GHQ/SCAP Records(RG 331)
Description of contents

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OF THE
UNITED STATES

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(2) Folder title/number: (11)
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(3) Date: Jan. 1947 - Dec. 1947

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(6) Reproduction: (Yes) No

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SECRET

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INCOMING RADIOS

"W" & "WX"

Jan '47 to Feb '47

MAR '47 to DEC '47

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

CORRECTED COPY

Secret
URGENT
URGENT

9 Dec 47

FROM : DA

TO : CINCFE

NR : W 91710

Reference W 88682 and C 56312. Provided following changes or their equivalent are made in the bill on dissolution of excessive concentrations of economic power request is withdrawn for further delay to its passage or implementation:

A. Add the word "excessive" as a modifier of the word "concentration" wherever the latter appears in the legislation as a potential object of dissolution action.

B. If a definition under Article 2 of an "enterprise of monopolistic characteristics" is required, change the last sentence of the definition to read as follows:

"In this case 'influence' shall mean control sufficient to have a substantial effect upon the price or flow of capital or upon the price or flow of goods or services."

C. Article 3 should be changed to read:

"The HCLC shall designate excessive concentrations of economic power which exist on the effective date of this law or which shall have been in existence at any time between 1 Aug 45 and the effective date of this law, and shall eliminate such excessive concentrations of economic power in the interest of public welfare. For this purpose, an excessive concentration of economic power shall be defined as any private enterprise conducted for profit, or combination of such enterprises, which, by reason of its relative size in any line or the

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URGENT

cumulative power of its position in many lines, restricts competition or impairs the opportunity for others to engage in business independently, in any important segment of business. The HCLC shall designate excessive concentrations of economic power in accordance with the foregoing definition and in accordance with the standards to be adopted under the provisions of Article 6."

D. Article 8. Add sentence to 2d para reading as follows:

"The written findings shall disclose in detail the economic, manufacturing, and other data upon which the order is based, or such information shall be transmitted with the order in memorandum form in addition to the findings."

E. Article 13.
Change the words "6 days" to "30 days."

F. Article 14.
Change the words "15 days" to "30 days."

In view of the extreme importance of policy and standards for elimination of excessive concentrations under the proposed law, it is suggested that the specific standards to be promulgated under Article 6 should be prepared on an industry by industry or other appropriate detailed basis rather than in general terms applicable to the entire economy. It is requested that the specific standards adopted for determining what shall constitute excessive concentrations of economic power as provided in Article 6 be forwarded here at the earliest possible time.

In the absence of specific provisions in the bill providing for judicial recourse from action taken by the HCLC it is presumed here that adequate provision is already assured under existing law for such recourse.

In the implementation of policies and in the administration of the specific legislation, including formulation of standards, the breaking down of operating companies into too small components should be avoided where effect would be to impede economic recovery in Japan.

Review of SWNCC 302/2 continues here.

NO SIG

NOTE:

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INCOMING MESSAGE

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Secret

URGENT

FROM : DA NR: W 91710 9 DEC 47 CONT'D:

ACTION: SECY GEN STAFF

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF

NOTE: Corrected Copy received AG/RC at 091400 I.

ADDED DIST: GOVT, ECON & SCI, CIV PROP CUST

83251 URGENT Secret TOO: 052136 Z
MCN: 61149

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LFS
rsb

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

Secret

PRIORITY 6 Dec 47 Govt

FROM : CSCAD ECON

TO : SCAP

NR : W 91780

Reoureds Jun WX 99674, Oct WX 89073, ureds Jul CX 53857, Oct C 55838, Nov CX 56757, Jan SWNCC 236/38 APD Aug. Tebulations of Japanese external assets is subj. As you requested in TT of 3 Dec 2300/Z, fol is statement prepared by State Dept as basis for new scheduled TT 102300/Z. Cable in 11 parts for reference at TT.

Part 1. "The Dept of State is grateful for your cooperation in processing Japanese external assets info, as well as for the results thus far achieved ured CX 56757 Nov suggests the likelihood that problems still persisting may be resolved by the TT scheduled for 102300/Z.

2. The purpose for which State needs the eree catalogs under reference has been outlined in W 99674, 6 Jun. It may be stated that, in large measure, the Japanese nationals who had extensive holdings abroad are the kind of Japanese nationals who, if allowed to retain their foreign holdings, might well cooperate in a mil resurgence of Japan or with undisclosed enemies of the US. Although optimism may be justified with regard to US security from Japan under present conditions, the US cannot write off as unimportant the economic security threat from the type of Japanese being considered. In the same way, the type of individuals, for example in Korea, to whom the Japanese may have entrusted their external assets, openly or as cloaks, constitute an economic security threat to the US. State has requested that SCAP collect the info under reference so that State can make such application of it as best serves the economic security reqmts of the US.

(over)

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WDC 154

Secret
PRIORITY

FROM : CSCAD ECON NR : W 91780 7 Dec 47 CONTINUED

3. Why the US cannot ask for exchange of info on Japanese external assets as recommended in urad C 55838, 2 Oct is explained in a separate rad, which is currently being prepared.

4. The purpose of the requested info being to lay hands on Japanese assets, it is, of course, apparent that specific info is needed as detailed in WX 89073, 24 Oct. Obviously requests for "street addresses" are intended merely to indicate the degree of specification desired, although it is recognized that such niceties of location are probably non-existant in many locales. But prefectures, counties, cities, towns, villages etc, if specified, will go a long way toward orienting searcher, who may then have recourse to such public records as may be locally available. While USAMGIK, Office of Property Custody, may have been justifyably pleased to receive the present tabulation of assets in Korea, State's analogous experience in dealing with German external assets prompts the certainty that the kind of specific info for which State is asking would speed up and tremendously increase the effectiveness of the teams USAMGIK may have in the field. Since many of the present holders can not be depended upon to come fwd voluntarily or admit readily, investigating teams will discover the assets and bring them under control much more speedily and effectively if they are armed with the lists of assets, locations and holders suggested.

5. The task of securing Japanese assets becomes even more difficult in dealing with the neutral countries, and at the same time becomes increasingly important because not only is security involved, but financial benefit to US and to the SCAP's program for the restoration of the Japanese economy. SWNCC 236/38 provides that the proceeds of the liquidation of Japanese assets in the neutrals will be used in such manner as SCAP deems desirable (probably in the export program) and, ultimately, for pmt to the US of some of the costs of disease and unrest imports into Japan already financed or to be fi-

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INCOMING MESSAGE

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PRIORITY

FROM : CSCAD ECON NR : W 91780 7 Dec 47 CONTINUED

nanced by the US. The policy projected in 236/38 is now in the hands of the US delegate on the FEC for presentation by him in the immediate future to the FEC for adoption. If the FEC accepts the policy proposed in SWNCC 236/38 the 4 powers that will be acting as the agents of the Japanese Govt will be seriously handicapped in their approach to the neutral govts by the lack of such info on external assets as has been requested from SCAP. Indeed, the timing of the approach to the FEC was based in part on the 31 Aug target date suggested in ured CX 53857 of 7 Jul. While it is true that the 4 powers will ask the neutral govts for censuses of Japanese assets, State's experience with the neutral countries on German external assets indicates that censuses by the neutrals are sadly deficient, and to say the least, unenthusiastically compiled. It is not impossible that the neutrals may even refuse censuses on Japanese external assets. In any event, the 4 powers must have as much info as possible if the securing of Japanese assets in the neutrals for the benefit of the Japanese economy and of the US is to have any hope of success.

6. Attn is invited to the priorities suggested in the last para of WX 99674 of 6 Jun. Because of the imminence of the possible approach to the neutrals, State is particularly anxious to receive the info regarding Japanese assets in Switzerland (including Lichtenstein), Sweden, Portugal and possessions (including those in Africa and Asia), Spain and possessions (including those in Africa), Turkey, Afghanistan and Ireland, even though supplying such info in regard to Korea and US may be delayed thereby.

7. Para 5 of part 1 ured CX 56757, 18 Nov seems to indicate that SCAP understands the neture of State's requts and the reasons for them. The problem yet to be resolved seems to be one of the mechanics of compiling the needed info. State understands the admin and tech difficulties of obtaining

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82855 PRIORITY Secret

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end transmitting the info it needs, and in order to strengthen the possibility of getting such info with regard to Korea, the neutrals, and the US, State is willing to forego, if necessary, the acquisition of such info with regard to the other countries of the world, although it would genuinely regret the necessity of doing so since the economic security goals of the US may not be fully achieved by such undocumented action as may have been taken by the other nations. In this connection State is disturbed with regard to the priorities stated above by the deviation seemingly implied by para 5 of part 1 ured CX 56757.

8. So long as State obtains, to the extent possible, the info that it needs in regard to the neutrals, Korea and the US, any method or format that SCAP considers workable, will be acceptable. The add info may, for example, be separately catelogued and keyed to items in the completed tabulations, or typed or handwritten on the IBM tabulations, or compiled by any other method.

9. State believes that the info in the neutrals, Korea and the US is of sufficient importance to justify SCAP's going back to the declarants in order to obtain the precise info needed and detailed in WX 89073, 24 Oct. It is believed that the $1,000 minimum should simplify the problem and ease the burden. In this connection, State concurs in SCAP's observations in para 2 of part 1 of CX 56757, 18 Nov re the repatriates and draws attn to the fact that the purpose of the $1,000 lower-limit was to eliminate such relatively small holders. Moreover, State's priority list shows that State is not interested at this time in Eastern Asia outside of Korea, except for assets in the Asiatic possession of Portugal.

10. Re part 2 CX 56757, 18 Nov, the final report from OMGUS on German assets in Manchuria has already been dispatched to SCAP; the report on Japan will be dispatched immediately; and further inquiry is being sent to OMGUS with regard to the report for Korea.

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PRIORITY

FROM : CSCAD ECON NR : W 91780 7 Dec 47 CONTINUED

11. It is requested that SCAP's representatives open the IT by detailing their reactions to the foregoing."

NO SIG

ACTION: CIV PROP CUST

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

82855 PRIORITY TOO : 061452/Z
MCN : 67064

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GENERAL HEADQUARTERS, FAR EAST COMMAND
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INCOMING MESSAGE

Restricted
PRIORITY

6 Dec 47

FROM : DA (CSCAD ECON)

TO : SCAP

NR : W 91775

Reurads Dec C 57043, Sep Z 20855, ourad Sep WCL 24278.

1. Do not believe that proposal in part 1 urad C 57043 is feasible, because allocation of CXS rated tinplate for export is made by Commerce Dept 90 days before beginning of each calendar qtr.. Therefore, no private trader can guarantee tinplate for Japan as outlined in urad until allocation has been made by Commerce Dept. When private trade representative referred to in urad does concur CAD your hq will be advised if any material assistance can be rendered by him in securing add tinplate for Japanese reqmts.

2. Basic difficulty in securing tinplate allocations for Japan is par 3 urad Z 20855 in which planned quarterly production of 3,500 mtons is cited. Commerce dept has been allocating quarterly 120,000 tons of rated tinplate and 10,000 tons of non-rated tinplate for export. This is to meet approx 70% of minimum tinplate reqmts for preservation of foodstuffs of foreign countries. In reviewing Japanese reqmts Allocating Committee has taken overall minimun 1st quarter reqmts for Japan to be total of 4,782 mtons of tinplate. This represents 3,500 tons produced locally in Japan plus 861 tons of rated and 421 tons of unrated tinplate required from US. 70% of this total reqmt is less than total of 3,500 mtons being produced quarterly in Japan therefore no Japanese allocation of US tinplate should be made. However, at our continued insistence that definite Japanese emergency reqmt exists committee has allocated 350 tons of rated and 300 tons of non-rated tinplate for 1st quarter 48.

3. If there has been any substantial change in Japanese ability to meet quarterly tinplate production cited in urad Z 20855 it is suggested that this be incorporated in 2d quarter

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82679

PRIORITY
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Restricted
PRIORITY

FROM : DA (CSCAD ECON) NR : W 91775 6 DEC 47 CONT'D

positive list reqmts for 48 which are due here by 21 Dec. See Part 2 ourad. It is further suggested that actual Japanese tinplate production statistics for 46 and 47 be included in justification.

4. It cannot be emphasized too strongly there is critical world shortage of tinplate. Unless immediate action is taken to negotiate for 300 tons of unrated tinplate allocated by Commerce Dept to Japan for 1st quarter 48, this will also be lost.

NO SIG

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, GOVT, PUBLIC H & W, NAT RESOURCES

82679 PRIORITY Restricted TOO : 060159 Z
MCN : 67013

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INCOMING MESSAGE

Confidential
ROUTINE 6 Dec 47

FROM : CSCAD ECON

TO : SCAP (TO POLAD FOR INFO)

NR : W 91774

Preparatory Asian Regional Conference International Labor Orgn held New Delhi Oct 27-Nov 8 adopted fol resolutions re Japan:

"1. Conference requests governing body consider advisability of;

A. Informing Jap Govt thru appropriate channels of conference decisions and advising it to associate self with them.

B. Authorizing Director Gen ILO discuss with appropriate auth desirability fact finding mission ILO visiting Japan for info re labor conditions, manpower orgn, vocational treining, industrial relations and social security conventions.

C. Arranging to secure annual reports on application ILO conventions to which Japan previously subscribed.

D. Examining at proper time desirability readmitting Japan to ILO.

2. Conference expresses emphatic disapproval of dumping and requests governing body make any desirable representations to appropriate international agencies and particularly to authorities responsible for fixing future level Japan industrial development regarding dangers of dumping to other Asian countries."

Regarding (1 B) immediate purpose such mission would be secure info in preperation first Asian regional conference ILO scheduled for China next year. Your comments requested for use ILO gov body meeting 10 Dec.

ILO mission would appear desirable provided investiga-

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82838

ROUTINE
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152

Confidential
ROUTINE

FROM : CSCAD EOON NR : W 91774 6 Dec 47 CONTINUED

tion limited topics named and members mission personally unobjectionable. Believe any competent report will reflect improvement labor standards Japan result labor policies occupation and indicate superiority Japan standards compared other Asian countries, thus refuting "dumping" charges. This has been discussed with Killen. Full text resolutions will be fwded when recd.

