

FEC-215

Public Report by the Secretary  
General on Activities of FEC  
Review in "Pacific Affairs"



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Public Report on  
FEC Activities  
by Sec'y General

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FEC-215RESTRICTEDFEC-2152 April 1947FAR EASTERN COMMISSIONPROPOSED TEXT FOR PUBLIC REPORT ON COMMISSION ACTIVITIES  
(References: FEC-200, MI-088, -088/1)Note by the Secretary General

1. The enclosure, a preliminary draft of the text of a proposed report for publication by the Commission on its activities, prepared by the Secretary General pursuant to instructions of the Steering Committee at its 53rd meeting on February 25, 1947 and of the Commission at its 49th meeting on March 13, 1947, is circulated herewith for the consideration of the Far Eastern Commission.

2. The enclosure covers Commission activities to date, in the belief that a somewhat fuller picture of the Commission's function would thus be given than if only the period up to February 26, 1947 were taken. The text has been based entirely upon press releases approved by the Commission. An attempt has been made, of course, to present the substance of the Commission's policy decisions discursively in a way that would make them understandable to the general reader; but, insofar as possible, this has been done simply by elucidating the texts of Commission policies rather than by going into discussions leading to their adoption, as in the case of my Annual Report (FEC-200).

3. Members will observe that at certain points in the report the pattern of what has and has not been released by the Commission makes somewhat difficult an entirely coherent discursive account of the Commission's activities on particular issues. Before adopting in final form the text of

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a report to be released for publication, therefore, the Commission may wish to consider authorizing the release of additional policy decisions or further background material which would prove of assistance to the general reader in understanding the Commission's activities. For example, on July 2, 1946 a press release was approved announcing the fact that a policy on Basic Principles for a New Japanese Constitution had been approved; to date, however, the text of this policy decision has not been released.

4. In order that Members in this connection may know at a glance what items of the Commission's activities have not been released to the press, a list of policy decisions and consultations not approved for release is appended to the report. For information as to what items have been released, as of 18 February 1947, the attention of members is invited to MI-088. The recent policy decisions dealing with Interim Principles for Restitution of Identifiable Property (FEC-011/28) and Revision of the Japanese Educational System (FEC-092/1) have been included in the enclosed text, although as of this date they have not yet been released to the press. In approving both, however, the Commission authorized their release in the normal course, and it is anticipated that before a report is finally approved for publication both decisions will have been released. The policy decision on Apprehension, Trial and Punishment of War Criminals (FEC-007/3) has been included in the text, although to date it has, through an administrative error, never actually been released. The minutes of the 7th meeting of the Commission indicate that the Commission approved this policy for release to the press at such later date as would make possible its release simultaneously by all of the countries represented on the Commission. Through an oversight, however, the question of a suitable date for such release was never raised within the Commission.



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Presumably there would be no objection to its release as a part of a general report. The policy on Assured Production Capacity Levels (FEC-083/5) has not been included in the text. Although it was approved for release after the Supreme Commander has designated all of the plants covered by the policy, it is anticipated that this requirement would not have been fulfilled in time to include the policy in the proposed report.

5. The enclosure is submitted by the Secretary General as a working basis for the text of a report on the Commission's activities suitable for publication. Once agreement has been reached on the text, the question of the form of the report can be considered and at the time the Secretary General may have additional recommendations to make. It is assumed that the Commission would desire the inclusion in the report of the texts of the policy decisions referred to, probably in the form of appendices. The documents which would thus be included have therefore been indicated in the List of Appendices attached to the enclosure. The Commission may wish to consider, for example, the advisability of including with the report, for the convenience of the general reader, appropriate charts or diagrams showing the organization of the Commission and the chain of command between the Commission, the United States Government, and the Supreme Commander.

NELSON T. JOHNSON  
Secretary General



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RESTRICTEDE N C L O S U R EPROPOSED TEXT FOR PUBLIC REPORT  
ON COMMISSION ACTIVITIESI. INTRODUCTION

From its beginning the occupation of Japan has been an Allied responsibility. It was to the Allied Powers that the Japanese surrendered on August 14, 1945. General MacArthur went ashore and formally accepted that surrender on September 2, 1945 as Supreme Commander for the Allied Powers. Since February 25, 1946 the responsibility for formulating Allied policies under which the Japanese were to carry out the obligations imposed upon them by the terms of surrender has been borne by an inter-Allied commission, composed of representatives of eleven nations, and meeting regularly in what used to be the Japanese Embassy in Washington--the Far Eastern Commission.

Welcoming the members of the Commission at their first meeting, United States Secretary of State, James F. Byrnes, outlined in broad terms the responsibility that had been entrusted to the Far Eastern Commission by the Moscow Agreement of Foreign Ministers. "Peace in the Pacific," he said, "is an essential cornerstone to a stable world structure. The guidance of Japan to a position of peaceful association with the other nations is therefore a task of major responsibility. That responsibility now belongs to you of the Far Eastern Commission . . . The Terms of Reference agreed to last December in Moscow place the final and ultimate responsibilities for formulating the policies and principles upon which the peace and security of the Pacific may well be based, in your hands."

As the forces of the occupation under General MacArthur's command have carried on their day-to-day task in Japan, the Far Eastern Commission in Washington has pursued its responsibilities



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of formulating Allied policy. With the successful completion of the first year of the Commission's activity, the need for a document setting forth the nature of the Commission and giving an account of its activities has become apparent. In the hope that the summary which follows will acquaint the peoples of the world with an international organization that bears a major share of responsibility for the formulation of a framework upon which lasting peace in the Pacific can be built, the Far Eastern Commission has authorized its release.

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RESTRICTEDII. HISTORY AND BACKGROUNDJapanese Surrender

Allied participation in the occupation of Japan began with the first Japanese offer to surrender. Acceptance of the Japanese offer by the four Allied Powers entailed the appointment of a Supreme Commander to receive the surrender in behalf of the Allied Powers. From the moment of formal surrender the authority of the Japanese Emperor and the Japanese State, it was specified, would be subject to the Supreme Commander. General Douglas MacArthur was accordingly designated as Supreme Commander on August 14, 1945. Acting for the Republic of China, the United Kingdom, the Union of Soviet Socialist Republics, and the United States, and in the interests of the other United Nations at war with Japan, on September 2, 1945, on board the United States battleship "Missouri", he formally accepted the surrender of Japan. Representatives of all the nine nations who were principally involved in the war against Japan also signed the instrument of surrender with General MacArthur.

