : 85728

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GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

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Confidential
OUTINE

12 Oct 48

FROM : DA

TO : SCAP (FOR POLITICAL ADVISER)

INFO : CSUSA

NR : WAR SVC 7767 (RELAYS MSG TRUE TOO 112203 Z FROM STATE DEPT) (STATE SRL 354, OCT 11, 5 PM SIGNED LOVETT)

Subject is steering committee meeting, Oct 5, 48.

Principles for Japanese farmers organizations (SC-277/11). Chinese, French and Philippine positions still reserved. US proposed deletion all words after "abolished" in Para 3 and insertion fol as Para 4:

"This policy should be put into effect gradually, due regard being paid to the immediate economic needs of the country and the need to prevent avoidable dislocation of food control measures."

UK states US amendment met substance UK proposal and withdrew UK amendments to Paras 7 and 8. Committee voted down Soviet Amendments. Action on US amendment postponed.

Conduct of trade with Japan (PRS) SC-273/17 (PRS). US and French suggested compromise proposals to 1 B (PRS), 2 (PRS) in effort reconcile Chinese and Soviet positions. No progress made.

US member pointed out his govt still did not feel that logically any reference to excessive concentration of economic power in Japan belonged in paper on conduct of trade with Japan, but his govt after considering views other members was willing defer to their wishes and therefore agreed to such insertion. When it was further indicated majority of members favored retention in Para 1 C of phrase "whether with the participation of Japanese or foreign capital," US member said he would again defer to wishes of committee on this issue. Committee approved Para 1 C, only change from wording set

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Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60a, AR 380–5.

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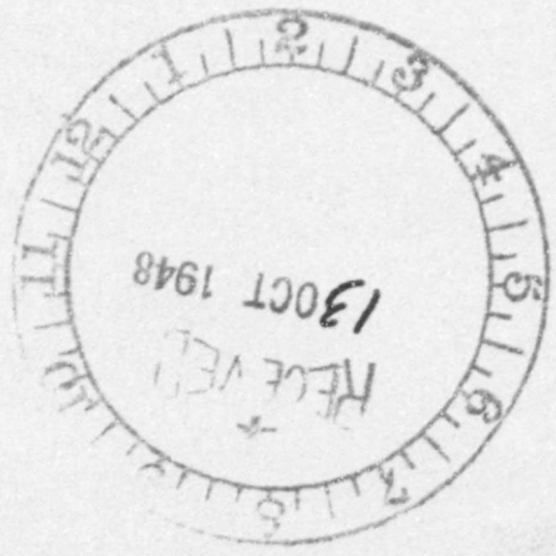
FROM : DA NR : WAR SVC 7767 12 OCT 48 CONT'D

forth in SC-273/17 being deletion of "Japanese" before "monopolies" and insertion of "Japanese" before "Foreign Trade." USSR member opposed this wording and Chinese member abstained.

SC-297/7, policy toward Japanese shipbuilding and shipping, and SC-312, removal of aircraft and private munitions plants from Japan, retained on agenda."

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, G-4, AG, TRANSP, GOVT, STAT & RPTS, ECON & SCI, LEGAL, NAT RESOURCES, DIPLOMATIC, REPARATIONS



94323

ROUTINE
Confidential

TOO : 120101 Z
MCN : 85638

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GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

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Confidential
ROUTINE

7 Oct 48

FROM : DA

TO : SCAP (FOR ACTING POLAD)

INFO : CSUSA

NR : WAR SVC 7681 (RELAYS MSG DT- 070041 7 FROM STATE DEPT)
(STATE SERIAL 348 OCT 6, 7 PM SIGNED LOVETT)

Principles for Japanese farmers organization (SC 277/11/13) retained on agenda since positions China, France and Philippines still reserved and USSR and UK had submitted substantial amendments.

Conduct of trade with Japan (SC 273/17) USSR member had instructions to insist on insertion phrase "Expansion and balanced growth" after "Foster" in Par 1 A; to oppose deletion of Par 1 B 2; and formally introduced following Par as substitute for present 1 C: "To insure competitive conditions in trade free of contracts and arrangements which limit access to markets or foster monopolistic control; to oppose excessive concentration of economic power in Japan; to oppose encouragement and revival of Japanese monopolies in foreign trade whether with the participation of Japanese or foreign capital."

Seven acceptable Soviets if their version Par 1 C approved by FEC. Committee accepted compromise wording "Foster development and balanced growth." Vote on Chinese proposal that Par 1 B 2 be deleted was postponed. Most members have no strong views on subj. Soviet substitute draft of Par 1 C was defeated by vote of 4 to 1. 4 members stated opposition to US amendment and desire that statement be included to effect that Japans foreign trade should be so conducted as to "Prevent excessive concentration of economic power in Japan" with no limitation to Japanese foreign trade. Australian, USSR and New Zealand members said they would vote against US amendment, French member indicated he would abstain. French member proposed to amend US amendment by leaving in words "in Japan" after "Economic Power." This amendment opposed

(over)

92687

ROUTINE

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60a. AR 380-5

Confidential

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ROUTINE

FROM : DA NR : WAR SVC 7681 7 OCT 48 CONT'D

by US member. Action deferred.