NO SIG

ACTION : ECON & SCI

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

82838 ROUTINE Confidential TOO : 060158/Z
MCN : 67017

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INCOMING MESSAGE

Secret
ROUTINE

5 Dec 47

FROM : CSCAD FECOM

TO : SCAP

NR : W 91533

Residual policy questions on reparations claims is subj. Request your comments soonest on fol conclusions of SWNCC 236/50, above subj, now under consideration in SANACC Par 2. Conclusions:

"4. Countries, members of the FEC, receiving shares of industrial assets declared avail for removal as reparations in accordance with recognized national percentages to be determined on the broad political basis defined in FEC 219/7, should consider such percentages applicable to all categories of Japanese assets which are made avail for reparations apportionment. However an exception should be made of Japanese shipping which should be apportioned in accordance with SWNCC 236/42 if any becomes avail for reparations removals. Values thus recd should be considered compensation for all govtal claims against Japan arising out of the war, which are compensable from assets to be removed from within Japan, excepting:

A. Claims for restitution of identifiable looted property.

B. Claims related to govt property which was treated as enemy property by Japan during the war.

82031

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ROUTINE
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151

Secret
ROUTINE

C. Claims for those occupation costs specified in SWNCC 236/51.

"5. Japanese external assets, except those disposed of under the provisions of SWNCC 236/51 should be distributed or disposed of as fol:

A. Those in Siam should be used to assist in compensation of claims lodged against Siam by its enemies.

B. Those in Korea should be retained within Korea for the benefit of the Korea people.

C. Those in territories of countries at war with Japan, including formerly Japanese-dominated territories reverting to a previous sovereignty, should be retained by the country within whose jurisdiction such assets lay on 2 Sep 45.

D. Those in all other territories outside the 4 main islands and such minor islands as Japan may be allowed to retain, which prior to 7 Dec 41 were part of the Japanese Empire, or which were Japanese Mandated Territories, shall be retained in such territories for the benefit of their people.

Evidence, documentary or otherwise, in Japan, indicating Japanese title to, or interest in, or control over, Japanese assets in the territories mentioned in A, B, C and D above should be distributed so as to confirm transfer of ownership of such assets in accordance with the principles above.

"6. Claims for reparations from Japan lodged by countries at war with Japan but not members of the FEC, other than such countries as were occupied or were actively engaged in hostilities with Japanese forces, should be satisfied from Japanese external assets found in those countries and from the pool of Japanese merchant shipping avail for reparations in accordance with the provisions of SWNCC 236/42. Non-FEC countries which were occupied or actively engaged in hostilities with Japanese Forces should be awarded national percentages applicable to categories of Japanese assets avail for apportionment as reparations to FEC countries."

NO SIG

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Secret
ROUTINE

FROM : DA (CSCAD ECON) NR : W 91533 5 DEC 47 CONT'D

ACTION : REPARATIONS

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, GOVT, ECON & SCI, DIPLOMATIC, CIV PROP CUST

82031 ROUTINE Secret TOO : 040208 Z
MCN : 66919

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INCOMING MESSAGE

Secret
PRIORITY

21 Oct 47

FROM : WAR (CSCAD PL)

TO : CINCFE

NR : W 88682

Fol questions raised re draft of proposed ordinance, "Elimination of Concentrations of Economic Power," brought back by US/A on basis of review thereof by War and State Depts. These questions are not intended to reflect criticism of basic intent of ordinance, and may arise partly from lack of info in Wash concerning problems relating to its admin.

1. Should not HCLCs power be limited to restricted concerns and restricted families as presently designated? Fact appreciated that some excessive concentrations may not yet have been located but would it not be preferable to have Fair Trade Commission handle such situations under its present powers and more deliberative procedures? Such limitations would have additional advantage of avoiding discouragement of business initiative among concerns in unrestricted list. If this proposal is adopted, procedure could be provided whereby restricted concerns and families might apply to HCLC for determination that they are not excessive concentrations, reasonable deadline for such applications being designated and HCLCs standards for reviewing such applications (patterned after para 4 present draft ordinance) being included in the ordinance.

2. Could HCIs powers to subpoena records, call witnesses, etc, be limited to those of securities and exchange commission under US Public Utility Holding Act, with appropriate adjustments to insure adherence Japanese judicial structure and with SP provisions for added expeditiousness where feasible?

(over)

55756

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122

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PRIORITY

FROM : WAR MSG NBR W 88682 DTD 21 OCT 47 CONTINUED

3. Could not procedure for appealing from HCLCs findings on reorgn or dissolution be changed from executive to judicial review, if SP court and SP provisions to assure expeditiousness were provided? As in case analogous US laws, judicial review would, of course, have to be limited to findings of law, with presumption that findings are based upon evidence. These questions based on interest of Army and State Depts in having ordinance administered in such a way as to provide all possible safeguards for Japanese non-Zaibatsu businessmen consistent with deconcentration program, so as to remove uncertainty and lack of confidence which might limit contribution of these businessmen to Japanese economic recovery. This interest in turn derives from gen view of Army and State Depts that deconcentration program should be carried out:

(A) So as not to hinder economic recovery (for example, by dissolution of technologically unified enterprises);

(B) So as to promote economic recovery (for example, by rapid completion of sale of divested Zaibatsu shares to public and by break - up of technologically incongruous ccrporate structures).

4. Delegation of judicial powers and failure to provide judicial review SWNCC 302/2 was, of course, not intended to require implementing action by or in the name of Japanese Govt which would contravene their constitution. Certain of the points raised above indicate possible conflict with constitution which should, of course, be resolved. Any amendments to copy of ordinance in our possession should be corsidered from constitutional point of view.

5. State and Army are now reviewing US pos taken in SWNCC 302/2 (FEC 230).

6. Because of current review here of SWNCC 302/2 and the other questions raised in this cable, it is desired that you delay adoption of the ordinance for elimination of concentration of economic power.

7. Your comments on above questions are requested.

NO SIG

65756

PRIORITY
Secret
-2-

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INCOMING MESSAGE

Secret
PRIORITY

FROM : WAR MSG NBR W 88682 DTD 21 OCT 47 CONT'D

ACTION : ECON & SCI

INFORMATION : COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT

65756 PRIORITY TOO: 202312 Z
Secret MCN: 64051

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dha

INCOMING MESSAGE

Secret
ROUTINE

19 Oct 47

FROM : WAR (JCS)

TO : CINCFE (MACARTHUR)

NR : W 88573

The fol received fr the State, Army, Navy and AF Depts for transmission to you with instructions to issue the press release quoted in Para 4 after advising the JCS sufficiently in advance of your intended release in Tokyo in order to provide for simultaneous release in Wash:

Ref our W 98341, 17 May; and your C 52835, 22 May, Part 3; Z 48651, 29 May; C 53042, 31 May; and C 51118, 22 Mar:

1. Pursuant SANACC action, US Govt considers it to be within your present authority as SCAP, and approves such action if determined upon by you, to license foreign branch banks in Japan to render, subj to foreign exchange controls and other applicable regulations established by you.

(a) All necessary normal banking services in connection with Japanese export-import trade.

(b) Such services as may be made available to you, in connection with trading activities initiated by you.

(c) Such services as may be rendered to private foreign traders. It is believed that branches of foreign banks licensed to operate should not at present be permitted to perform services locally for Japanese nationals.

2. It is believed that representatives of qualified and interested foreign banks should be permitted to enter Japan for the purpose of surveying in advance desirability of establishing or reestablishing branches in Japan.

3. The term "Foreign Banks" as used herein is intended

(over)

65062

ROUTINE
Secret

"Paraphrase not required. Handle as SECRET correspondence per para 51 1 and 60 a (4) AR 380-5."

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

COPY NO. 35

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Secret
ROUTINE

FROM : WAR (JCS) NR : W 88573 19 OCT 47 CONT'D

to include banks of all countries except enemy or ex-enemy countries.

4. It is proposed to release fo. to press at time to be notified by you:

"The Supreme Commander for the Allied Powers in Japan announced today that provision has been made for the establishment in Japan of branches of foreign banks with recognized experience in foreign banking and with facilities to handle world-wide accounts, for the purpose of providing banking services in connection with the restoration of Japanese foreign trade on a limited private basis.

"According to a survey made in Japan by the Supreme Commander for the Allied Powers, the need for banking services of this nature is not very great owing to the relatively small volume of Japanese foreign trade in the present stage of the occupation. A small number of branches of foreign banks, it was pointed out, would be ample to provide the required facilities and render the necessary services. However, representatives of qualified and interested foreign banks will be permitted to enter Japan for the purpose of surveying in advance the desirability of their establishing or reestablishing branches in Japan.

"In accordance with the SCAP policy of non-discrimination, qualified US and other foreign banks will be licensed to open and operate branches in Japan to perform normal commercial and export-import banking services subj to such limitations as may be imposed by the Supreme Commander for the Allied Powers in view of the availability of physical facilities to accommodate offices and personnel of branches of foreign banks in Japan and in view of other relevant factors. It was pointed out that the question of adequate physical facilities in Japan continues to be a serious one, and may be the factor which in practice will limit the number of branches of foreign banks in Japan.

"Banks of enemy or ex-enemy countries, other than Japan, however, will not be permitted to establish and operate branches in Japan."

NO SIG

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-4, AG, CIV COMM, GOVT, CIV I & E, GEN ACCTG, DIPLOMATIC

65062 ROUTINE TOO : 172319 Z
MCN : 63884

Secret

"Paraphrase not required. Handle as SECRET correspondence per para 51 1 and 60 a (4) AR 380-5."

RECEIVED 19 OCT 1947

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES~~ FAR EAST COMMAND ~~PACIFIC~~
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

WFS
jpm

INCOMING MESSAGE

F

Restricted ROUTINE

11 Oct 47

FROM : WAR (CSGSP/D 5)

TO : SCAP, CG OMGUS

NR : WX 88056

Subj is incentive goods program.
It is realized that for your records covering subj program an estimation is required regarding acquisition cost of goods.
As you know, excess items only are used for incentive program. Quantities offered by our various cables do not remain firm due to sales and for this reason it has proved impracticable to ascertain acquisition costs here. For this info to be supplied here even when quantities are firm and definitely earmarked for this program would necessitate greater pers costs, cause considerable delay in shipping and would generally result in a lesser amount of money to cover actual shipments, thereby reducing amount of incentive goods.
It is, therefore, suggested that QM Pricing Catalog (nbr 5 series) and JAN Medical Catalog be used by you to determine unit acquisition costs. QM Catalog prices are figured at 10% above cost and would reflect unit acquisition cost when percentage is deducted. No change in JAN Catalog prices required for medical items and equipment. In event catalogs are not available there same can be forwarded upon request.
Advise soonest.

NO SIG

4 40
7

ACTION : ECON & SCI

INFORMATION : G-4, FISCAL, TRANSP, GOVT, PUBLIC H & W, NAT RESOURCES

61861

Restricted ROUTINE

TOO : 101816 Z
MCN : 63318

"Paraphrase not required. Handle as RESTRICTED correspondence per para 51 1 and 60 a (4) AR 380-5."

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COPY NO.

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CWH
djr

GENERAL HEADQUARTERS, FAR EAST COMMAND
U. S. ARMY FORCES PACIFIC
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

F

Confidential
PRIORITY

10 Oct 47

FROM : WAR (CSGPO)

TO : CINCFE

NR : W 88042

Reference W 86999. New York Times of 9 Oct carries story dtd Tokyo 8 Oct stating that Demobilization Bureaus are being abolished.

Soviets are once more actively pressing in Far Eastern Commission for a policy decision to abolish Demobilization Bureaus and US Delegation has been strongly opposing this as limiting your freedom of action. In order to assure coordination of positions taken by US in Far Eastern Commission and by you in Allied Council, and in order to assist in discussing this matter which is on the agenda for Steering Committee meeting on 14 Oct, further info regarding NY Times story is requested. Your views regarding manner of presentation and discussion in Far Eastern Commission would be appreciated.

Reference W 86999, not yet received is info regarding disposition of captured Japanese mil equipment discussed by Lt Col Ebel of SCAP G-4 with Lt Col Dupuy during recent visit of Under Sec Draper. Receipt of this info by 14 Oct will be of great assistance in advising US Delegation of Far Eastern Commission.

R E V I S E D (11 Oct 47)

NO SIG

ACTION : PAR 2 : GOVT SECT
PAR 3 : G-4

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

4 CO circulate

61657

PRIORITY
Confidential

TOO : 100023 Z
MCN : 63259

7 "Paraphrase not required. Handle as CONFIDENTIAL correspondence per para 51 1 and 60 a (4) AR 380-5."

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2 Copies given to Miles Hays

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~ FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

WFS
jet

INCOMING MESSAGE

Restricted
ROUTINE

2 Oct 47

FROM : WAR (JOINT CHIEFS OF STAFF)

TO : SCAP (MACARTHUR)

NR : W 87474

The fol directive, prepared by the State Dept to implement the policy adopted by the Far Eastern Commission on 18 Jul 46 under the provisions of para II, A, 1, of its terms of reference, has been recd from the State, Army and Navy Depts for transmission to you for your guidance in accordance with paragraph III, 1, of those terms of reference:

"The Supreme Commander for the Allied Powers should determine the circumstances under which vessels of neutral or co-belligerent registry came under the control of the Japanese Govt.

"In those cases in which it is determined that the neutral or co-belligerent owners consented to the use of such vessels by Japan, or signed a charter party or other contractual agreement, the Supreme Commander for the Allied Powers should direct the Japanese Govt to deliver such vessels to the Govt of Registry of such vessels in the condition in which they are found at time of delivery, provided that no enemy or other rights in the vessels exist. In the event that the claimant requests repairs to vessels in Japan, the expense of such repairs will be borne by the claimant and paid for in currency acceptable to the Supreme Commander for the Allied Powers.

"In those cases in which it is determined that Japan used such neutral or co-belligerent vessels without the consent and without the existence of a charter party or other contractual agreement, the Supreme Commander for the Allied Powers should direct the Japanese Govt to deliver such vessels

(over)

58486 ROUTINE
Restricted

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COPY NO.

105

DECLASSIFIED BY PROJ SEC: 5(E) AND 5(D) OR (E) NNDG #

RECEIVED 3 OCT 1947

Restricted
ROUTINE

FROM: WAR NR: W 87474 2 OCT 47 CONT'D

to the Govt of Registry of such vessels at a port in Japan in condition which will permit overseas tow, provided that is is demonstrated to the satisfaction of the Supreme Commander for the Allied Powers that Japan did not acquire such vessels through a lawful proceeding in a prize court. The expense of any repairs necessary to prepare such vessels for overseas tow, should be borne by the Japanese Govt.

"If it is determined that enemy or other rights exist in such vessels which will prohibit their return to claimants, or if Japan acquired such vessels through lawful prize court proceedings, they will be disposed of in accordance with other policies concerning disposition of property in Japan.

"The decision as to the feasibility of the raising and repair, to a condition suitable for overseas tow, of vessels which have been sunk, and for which claims have been presented, will rest with the Supreme Commander for the Allied Powers in those cases in which the expense of repairs is to be borne by the Japanese Govt.