Occupation forces which first went ashore under General MacArthur's leadership were in the main American, and the policy directives under which the Supreme Commander began enforcing Japanese fulfillment of the surrender terms were issued to him by the United States Government. The statement on Basic Initial Post-Surrender Policy, a consolidation and projection of all previous United Nations planning for Japan, was forwarded in substance to General MacArthur by radio on August 29, 1945 and, following formal approval by the President, was dispatched by special messenger on September 6. Further directives covering specific policy matters not included in the basic statement were subsequently forwarded through the channels of the United States Government as the occasion required.



RESTRICTEDFar Eastern Advisory Commission

Even at this early date, however, steps had already been taken by the United States Government to place responsibility for the occupation of Japan upon a broad Allied basis. On August 21, 1945 proposals had been sent to the Soviet Union, the United Kingdom, and China for the establishment in Washington of a Far Eastern Advisory Commission authorized to make "recommendations" on the "formulation of policies, principles, and standards by which the fulfillment by Japan of its obligations under the instrument of surrender may be determined." A Terms of Reference for the projected Advisory Commission was outlined and the suggestion was made that Australia, Canada, France, the Netherlands, New Zealand, and the Philippines also be invited to participate. Subsequently, at the suggestion of the United Kingdom, an invitation was extended to India. Although some dissatisfaction was expressed with the limited authority of the Advisory Commission thus proposed, the invitation was accepted by all of the Governments mentioned, with the exception of the Soviet Union, who demurred on the ground that the Commission would have only advisory authority. Instead the Soviet Government proposed that an international control commission for Japan be established in Tokyo, along the lines of similar commissions in Germany and Austria.

Although the Soviet Union therefore was not represented, the Far Eastern Advisory Commission convened in Washington on October 30, 1945, and continued to meet regularly over the next two months. Committees were organized to undertake a study of occupation policies, including policy directives already dispatched by the United States to General MacArthur as Supreme Allied Commander. In particular, the Advisory Commission turned its attention to the drafting of a specific statement of Allied Basic Post-Surrender Policy.



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In December 1945 the United States Government, with the thought that an on-the-spot inspection of the progress of the occupation would be helpful in connection with the work of the Commission, extended to the Advisory Commission an invitation to undertake a trip to Japan. The Commission accepted the invitation, and on December 26 left Washington by air for Tokyo. At Hawaii the Commission transferred to the "U. S. S. Mt. McKinley", which thereafter served as Commission headquarters during the trip. The Commission party arrived in Tokyo on January 10, 1946 and immediately began a series of conferences with General MacArthur and the heads of his headquarters staff sections concerning all aspects of the occupation. Several trips to various parts of Japan were also made. On February 1, 1946 the Advisory Commission left Japan, and arrived back in Washington on February 13, 1946.

Establishment of the Far Eastern Commission

Although the Far Eastern Advisory Commission accomplished a good deal toward drafting a document on basic post-surrender policy for Japan, its deliberations were not completed because it was known to members that proposals were already under consideration that would lead to the participation of the Soviet Union. At the Moscow Meeting of Foreign Ministers in December 1945 further negotiations between the United States, the Soviet Union, and the United Kingdom were conducted on the subject of Allied participation in the occupation of Japan, and with the concurrence of China the three Foreign Ministers on December 27, 1945 issued a communique establishing Terms of Reference for a Far Eastern Commission to replace the Far Eastern Advisory Commission, with a membership that would include the Soviet Union in addition to the countries already represented. In fact, the Moscow Agreement was made known one day after the Advisory Commission had left Washington on its trip to Japan. Upon its return to Washington, therefore, the Commission was reconstituted as the new Far Eastern



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Commission, with the addition of the Soviet Representative. Headquarters were established in the former Japanese Embassy building in Washington, and the first meeting of the Far Eastern Commission was held there on February 26, 1946.

Terms of Reference

Under the Terms of Reference (Appendix 1) the Far Eastern Commission has two principal functions. First, to formulate "the policies, principles, and standards in conformity with which the fulfillment by Japan of its obligation under the terms of surrender may be accomplished"; and second, "to review, on the request of any member, any directive issued to the Supreme Commander for the Allied Powers or any action taken by the Supreme Commander involving policy decisions within the jurisdiction of the Commission." In addition, the Commission is empowered to consider such "other matters" as may be assigned to it by agreement among the participating powers. Making recommendations with regard to either the conduct of military operations or territorial adjustments, however, is specifically excluded.

The Terms of Reference take cognizance of the special responsibility of the United States as the major occupying power in Japan by providing that the Commission does not deal directly with the Supreme Commander, but should "respect existing control machinery, including the chain of command from the United States Government to the Supreme Commander and the Supreme Commander's command of occupation forces." Policy decisions of the Commission must be transmitted to the United States Government, and the United States Government is then made responsible for preparing directives based upon these decisions and transmitting these directives to the Supreme Commander for his guidance. As sole executive authority for the Allied Powers in Japan, the Supreme Commander is charged with the implementation of the directives prepared in accordance with Commission policy decisions.



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A so-called "veto" provision, similar to that in the Charter of the United Nations, is included in the section of the Terms of Reference dealing with voting. The Commission may take action by a majority vote, provided the representatives of the United States, the United Kingdom, the Soviet Union, and China all concur in this majority.

To provide for situations in which policy direction for the Supreme Commander may be required on urgent matters upon which the Far Eastern Commission has not yet taken action, the Terms of Reference authorize the United States to issue "interim directives to the Supreme Commander pending action by the Commission whenever urgent matters arise not covered by policies already formulated by the Commission."

Issuance of interim directives by the United States is specifically excluded, however, in dealing with three specific subjects known as the "reserved questions." These are (1) fundamental changes in the Japanese constitutional structure, (2) fundamental changes in the regime of control, and (3) fundamental changes in the "Japanese Government as a whole".

While the main headquarters of the Commission is in Washington, the Terms of Reference authorize it to meet in Tokyo or in any other place it may desire. The Chairman is authorized to make such arrangements as may be practicable for "consultation" with the Supreme Commander.

No time limit is placed upon the functioning of the Commission by the Terms of Reference. The Commission shall cease to function "when a decision to that effect is taken by the concurrence of at least a majority of all of the representatives", including the representatives of the four "veto" powers.



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Prior to concluding its functions, however, the Commission is directed by the Terms of Reference to transfer such functions as may be appropriately transferred to "any interim or permanent security organization of which the participating governments are members." Quite clearly, this is a reference to the United Nations.