Soviet member agreed to withdrawal of SC 309, travel of Japanese abroad from agenda. US pressed to make statement on Suzuki.

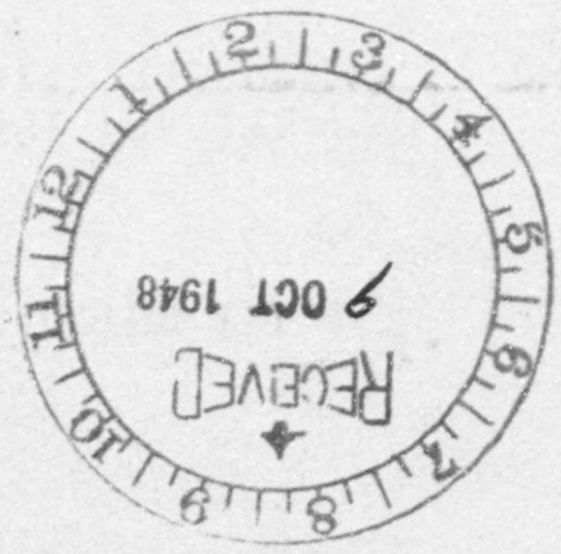
NO SIG

R E V I S E D: (8 Oct 48)

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF

ADDED DIST: G-1, G-2, G-3, G-4, AG, TRANSP, GOVT, STAT & RPTS, ECON & SCI, LEGAL, NAT RESOURCES, DIPLOMATIC (8 Oct 48)

9 Oct 48
0825



92687

ROUTINE

Confidential

TOO : 070239 Z
MCN : 85376

FEC

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

CDC
1fm

INCOMING MESSAGE

Restricted WLH

PRIORITY

7 Oct 48

FROM : CSCAD ECON

TO : SCAP

NR : W 90351

Document entitled "Draft Ordinance Relative to Postwar Disposition of Industrial Property" has come to our attn. Article 1 refers to Article 8 of Wartime Law of Industrial Property (1917). Remainder (Article 2 through 7) has effect of nullifying measures taken under Article 1, 4, 5 and 7 of re law. Date of draft not known here, nor whether it was even promulgated. Please provide details since 1 of FEC nations believes would conflict with patent policy now being considered by FEC.

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-4, AG, GOVT, CIV PROP CUST

92465

PRIORITY
Restricted

TOO : 061554 Z
MCN : 85351

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

FEC

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

AEM
file

INCOMING MESSAGE

WLH

Restricted
ROUTINE

2 Oct 48

FROM : CSCAD ECON

TO : CINCFE

NR : W 90135

Chinese member FEC committee has formally requested info on:
(1) Whether any newly mined precious metals have been used to replenish stocks of clearly established Japanese ownership from which some releases to Japanese have been made by SCAP for authorized uses, and
(2) Criteria used by SCAP in determining units authorized for use in domestic economy or for export goods. Re (1) above, to what extent has Japanese production of virgin precious metals since occupation met current reqmts for authorized uses? Would appreciate info on above soonest to permit early reply.

NO SIG

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, G-4, AG, GOVT, STAT & RPTS, NAT RESOURCES, GEN ACCTG

90952

ROUTINE
Restricted

TOO : 011538 Z
HCN : 85131

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

✓

FECPARIDO

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

AEM
remc

INCOMING MESSAGE

Confidential AEM

ROUTINE

1 Oct 48

FROM : DA

TO : SCAP (FOR ACTING POLITICAL ADVISER)

INFO : CSUSA

NR : WAR SVC 7547 (PASSES MSG FROM STATE DEPT TRUE TOO 300020 Z)
(STATE SERIAL 334, SEP 29, 7 PM SIGNED LOVETT)

At meeting steering committee Sep 21, Soviet member introduced amendments to SC-277/11, principles for Jap Farmers Organs, almost identical those introduced working committee and defeated there. Paper retained on agenda as Chinese, French, Philippine and UK still had no instructions.

Conduct of trade with Jap, SC-273/17, US member stated his govt had no objection deletion Para 1 B 2, as proposed by Chinese member, but pointed out US in originally accepting para had in mind interest those areas, Far East devastated as result Jap aggression, believing revival Jap economy and its beneficial effect on development trade and production in Far East would contribute to essential well-being all areas there and that interpretation that keynote this paper is limitation of Jap foreign trade is not in accord with FEC policy or Potsdam Proclamation. US member proposed Para 1 C be amended as follows:

"C. Insure competitive conditions in trade free of contracts or arrangements which restrict competition, limit access to markets or foster monopolistic controls and to prevent excessive concentration of economic power and monopolies in foreign trade."