"Claimants will accept delivery of vessels at location to be determined by Supreme Commander for the Allied Powers, and all cost of maintenance and movement of vessels after acceptance will be at the claimant's expense.

"The Supreme Commander for the Allied Powers should report to the Tripartite Merchant Marine Commission all vessels of German registry or flying the German flag at the time of surrender.

"The Supreme Commander for the Allied Powers may retain any vessels covered in this paper, under his control during the period in which they are required by him for the purposes of the occupation."

NO SIG

58486

ROUTINE
Restricted

"Parapharse not required. Handle as RESTRICTED correspondence per para 51 i and 60 a (4) AR 38-5."

4 -

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

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC.~~ FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Restricted
ROUTINE

FROM : WAR NR: W 87474 2 OCT 47 CONT'D

ACTION: CIV PROP CUST

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, REPARATIONS, JPO, COMNAVFE

58486 ROUTINE Restricted TOO : 012114 Z
MCN : 62614

"Paraphrase not required. Handle as RESTRICTED correspondence
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COPY NO.

FAR EAST COMMAND
GENERAL HEADQUARTERS, U. S. ARMY FORCES, PACIFIC
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

VWD
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INCOMING MESSAGE

Confidential
ROUTINE 23 Sep 47

FROM : WAR (CSCAD ECON)

TO : SCAP (PASS TO CG USAMGIK)

NR : W 86851

Import - export program Korea is subj. Comments of USAMGIK and SCAP desired soonest.

Part 1. Preparation of program.

1. Import - export program from South Korea shall be estimate of total import reqmts for civ supply, and estimated exports, whether of private or govtal origin. In estimating import reqmts, cognizance will be taken of supplies obtainable from indigenous sources. Programs will be prepared in accordance with fol principles:

A. Submitted on FY basis 3 months in advance of beginning of FY. (This is not to be confused with submission of budget request prepared approximately 12 months in advance of beginning of FY.)

B. Import reqmts shall be submitted in such form as to set forth: (1) commodity (2) quantity required (3) category (If obtainable from Japan as deductions from Japan's obligations to the US) classified in accordance part 2 par 3 B (Army excess or FIC surplus, to be procured with appropriated funds) including GARIO (other imports) (4) metric tons or other unit of measure; (5) estimated landed dollar values, showing ocean transportation separately; (6) country of origin, where practicable; (7) where possible, sups obtainable from indigenous sources.

C. Estimates of exports shall be submitted in such

(over)

55232 ROUTINE

Confidential

"Paraphrase not required. Handle as CONFIDENTIAL correspondence per para 51 1 and 60 a (4) AR 380-5."

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COPY NO.

95

Confidential

ROUTINE

FROM : WAR (CSCAD ECON) NR : W 86851 23 Sep 47 CONT'D

form as to set forth: (1) commodity; (2) quantity avail for shpmt from Korea; (3) metric tons or other unit of measure; (4) estimated dollar values, FAS Korean Port; and (5) qualitative characteristics for each item.

D. Programs will show net import deficit to be met from appropiated funds after allowing for estimated export proceeds, sups avail from Japan, and avail from excess or surpluses.

E. USAMGIK will fwd 2 copies of program to SCAP one is addressed to Army Dept as executive agency of JCS and 2 to State Dept; programs to arrive on or before 1 Apr.

Part 2. Imports.

1. Selection of sources of imports. Primary objective in selecting sources of imports into Korea should be to minimize cost and difficulty of procurement and to maintain deliveries. Principal factors to be taken into acct in purchasing are: Price; terms of purchase other than price; shipping costs; and assurances of meeting scheduled requirements.

2. Imports obtained through US appropriated funds. Procurement made with US appropriated funds from continental US sources should be made or arranged by Army Dept. In case of procurement made outside US by USAMGIK, apl and funds will be requested from Army Dept by procuring agency.

3. Imports from Japan. SWNCC 176/29 states that "Such essential imports as Korea can most easily and economically obtain from Japan should during the period of rehabilitation be supplied from that country to the extent that they are avail." In order to implement this policy fol procedure will be used:

A. Korea's Import-Export Programs should specify: (1) Imports for which Japan is sole source (textile machine parts, etc). (2) Quantities of desired key imports, which are basic

55232

ROUTINE

Confidential

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DECLASSIFIED E.O. 12356 SEC. 3(E) AND 3(D) OR (E) NNDS #

FAR EAST COMMAND
GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES PACIFIC~~
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Confidential
ROUTINE

FROM : WAR NR : W 86851 23 SEP 47 CONTINUED

minimum necessary to meet Koreas needs.

B. SCAP will analyze USAMGIK Import-Export Program to determine those import items which are avail from Japanese sources without regard to method of pmt therefore. Transfer to items exported from Japan to Korea will be made on basis of: (1) Crediting US bill against Japan for GARIOA financed imports by value of exports; or (2) Korean exports to Japan; or (3) Pmt of foreign exchange avail to Korea from proceeds of export other than to Japan.

C. SCAP will report to USAMGIK and Army Dept on this availability indicating method of pmt desired for exports.

D. Army Dept in consultation with SCAP and USAMGIK will advise on items to be furnished by Japan to Korea and will indicate method of transfer to be used.

Part 3. Exports.

1. All exports from Korea shall be governed by export licensing system designed to restrict exports to items not essential to Korean economy. Exports of items in world short supply shall be in accordance with allocation procedures determined by International Allocating Authorities.

2. Primary objective in selecting destinations of exports should be maximizing proceeds of exports usable for imports and developing foreign markets for Korean products.

Part 4. Financing of imports and exports.

1. Purchases for civ supply for Korea made by Army Dept with US GARIOA appropriated funds, whether made in US or elsewhere, shall be kept in sep accounting; ultimate disposition of this acct will be matter for future negotiation.

2. SWNCC 176/29 states that "Imports into Korea from Japan will provisionally be considered as deductions from Japanese obligations to US for repmt of Japanese imports." In order to implement this policy, all imports and exports between Japan and Korea covered by par 3 B 1 and 2, part 3, will be recorded in

55232

ROUTINE
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"Paraphrase not required. Handle as CONFIDENTIAL correspondence per para 51 1 and 60 a (4) AR 380-5."

-3-

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Confidential
ROUTINE

FROM : WAR NR : W 86851 23 SEP 47 CONTINUED

terms of dollars in sep and identical accts in USAMGIK and SCAP. Any balance in Japan's favor will be applied annually against Japans debt to US for imports into Japan initially financed with appropriated US funds.

Part 5. Reporting procedures.

1. Reports shall be submitted semi-annually, to arrive at Army Dept (with copys for State Dept) not later than 1 Aug and 1 Feb and shall contain fol info:

A. Statement of imports, classified by country of origin and showing units and dollar value. This statement should indicate imports secured from; (1) US appropriated funds (GARIOA) (2) US Army excess or surplus thru OFLC;(3) from Japan as deductions from Japanese obligations to the US; (4) Proceeds of exports and (5) Barter trade.

B. Statement of exports, classified by country or dest and showing units and dollar value.

C. Statement of disposition made of imports recd which were procured with appropriated funds, to include undistributed goods, outstanding accts receivable and cash on deposit.

D. Statement of foreign exchange balances by location and by amts credited to certificate holders and statement of foreign exchange expended.

NO SIG

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, FISCAL, GOVT, KORYU, STAT & RPTS, NAT RESOURCES, GEN ACCTG, USAFIK LO

NOTE: This message has been passed to Signal Center for redispatch to CG USAMGIK for Action.

55232 ROUTINE Confidential TOO: 230002 Z
MCN: 61955

"Paraphrase not required. Handle as CONFIDENTIAL correspondence per para 51 1 and 60 a (4) AR 380-5."

-4-

RECEIVED 24 SEP 1947

DECLASSIFIED DOD FROM SEC. 3(E) AND 3(D) OR (E) NNDS #

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GENERAL HEADQUARTERS, U. S. ARMY FORCES, FAR EAST, SUPREME COMMAND, PACIFIC
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Restricted
PRIORITY

18 Sep 47

FROM : WAR (WDSCA ECON)

TO : CINCFE

NR : W 86537

Effect of purge on revival of Jap economy is subj. Your comment requested on fol questions in connection with discussion revival Jap economy.

1. Has revival of Jap economy hampered by denying Japanese community of use of administrative, organizational, entrepreneurial and tech capabilities of persons who have been considered exponents of militarism and militant nationalism under programs implementing directives to exclude such exponents from positions of responsibility?

2. Will Japan's attainment of self-support status be jeopardized if present program is continued?

3. Are any adjustments believed appropriate in current directives and in programs in effect or to be put into effect to achieve economic objective?

Nothing further.

NO SIG

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, AG, GOVT

53266

PRIORITY
Restricted

TOO : 172252 Z
MCN : 61630

"Paraphrase not required. Handle as RESTRICTED correspondence per para 51 1 and 60 a (4) AR 380-5."

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19 SEP 1947

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

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES PACIFIC~~ FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

Secret
PRIORITY

13 Sep 47

FROM : WAR (WDSCA ECON)

TO : CINCFE

NR : W 86177

Reurad Jul C 54058 and ourad April 46 WX 86033 disposition vested German patent property is subj.

Matter of disposition of German property in Japan, including German owned patents, is under study in State Dept. However, in view of present uncertainty as to future status of GEPC, not yet possible issue instructions re disposition German patents in Japan. For the time being, therefore, you should preserve these patents in present status "administering" them under para 2 of ourad. This would include: (1) collecting royalties under existing license agreements (which agreements, of course, are subj to deconcentration and anti-trust measures adopted in Japan), and (2) the grant of temporary licenses where immediate use of the patent in your judgement is essential to achieve occupation objectives. Latter is in accord with gen tenor of para 3 C of ourad.

NO SIG

ACTION: CIV PROP CUST

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

51307

PRIORITY
Secret

TOO : 121518 Z
MCN : 61311

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GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~ FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

Confidential

PRIORITY 5 Sep 47

FROM : WAR

TO : CINCFE

NR : W 85525

Reference your C 52671, 16 May 1947. Soviets are still attempting to use FEC paper on the control of Japanese military activity in Japan as an instrument for criticising United States occupation policies and your implementation of those policies. FEC Subcommittee recently overwhelmingly rejected latest Soviet proposals and again referred to Steering Committee the paper substantially as in SC 020/13 forwarded to you as inclosure to letter dated 16 April. Soviet member is now attempting to get Steering Committee to consider these same proposals. While United States member is expected to insist that Steering Committee also reject these proposals, your views with respect to 2 proposed amendments will assist him in discussion at meeting on 9 Sept. For this reason your comments on following are requested by 8 Sept if possible.

1. Revised 2d paragraph of SC 020/13 now reads as follows: "Possession of arms, ammunition and implements of war by any Japanese should be prohibited save that the Supreme Commander may authorize the use:

A. By Japanese civil police agencies for the purpose of maintaining law and order of rifles and pistols and the necessary ammunition for them and other small arms exclusively used by civil police.

B. By licensed hunters of duly registered hunting weapons." Proposed Soviet amendment reads as follows: "Possession of arms, ammunition, and implements of war by any Japanese should be prohibited, save that the Supreme Commander may authorize the use of weapons, such as rifles and pistols, and the ammunition necessary for them by Japanese civil police agencies for the purpose of maintaining law and order."

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48099

(over)

ROUTINE

Confidential

"Paraphrase not required. Handle as CONFIDENTIAL correspondence per para 51 1 and 60 a (4) AR 380-5."

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83

Confidential

PRIORITY

FROM : WAR, NR : W 85525, 5 SEP 1947, CONTINUED

When discussed in Subcommittee, United States member, supported by a large majority ,insisted that SCAP should retain authority to issue such police type weapons, including automatic weapons, to police force as he deemed necessary. It was also the view of the majority that licensed hunters should be specifically authorized to use registered hunting weapons to preclude an unduly strict interpretation of the paper from prohibiting them from earning their livelihood. Your comments on the paragraph and Soviet amendment are requested.

2. Soviet Delegation consistently insinuates that United States Occupation Forces have been lax in destroying and scrapping Japanese military equipment. They insist that SCAP should furnish FEC a list of all Japanese military equipment required for the occupational needs of the occupation forces or for the Japanese police. All other members have supported the United States position that such a list would be unnecessary and, furthermore, would be inappropriate in view of the relationship between SCAP and the FEC. However, your comments on this Soviet position would be helpful, to include, if possible, in indication of the disposition of certain key items of Japanese military equipment.

NO SIG

ACTION : SECY GEN STAFF

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

48099 PRIORITY Confidential TOO : 032226 Z
MCN : 60754

"Paraphrase not required. Handle as CONFIDENTIAL correspondence per para 51 i and 60 a (4) AR 380-5."

RECEIVED 6 SEP 1947

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES PACIFIC~~ FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

CWH
rna

INCOMING MESSAGE

Secret
PRIORITY

25 Aug 47

FROM : WAR (WDSCA ECON)

TO : SCAP (PASS TO MAJ J C K MILLER TDY EVS SCS FOR INFO)

NR : W 84894

Reurad C 52535, and WD TT 8430; reourad W 82673. Material transmitted for TT scheduled for 1200 Z 25 Aug respecting SWNCC 357, Treatment UN Property in Japan is subj.

Cable in 2 parts.

Part 1.

Numbered paras refer FEC items material transmitted in TT 8430.

1. Para 5 D, SWNCC 357, does not contemplate release of blocked accounts established by Jap Govt as result liquidation UN property except when such property cannot be effected owing to loss, destruction, or dissipation. As condition for restoration, owner would be required to agree to remit fundsiin blocked accounts to Jap Govt, such remittance to be made after decision on compensation claim is reached. In admin this provision, if property is damaged to extent unuseable by owner for former purpose, owner should be allowed, subj to applicable SCAP regulations. to draw upon blocked balances. Rehabilitation purposes on grounds return of property not in fact, be fully effected. Recognize admin problem of examining property by impartial arbiter that this procedure may involve but consider such examination probably desirable in any case and see no alternative to avoid unjustified double indemnification property

(over)

44145

PRIORITY
Secret

"Paraphrase not required. Handle as SECRET correspondence per para 51 1 and 60 a (4) AR 380-5."

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79

CWH
rna

Secret
PRIORITY

FROM : WAR NR : W 84894 25 AUG 47 CONTINUED

owners whose property returnable intact or in substantially undamaged condition. Inasmuch as part 2 urad indicated large portion UN property substantially damaged or destroyed would conclude substantial blocked accounts releasable under this arrangement. Assume no question that other blocked funds, not proceeds Jap liquidation measures, may be released to owners.