Allied Council for Japan

The Moscow Agreement which established the Terms of Reference of the Far Eastern Commission also established Terms of Reference for an Allied Council for Japan, which was to have the function of "consulting with and advising the Supreme Commander in regard to the implementation of the terms of surrender, the occupation and control of Japan, and of directives supplementary thereto." Unlike the Far Eastern Commission, the Allied Council for Japan was to have its seat in Tokyo. The Chairman of the Council would be either the Supreme Commander himself or his Deputy, and in addition to him the membership would include representatives of the British Commonwealth, China, and the Soviet Union. The British Commonwealth Member would represent jointly the United Kingdom, Australia, New Zealand, and India. In general the functions of the Council are purely advisory. As sole executive authority for the Allied Powers in Japan, the Supreme Commander is authorized to issue all orders for the implementation of the terms of surrender. Although he is directed to consult and advise with the Council "in advance of the issuance of orders on matters of substance, the exigencies of the situation permitting" the Supreme Commander's decisions upon these matters, the Terms of Reference state, "shall be controlling". Only in one case does the Allied Council exercise more than an advisory function. Whenever "regarding the implementation of policy decisions of the Far Eastern Commission" or matters relating to the three "reserved questions"



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mentioned above, "a member of the Council disagrees with the Supreme Commander or his Deputy", the Terms of Reference of the Allied Council require that the Supreme Commander shall "withhold the issuance of orders on these questions pending agreement thereon in the Far Eastern Commission."

Organization of the Commission

The Far Eastern Commission is made up of representatives of the eleven nations referred to in the Terms of Reference. Major General Frank R. McCoy, United States Representative, who serves with the personal rank of Ambassador, was unanimously elected Chairman of the Commission at its first meeting. In most cases the representatives of the other countries are the Chiefs of Mission of those countries in Washington. A list of representatives follows in alphabetical order, and a complete roster of the personnel of each national delegation on the Commission will be found in the appendix. (Appendix 2).

Australia	Ambassador Norman J. O. Makin
Canada	Ambassador Hume Wrong
China	Ambassador V. K. Wellington Koo
France	Ambassador Paul E. Naggiar, Special Ambassador of the Republic of France to the Far Eastern Commission
India	Ambassador M. Asaf Ali
Netherlands	Ambassador A. Loudon
New Zealand	Sir Carl Berendsen, New Zealand Minister to the United States
Philippines	Ambassador Carlos P. Romulo, Permanent Representative of the Republic of the Philippines to the Far Eastern Commission and the United Nations
Union of Soviet Socialist Republics	Ambassador Nikolai V. Novikov
United Kingdom	Sir George Sansom, His Britannic Majesty's Minister to the British Embassy in Washington



RESTRICTEDCommittees

At its first meeting the Commission established working committees to consider and make appropriate recommendations on various aspects of the business before the Commission.

Each of the working committees is composed of members from all of the eleven nations making up the Commission. Seven working committees have been established. Their officers and principal fields of business are listed as follows:

Committee No. 1: Reparations

Chairman: Major J. Plimsoll (Australia)  
Deputy Chairman: Dr. G. A. Ph. Weyer (Netherlands)  
Subjects for Consideration: Reparations of goods and materials from Japan; restitution of looted property; related topics

Committee No. 2: Economic and Financial Affairs

Chairman: Mr. F. C. Everson (United Kingdom)  
Deputy Chairman: Mr. Roswell H. Whitman (United States)  
Subjects for Consideration: Extent and character of Japanese industry, commerce, and agriculture necessary for a viable economy in Japan; measures necessary to establish such an economy; financial problems; related topics

Committee No. 3: Constitutional and Legal Reform

Chairman: Mr. B. R. Sen (India)  
Deputy Chairman: Mr. Ralph Collins (Canada)  
Subjects for Consideration: The Emperor, Diet, Cabinet; local Government; political parties; a Bill of Rights; machinery for drafting a new constitution; electoral system and reform of the political system; related topics



RESTRICTEDCommittee No. 4: Strengthening of Democratic Tendencies

Chairman: Mr. G. G. Dolbin (U. S. S. R.)  
Deputy Chairman: Dr. T. T. Mar (China)  
Subjects for Consideration: Establishment of freedom of speech of religion and of thought, and respect for the fundamental human rights; positive policy for the reorientation of the Japanese; other measures to strengthen democratic tendencies; related topics

Committee No. 5: War Criminals

Chairman: Mr. H. T. Liu (China)  
Deputy Chairman: Mr. C. Coronel (Philippines)  
Subjects for Consideration: Identification, apprehension, trial, and punishment of persons suspected of war crimes

Committee No. 6: Aliens in Japan

Chairman: Mr. Francis Lacoste (France)  
Deputy Chairman: Mr. F. C. Everson (United Kingdom)  
Subjects for Consideration: Friendly aliens, neutrals, enemy nationals other than Japanese; related topics

Committee No. 7: Disarmament of Japan

Chairman: Mr. O. Reuchlin (Netherlands)  
Deputy Chairman: Major General A. V. Vasiliev  
( U. S. S. R.)  
Subjects for Consideration: Disarmament and dissolution of Japanese armed forces; disposition of Japanese armaments and military equipment; long-range control of armaments necessary for internal police security in Japan; related topics



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Each of these committees is organized into ad hoc subcommittees as the occasion may require, and several committees have one or two standing subcommittees.

In addition to the working committees of the Commission, a Steering Committee was also established for the purpose of organizing Commission business and in general coordinating the work of the several committees. In practice the Steering Committee has functioned principally as a kind of committee of the whole for the Commission. Recommendations and policy proposals from working committees are given preliminary consideration in the Steering Committee; areas of disagreement between members are canvassed, and wherever possible they are resolved prior to forwarding policy proposals to the Commission for final action. The Chairman of the Steering Committee is Sir Carl Berendsen (New Zealand) and the Deputy Chairman is Dr. A. Loudon (Netherlands).

To date there have been 50 meetings of the Commission and 57 meetings of the Steering Committee.

Secretariat

In its capacity as host to the Commission, the United States Government has furnished the headquarters for the Commission, has underwritten the Commission's budget, and has in the main supplied the personnel for the Commission's secretariat staff. Nelson T. Johnson, former United States Ambassador to China and Minister to Australia, is the Secretary General of the Commission. Samuel S. Stratton is Deputy Secretary General. The Commission agreed that any nation is free to nominate representatives for the Secretary General's staff. Mr. Donald G. Badger was nominated by Australia for the position of Economic Secretary. The remainder of the Secretariat, however, are American personnel, supplied by the Department of State.