NZ member made long, heated attack on US for its frequent shifts in position on question concentration economic power in Jap. NZ position supported by Australia member. USSR member implied US had changed and was changing position on question.

(over)

90916

ROUTINE

Confidential

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

Confidential

ROUTINE

FROM : DA NR : WAR SVC 7547 DTD 1 OCT 48 CONT'D

Australian member proposed withdraw SC-309, travel of Jap abroad, on understanding FEC would be regularly and promptly supplied info on subj. However, subj retained on agenda view Soviet objection.

Re Suzuki interview, USSR member described statements as destructive and libelous attacks on Allied Policy in Jap. NZ member concluded Suzuki's statements definitely constituted propaganda. Australian member stated disappointed US had as yet no explanation to offer, and pointed out there was need of assurance by US that Jap would not make such statements in future. Chinese proposed FEC should pass more comprehensive paper on subj.

In view US statement in FEC on level economic life, SC-297/7, policy towards Jap shipbuilding and shipping, retained on agenda. However, UK member could not see why US reply on SC-312, removal of acft and pvt munitions plants from Jap, should be deferred on gen grounds as this was specific matter and had no connection with gen attitude US on level of economic life. Chinese member stated would appreciate info on subj, as he considered destruction or removal acft and pvt munitions plants from Jap mandatory.

At meeting FEC, Sep 21, 48, Australian member stated he was now prepared to vote in favor FEC 293/8, travel outside Jap of Jap commercial representatives. Philippine member requested postponement. US member stated he could agree to Chinese proposal that Para 1 C be deleted, but pointed out US Govt continues support policy, Jap trade should be expanded to level consistent with her peaceful needs as defined by FEC. USSR member opposed deletion. NZ member proposed " only that" be inserted after "deemed" and "in FEC-106/1" at end of para. Paper was referred to working committee.

Re labor policy in Jap (FEC-318), Chinese member stated his govt could not express final views on issue, until it knew how Article 4, FEC policy decision on principles for Jap trade unions had been implemented. NZ member broadened inquiry to include not only what has taken place, but also what may be expected to take place in course of amending Natl Sv Law. He thought it appropriate for FEC to see draft of such amendments. While he reserved comment on gen issue, he stated his govt took view Jap ordinance contrary FEC Policy on trade unions. US member made statement temporary character Jap ordinance, and fact that permanent legislation now in preparation for submission to diet and review by SCAP, make it unprofitable for FEC engage at this time in extended consideration subj. He added his govt regards Soviet proposal as based on erroneous interpretation of facts, with which it purports to deal and finds it unacceptable.

GENERAL HEADQUARTERS, FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE SECTION

Confidential

ROUTINE

FROM : DA

INCOMING MESSAGE

Ind member emphasized distinction between ordinary civil servants and workers in govt enterprises, and stated that latter should have right to strike. NZ member referred to US statement and stated he was afraid substance of interim ordinance might tend become that of permanent legislation. If he could be convinced ordinance purely temporary, he would favor dropping issue. In view Mr Sebald's statement, FEC policy on trade unions does not apply govt workers, he could not agree with premises on basis of which US would review legislation, re FEC-242/32, level of economic life in Japan, Soviet Amb read statement to effect objective of Allied Powers should be not limitation of Japan's peaceful industry, but prevention development in Jap of war industry, as well as prevention creation of conditions under which Jap militarism and Jap aggression can revive. Objective, it was stated, could be attained if appropriate control in Jap for certain period in order prevent revival or creation Jap war industry. Such control, established for period several yrs and exercised by powers most interested preventing new Jap aggression, should be provided for in peace treaty with Jap, the preparation and conclusion of which is long overdue. He proposed adoption of fol policy decision:

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

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

FEC-245/10, Civil Aviation in Japan, retained on agenda.

USSR member protested slanderous statement made by Suzuki against allies in Japan and also asked for more complete report than was given on leaks on replacement of lost cultural objects paper. Chinese and Australian member also expressed concern over Suzuki incident.

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-3, G-4, AG, TRANSP, CIV COMM, GOVT, STAT & RPTS, PUBLIC H & W, ECON & SCI, GEN PROC, CIV I & E, LEGAL, NAT RESOURCES, GEN ACCTG, DIPLOMATIC, INT'L PROS, CIV PROP CUST, REPARATIONS, COMNAVFE

90916

ROUTINE

Confidential

TOO : 300343 Z
MCN : 85032

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.