2. Yes. "Functions related to restoration" in Para 6 A, SWNCC 357, intended refer adjudication disputes between owner and Jap Govt re suitability property for return (Para 8 D) and resolution other possible disputed re restoration including question whether or not seizure or confiscation actually occurred (Para 5 C). Consider proposed terms of reference Claims Tribunal should be sufficiently broad to establish tribunal as arbiter any questions arising connection this paper.

3. Phrase "Except as otherwise provided" inserted to give SCAP Admin discretion to alter procedure or use alternative procedure if considered desirable. Believe claims procedure as outlined satisfactory but recognize need may arise for changes under actual operating conditions.

4. Concur.

5. Para 7 B does not contemplate "On the spot" verification of claims. Provision inserted to protect SCAP and Claims Tribunal against excessive adjudication and admin burden which might result from influx of unchecked claims. Property records of Nat'ls in Japan avail in Wash and other home govts considered adequate this purpose. Provision for verification of claims applies to all types claims covered in this paper.

44145 PRIORITY
Secret

"Paraphrase not required. Handle as SECRET correspondence per para 51 i and 60 a (4) AR 380-5."

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

CWH
rna

INCOMING MESSAGE

Secret
PRIORITY

FROM : WAR NR : W 84894 25 AUG 47 CONTINUED

6. Phrase "As result of war" intended to cover all damage or loss to property not due to natural causes while property outside owners custody or control and to include losses due to action of Allied Forces. Do you desire more limited coverage?

7. See no practicable manner protecting claimants against such depreciation, and do not perceive that considerations of equity require such protection particularly in view changes made in treatment yen claimants pursuant previous SCAP comments this paper contained part 7 urad. Awards should be made on basis purchasing power of yen current at time of award.

8. Concur.

9. Answer same as 7 above.

10. A. New Para 12 and new addendum Para 8 F (1) intended obviate interpretation that return UN interest in Japan Corp takes precedence over Zaibatsu Program. If you envisage conflicts implementation this paper and Zaibatsu Program request comments and recommendations.

B. Phrase "Unless this business enterprise is entitled to be compensated directly" refers business entities as defined Para 4 A (3) SWNCC 357 does not refer UN equity Jap Corp. Holder such equity would be compensated directly under other provisions Para 8 F (1). Phrase inserted to obviate dual compensation. Understanding is application War Indemnity Tax to Jap Corp not affected by UN participation herein. Request confirm.

11. Add compensation provision for depreciation of yen contained original draft Part 6, Para 8 F (2) deleted pursuant

(over)

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PRIORITY

FROM : WAR NR : W 84894 25 AUG 47 CONTINUED

your objection too burdensome on Jap Economy (Part 7 urad). Presently proposed add compensation provision relates only yen bank balances which arose from forced sale UN property. If your views this regard in urad no longer apply, request advice as basis reconsideration problem here.

12. Yes. Consider such improvements should be treated same manner as other improvements made while property not in owners custody.

13. Present draft SWNCC 357 does not contemplate limitations SCAP's review authority but assumes his principle exercise this auth will relate to timing in implementation of Tribunal's decision. This provision inserted pursuant recommendations Part 5 urad.

14. Consider revised Para 7 A under which claims filed through SCAP together with review provision refeired to 13 above provides adequate protection UN property interests. Would assume UN National would continue receive protection under SCAP directives as such directives would be principle divice for implementing this paper. If add protection deemed necessary, request you suggest alternative or add wording. Direct negotiation by the claimant with Jap Govt is considered best practicable method for settlement compensation claims if principles for compensation have been set forth in appropriate SCAP directives. Request you furn alternative wording if deemed essential for Efficiency Restoration and Compensation Program.

Part 2.

Comments above for purpose facilitating discussions proposed telecon. If answers in proposed amendments present version SWNCC 357 do not meet your views, request you prepare concrete recommendations for transmission in telecon as early SWNCC and FEC action this paper considered imperative.

NO SIG

44145 PRIORITY
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DECLASSIFIED EO 12958 SEC. 3(E) AND 3(B) OR (E) NNDG # _____

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INCOMING MESSAGE

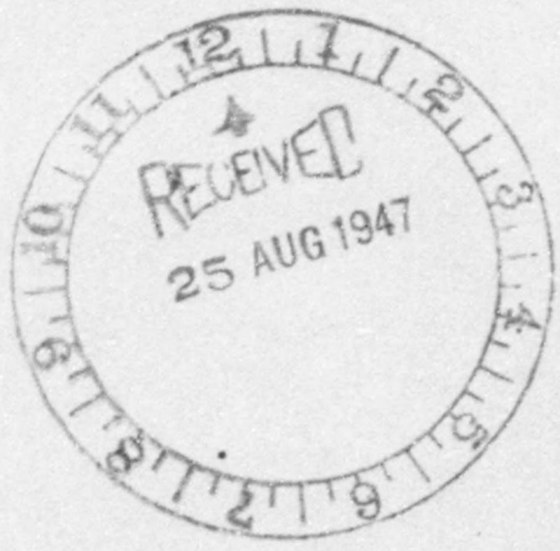
Secret
PRIORITY

FROM : WAR NR : W 84894 25 AUG 47 CONTINUED

ACTION : CIV PROP CUST

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

NOTE: Duty Officer Signal Message Center states that this message delayed due to service.



44145 PRIORITY TOO: 222300 Z
Secret MCN: 60068

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-5-

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ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

JRS
jpm

INCOMING MESSAGE

Secret
ROUTINE 20 Aug 47

FROM : WAR (WDSCA ECON)

TO : SCAP

NR : W 84561

Reurad Jul C 54194 SWNCC SFE action being recommended re disposition of assets in Japan of institutions closed pursuant to para 41. JCS 1380/15. Conclusions and recommendations of SWNCC 278 this subj are transmitted as fol:
(Para nbrs correspond with para nbrs of paper).
"Conclusions.
4. Liquidation of Japanese assets.
Assets in Japan of institutions whose Japanese offices, branches and agencies have been taken under control by the SCAP, and closed in accordance with para 41, JCS 1380/15, should be liquidated by sale to non-objectionable persons in Japan, provided they are not in categories of assets subj to disposition in accordance with established reparations and restitution programs. Liquidation should be carried out under the supervision of the SCAP, and by such means and procedures as he may deem appropriate.
5. Status and priority of claims.
A. Creditor claims of persons not in Japan, including net amounts due offices, branches and agencies of the institutions abroad, should be given equal status and priority in the distribution of the proceeds of the liquidation with similar claims of persons in Japan, providing such claims are liabilities of the specific offices, branches and agencies in Japan (as distinct from gen claims against the institutions or claims against the non-Japanese assets thereof) or are secured directly and solely by liens on specific Japanese assets.
B. Claims of persons not in Japan, other than those referred to in para 5 A above, and including any non-liquidated claims of non-Japanese shareholders, debenture holders and other general claimants against the totality of avail assets of the institutions, may be settled from assets of the institutions

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COPY NO. 27

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Secret
ROUTINE

FROM : WAR (WDSCS ECON), NR : W 84561, 20 AUG 47, CONT'D

outside of Japan and located in the country of which the claimant is a national, or if such assets are inadequate or unavail for this purpose, from the proceeds of inter-governmental settlements between the govts of the areas of which the claimants are nationals and the Japanese Govt in accordance with para 6 C below. If settlement is effected in this manner, claims of persons outside Japan should have equal status and priority with similar claims of persons in Japan, against residual proceeds turned over to the Japanese Govt in accordance with para 6 C below.

6. Procedure for the settlement of claims.

A. The proceeds of the liquidation of assets in Japan referred to in para 4 above, should not be disbursed to shareholders or creditors in Japan until the approximate amounts of claims in the categories mentioned in 5 A above have been ascertained or estimated and the relative priority under recognized legal practices and procedures of such claims as compared with claims of persons in Japan, have been established.

B. Fol the ascertainment of non-Japanese claims as provided in sub-para A, appropriate pmt should be made to creditors in Japan, above the status of shareholders and debenture holders and that portion of the proceeds of the liquidation which is the proper share of claimants who are not in Japan, should be deposited in accounts in open financial institutions in the name of the owner, release being subj to appropriate directives of the SCAP pertaining to the treatment of bank deposits in Japan owned by persons abroad. If such persons are nationals of members of the United Nations, funds deposited to their credit under this procedure will be entitled to the immunities and protection now being accorded bank deposits of such persons in Japan.

C. Any residual amounts which are the proceeds of the liquidation of assets in Japan remaining after the pmt of creditors in Japan, and after the allocation of funds for the pmt of non-Japanese creditors in accordance with sub-para B above, should be turned over to the Japanese Govt to which Japanese

42368 ROUTINE

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INCOMING MESSAGE

Secret
ROUTINE

FROM : WAR (WDSCA ECON), NR : W 84561, 20 AUG 47, CONT'D

shareholders, debenture holders and foreign govts representing unsatisfied foreign claimants should look for compensation.

D. Foreign govts of areas in which assets formerly belonging to the institutions are located, may determine the priority of claims of creditors and shareholders not in Japan, on assets of the institutions located within their jurisdiction, as compared with other claimants, and may prefer claims on behalf of such persons for settlement by the Japanese Govt, but no decision of the foreign govts in respect to the treatment of such creditors or shareholders will give such persons claims against Japan, except insofar as they can be met from residual proceeds of the liquidation which have been turned over to the Japanese Govt in accordance with sub-para C above. Settlement of such claims will not be part of the reparations settlement between Japan and countries entitled to reparations in accordance with policies of the Far Eastern Commission, nor will claimants be entitled to pmt in foreign exchange or assets of a type other than the proceeds for the liquidation referred to in para 4 above.

Recommendations.

7. It is recommended that:

A. Providing that the Joint Chiefs of Staff have no objection from a mil point of view, the conclusions be apd by the State-War-Navy Coordinating Committee.

B. Prior to such apl, the substance of the conclusions be transmitted to the SCAP for his info and comment. (Accomplished by this cable).

C. The paper as apd, be transmitted to the War and Navy Depts for info.

D. The State Dept be requested to transmit the paper to the US Representative on the Far Eastern Commission, with instructions to endeavor to obtain a policy decision by the Commission as set forth in the conclusions and with auth to accept changes which do not alter their substance or intent."

42368

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-3-
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Secret
ROUTINE

FROM : WAR (WDSCA ECON), NR : W 84561, 20 AUG 47, CONT'D

Your comments requested soonest.

NO SIG

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, GOVT, STAT & RPTS, CIV PROP CUST, REPARATIONS

42368 ROUTINE Secret TOO : 191940 Z
MCN : 59806

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INCOMING MESSAGE

Confidential
PRIORITY

25 Jul 47

FROM : WAR (WDSCA ECON)

TO : CINCFE

NR : W 82673

Reurad May C 52535 and ourad Mar W 94628, treatment of UN property in Japan is subj.

Cable in 3 parts.

Part 1. Reurad fol represents tentative view here. Paras numbered to correspond parts urad.

1. Appreciate progress being made under restitution program now in effect Japan. However, considered essential secure SWNCC action at earliest on comprehensive paper along lines SWNCC 357 in view prior commitments to FEC submit such paper and need fol up on FEC 011/28 transmitted to you in ourad. Imminence opening Japan private trade and interest foreign property owners in restitution and compensation policies, are add reasons this action. Agree existing economic situation Japan may make inadvisable immediate payment compensation claims, and redraft SWNCC 357 will provide timing such payments subject discretion SCAP. However, consider preparation claims and adjudication by tribunal should proceed when necessary policies and arrangements formulated.

2 and 3. Cognizance taken of your comments as support for provision that SCAP be given discretion postpone payment claims. As practical matter, assume such postponement limited to larger claims. Assume expenditures repair and reconstruction UN property, subject relevant materials and other controls with any exemption at discretion Supreme Commander

32215

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-1-

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PRIORITY

FROM : WAR (WDSCA ECON), NR : W 82673, 25 JULY 1947, CONTINUED

(re SWNCC 357 para 8).

4. Concur restitution should normally precede compensation in accordance present procedure, but consider desirable adjudication claims for compensation not be unduly delayed fol restitution because of practical considerations involved in examination and evaluation of property damage and necessity reserve control over restituted funds pending settlement compensation claims (re SWNCC 357 para 5 D). Do not concur deletion all references restitution in proposed FEC paper. Consider necessary proposed paper be sufficiently comprehensive cover all categories in para 4 B, SWNCC 357 including property not specifically mentioned para 1 FEC 011/28.

5. Do not concur conditions cited urad necessary prerequisites establishment claims tribunal if SCAP has auth postpone actual payment yen claims. See proposed addition of new para 9 to SWNCC 357 (ref part 2 para 12 below).

6.

A. Concur your recommendation claims be filed through SCAP. However, in view restitution already in operation for 6 and more months part 1 urad and considerable time probably required SWNCC action this paper and establishment tribunal consider original proposal requiring file claims within 1 year of establishment appropriate.

B. Considered here desirable claims be submitted through interested govts to obtain necessary verification and check before submission Jap Govt. Ref "subsequent presentation to SCAP" not clear as not intended SCAP should review claims

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FROM : WAR (WDSCA ECON), NR : W 82673, 25 JULY 1947, CONTINUED

after presentation of Jap Govt and before consideration by claims tribunal.

7. Concur in deletion provision for adjudication claims on adjusted basis to compensate for loss due to depreciation of yen except in cases (re para 8 F (3)) involving bank accts originating from forced sale of property consider equity considerations require such compensation. Do not consider payments involved and under condition indicated 1 above will impose undue burden on Jap economy.

Part 2. In consonance with above comments, fol amendments to SWNCC 357 are proposed for SWNCC consideration:

1. Para 5 A: Beginning first sentence add: "Insofar as it has not already done so, ..."

2. Para 5 E (2): Omit word "wartime."

3. Para 6 A. Add fol sentence: "The Japanese Govt shall be responsible to the Supreme Commander for the execution of rulings or judgements of the tribunal."

4. Para 7 A: Amend first sentence thus: "The UN on behalf of its natls to the Japanese Govt through the Supreme Commander and ... ."

5. Para 7 B: Delete word "verified" after word "claim" insert fol: "varified by the claimant govt for use."

6. Para 7 C: Delete and substitute fol: "After presentation of claims to SCAP by representatives of the claimant govts and transmission thereof to the Japanese Govt, claimants will deal directly with the Japanese Govt and accept compensation in whole or in part."

7. Para 7 D: Substitute "180 days" for "90 days."

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FROM : WAR (WDSCA ECON), NR : W 82673, 25 JULY 1947, CONTINUED

8. Para 8 F (1) 12th line: Change to read: "Enterprise is entitled to be compensated directly"; add to same para: "However, in cases where changes in corporate structure or capitalization have occurred since the start of the war of such nature that it is impossible to restore the proportionate interest in enterprises represented by pre-war stock ownership and when other forms of compensation are not agreed upon between the owner and the Japanese Govt, yen compensation should be paid, representing the value of such property at the time of seizure, confiscation or sequestration."