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The Commission Secretariat is charged with the performance of all of the technical and administrative duties which Commission and committee meetings involve, including the preparation of committee agenda and minutes, the procurement, analysis, and dissemination of informational material about Japan, receiving and distributing official communications from governments, handling official Commission policy decisions and consultations, advising Commission members on questions of procedure, and performing such other functions as may be specifically assigned.



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The Basic Initial Post-Surrender Policy statement issued by the United States to General MacArthur in September 1945 covered a wide variety of subjects, providing for democratic, constitutional, and economic reform, as well as for military disarmament. From time to time as the occupation progressed, this basic policy was supplemented and elaborated by further United States policy directives intended to meet particular situations arising in Japan. By the time the Far Eastern Commission began its operation, therefore, a substantial body of policy had already been transmitted to the Supreme Allied Commander, and the occupation of Japan based upon these policies was already under way. Under the Terms of Reference of the Far Eastern Commission these policies were subject to review by the Commission, and where advisable, the Commission was authorized to require their modification. On subjects not covered by these policies, the Commission was authorized to formulate such additional Allied policy as might be deemed necessary.

To date 32 policy decisions have been adopted by the Commission - all incidentally, by unanimous vote - and a total of 12 formal consultations with the Supreme Commander on matters relating to policy have been approved.

Date of Japanese General Elections

One of the first items with which the Commission concerned itself was the general election for the first post-surrender House of Representatives, which had been scheduled by the Japanese Government, after several postponements, for April 10, 1946. Within the Commission the thought was expressed by some members that the election as scheduled was premature. Candidates representing long-suppressed liberal forces of Japan would not have had sufficient time, it was felt, to organize themselves politically to receive a percentage of the total vote that would adequately reflect the real extent of liberal political thought



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in Japan. Moreover, on March 6, 1946 the Japanese Cabinet had announced completion of a preliminary draft of a proposed revision of the Japanese Constitution. This announcement had an important bearing on the election for the House of Representatives because of the part the new Diet would be likely to play in putting any proposed constitutional revision into effect.

On March 20, 1946 the Commission accordingly approved a message of consultation with the Supreme Commander, communicating to him the doubts expressed by members on the date of the general election and requesting the Supreme Commander's views as to the advisability of postponing the elections (Appendix 3). The Supreme Commander subsequently replied that it was probable that "the new Diet will be the most truly responsive body to the will of the people that has ever served Japan and will provide the basis for a much more representative cabinet." Under these circumstances, he went on, "any postponement of the election would have a profound adverse reaction upon the purposes and success of the occupation." He added that if, in any case, "the results of the election prove disadvantageous to the purposes of the occupation, the remedy is always in my power to require the dissolution of the Diet and the holding of a new election under such provisions as are deemed necessary." (Appendix 4). The Commission took no further action on this matter and the election was held as scheduled.

Japanese Constitutional Reform

Revision of the Japanese Constitution was, of course, one of the principal tasks facing the Allied occupation. Although the Meiji Constitution of 1889, which was still in effect, possessed a deceptive appearance of liberal democratic forms, it was actually a highly undemocratic document and had contributed greatly to perpetuating the basic feudal structure of Japanese life. During the period of military aggression the Meiji Constitution had served as a tool by which militaristic and



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ultra-nationalistic elements were able to obtain political power and exercise it without restraint in behalf of their designs for conquest.

The appearance on March 6, 1946 of a Government-sponsored draft revision of the Meji Constitution, issued with the personal endorsement of the Supreme Commander, focused the Commission's attention urgently upon the question of constitutional reform. The Commission was conscious of its responsibility in connection with a new constitution, namely, to see that this new constitution conform to the principles of the Potsdam Declaration as a free expression of the will of the Japanese people. As a first step in fulfilling this responsibility the Commission began the formulation of a set of principles by means of which it could determine whether or not a proposed constitution would, in fact, conform to the requirements of the Potsdam Declaration. As important as the substance of such a constitution in determining its conformity with the Potsdam Declaration, however, the Commission felt, would be the actual method and machinery by which the new constitution was adopted. Because the Commission felt that a policy decision on this point was even more urgent, it turned its immediate attention to this question.

Liaison with SCAP on the Constitution

Since there were many possible ways in which a new constitution might be adopted, the Commission realized that without complete and up-to-date information on developments within Japan and the plans of the Japanese Government, it would be difficult for the Commission to formulate the terms of its policy decision clearly. On April 10, 1946, therefore, the Commission approved a message of consultation with the Supreme Commander, setting forth the general background as indicated above, and expressing to the Supreme Commander some of the questions on which the Commission entertained doubts. (Appendix 5) In particular, the Supreme Commander was queried as to the extent to which draft

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constitutions other than the one sponsored by the Government had been presented to the Japanese, and also as to what consideration the Japanese Government had given to the various methods by which a new Japanese Constitution might be adopted, including approval by the Diet, a ratification by constitution convention, or plebiscite. In the light of these queries and "because the Commission lacks much of the necessary knowledge of current developments and plans of the Japanese Government", the Supreme Commander was asked to "send a member of his staff to Washington to inform the Commission on the plans of the Japanese Government for the adoption of a constitution, and also to discuss with the Commission broad questions relating to a new constitution for Japan." Also expressed was the hope that the officer thus detailed by the Supreme Commander would be in a position to communicate the Supreme Commander's own views on these matters.

The Supreme Commander's reply was not received by the Commission until May 29, 1946 (Appendix 6). In it General MacArthur expressed his "full agreement with the need for a closer working arrangement and understanding between SCAP and the Commission", and said that he "stands ready to do everything in his power to further this end." However, he said, it was impossible for him to send an officer to represent him: first, because of rapid demobilization of officer personnel; secondly, because he had given his personal attention to the constitutional question and therefore no officer was really in a position to express his own views in detail; and finally, because the "situation in Japan is a fluid one, necessitating constant on-the-ground observation to permit a comprehensive understanding of it from day to day."

Criteria for Adopting a New Constitution

Before receipt of the Supreme Commander's reply, however, the Commission, moved by the urgency of the situation, had already decided to go ahead with the job of drafting a policy designed to insure that the manner in which revision of the present constitution was to be accomplished would in fact constitute a "free

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expression of the will of the Japanese people." A policy entitled "Criteria for the Adoption of a New Japanese Constitution" was approved on May 17, 1946 providing that the new constitution should have "complete legal continuity" from the present Meiji Constitution of 1889 and that "adequate time and opportunity should be allowed for the full discussion and consideration of the terms of any constitution." (Appendix 7). The manner in which the new constitution was adopted, the Commission said, should affirmatively "demonstrate" that it expresses the free will of the Japanese people.