FEC Radio

GE[illegible]RAL HEADQUARTERS, FAR EAST COM[illegible]ND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

CDC
remc

INCOMING MESSAGE

ROUTINE

25 Sep 48

FROM : [illegible]AD PG

TO : CINCFE

NR : W 89763

For your info, unofficial translation of statement of Soviet ambassador, concerning FEC-242/32, "Level of economic life in Japan: Policy toward Japanese Industry," made at meeting of FEC 23 Sep 48 follows:

"The question of the level of industrial development for Japan is one of the most important questions requiring settlement. The determination of the level for the development of Japanese industry, will predetermine the future economic development of Japan.

"However, while considering this question, it is necessary to understand clearly what industry is to be developed. Industry may work to meet the peaceful reqmts of the country, but it is also known that industry may work for the purpose of mil preparation, as was the case earlier in Japan.

"Therefore, from the very beginning, it is necessary to clarify this question, and then to determine ones attitude towards one or another proposal, concerning the level of the future industrial capacity of Japan. Besides, it should be remembered that Japan will have to satisfy legitimate claims for reparations on the part of those states which suffered from Japanese aggression.

"The Soviet Govt does not consider it reasonable to require limitations of the level of the development of Japan's peaceful industry for the future. Such a reqmt could find no justification whatsoever. It would meet neither the interests of the Japanese people, nor the interests of other countries, and, first of all, of Asiatic countries, which are in need of economic ties with Japan.

(over)

88569

ROUTINE

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380-5.

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ROUTINE

FROM : CSCAD PG NR : W 89763 DTD 25 SEP 48 CONT'D

"A high level of industrial development of Japan will not in itself be dangerous if Japan is not permitted to revive her war industry and militarism. Japanese industry in the past, served as an economic basis for Japanese aggression, not because it had reached a comparatively high level of development, but because of the fact that its development had been subordinated to the needs of war.

"Japanese militaristic circles, acting contrary to the vital interests of the Japanese people, directed the development of the industry as well as of the economy as a whole, in such a way that it was adapted to meet the needs of the Army and Navy, i.e. it worked for the preparation of war.

"Such a situation suited the interests of aggressive Japanese circles, which set themselves the purpose of enslaving other countries and peoples in alliance with Hitlerite Germany. However, it goes without saying that this should not be repeated, since militaristic Japan was defeated and there is an opportunity to direct the development of Japan along Democratic and peace loving lines. Now measures must be taken to prevent the revival of Japanese militarism and the conversion of Japan once again into a hotbed of war danger.

"In order to ensure the settlement of this problem, the development of Japanese industry should have as its sole purpose, the satisfaction of the peaceful needs of the Japanese people. If we proceed from this, the only correct basis, the unfoundedness of demands limit the development of peaceful Japanese industry will become self-evident.

"The development of peaceful Japanese industry to the level of 1930-34 or to a higher level will contribute to the improvement of the physical well-being of Japan's population, which continues to suffer serious after-effects of the criminal adventurous policy of the Japanese militarists.

"Such a development of industry, will broaden the possibilities of Japanese export, will contribute to the strenghtening of Japan's economic independence, and will lighten the dependence of Japan's natl economy on external factors, which are alien to [illegible] interests.

"Besides this, the export of Japanese industrial goods would contribute to the satisfaction of appropriate needs, for example,

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ROUTINE

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RADIO AND CABLE CENTER

ROUTINE

INCOMING MESSAGE

FROM : CSCAD PQ NR : W 89163 DTD 25 SEP 48 CONT'D

of certain Asiatic countries, and would thus serve for Japan as a basis for the import of raw materials needed by her, and of other goods necessary to satisfy the peaceful needs of the Japanese people.

"It fol from the above that the objective of the Allied powers should be, not limitation of the development of Japan's peaceful industry, but prevention of the development in Japan of war industry, as well as prevention of the creation of conditions under which Japanese militarism and Japanese aggression can revive.

"Naturally, the question arises to how this objective could possibly be attained. The Soviet Govt considers this objective can be attained if an appropriate control is established in Japan for a certain period, in order to prevent the revival or creation of Japanese war industry. All peace-loving nations should be interested in the establishment of such a control.

"Such a control, established for a period of several yrs and excercised by the powers most interested in preventing a new Japanese aggression, should be provided for in the peace treaty with Japan, the preparation and conclusion of which is long overdue.

"In accordance with the position which I have stated, I propose on the instructions of the Soviet Govt that the fol decisions be adopted:

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

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

NO SIG

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, G-3, AG, DIPLOMATIC
ADDED DIST : G-1, G-4, GOVT, STAT & RPTS, ECON & SCI, LEGAL, COMNAVFE (27 Sep 48)

88569

ROUTINE

TOO : 241711 Z
MCN : 84736

-3-

Paraphrase not required. Handle as correspondence of classification carried hereon per paragraphs 51*i* and 60*a*, AR 380–5.