9. Para 8 F (2): Delete second sentence starting, "An add amount, etc."

10. Para 8 F (3): Delete second sentence starting, "And add amount" and amend remainder of subpara as follows: "The payment of add compensation will be appropriate for property taken over from the owner under fraud or duress and which cannot be returned to the owner. In making awards of such add amounts, the claims tribunal will ... ."

11. Para 8 F (4): Amend thus: "Rights and interests including patents utility models, trademarks and copyrights, will not ... ."

12. Insert fol as para 9 and renumber present paras 9 and 10 as 10 and 11: "9. The Supreme Commander may review decisions of the claims tribunal and may require that their implementation be delayed if he considers such delay essential for the objectives of the occupation."

13. As new para 12 insert the fol: "The provisions of this paper shall not be so interpreted as to prevent or impede implementation of programs considered necessary for objectives

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FROM : WAR (WDSCA ECON), NR : W 82673, 25 JULY 1947, CONTINUED

of the occupation."

Part 3. Propose submitting paper with amendments noted in part 2 above as report to SWNCC Far East Subcommittee. If you have further comments suggest arrange telecon State and War representatives. Nothing further.

NO SIG

ACTION: CIV PROP CUST

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

32215 PRIORITY Confidential TOO : 241818 Z
-5- MCN : 58159

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INCOMING MESSAGE

Confidential
PRIORITY

9 Jul 47

FROM : WAR (WDSCA ECON)

TO : CINCFE

NR : W 81604

This rad in 2 parts.
Part 1. Part 2 follows under another WX nbr. Part 1 also sent to Berlin as Jun WX 81536.
Transfer of surplus Army property to SCAP as incentive and consumers goods for Japanese and Korean populations is subj.
Meeting held yesterday in Mr Royall's office. Present Mr Royall, Mr Petersen, Gen Noce, Gen Lutes and members of SS and P staff.
A. WD decision is that goods should be transferred at fair value to be determined by you, such value to be entered as charge against Japan or Korea. Actual costs of shipping, packing, crating, etc to be paid for from GARIOA funds and charged to your portion of funds as category A charge.
B. Imperative that you decide exactly what items you wish shipped from US and whether or not there is upper limit on amts to be shipped. War Assets Adm is constantly selling their property. Therefore there is daily change in their pos. There follows as part 2 of this rad list of surplus property reported as avail for withdrawal by WD from War Assets and shpmt to you or to Europe. Approx 20-5% lies west of Miss and is considered economical for shpmt to Pacific. Early decision re items you desire is requested.
C. Would like you to arrange telecon soonest to discuss this gen subj. There will be present here in addition to members of CAD Gen Osborne and others from SS and P and Gen Booth representing USW.

NO SIG

25431

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INCOMING MESSAGE

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FROM : WAR (WDSCA ECON) NR: W 81604 9 JULY 47 CONT'D

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-4, AG, FISCAL, TRANSP, GOVT, KORYU, GEN ACCTG, USAFIK LO

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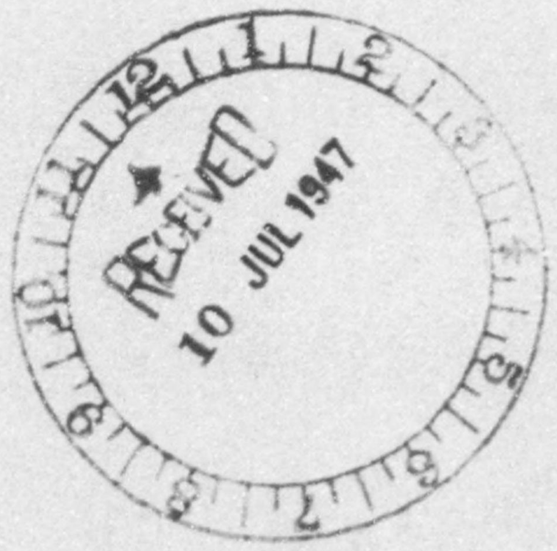

25431 PRIORITY Confidential TOO: 082027 7
MCN: 57086

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INCOMING MESSAGE

Confidential
ROUTINE

RECEIVED
13 JUN 1947

12 June 47

FROM : WAR (WDSCA GO)

TO : CINCFE

NR : W 99940

Reourad March W 94634, 47 and Dec W 88575, 46; reurad April C 50421. Memo of understanding between SCAP and US Trade Mission, dtd 27 May, contemplates broadening present policy re Internatl Communications and Postal Service with Japan to include transactional msgs and exchange of samples between Japan and all other countries at soonest practicable date. The target date was tentatively set as 1 July. Assumed here reference to "Earliest practicable date" means date when you are satisfied Import-Export and Exchange Control Regulations enforceable through censorship and otherwise will be in effect to prevent transactional msgs and exchange of samples which would violate basic policy re Japan's foreign trade and intercourse.

In implementation of expansion, your definition of transactional msgs to be permitted is required here earliest for inclusion in POD announcement. Existing prohibitions on communications with Japan as announced by State and Treasury Depts, on 2 Jan 47, defined transactional communications as "Any communications which constitutes or contains authorizations or instructions to effect any financial, business or commercial transaction, as well as transmission of powers of attorney, proxies, pmt instructions, transfer orders, checks, drafts, bills of exchange, currency,

15175 ROUTINE Confidential

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INCOMING MESSAGE

Confidential
ROUTINE

FROM : WAR (WDSCA GO) NR : W 99940 12 JUNE 47 CONT'D

money orders and the like." Recurad W 88575, since it is assumed not all enumerated types of communications will be auth immediately, important you advise your definition of permitted transactional msgs.

For your info transactional correspondence auth for Germany effective 15 June, is defined as "Commercial correspondence, provided such correspondence relates to and implements such transactions as may be legal under laws and regulations of Allied Control Auth, Mil Govt and German law presently in force, and further provided that all external values resulting from such transactions shall accrue to accts of respective Mil Govt concerned" the sending of currency, checks, drafts, etc to civilians in Germany as well as carrying on of correspondence regarding German external assets continues to be prohibited.

It is suggested that press release and target dates for relaxation of restrictions on communications with Japan be fixed by you, and that we be advised so that simultaneous announcements can be made here.

It is also urgent that fullest possible info re regulations under which import-export transactions may be conducted by mail and telegraph be furnished so that they may be made known to public here and in other countries as early as possible. Recommend procedures for validating or licensing transactions arranged and consummated by mail and telegraph prevent Foreign Nationals now residing in Japan from earning profits by new regulations prior to 1 Sept, 47-date referred to in para 35 Memo of Understanding.

15175 ROUTINE Confidential

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FAR EAST COMMAND
GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Confidential
ROUTINE

FROM : WAR (WDSCA GO) NR : W 99940 12 JUNE 47 CONT'D

Early establishment of airmail service also considered desirable to facilitate private trade with Japan. Request reply to ourad W 94634, 23 Mar on this subj which was promised in urad C 52042, 22 Apr.

US Postal Service is willing to expand parcel post to pre-war basis, that is parcels up to 22 lbs with length and girth totalling no more than 72 inches, at your request. Any announcement regarding such expansion of service should be accompanied by info regarding import restrictions applicable to such parcels which will continue to be enforced in Japan. Nothing further.

NO SIG

ACTION: CIV COMM

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-1, G-2, G-4, AG, GOVT, KORYU, ECON & SCI, DIPLOMATIC, CIV PROP CUST

15175 ROUTINE Confidential TOO: 112258 Z MCN: YH 38/12

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COPY NO.

FAR EAST COMMAND

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

RLJ
gem

INCOMING MESSAGE

~~CORRECTED COPY~~ Restricted

PRIORITY

30 May 47

FROM : WAR (WDSCA PL)

TO : CINCFE

NR : W 99196

Reourad May W 98953 UK representative FEC presented fol draft policy statement re Japanese whaling for FEC consideration.

UK proposal which is transmitted for your info is as fols:

A. FEC decides as matter of policy that Japanese should be permitted to capture whales within area in which they are permitted, from time to time, to fish. Provisions of Internatl Whaling Agreement to which US is party should be observed except so far as they are in conflict with this statement of policy.

B. Japanese whaling should be conducted from shore stations and Japanese should not be permitted to make use of factory ships or of any other vessels for purpose of treating whales at sea.

Despite above WD still pressing for action re ourad.

Nothing further.

NO SIG

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, DIPLOMATIC

NOTE: Corrected copy received AG R/C 311445 I.

ADDED DIST: GOVT, NAT RESOURCES (31 May 47)

4 + 0. cumulate

10019

7

PRIORITY

Restricted

TOO : 300111 Z
MCN : YB 34/30

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CORRECTED COPY

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FAR EAST COMMAND

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

ROUTINE

25 May 47

FROM : WAR (WDSCA ES)

TO : CINCFE

NR : W 98800

Rerads quoted in msg below Puppet Govt assets in Japan is subj. Fol is text of proposed directive currently under considerationin SWNCC:

"Reurads C 65665, Oct 46, C 66686, Oct 46, C 67422, Nov 46, C 50593 Mar 47 and ourad W 84689, Nov 46. Subj: Puppet Govt assets in Japan. Tenative solution outlined ourad W 84689 has been reconsidered. Statement reworded as fol:

A. For the purpose of this paper, Puppet Govts should be:

(1) Manchoukuo
(2) Wung Ching-Weis Nanking Govt
(3) Laurel Govt of Philippines
(4) Ba Maws Govt of Independent Burma

and that their successor govts should be, respectively:

(1) China Pera
(2) China
(3) Philippines Republic
(4) United Kingdom

B. The SCAP should apply accepted directives and policy decisions on restitution wherever appropriate, to Puppet Govt property of Japan, and to property of individuals domiciled under such regimes. No presumption as to right of successor govt to restitution should be indulged from mere fact of legal title resting in Puppet Regime or in persons acting by, through or under Puppet Regime.

08230

ROUTINE

"Paraphrase not required. Handle as SECRET correspondence per para 51 i and 60 a (4) AR 380-5."

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107

FAR EAST COMMAND

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Secret
ROUTINE

FROM : WAR (WDSCA ES), NR : W 98800, 25 MAY 47, CONT'D

C. Except where such property is found to be subj to restitution as noted above, such property should be considered as Japanese and accordingly avail for allocation as reparation wherever it is of an appropriate nature.

D. As an exception of foregoing and as a measure of asst, real property owned directly by Puppet Regimes and used by them for diplomatic and consular purposes may be utilized by successor govts; transfer of title is not now contemplated and will be considered in reparation decisions and peace treaty provisions.

E. Substance fwd FEC for info, with explanation statement given you as clarification existing directives, and not as interim directive."

Request your comments earliest for guidance of WD member of SWNCC. Nothing further.

NO SIG

ACTION: CIV PROP CUST

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

4 to circulate
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08230 ROUTINE TOO : 241858 Z
MCN : YB 21/24

Secret
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RLJ
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FAR EAST COMMAND
GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Restricted
DEFERRED

FROM : WAR (FROM THE JOINT CHIEFS OF STAFF)

TO : SCAP (TO MACARTHUR)

NR : W 98145

The following directive, serial nbr 77, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on May 8, 47, under the provisions of paragraph II, A, 1, of its terms of reference has been received from the State, War, and Navy Departments for transmission to you for your guidance in accordance with paragraph III, 1, of those terms of reference:

"DIRECTIVE REGARDING THE SOURCE OF JAPANESE IMPORTS"

"1. The primary objective in selecting the sources of imports into Japan should be to minimize the cost and difficulty of procurement. Factors to be taken into account are price, terms of purchase other than price, and assurances of meeting scheduled requirements.

"2. In determining the sources of imports into Japan of commodities in world short supply due consideration should be given to the needs of countries other than Japan in addition to the factors mentioned in paragraph 1.

"3. In procurement of commodities in world surplus or in procurement of any commodity whose export to Japan is of substantial commercial importance to a member of the UN while primary consideration should be given to the objectives outlined in paragraph 1 above, consideration should also be given to such other relevant factors as the interests of all members of the UN, including any new trade situations or

04591

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"Paraphrase not required. Handle as RESTRICTED correspondence para 51 1 and 60 a (4) AR 380-5."

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93

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FAR EAST COMMAND
GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Restricted
DEFERRED

FROM : WAR (FROM THE JOINT CHIEFS OF STAFF) NR : W 98145
16 MAY 47 CONT'D

demands arising in post-war circumstances and pre-war patterns of trade, so long as the pre-war patterns of trade reflect current economic interests of the countries concerned. Taking into account the foregoing principles the Inter-Allied Trade Board may recommend individual treatment for different types of imports.

"4. This statement of policy will in no way be permitted to jeopardize the fulfillment of US responsibilities for the prevention of such widespread disease or civilian unrest as would endanger the occupying forces or interfere with Military operations."

The Commission has agreed to release the foregoing directive to the press after its receipt in Tokyo, therefore acknowledgment of receipt is requested.

NO SIG

ACTION: ECON & SCI

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

S+O
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TOO: 151535 Z
MCN: SA 144/15

"Paraphrase not required. Handle as RESTRICTED correspondence per para 51 i and 60 a (4) AR 380-5."

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

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GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~ FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

INCOMING MESSAGE

Restricted
DEFERRED

FROM : WAR (THE JOINT CHIEFS OF STAFF)

TO : SCAP (MACARTHUR)

NR : W 98144

The following directive, serial nbr 78, prepared by the State Department to implement the policy adopted by the Far Eastern Commission on May 8, 47, under the provisions of paragraph 2, A, 1, of its terms of reference has been received from the State, War and Navy Departments for transmission to you for your guidance in accordance with paragraph 3, 1, of those terms of reference:

"1. The primary objective in selecting the destinations of exports from Japan, subject to paragraphs 3 and 4, is to maximize the proceeds. Factors to be taken into account are price, the purchasing power of the currency for which the commodity is sold, and the availability of necessary imports which can be procured with the proceeds of the exports.

"2. Commercial exports as distinct from commodity movements on reparations account or restitutions shall be made only to those recipients who agree to provide imports necessary for Japan in exchange or agree to pay for Japanese exports in foreign exchange usable for procuring necessary imports. Foreign exchange is considered usable under any of the following circumstances:

a. Freely convertible into currencies which can be used for the purpose of procuring necessary imports.

b. Inconvertible, but usable to pay for imports already or concurrently purchased, but not paid for.

c. Inconvertible, but stable in value and subject to a specific agreement with the area within which the currency is valid-subject to the condition that excess balances of

94593

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Restricted

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-1-

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92

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

INCOMING MESSAGE

Restricted
DEFERRED

FROM : WAR (THE JOINT CHIEFS OF STAFF) NR: W 98144 16 MAY 47
CONT'D

the currency in question rising from sale of Japanese exports, not usable for purchase of imports within a reasonable time period, will be made convertible into dollars.