Basic Principles for a New Constitution

To the task of drafting a set of principles on the basis of which it would be possible to determine whether or not the substance of a new constitution conformed with the principles of the Potsdam Declaration, the Commission now returned. These principles were subsequently set forth in a policy decision entitled "Basic Principles for a New Japanese Constitution", approved on July 2, 1946.

Review of the New Constitution

When it became clear that the method of adopting the new constitution which the Japanese Government intended to employ by means of approval by the Diet, some doubt was expressed in the Commission whether such a method would in fact represent a free expression of the will of the Japanese people within the meaning of the Potsdam Declaration and the Commission's own policy on Criteria for the Adoption of a New Japanese Constitution. (See Appendix 7) In the first place, there was still some dissatisfaction on the part of Commission members as to the composition of the present Diet, based upon arguments already suggested in the Commission's consultation concerning the advisability of postponing the date for the general elections for the Diet (See Appendix 4). In addition, there was a feeling among certain members that the Government-sponsored revision had not been

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before the Japanese people sufficiently in advance of the April elections so that it was a real election issue, and so that the Diet elected in April could be said to have a clear mandate from the Japanese people to approve the Government-sponsored new constitution. Another opportunity to express themselves on this new constitution should be given to the Japanese people, it was felt, in order to make doubly sure that the new constitution actually did represent the freely expressed will of the Japanese people.

These considerations, coupled with an equally strong desire to give the Japanese people a chance to test any dubious provisions of their new constitution in practice before adopting them finally led the Commission on October 17, 1946 to approve a policy decision calling for subsequent review of the new constitution (Appendix 8). Not sooner than one year after the new constitution goes into effect on May 3, 1947 and not later than two years, the policy provided, "the situation with respect to the new Japanese Constitution should be reviewed by the Diet and, without prejudice to the continuing jurisdiction of the Far Eastern Commission at any time, "the Commission shall also review the constitution within this same period." Also included was a provision that the Commission, "in determining whether the Japanese Constitution is an expression of the free will of the Japanese people, may require a referendum or some other appropriate procedure for ascertaining Japanese opinion with respect to the constitution." Meanwhile, the decision provided that the provision for review should not alter the status of the new constitution, once it had gone into effect, to be the "legal successor of the present constitution".

Interim Reparations Removals

The Potsdam Declaration provides that "Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind but not those

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which would enable her to rearm for war." Determining (1) exactly what "just reparations in kind" should be, (2) how much of the Japanese industrial machine these reparations should embrace without undermining essential Japanese economy, and (3) how reparations thus made available should be apportioned among the various claimant countries -- these have been the tasks of the Far Eastern Commission.

As a first step toward reaching an over-all reparations settlement, the Commission adopted a series of policy decisions which together comprise a program of so-called "interim reparations removals". Underlying this program is the thesis, first of all, that reparations should be paid by Japan, not by supplying to claimant countries a certain amount of manufactured goods out of Japanese production, as was done in Germany following World War I, but rather by removing from Japan to the claimant countries certain industrial plants and facilities not required for Japan's minimum peacetime economy. While final determination between the eleven members of the Far Eastern Commission as to the extent of industrial plants and facilities within Japan thus to be made available for reparations might require a considerable period of time, it was argued that relatively quick agreement could be reached as to removals of industrial material within those industries most directly tied up with the Japanese industrial war machine, where facilities to be removed were obviously in excess of Japanese peacetime needs. Adoption of such an interim program, it was felt by the Commission, would at the same time constitute a preliminary step in preparing the Japanese themselves for some of the readjustments in their peacetime economy that would be required in the fulfillment of their reparations obligation. Agreement on interim removals would not, of course, prejudice any additional removals that might be made under a final reparations program.

The program of "interim removals" adopted by the Commission

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was confined to ten industrial categories which were basic to Japan's war economy. It should be made clear that this program did not authorize any actual removals from Japan, in spite of its name, but merely authorized the designation by the Supreme Commander of appropriate industrial facilities within Japan to be "available for claim" as reparations. Until some agreement, at least, could be reached on the various percentages of available assets which each claimant country was to receive as reparations, the actual transfer of facilities could not be undertaken. The pertinent Commission policy decisions establishing this interim program follow.

1. Arsenals, Aircraft, and Light Metals

On May 13, 1946 the Commission adopted a policy to the effect that with certain exceptions facilities in Army and Navy arsenals, all aircraft plants and establishments, and all light metals plants and establishments should be made available for reparations claims (Appendix 9).

2. Machine Tools, Sulphuric Acid, and Shipbuilding

On May 23, 1946 the Commission approved a policy decision providing for interim removals in the machine tool, sulphuric acid, and shipbuilding industries (Appendix 10). Under this policy all installations of the Japanese machine tool industry, except that portion required for the production of a balance type-size aggregate of 27,000 units annually were to be made immediately available for reparations claim. Subject to certain specified limitations, all Japanese capacity for the production of sulphuric acid in excess of 3.5 million metric tons annually was likewise to be made immediately available for reparations claim. All naval shipbuilding facilities and those remaining shipbuilding facilities in excess of that required to build 150,000 gross tons and to service a merchant fleet of 3,000,000 gross tons were to be made available for claim, subject to certain specified limitations.

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3. Ball and Roller Bearings

On May 29, 1946 the Commission approved a policy making available for reparations claim all ball and roller bearing capacity in Japan in excess of 32.5 million yen per year, computed on a basis of 1943-1944 average prices (Appendix 11).

4. Iron and Steel, Thermal Electric Power, and Soda Ash, Chlorine and Caustic Soda

On June 12, 1946 a policy was approved providing for interim removals in the iron and steel, thermal electric power, and soda ash, chlorine, and caustic soda industries. (Appendix 12). With certain specified limitations, these policies, when carried out, would leave Japan with facilities for an annual production of 3.5 million metric tons of steel ingot, 2.0 million tons of pig iron, 2.1 million thermal-electrically-generated kilowatts of power, 75,000 metric tons of chlorine, 82,500 metric tons of caustic soda in electrolytic plants, and 630,000 metric tons of soda ash.

5. Privately-Owned Munitions

On June 20, 1946 the Commission approved a policy that all privately-owned munitions plants, with certain exceptions, should be made available for reparations claims (Appendix 13).

6. Synthetic Oil and Synthetic Rubber

On September 12, 1946 the Commission approved a policy to the effect that all facilities in the synthetic oil and synthetic rubber industries should be made available for claim, subject to the condition that synthetic oil plants designated for actual or potential conversion to the manufacture of sulphate of ammonia and fertilizers should be retained in operation until the supply of nitrogen from other sources became adequate (Appendix 14).