"3. In determining the destination of exports from Japan of commodities in world short supply or commodities whose import is of substantial commercial importance to a member of the UN, consideration should be given to the interests of all members of the United Nations. Proper consideration should be given to the factors mentioned in paragraph 1 and also to other factors including the requirements of countries for the commodities concerned, any new situations or demands arising in post-war circumstances and the pre-war patterns of trade, so long as the pre-war patterns of trade reflect current economic needs of the countries concerned. Taking into account the foregoing principles, the Inter-Allied Trade Board may recommend individual treatment for different types of exports.

"4. For allocated commodities the price should be the same to all recipients and should in general be fixed according to the following principles:

a. The price should be the established worlds price where such a price exists.

b. Where there is no established world price the price should be fixed in equitable relation to export prices of equivalent goods from other sources and to the domestic prices in the recipient countries which have substantial markets for the commodity."

End of directive.

The Commission release the foregoing directive to the press after its receipt in Tokyo, therefore acknowledgment

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INCOMING MESSAGE

Restricted
DEFERRED

FROM : WAR (THE JOINT CHIEFS OF STAFF) NR: W 98144 16 MAY 47
CONT'D

of receipt is requested.

NO SIG

ACTION: ECON & SCI

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

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TOO: 151534 Z
MCN: SA 147/15

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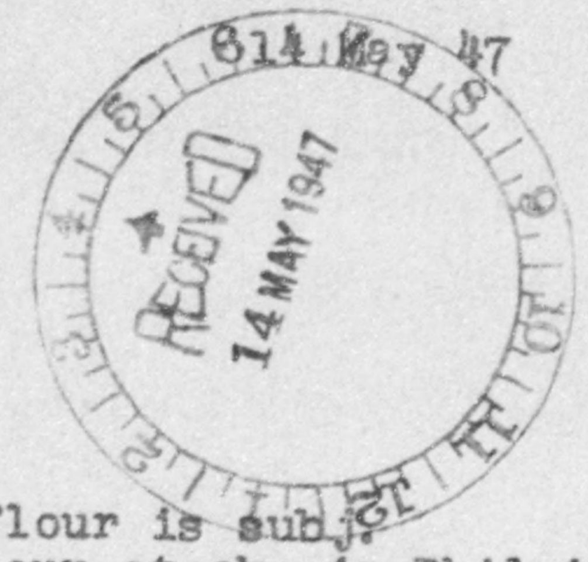
INCOMING MESSAGE

Confidential
PRIORITY



FROM : WAR (WDSCA ES)

TO : CINCFE

NR : W 98035

Re May WD TT 8066 excess Phil flour is subj.

1. USDA advises that excess flour stocks in Phil in danger of spoilage. USDA has cabled AMEMBASSY Manila that Army should have first opportunity to procure any avail for export. Urgently request notification at once whether Army procurement feasible. Funds are avail for purchase if price reasonable.

2. Suggest you contact AMEMBASSY Manila and investigate location and price excess flour. Phil Embassy here has no info on subj but is investigating and will notify WD.

NO SIG

ACTION: ECON & SCI

INFORMATION: GOVT

03771

PRIORITY
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TOO : 132319 Z
MCN : YH 20/14

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91

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ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

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INCOMING MESSAGE

Secret
PRIORITY 13 May 47

FROM : WAR (WDGSP-D)

TO : CG AGFPAC

INFO : CINCFE (PASS FOR INFO TO CG EIGHTH ARMY AND CG USAFIK)

NR : WX 97891

Re CINCFE rad CX 52480 dtd 8 May 47. Subj is movement of certain property in Hawaii to Korea. Your comments and concurrence in the plan proposed in ref rad are requested. In addition the fol specific info needed here:

A. Ref part B subj rad, is bulk property selected by Korean reps still available. If not, how much is still available?

B. Ref part D 5 subj rad, can contract be executed with local concern for moving to port and loading?

C. Does local WAA concur in withdrawal of declared surplus?

LUTES

INFORMATION: G-4, TRANSP, GOVT, GEN ACCTG

NOTE: This message has been passed to Signal Center for redispatch to CG EIGHTH ARMY, CG USAFIK for info.

03216 PRIORITY TOO : 121809 Z
MCN : WB 50/13

Secret

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90

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INCOMING MESSAGE

Restricted
ROUTINE

13 May 47

FROM : WAR (WDSCA GO)

TO : CINCFE

NR : W 97939

Reurads Feb C 50350, Mar C 50982, ourad Apr W 96021. Canadian Govt has replied to State as fols:

"Canadian National Telegraphs and Canadian Pacific Telegraphs advise that they are willing to accept 'reply paid' messages upon advice from Western Union Telegraph Co through which arrangements for the acceptance of messages to Japan are completed."

The Canadian Govt perceives no objection to proposal as outlined in urad C 50350. Nothing further.

NO SIG

ACTION: CIV COMM

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, G-2, AG, AG POSTAL BR, SIGNAL, FISCAL, GOVT, ECON & SCI, DIPLOMATIC

03299 ROUTINE TOO: 130004 Z
Restricted MCN: YC 5/13

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ADJUTANT GENERAL'S OFFICE

RADIO AND CABLE CENTER

INCOMING MESSAGE

RECEIVED
12 MAY 1947

Confidential
ROUTINE

11 May 47

FROM : WAR (WDSCA ES)

TO : CINCFE

IN : W 97878

Reurad Mar C 50730. Reourads Apr WX 96937 Mar WX 93518. Publication FEC policy decision "Assured Production Capacity Levels for Japan" is subj.

1. In next to last par ourad WX 93518 FEC agreed not to publish decision until you had designated specific plants; requested your opinion when release to press would be appropriate.

2. Can you give basis of reply to request above? If not request date we may expect your opinion and prospective target date for release.

R E V I S E D (12 May 47)

NO SIG

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, GOVT, DIPLOMATIC, REPARATIONS

02786

ROUTINE
Confidential

TOO: 101944 Z
MCN: YA 144/10

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88

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ADJUTANT GENERAL'S OFFICE

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INCOMING MESSAGE

Restricted

PRIORITY

8 May 47

FROM : WAR (WDSCA) (MR PETERSEN)

TO : CINCFE (PERSONAL TO GEN MACARTHUR)

NR : W 97648

Trade Mission Japan is subj.

The Trade Mission Group is departing Wash, 8 May. In connection with mission representatives of War, Treasury, Commerce, and State met on 2 May to discuss terms of reference for group. Mission should:

Provide SCAP with firm and clear-cut commitments as to policies and particiapation by US Govt.

Members of mission should be given sufficient latitude to bind their Depts within scope of mission. It was recognized that unforseeable events may later lead to modification of agreements reached but that every attempt should be made on this side to fulfill commitments.

In order to increase possibilities of agreement mission members should be in cable communication with their dept.

There should be discussion and understanding reached with SCAP on at least but not limited to fol:

A. Opening of transactional communications.
B. Exchange of samples.
C. Responsiblity for performance on contract; surveillance and supervision by SCAP.
D. Discussion as to commodities and areas as between private and Govt-to-Govt trading in transition period.
E. Pricing and evaluation techniques.
F. Licensing criteria and procedures.
G. Criteria for entry permit system.
H. Number of traders to enter initially.
I. Operation of Quota System.
J. Time of opening and plans for announcements.
K. Physical accomodations, travel facilities, and funds defray living expenses.

01474

PRIORITY

Restricted

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82

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GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~

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INCOMING MESSAGE

Restricted

PRIORITY

FROM : WAR (WDSCA) (MR PETERSEN) NR: W 97648 8 May 47 CONT'D

L. Banking procedure for private businessman.
M. Financing self-liquidating projects through RFC of joint public and private financing and by raw material commodity deals.
N. Types of and channels of trade info (2-way-flow)
O. Reestablishment of agents, including Japanese agents in Japan acting for non-Japanese firms.
P. Whenever agreements are reached on the above these commitments should be reduced to written statements.

Mission should obtain SCAP's views on participation of other countries in private trade in Japan. In this connection it is believed desirable for SCAP to obtain views of foreign trade representatives now in Tokyo.

WD is deeply concerned with problem of reopening controlled private trade with Japan. I trust that the mission will be of genuine assistance to you in the accomplishment of our common objective.

NO SIG

ACTION: ECON & SCI

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

01474

PRIORITY

Restricted

TOO : 072232 Z
MCN : SA 76/08

Paraphrase not required. Handle as RESTRICTED correspondence per para 51 1 and 60 a (4) AR 380-5.

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INCOMING MESSAGE

Restricted

ROUTINE

15 Apr 47

FROM : WAR (THE JOINT CHIEFS OF STAFF)

TO : SCAP (TO MACARTHUR)

NR : W 96086

The following received from the State, War and Navy Depts is in reply to your Z 42060: Subj Far Eastern Commission official press release (not to be released prior to 6:00 PM, 10 Apr 47).

Press release begins:

"I. The Far Eastern Commission on 6 Mar 47 approved a policy decision relating to interim principles for restitution of identifiable property confiscated in Japan from Allied Nationals.(text below)

II. A directive based upon this policy decision has been forwarded to the Supreme Commander for the Allied Powers for implementation.

INTERIM PRINCIPLES FOR RESTITUTION OF IDENTIFIABLE PROPERTY CONFISCATED IN JAPAN FROM ALLIED NATIONAL

1. The Supreme Commander for the Allied Powers should be authorized to restore to nationals of any of the United Nations (Remainder of directive in W94628, ending with following para quoted Verbatim)

8."Japanese Nationals injured by the provisions of the foregoing paragraphs should look to the Japanese Govt for relief."

End of press release.

NO SIG

91335

ROUTINE

Restricted

"Paraphrase not required. Handle as RESTRICTED correspondence per para 51 i and 60 a (4) AR 380-5."

-1-

54

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FAR EAST COMMAND

GENERAL QUARTERS, ~~U. S. ARMY FORCES PACIFIC~~

ADJUTANT GENERAL'S OFFICE

RADIO AND CABLE CENTER

INCOMING MESSAGE

Restricted

ROUTINE

FROM : WAR (THE JOINT CHIEFS OF STAFF), NR : W 96086, 15 APR 47 (CON'T)

ACTION: CIV PROP CUST

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, GEN HARRISON, AG, GOVT, STAT & RPTS, ECON & SCI, DIPLOMATIC, EX REP

2 to circulate

RECEIVED
15 APR 1947

91335

ROUTINE
Restricted

TOO : 141345 Z
MCN : SA 26/14

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FAR EAST COMMAND

GENERAL HEADQUARTERS, U. S. ARMY FORCES PACIFIC

ADJUTANT GENERAL'S OFFICE

RADIO AND CABLE CENTER

CMB
rfb

INCOMING MESSAGE

Restricted
ROUTINE

27 Mar 47

FROM : WAR (JOINT CHIEFS OF STAFF)

TO : SCAP (MACARTHUR)

NR : W 94856

The following communication from the Far Eastern Commission forwarded through its chairman under the provisions of para VI of its terms of reference, is transmitted to you at the request of the State, War and Navy Departments:

"The Far Eastern Commission request the chairman to consult with the Supreme Commander for the Allied Powers in connection with the following:

1. It is the Commission's understanding from present information that the law applicable to the forthcoming election of the members of the House of Representatives, 1925, as amended in 1926, 1934 and 1945, (MI-007), which unduly restricts the right of suffrage, while the election of the House of Councillors will be held under the more liberal provisions of the House of Councillors' Election Law. (FEC-101/1).

2. Has any action been taken to extend the provisions of Article 2 of the additional provisions of the House of Councillors' Election Law to the election of members of the House of Representatives?

3. What other substantial changes, if any, have been made in the law for the election of members of the House of Representatives, 1925, as amended, or are expected to be made in time to be applicable to the forthcoming General election?"

NO SIG

83889

ROUTINE
Restricted

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35

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INCOMING MESSAGE

Restricted
ROUTINE

FROM : WAR NR : W 94856 27 MAR 47 CONTINUED

ACTION: GOVT

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, AG, STAT & RPTS

83889 ROUTINE Restricted TOO : 261827/Z MCN : SA 205/26

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INCOMING MESSAGE

PRIORITY

RECEIVED
24 MAR 1947
23 Mar 47

FROM : WAR (WDSCA RO)

TO : CINCFE

NR : W 94642

Reoured Feb W 93003, ltr from CAD (26 Feb) and reured Mar C 50969. Reourad quoted para 16, 17, 18 and 21 of SC-047/6, "Policy for Revision of Japanese Educational System" representing departures from SWNCC 108. Reurad contained comments on quoted paras of SC-047/6. CAD ltr fwd full text of SC-047/6 with request for comments. SC-047/6 now revised by FEC committee number 4 to SC-047/8 with changes as follows:

A. Para 16, 17 and 18 of SC-047/6 replaced by following para 17 in SC-047/8: "The Japanese Govt should exercise such control over educational system as will ensure achievement of objectives of occupation, particularly reforms called for by this policy decision. Subj to foregoing, and to main of standards prescribed by govt, responsibility for location of educational establishments should in due time be decentralized. Japanese parents and citizens should be encouraged to feel sense of individual responsibility for achievements of objectives set within para 1. Where practicable they should be associated with control, development, and work of schools and other educational institutions."

32484 PRIORITY

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Restricted

PRIORITY

FROM : WAR (WDSCA RO) NR : W 94642 23 Mar 47 CONT'

B. Para 26 and UK alternate proposal in SC-047/6 are replaced by fol para 25 in SC-047/8: "Educational institutions of foreign foundations in Japan have played useful part in widening and deepening scope of Japanese education, and should be given equal rights to those of Japanese Institutions in future."

After study of SCAP comments in urad, fol tentative revisions of SC-047/8 now under consideration:

A. Sentence "the revision of Japanese educational system should in large measure be undertaken by Japanese themselves and steps should be taken to carry out such revision in accordance with principles and objectives set forth in this paper" to be inserted at end of para 1 of SC-047/6.

B. Para 19 of SC-047/8 (para 21 of SC-047/6) to be replaced by: "In order that educational standards in poor districts should not be lowered by inablility of some local bodies to provide sufficient finances from local revenue, finance for education should come for most part from Natl Govt which should be responsible for maint of adequate level of education throughout Japan. Local and private bodies should be encouraged to supplement these funds provided by Natl Govt."

Contents of SC-047/6 and SC-047/8 identical except for numbering of para and changes noted in this cable.