7. Steel Rolling Industry

On December 6, 1946 a policy was approved making available for reparations claim all steel rolling capacity in excess of that required to produce a balanced annual output of 2,775,000

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metric tons of rolled steel products (Appendix 15). This policy decision was accompanied by another approved on the same date (Appendix 16) authorizing the Supreme Commander to retain in Japan until June 30, 1947 certain electric steel furnace capacity together with the rolling mills which integrated with it, the Supreme Commander had indicated to the Commission was required in view of a current coal shortage. If at any time before June 30, 1947 the Supreme Commander should consider that in order to meet the needs of the occupation an extension of this retention policy was necessary, the Far Eastern Commission declared that it would review the position.

8. Dissolution of the Zaibatsu

A policy relating generally to the selection of specific plants within those industries covered under the interim removal program was adopted by the Commission on May 13, 1946 (Appendix 17), requiring that the general objective of dissolving the so-called Zaibatsu industrial and financial monopoly should be one of the criteria employed in making such plant selections.

Delivery of Reparations Goods

With the establishment of the interim removal program, the next step in the direction of a final reparations settlement was taken by the Commission on February 13, 1947, when a policy was approved providing that the Japanese Government should bear "all costs connected with dismantling, packing, transporting to a port in Japan for waterborne craft or for airborne craft, handling and loading on board the craft at that port" of all reparations goods subsequently allocated for delivery to claimant countries. The total costs thus sustained by the Japanese would be divided up and added to the reparations accounts of the various recipient countries in proportion to their national percentage share of reparations goods from Japan, with the proviso, however, that the addition of these costs "should not affect the actual distribution of reparations received by the claimant countries."

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in other words, that it should not reduce the actual amount of goods delivered as reparations. Title to the reparations goods would pass to the recipient country on board at the designated port, and the responsibility of arranging for their further transportation from Japan would rest upon the recipient country (Appendix 18).

Restitution of Looted Property

Closely related to reparations is the problem of returning to the original owners property recovered from the Japanese, that had been looted by them during the war and whose identity and original ownership could be clearly established. On July 18, 1946 the Commission approved a policy requiring the restitution of specified categories of identifiable property looted from occupied countries and of ships found in Japanese waters which were seized or sunk by the Japanese. On October 10, 1946 this policy was amended, in response to a request from the Supreme Commander for the Allied Powers for clarification of the paragraph dealing with ships damaged or sunk, to provide that the deadline of December 31, 1946 did not apply in certain cases in the repairing and returning of damaged ships (Appendix 19).

Restitution of Property Confiscated Within Japan

A further policy of the Commission, which set forth on an interim basis certain principles to be used by the Supreme Commander in making restitution to Allied nationals of any identifiable property which had been located in Japan and which was looted or confiscated by the Japanese prior "to the outbreak of hostilities between their government and the Government of Japan" was adopted on March 6, 1947 (Appendix 20). As an interim measure, this policy made provision only for natural persons present in Japan, or juridical persons "where the holders of a controlling interest are nationals of members of the United Nations now resident in Japan." This policy established the principle that all property taken by the Japanese during the period of the war



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was understood to be confiscated "whether or not payment was made at the time of acquisition, unless it can be definitely shown that no duress or fraud was involved." It was stipulated, however, that the right to restitution provided by this Commission policy did not constitute a permission "to operate properties where the Supreme Commander for the Allied Powers considers the operations of such property injurious to the occupying forces or to the purposes of the occupation." On the other hand, the Supreme Commander was authorized to operate any properties which are, "upon consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan" considered to be "beneficial to the occupying forces and/or the accomplishment of the purposes of the occupation" without awaiting the restitution of title or the transfer of possession of such properties, provided that "in such cases compensation for the use of the property should be paid for the account of the owner."

Inter-Allied Trade Board

Devising policies which will make possible in Japan an economy vigorous enough to sustain the various political reforms contemplated by the Potsdam Declaration, has constituted another major part of the Commission's work.

World trade, particularly for a country like Japan that is deficient in natural resources, is an especially important factor in a healthy economic life. The Potsdam Declaration provided that the Japanese should eventually be permitted to participate in world trade; the Commission, has therefore, devoted its attention to the form that such trade should take. Because many of the problems involved are of a specialized or technical nature, the establishment of a special body concerned with world trade was decided upon by the Far Eastern Commission as a first step in reviving Japan's trade. On October 10, 1946, the Commission approved as a policy decision the Terms of Reference for

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an Inter-Allied Trade Board for Japan to be composed of representatives of all of the nations who are members of the Far Eastern Commission (Appendix 21). Within a broad framework of policies on trade to be laid down by the Far Eastern Commission, the function of the Board is to consult with and advise the United States Government as to the disposition of exports from Japan and the procurement of imports required for Japan. Although the Board in general, is to function independently, under the provisions of its Terms of Reference, "all recommendations of the Board involving matters of policy shall be subject to the approval of the Far Eastern Commission."

Invitations for the Board were subsequently issued by the United States Government and the first meeting was held on October 24, 1946. Mr. Roswell P. Whitman, United States member, was elected Chairman. The Board accepted the offer of the Secretary General of the Far Eastern Commission to have the Commission Secretariat provide necessary services, and Mr. Donald G. Badger of Australia, Economic Secretary of the Commission, was designated by the Secretary General to serve as Secretary to the Trade Board.

Allied Trade Representatives

In providing for imports into and exports from Japan, General MacArthur had for some time been assisted by a group of trade specialists representing the various countries comprising the Far Eastern Commission, who worked with the Supreme Commander pursuant to informal arrangements between the United States Government and the countries concerned. These trade representatives advised the Supreme Commander's headquarters as to the needs and interests of their respective nations in connection with specific Japanese exports and imports, and handled any other duties that might arise in connection with delivering and paying for the goods in question. Because of a desire within the Commission to formalize the duties that these representatives were engaged in, the Commission on March 13, 1947 approved

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a policy decision covering the functions of Allied Trade Representatives in Japan (Appendix 22). This decision, which detailed the functions already being carried out on an informal basis, was specifically designated as an interim policy, subject to review in the light of experience.

Supply of Food to Japan

Moved by the extensive world food shortage then current, which was particularly acute in certain countries represented on the Far Eastern Commission, the Commission on April 25, 1946 approved a policy to the effect that during the emergency period no imports of food should be permitted into Japan which would "have the effect of giving to the Japanese a priority or preferential treatment over the requirements of the peoples of any Allied power or liberated area" except where and to the extent that the Supreme Commander, with the advice of the Allied Council for Japan, should determine that "imports are essential immediately for the safety of the occupying forces" (Appendix 23). Also included in the policy was a request to the United States Government immediately to review the food import program for Japan in the light of the Commission's decision and in consultation with the various international food allocating authorities. The United States member, in adding his approval to the policy, stated for the record that the principles adopted by the Commission was in full accord with principles upon which the United States had in the past acted in supplying food to Japan.

Short Period Economic Controls

With a view to bringing the direction of Japanese economy into line in other respects with the realities of a world economic situation in which many other commodities were in world short supply, the Commission on February 27, 1947 approved a policy decision requiring the Japanese in so far as possible, to help in supplying consumer goods needed in areas which had been

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deprived of these goods because of Japanese aggression (Appendix 24). Production of these goods in Japan was to be increased, while consumption was to be curtailed. In particular, the policy applied to textiles, hardware, rubber goods, pottery, and electrical appliances. In the case of textiles, with certain exceptions, consumption in Japan was to be limited to 2½ pounds per person annually. Because of the emergency nature of the policy, provision was made for its termination automatically on December 31, 1947, unless extended by the Commission.

Trade Unions

One of the provisions of the Potsdam Declaration provides for the "strengthening of democratic tendencies" within Japan. The Commission has concerned itself with several aspects of this general field and has adopted two formal policy decisions. The first policy, entitled "Principles for Japanese Trade Unions" was approved on December 6, 1946. (Appendix 25), Japanese workers are under this policy, to be encouraged to form themselves into trade unions. Discrimination against employees because of union membership is forbidden, and the passage of appropriate legislation to guarantee the right of workers to participate in trade union activity is advocated. Prohibition of strikes or other work stoppages may be undertaken in accordance with the terms of this policy only where such stoppages would "directly prejudice the objectives of needs of the occupation." Also guaranteed was the right of trade unions to participate in political activities and to support political parties, as well as taking an "active part in the process of democratization of Japan," although with the specific qualification that such activity should be carried out only "wherever practicable and while not interfering with their normal operations."

Education

Revision of the Japanese educational system is the second subject connected with "strengthening of democratic tendencies" on which the Commission has adopted a formal policy decision. O

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March 27, 1947 a policy was approved providing in detail a set of standards and principles for the revision of the traditional Japanese educational system. These principles specified that "education should be looked upon as the pursuit of truth, as a preparation for life in a democratic nation, and as a training for the social and political responsibilities which freedom entails" (Appendix 26). The Commission's decision provided certain "guiding objectives" for education, among them "the dignity and worth of the individual", and an emphasis upon the "interdependent character of international life". Under the Commission's policy decision teachers with a record as exponents of ultra-nationalistic and militaristic ideas were excluded from educational activities and provision was made for the development of new textbooks from which the objectionable doctrines of militarism, Emperor worship and state Shintoism would be expunged. In an effort to break up the close centralized control of Japanese education which had contributed to the pre-war plan of the militarists, the Commission policy also provided that, subject to "such control over the educational system as will insure the achievement of the objectives of the occupation, particularly the reforms called for by this policy decision", responsibility for the administration of educational establishments should gradually be taken away from the central Japanese Government and placed in the hands of local authorities.

War Crimes

Shortly after the surrender of Japan a United States policy directive was sent to General MacArthur providing for the apprehension, trial, and punishment of war criminals both within Japan and in areas previously dominated by the Japanese. This directive was in line with another provision of the Potsdam Declaration, specifying that "stern justice shall be meted out to all war criminals including those who have visited cruelties upon our prisoners." Although there was little opposition on the

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part of members of the Commission to this United States directive because of the international nature of the problem of war criminals, the Far Eastern Commission decided that such a policy dealing with them ought more appropriately to be an Allied rather than a unilateral United States policy. Accordingly, the United States policy was reviewed by the Commission in accordance with the provisions of the Terms of Reference. To some extent it was amended, and on April 3, 1946 the amended version was approved as a formal Commission policy (Appendix 27). In the Commission's policy the term "war crimes" was defined to include wars of aggression or in violation of international treaties, violations of the laws or customs of wars, and inhuman acts committed since or in the years immediately preceding the Mukden incident of September 18, 1931. The function of the Supreme Commander with respect to these trials was carefully defined, and procedures providing for the arrest and detaining of suspects and the gathering of information relating to the alleged crimes were detailed.

The Commission version differed in two significant aspects from the original United States policy. In the first place, the international military tribunal already set up in Tokyo to try accused war criminals was enlarged to include a judge nominated by each nation represented on the Far Eastern Commission. Specifically, this meant the addition to the tribunal of judges representing the Philippines and India. Secondly, the responsibility of the Supreme Commander to carry out the judgments of the tribunal, as well as his power to approve, reduce, or alter sentences imposed, was made subject to his consultation on these points with the Allied Council for Japan and with representative in Japan of other nations who were members of the Far Eastern Commission but were not represented on the Council.

Aliens in Japan

Another original United States directive reviewed and re-issued as a Commission policy had to do with the subject of non-

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Japanese nationals in Japan. On June 5, 1946 the Commission adopted a policy decision entitled "Aliens in Japan" (Appendix 28) which detailed the status and treatment to be accorded non-Japanese in Japan. Under the terms of the Commission's policy a distinction in status was made between the nationals of members of the United Nations, neutrals, and non-Japanese Axis nationals, with special provisions detailed for each category. In addition special principles governing the treatment of Formosans and Koreans in Japan were set out, including their repatriation and the protection of their property. Subject to the control of the Supreme Commander, Japanese authorities were, under the terms of the Commission policy, made "responsible for the care, safety, and welfare of such persons, and for their transportation to ports of embarkation."

Japanese Extraordinary Taxation

In this connection the Commission on July 18, 1946 approved a policy providing that no Japanese taxation should "discriminate against aliens" and that no capital levy should be made by the Japanese with respect to property inside or outside Japan owned by nationals of members of the United Nations (Appendix 29).

Legal Jurisdiction Over Aliens

In order to anticipate and provide for the possibility that Allied nationals resident in Japan might be made subject to the jurisdiction of Japanese courts during the period of the occupation, the Commission approved on August 15, 1946 a policy limiting the extent of Japanese legal authority in this regard (Appendix 30). Under the terms of this policy Japanese courts were deprived of criminal jurisdiction over nationals of members of the United Nations who were attached to the armed forces of the Allies, with the stipulation that such jurisdiction should be exercised by the appropriate military court. Decisions by Japanese courts in civil cases in which nationals of members of the United Nations were involved should be reviewed by the Supreme

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Commander, the policy provided, and the Supreme Commander was given the authority to revise these decisions or to take any other action which he considered necessary in order to protect the rights of these nationals.