SC-047/8 as amended above for consideration by Steering Committee of FEC 25 Mar. Receipt of comments prior 25 Mar highly desirable since FEC pressing us for final action.

82484

Restricted

PRIORITY

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INCOMING MESSAGE

Restricted
PRIORITY

FROM : WAR (WDSCA RO) NR : W 94642 23 Mar 47 CONT

NO SIG

ACTION: CIV I & E

INFORMATION: GOVT

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82484

PRIORITY
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-3-

TOO : 222032 Z
MCN : YH 1/23

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INCOMING MESSAGE

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Confidential
ROUTINE

9 Mar 47

FROM : WASHINGTON (JOINT CHIEFS OF STAFF)

TO : SCAP (TO MACARTHUR)

NR : W-93518

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

Directive begins.

"DIRECTIVE REGARDING ASSURED PRODUCTION CAPACITY LEVELS FOR JAPAN

"1. Interim assured production capacity levels are hereby established for each of the 8 categories of Japanese industry listed below.

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

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

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ROUTINE
Confidential
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INCOMING MESSAGE

Confidential
ROUTINE

FROM : WASHINGTON NR : W-93518 9 MAR 47 CONTINUED

factors as availability of raw materials, power, and labor.

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

"2. Machine tool industry.

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

"3. Arsenals, Army and Navy.

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

"4. Aircraft industry (including aircraft engines).

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

"5. Iron and steel industry.

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

"6. Light metals industry.

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

"7. Thermal electric power industry.

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

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

The assured production capacity level for Japan's soda

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-2-

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INCOMING MESSAGE

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ROUTINE

FROM : WASHINGTON NR : W-93518 9 MAR 47 CONTINUED

ash, chlorine, and caustic soda industry should be placed at 207,000 metric tons of soda ash, of which 72,000 are required to produce caustic soda, 28,000 metric tons of chlorine and and 80,000 metric tons of caustic soda annually.

"9. Sulphuric acid industry.

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

Directive ends.

The following excerpt from the minutes of the 46th meeting of the Far Eastern Commission, Feb 20, 1947 is furnished for your information:

"ITEM 3-ASSURED PRODUCTION CAPACITY LEVEL FOR JAPAN. (FEC-083/2, FEC-083/3, FEC-083/4).

* * * * *

STATEMENT BY THE CHINESE MEMBER.

Dr Koo presented the following formal statement:

'In keeping with the constant desire of the Chinese Government to promote cooperation in the Far Eastern Commission and expedite its work, I am prepared to vote for the paper, although with some reluctance. I say with some reluctance because we feel that with particular regard to the capacity level for Japan's steel ingot and pig iron industry, to assure an aggregate of 2,000,000 metric tons of steel ingot and an aggregate of 800,000 metric tons of pig iron annually is premature at the present time and also based on too high an estimate. On the basis of the latest information from SCAP (summation of non-military activities in Japan, number 13, Oct 1946, page 91) the production of steel ingot and castings in Oct 1946 reached only the level of 60,000 metric tons and

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ROUTINE

FROM : WASHINGTON NR : W-93518 9 MAR 47 CONTINUED

that of pig iron only 10,000 metric tons. We therefore doubt the urgency to decide upon an assured capacity for Japan which would provide for a production greatly in excess of the present production.

'I want to point out further that as late as 1931, the year Japan invaded Manchuria, the total Japanese steel consumption was only about 2,000,000 metric tons. Even in that year there was reason to believe that a substantial part of the consumption was for war production or for ship-building and expansion of capital facilities. None of the above needs to be assured for Japan's rehabilitation should be considered as having an urgent priority over reparations to severely damaged allied nations.

'Therefore, I wish to make it clear that the Chinese Government will accept this policy paper with the express understanding that it does not preclude the possibility of using the increased current production from such assumed capacity to furnish a part of the reparations.

'I hope you will allow this to be recorded in the minutes and communicates along with the policy paper to SCAP.'

Mr Naggiar (French representative) said that he desired to record his government's approval of the position just expressed by Dr Koo.

General Hilldring said that he had no objection to the record containing this statement of understanding on the part of the Chinese representative. He desired to point out, however, that the subject of reparations from current production had not previously been considered by the commission and he wanted to make it clear that the United States Government could not at this time commit itself on any proposal involving

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Confidential
ROUTINE

FROM : WASHINGTON NR : W-93518 9 MAR 47 CONTINUED

reparations from current production.

Dr Koo said that the understanding he had just recorded naturally applied only to the Chinese Government and that he simply wishes to reserve the right of the Chinese Government to raise the question at the appropriate time."

The Far Eastern Commission advises that in adopting the foregoing policy decision the commission accepted your recommendation that the decision not be released to the press until specific plants had been designated by you, pursuant to the terms of the policy decision. The commission requests your opinion as to when the release of this policy decision to the press would be appropriate.

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

NO SIG

ACTION: ECON & SCI

INFORMATION: COMMANDER IN CHIEF, CHIEF OF STAFF, GEN HARRISON, AG, GOVT, DIPLOMATIC, EX REP

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ROUTINE
Confidential
-5-

TOO: 072242/Z
MCN: SA 122/08

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Secret
PRIORITY

28 Feb 47

FROM : WASHINGTON (WDSCA ES)

TO : CINCFE

NR : W-92969

Reurad Feb C-50355, Nov W-86354, Oct W-84255 add shpmts raw silk to UK is subject. Is imperative that further shpmts of raw silk to UK be withheld pending mutual agreement between SCAP and the UK re pmt for all raw silk shipped to the UK to date.

Brit maintain they offered to purchase silk on basis terms oultined par 3, W-84255 which entails:

(A) An inspection and granting by G H Heath and Co in England, which inspection has subsequently been found to be at rate of 500 bales per month.

(B) Pmt to be on basis Heath grading at prices which are FOB equivalent of weighted average latest USCC prices at time silk is avail for distribution in UK. This condition, in the case of silk shipped in Nov would delay establishment of a price fixing date until sometime after 7 Feb and under UK proposals this shpmt would be had at prices obtaining at 7 Feb sale in NY.

(C) Pmt in sterling, convertible into dollars after 6 months if excess SCAP needs.

It is suggested that further sales to the UK be suspended until terms acceptable to SCAP and UK are agreed upon in writing in the case of all shpmts made heretofore, as well as future shpmts.

It is suggested that SCAP propose to UK representative

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INCOMING MESSAGE

Secret
PRIORITY

FROM : WASHINGTON (WDSCA ES) NR : W-92969 28 FEB 47 CONT'D

Tokyo fol terms for pmt silk already shipped to UK and upon which future shpmts to UK may be based:

(1) Silk to be sold as of a specified pricing date FOB Japanese port of average prices paid to USCC less a specific number of cents per pound to represent transportation to NY, storage, insurance and auction costs; title to raw silk to be vested in UK Govt when loaded aboard vessel.

(2) This pricing date to be a specified number of days (eg 60) fol date of shpmt from Japan, this period being estimated time required to land silk in UK. Price fixing date would be moved fwd by this arrangement and would be an agreed number of days fol date of delivery to British in Japan. This concession would not materially affect pricing of Nov shpmt but would mean that Jan shpmt would be valued at Feb auction prices instead of Dec prices as stated urad part 2.

(3) It is considered preferable to sell raw silk on basis of Japanese tests and grading. Therefore we suggest proposing to British a deduction of $.15 per pound from prices paid to USCC for silk which is sold on basis grading by US Testing Co. If agreement along these lines can be reached in writing between SCAP and UK recommend further sales and shpmts be made to UK at SCAP discretion.

This cable discussed with Mc Dermott and is concurred in by him. Would you prefer that Mc Dermott negotiate this particular question with Brit while in Wash?

NO SIG

72853

PRIORITY
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INCOMING MESSAGE

Secret
PRIORITY

FROM : WASHINGTON (WDSCA ES) NR : W-92969 28 FEB 47 CONT'D

ACTION: ECON & SCI SECT

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

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PRIORITY
Secret
-3-

TOO: 280020
MCN: YD 15/28

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INCOMING MESSAGE

Secret
ROUTINE

16 Feb 47

FROM : WAR (WDSCA ES)

TO : SCAP (PASS TO W A SILVER OF STATE DEPT FOR INFO)

NR : W 92143

Reurad Feb C 69902 Jap external assets is subj.

Fol is text of State Dept draft of proposed method of liquidation of Jap external assets in neutral countries and Turkey which has been referred to JCS by SWNCC: "Subj is external assets in neutral countries and Turkey.

A. Fol is policy statement adopted by US Govt and interested Allied Govts:

It is concluded that:

A. The Japanese Govt should marshal foreign exchange assets, hereinafter referred to as assets, in neutral countries and Turkey. (The neutral countries and Turkey listed under "definitions" para B below, are hereinafter referred to as named countries).

B. Japanese Govt should compensate Japanese Nationals by pmt in yen, at rate to be established, of sum equal to net proceeds of such assets. Pmt should be effected by crediting compensation against total of taxes that may reach Japanese Govt from Japanese national. Any compensation in excess of total amount due under all tax laws applicable should be credited against any other taxes or levies that may become due from Japanese National. Such compensation itself should be subj to applicable fiscal measures, except that compensation as such should not be taxed.

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17 FEB 1947

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Secret
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FROM : WAR (WDSCA ES) NR : W 92143 16 FEB 47 CONT'D

C. Local currency and credit accruing, plus that accruing from liquidation of Japanese Govt assets in named countries should remain in respective named countries and be used by Japanese Govt pursuant to SCAP directives for purchase of imports necessary to prevent disease and unrest in Japan.

D. In order to give effect to conclusions in sub paras A, B and C above SCAP should direct Japanese Govt to:

(1). Promulgate necessary laws, rescripts and decrees.

(2). Request Govts of 4 powers--China, UK, USSR and US--or such of them as maintain diplomatic relations with respective named countries, acting on behalf of all 4 to consult on Japan's behalf with named countries where necessary to assure that the execution of such laws, rescripts and decrees does not seriously jeopardize the economic affairs of the named country, and to represent Japan in all matters relating to execution of such laws, rescripts and decrees; including the power, where necessary, to conclude on behalf of Japan arrangements pertaining to assets. In this connection:

(A). Inquiry concerning the results of censuses taken by named countries of Japanese assets of all kinds within their borders and those of their possessions should be made by 4 powers.

(B). Secured claims against specific asset and unsecured claims (including those of govts of named countries) having direct relationship to specific

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ROUTINE

FROM : WAR (WDSCA ES) NR : W 92143 16 FEB 47 CONT'D

asset should be satisfied in accordance with law of named country (except that 4 powers should attempt to preclude assertion of unsecured claims by any govt other than that of named country on its own behalf, even though such claims have direct relationship to specific assets). No other claims should be satisfied out of such assets.

(C). Four powers may refrain or resist from acting in regard to assets in any of named countries where value of assets considered in conjunction with claims likely to be held valid does not warrant action. (It should be understood that, where appropriate, settlement of claims may be effected by transfer from Japanese Govt to govts of named countries for appropriate distribution to satisfy valid claims under (2) (B) above of such assets in Japan as may be designated for reparation delivery and are not accepted by countries entitled to reparations).

E. In course of such consultations the 4 powers should have due regard to agreements, undertakings or understandings already existing between any of 4 powers and any of named countries revelant to such assets.

F. Quantity of gold equal to total foreign exchange thus accrued to Japanese economy shall be set aside from that gold in Japan not subj to restitution and shall not be avail to US under first charge principle unless net expenditures by US for prevention of disease and unrest

68003

ROUTINE
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RECEIVED 17 FEB 1947

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INCOMING MESSAGE

Secret

ROUTINE

FROM : WAR (WDSCA ES) NR : W 92143 16 FEB 47 CONT'D

exceed the value of remainder of gold in Japan not subj to restitution. As between prevention of disease and unrest and other purposes, debits for proceeds of exports shall be suitably prorated.

B. Definitions:

A. Named countries: Afghanistan, Eire, Portugal, Spain, Sweden, Switzerland (for present purposes, Switzerland shall be deemed to include Lichtenstein) and Turkey.

B. Term "foreign exchange assets" as used in this paper refers, but subj to such modification as 4 powers may deem appropriate, to all assets in form of or convertible to foreign exchange owned or controlled by any Japanese National inside Japan or subj to repatriation to Japan; including, but not limited to, any real property or interest therein, enterprise (commercial, industrial, financial, or scientific), security or interest therein, trademark, patent, copyright, corporate and contractual licenses and arrangements, insurance policies and reinsurance contracts, bank accounts and deposits, including trusteeship accounts, safe deposit boxes, vaults, checks, drafts, credits, gold and other precious metals, options and any other types of arrangements and undertakings, written or unwritten.

(1). Such definition of "foreign exchange assets" shall not necessarily be definition of assets

68003

ROUTINE
Secret
-4-

"Paraphrase not required. Handle as SECRET correspondence per para 51 i and 60 a (4) AR 380-5."

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FAR EAST COMMAND

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES PACIFIC~~

ADJUTANT GENERAL'S OFFICE

RADIO AND CABLE CENTER

INCOMING MESSAGE

Secret

ROUTINE

FROM : WAR (WDSCA ES) NR : 92143 16 FEB 47 CONT'D

for other purposes among 4 powers.

C. As used in this paper term "Japanese National" refers, but subj to such exemptions as 4 powers may deem appropriate, to:

(1). Any indiv who has been subj of Japan at any time on or since 7 Dec 41 but not including non Japanese natives of Formosa, Korea or any other area liberated from Japan by virture of surrender document signed by Japanese Govt on 2 Sept 45;

(2). Any partnership, association, corporation or other organization, organized under laws of Japan, or which at any time or since 7 Dec 41 had or has had its principal place of business in Japan, or any subsidiary or subdivision of foregoing; provided that assets of such partnership, association, corporation or other organization, or of any subsidiary or subdivision thereof, shall be treated as Japanese only to extent of Japanese interest therein.

D. Term "Japanese Govt" as used in this paper includes, but subj to such modification as 4 powers may deem appropriate, any subdivision, agency, public corporation or other instrumentality thereto including Imperial Household.

C. You should, therefore, direct Jap Govt to:

1. Promulgate law marshaling Jap external assets, based on British Emergency Powers (defense) acts of 39 and 40, RDG 1, suitably amended;

68003

ROUTINE
Secret
-5-

"Paraphrase not required. Handle as SECRET correspondence per para 51 1 and 60 a (4) AR 380-5."

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Secret

ROUTINE

FROM : WAR (WDSCA ES) NR : W 92143 16 FEB 47 CONT'D

2. Promulgate necessary additions to tax laws, with especial attn to necessity of avoiding all appearance of discrimination, or of taxing compensation as such;

3. Request 4 Allied Powers, or such of them as maintain diplomatic relations with respective named countries, to consult on Japans behalf, as outlined in paras A and B above.

4. Maintain such accurate records you deem necessary, particularly with respect to compensation tax-offsets, and imports effected as result of this policy.

5. Advise your Hq fully of progress of action in order that you in turn may advise Washington.

D. Upon advice from you that necessary preliminaries have been completed, diplomatic consultations will begin. You will be kept informed and will undoubtedly be requested to supply factual data for negotiation from time to time.

E. Disposition of ultimate credit balances will be determined in Washington and you will be notified in order to issue further directives to Jap Govt."

Preliminary CAD comment for your info as fols:

It is realized provision for use of gold and for pro-ration of export proceeds as set out in para A F is contrary to urad C 69902 Feb on which action has been initiated here. We are prepared to point out this conflict both in further consideration of paper outlined this cable as well as in further discussions urad. However, you may wish to comment further on this point.

68003

ROUTINE

Secret

-6-

"Paraphrase not required. Handle as SECRET correspondence per para 51 1 and 60 a (4) AR 380-5."

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Secret

ROUTINE

FROM : WAR (WDSCA ES) NR : W 92143 16 FEB 47 CONT'D

Consideration should also be given to any potential financial advantage which might be gained by proposed procedure. Further opinion here is that export account should not be apportioned unless definite advantages are apparent. Request your comments soonest on this and other features of proposed paper. Nothing further.

NO SIG

ACTION: ECON & SCI SECT

INFORMATION: COMMANDER-IN-CHIEF, CHIEF OF STAFF, GEN HARRISON, AG, GOVT SECT, DIPLOMATIC SECT, CIV PROP CUST, JPO, EX REP

Secret

68003 ROUTINE TOO: 151831Z
MCN: YB 1716

RECEIVED 17 FEB 1947

-7-

"Paraphrase not required. Handle as SECRET correspondence per para 51 1 and 60 a (4) AR 380-5."

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SECRET SECURITY INFORMATION

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES PACIFIC~~ FAR EAST COMMAND
ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

RECEIVED
16 FEB 47
WND
rln

INCOMING MESSAGE

Secret
PRIORITY

15 Feb 47

FROM : WASHINGTON (WDSCA ES)

TO : CINCFE (PASS TO CG USAFIK)

NR : W 92126

Reurad Dec TFYMG 3385. Admin of Export Proceeds is subject.

Procedures outlined ourlet AG 121 Sept designed to insure maximum essential import returns from exports and to prevent dissipation foreign currency proceeds from exports.

Use of trust funds was not intended to restrict use of export proceeds but was advocated as means of automatically utilizing disbursing, accounting and auditing procedures that are integral parts of Army fiscal system. It is appreciated that accounts in commercial bank may be helpful in handling drafts, bills of exchange etc resulting from export import transactions.

In event commercial bank accounts are established it should be understood that the proven fiscal procedures made avail by use of trust fund will have been discarded and that responsibility for development of new fiscal system will of necessity be in your Hq. Congressional and governmental interest in conduct and financial results of import export program make it imperative that all aspects of program be documented, recorded and reported in manner that will stand any investigation that may be ordered by appropriate auth. Such report would be sent to CAD and reflect as minimum fol:

"Paraphrase not required. Handle as SECRET correspondence per paragraphs 51 i and 60 a (4) AR 380-5."

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FAR EAST COMMAND

GENERAL HEADQUARTERS, U. S. ARMY FORCES, PACIFIC
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RECEIVED
16 FEB 47
WD
rln

INCOMING MESSAGE

Secret
PRIORITY

FROM : WASHINGTON (WDSCA ES) NR : W 92126 15 FEB 47 CONT'D

A. Total of all export transactions on quantitative (US measures) and financial (dollars) basis.

B. Total of all import transactions (other than those financed by appropriated funds) on quantitative (US measures) and financial (dollar) basis.

C. Amount and disposition of all export fund balances at close of each accounting period. Types of currencies should be reflected. First report should be cumulative from inception of program and each monthly report thereafter should also be on cumulative basis.

Trust fund will still have definite functional value even though export proceeds are deposited in commercial bank accounts. In event auth procurement is to be effected by WD Technical Service, check on commercial account will be drawn to "Treasurer of the US" and deposited to trust fund receipt account. These funds will then be allocated to fiscal officer of procuring Tech Sv. This will enable the fiscal officer to certify the availability of funds to procurement officers.

Monthly radio report followed by detailed report by air mail will be fwd on USCC transactions and status of trust fund account.

We suggest you withhold action on proposals set forth urad and answer fol questions so we have full understanding yourcontrol machinery.

A. In what Allied countries do you contemplate opening accounts and in what currencies?

67842

PRIORITY
Secret
-2-

"Paraphrase not required. Handle as SECRET correspondence per paragraphs 51 i and 60 a (4) AR 380-5."

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FAR EAST COMMAND

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16 FEB 1947
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INCOMING MESSAGE

Secret
PRIORITY

FROM : WASHINGTON (WDSCA ES) NR : W 92126 15 FEB 47 CONT'D

B. Do you contemplate requiring assurance that countries in which commercial accounts are established will provide necessary and apd imports in equivalent value or will convert your excess balances into US dollars prior to issuance of export permit to Korean exporters?

C. Does "Non-negotiable" feature of accounts contemplate that balances held by USAMGIK for account of particular Korean exporters may not be transferred to particular Korean importers but must be expended in full by exporters for essential and apd imports? If so, assurance referred to in B above deemed essential to prevent holding of idle balances with associated risk of unstable prices, currency devaluation and drain on other funds for necessary imports. Also considered necessary that time limit be established during which balances would be held for account of private traders after which funds would revert to USAMGIK with reasonable yen reimbursement to trader under previously agreed formula for cost of goods exported. Procurement of essential imports ought not be permitted to depend upon willingness of exporters to utilize funds accumulated.

D. In view of fact that, in absence of exchange rate, relative yen and foreign currency prices will vary substantially for different imported and exported commodities how will yen prices of imports and exports be established to prevent windfall gains or losses which would accrue if exports procured and imports disposed of at local price levels.

E. Will private exporters be required to dispose of exports to third parties who offer highest prices and to procure

67842

PRIORITY
Secret
-3-

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GENERAL HEADQUARTERS, U. S. ARMY FORCES, PACIFIC

ADJUTANT GENERAL'S OFFICE

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16 FEB 1947

INCOMING MESSAGE

Secret

PRIORITY

FROM : WASHINGTON (WDSCA ES) NR : W 92126 15 FEB 47 CONT'D

return imports from third parties who offer lowest obtainable prices? Obvious valuation difficulties would arise if foreign branches of Korean firms were permitted to determine own foreign currency values or barter terms or act as consumer of Korean exports or producer of goods for return import to Korean. Please outline your plans for overcoming these difficulties.

F. Should we assume export trade to be engaged in initially be private Korean traders would consist essentially of specialized Korean products which USCC would prefer not to handle and which would not be exported if trade confined to government-to-govt basis?

G. Re shpmt Ilhan New Co. How do the mechanics of that transaction differ substantially from transactions as they would occur if and when commercial accounts are established:

What assurance is there that Ilham New Co will provide return imports of dollar value equal to highest possible dollar realization on goods exported? Do you perceive any way in which Ilham New Co will realize US dollar profit for his own account from this transaction?

H. Do you contemplate control devices to assure that Korean exporters offering items for sale actually possess title to such items. This appears and essential prerequisite. Nothing further.

NO SIG

67842

PRIORITY

Secret

-4-

"Paraphrase not required. Handle as SECRET correspondence per paragraphs 51 1 and 60 a (4) AR 380-5."

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RADIO AND CABLE CENTER

RECEIVED
16 FEB 1947

INCOMING MESSAGE

Secret
PRIORITY

FROM: WASHINGTON (WDSCA ES) NR: W 92126 15 FEB 47 CONT'D

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

NOTE: This message has been passed to Signal Center for redispatch to CG USAFIK for action.

67842

PRIORITY
Secret
-5-

TOO: 150150 Z
MCN: YA 75/15

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ADJUTANT GENERAL'S OFFICE
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rln

INCOMING MESSAGE

Restricted
ROUTINE

8 Feb 47

FROM : WASHINGTON (THE JOINT CHIEFS OF STAFF)

TO : CINCFE (MACARTHUR)

NR : W 91539

The following directive, prepared by the State Dept to implement the policy adopted by the Far Eastern Commission on 30 Jan 47 under the provisions of paragraphs II, A, 1, of its terms of reference, has been received from the State, War and Navy Departments for transmission to you for your guidance in accordance with paragraph III, 1, of those terms of reference:

"DIRECTIVE REGARDING JAPANESE RESEARCH AND ACTIVITY IN THE FIELD OF ATOMIC ENERGY.

1. Japanese research or other activity in the field of atomic energy should be governed by the following:

a. Such decisions by the United Nations on international control of atomic energy as are applicable;

b. Additional restrictive policies established for the disarmament and control of Japan.

2. In view of continuing discussion of the foregoing, the Far Eastern Commission considers that the Japanese should not be permitted at present to conduct research in the field of atomic energy, or to develop or use atomic energy. The commission accordingly establishes the following policy:

a. All research in Japan, of either a fundamental or applied nature, in the field of atomic energy should be prohibited, including:

(1) All research or development which has

64856

ROUTINE
Restricted
-1-

"Paraphrase not required. Handle as RESTRICTED correspondence per paragraphs 51 i and 60 a (4) AR 380-5."

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9 FEB 1947
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FAR EAST COMMAND
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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

Restricted
ROUTINE

FROM : WASHINGTON NR : W 91539 8 FEB 47 CONTINUED

for its purpose the production of fissionable atomic species.

(2) All research or development which has for its purpose the separation or concentration of fissionable species of atomic isotopes from the naturally occurring isotope mixture of a chemical element.

b. All development or construction in Japan which has for its purpose the utilization of atomic nuclear energy should be prohibited.

c. The mining, processing, and refining of radioactive materials in Japan for authorized purposes, such as radium for medical uses, should be permitted only in those instances specifically approved by the Supreme Commander for the Allied Powers and under his surveillance."

The following statements, made by the United Kingdom and Indian members of the commission at the time the directive was adopted, are quoted for your information:

STATEMENT BY THE UNITED KINGDOM MEMBER.

"I am instructed to refer to paragraph 2 A of the proposed policy and particularly to the words 'field of atomic energy'. If the term is intended to be used in the sense in which it is defined in the British Atomic Energy Act the prohibition would cover practically the whole field of nuclear physics and other activities also. We do not object to the rigid curtailment of fundamental physics research in Japan but we wish to ensure that there is concensus of opinion in the commission as to the extent of the prohibition in order that the emergence of possible differences of opinion as to the meaning of the term shall be avoided.

64856

ROUTINE
Restricted
-2-

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FAR EAST COMMAND

GENERAL HEADQUARTERS, ~~U. S. ARMY FORCES, PACIFIC~~
ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

Restricted
ROUTINE

FROM : WASHINGTON NR : W 91539 8 FEB 47 CONTINUED

And then in paragraph 2 A (1) and (2) the phrase 'all research or development which has for its purpose' occurs.

We suggest that the words 'which has for its purpose' might lead to subsequent difficulties, since it might possibly be claimed that a given branch of research which was intended for some entirely different purpose had unexpectedly given results of interest in the field of atomic energy. In view of this I am instructed to propose that the authority appointed to supervise the implementation of this policy decision, which for the time being will no doubt be the Surpreme Commander for the Allied Powers, should be empowered to adjudicate as to whether any proposed piece of research or development has for its purpose matters connected with atomic energy."

STATEMENT BY THE INDIAN MEMBER.

"Mr. Chairman, when we considered this paper last time I was in the unfortunate position of not having yet received the views of my government. I have those now, and with your permission I would like to submit them to you briefly.

When the paper was being considered in the appropriate committee, I gather that some representative of the War Dept or the State Dept stated that in Germany what you might call fundamental nuclear research is permitted, but under strict control so as to ensure that research is not either directly or indirectly utilized for warlike purposes or purposes that might endanger the peace. My government feels that in so far as research is permitted in Germany in these facts there is not reason why, subject to similar control and supervision, it should not be permitted in Japan. They are no

64856

ROUTINE
Restricted
-3-

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ADJUTANT GENERAL'S OFFICE
RADIO AND CABLE CENTER

RLJ
rln

INCOMING MESSAGE

Restricted
ROUTINE

FROM : WASHINGTON DR : W 91539 8 FEB 47 CONTINED

more interested in re-arming Japan or increasing the war potential in Japan than anybody else around this table. As a matter of fact, we are all anxious that Japan's capacity for making war should be effectively and completely curtailed. All the same--I am not a physicist and therefore I speak with great reserve and diffidence--we have one or two rather good physicists in India and they went into this matter and they said that this may perhaps be too far-reaching although not in so far as research in pure physics and the structure of the atom is concerned. And so I have instructions to put this point of view before the commission, but I am not insisting that this opinion be recorded or anything of that sort."

The Far Eastern Commission has agreed that it will release the foregoing policy decision to the press after its receipt in Tokyo. Acknowledgment of receipt is therefore requested.

NO SIG

ACTION: ECON & SCI SECT

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

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64856

Restricted
ROUTINE
-4-

TOO: 0721307Z
MCN: 8A 35/08

RECEIVED
9 FEB 1947

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ADJUTANT GENERAL'S OFFICE
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INCOMING MESSAGE

Secret
PRIORITY

Govt Sec 7

23 Jan 47

FROM : WASHINGTON

TO : CINCFE (MACARTHUR PERSONAL)

NR : W 90286

part 1. I have given considerable attention recently to 3 related Japanese problems: Silk, cotton textiles, and reparations. There follows my current thinking on these subjects.

Silk. As you know, sales of raw silk have been disappointingly small. Only 20,000 bales have been sold since June and this should be compared with presently existing stocks in Japan and here of 150,000 bales and an annual rate of production of at least 120,000 bales. Thus the sales job for 1947 is to dispose of 270,000 bales of raw silk. Because I was certain that policies used by USCC would not accomplish a sales job of this magnitude, several months ago I appointed an advisory committee on silk composed of heads of some of our largest retail establishments. In reaching the conclusions set forth below I am relying on that committee's work and reports to me as well as other inquiries I have made from leaders in silk and related trades. Very considerable revision will be made in the sales policies of the United States Commercial Company, and I hope that that organization can be greatly strengthened by the addition of some top-notch experienced personnel which I am attempting to recruit. This should materially improve matters but the prospects

58343

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"paraphrase not required. Handle as SECRET correspondence per para 51 i and 60 a (4) AR 380-5."

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091.1 TOKYO 28