Japanese Atomic Research

All Japanese research and activity in the field of atomic energy was forbidden by the Commission during the period of the occupation in a policy decision adopted on January 30, 1947 (Appendix 31), except that "the mining, processing, and refining of radio active 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." At the same time the Commission decision took cognizance of discussions under way within the United Nations on the subject of atomic energy control by providing that in the field of atomic energy research Japan should eventually be governed by "such decisions by the United Nations on the control of atomic energy as are applicable."



RESTRICTEDLIST OF APPENDICES

1. Terms of Reference
2. Current Roster of FEC Personnel
3. FEC-021/2
4. FEC-021/3; FEC-021/5; FEC-021/6
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27. FEC-007/3
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29. FEC-055/4
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RESTRICTEDLIST OF FEC POLICY DECISIONS AND CONSULTATIONS  
NOT APPROVED FOR RELEASE TO THE PRESSPOLICIESCONSTITUTION

- |    |   |                        |
|----|---|------------------------|
| 1. | Draft Constitution for Japan                                  | FEC-031/1, 20 Mar 1946 |
| 2. | Basic Principles for a New Japanese Constitution              | FEC-031/9, 2 Jul 1946  |
| 3. | Further Policies Relating to a Japanese Constitution          | FEC-087/9, 25 Sep 1946 |
| 4. | Issuance of the Policy on Review of the Japanese Constitution | FEC-099/5, 12 Dec 1946 |

ECONOMIC

- |    |  |                        |
|----|--|------------------------|
| 5. | Determination of the Peaceful Needs of Japan | FEC-106, 23 Jan 1947   |
| 6. | Assured Production Capacity Levels           | FEC-083/5, 20 Feb 1947 |

7.

MISCELLANEOUS

- |    |   |                        |
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| 7. | Blocked Accounts of the Japanese Government Requested by International Committee of the Red Cross | FEC-086/2, 12 Sep 1946 |
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CONSULTATIONSCONSTITUTION

- |    |  |                         |
|----|--|-------------------------|
| 1. | Consultation on Text of the Constitution   | FEC-031/29, 25 Jul 1946 |
| 2. | Consultation Relative to Issuance of Policy Decision on Provisions for Review of New Japanese Constitution | FEC-031/40, 17 Oct 1946 |
| 3. | Consultation Relative to Timetable of Implementing Legislation   | FEC-100/1, 19 Dec 1946  |
| 4. | Consultation Regarding Election of Members of House of Councillors   | FEC-102, 9 Jan 1947     |
| 5. | Consultation Relative to Imperial House Economy Law: Assignment of State Properties                        | FEC-104, 16 Jan 1947    |



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6. Consultation Relative to Draft Diet Law                   FEC-107, 30 Jan 1947
7. Consultation Relative to House of Representatives' Election Law                   FEC-210/1, 18 Mar 1947

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8. Consultation Regarding Ship-building and Merchant Shipping                   FEC-085, 15 Aug 1946

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9. Consultation Relative to Extraordinary Taxation in Japan                   FEC-055/9, 23 Aug 1946
10. Consultation on Liaison with SCAP                   FEC-044, 10 Apr 1946



FEC-215/1RESTRICTEDFEC-215/14 April 1947FAR EASTERN COMMISSIONPROPOSED TEXT FOR PUBLIC REPORT  
ON COMMISSION ACTIVITIES  
(Reference: FEC-215)Note by the Secretary General

The Far Eastern Commission at its fifty-second meeting, 3 April 1947, unanimously referred FEC-215, Proposed Text for Public Report on Commission Activities, to the STEERING COMMITTEE for consideration.

NELSON T. JOHNSON  
Secretary General

FEC-215/1



SC-215/2RESTRICTEDSC-215/210 April 1947FAR EASTERN COMMISSIONPROPOSED TEXT FOR PUBLIC REPORT ON  
COMMISSION ACTIVITIES  
(Reference: FEC-215)*JZ*Note by the Secretary General

The Steering Committee at its fifty-ninth meeting, 8 April 1947, unanimously referred FEC-215, Proposed Text for Public Report on Commission Activities, to an ad hoc subcommittee under the chairmanship of the United States member for consideration. The Steering Committee agreed that any member interested in the subject could sit on the ad hoc subcommittee.

NELSON T. JOHNSON  
Secretary General

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SC-215/3RESTRICTEDSC-215/321 April 1947FAR EASTERN COMMISSIONPROPOSED TEXT FOR PUBLIC REPORT  
ON COMMISSION ACTIVITIES  
(Reference: FEC-215 series)Note by the Secretary General

1. The enclosure, a revision of FEC-215 prepared by the Secretariat pursuant to instructions of the ad hoc Sub-committee of the Steering Committee appointed to deal with FEC-215, is circulated herewith for the further consideration of the ad hoc Sub-committee.

2. A summary of FEC-083/5, Assured Production Capacity Levels for Japan, has been included in the text of the enclosure, for consideration in the event that this policy is released to the press before a decision has been made on the publication of a Commission Report. All of the other policy decisions summarized in the enclosure have now been released to the press.

NELSON T. JOHNSON  
Secretary General

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RESTRICTEDE N C L O S U R EPROPOSED TEXT FOR PUBLIC REPORT  
ON COMMISSION ACTIVITIESI. INTRODUCTION

From its beginning the occupation of Japan has been an Allied responsibility. It was to the Allied Powers that the Japanese surrendered on August 14, 1945. General MacArthur went ashore and formally accepted that surrender on September 2, 1945 as Supreme Commander for the Allied Powers. Since February 26, 1946 the task of formulating Allied policies under which the Japanese were to carry out the obligations imposed upon them by the terms of surrender has been carried out by an inter-Allied commission, composed of representatives of eleven nations, and meeting regularly in what used to be the Japanese Embassy in Washington--the Far Eastern Commission.

Welcoming the members of the Commission at their first meeting, United States Secretary of State, James F. Byrnes, outlined in broad terms the responsibility that had been entrusted to the Far Eastern Commission by the Moscow Agreement of Foreign Ministers. "Peace in the Pacific," he said, "is an essential cornerstone to a stable world structure. The guidance of Japan to a position of peaceful association with the other nations is therefore a task of major responsibility. That responsibility now belongs to you of the Far Eastern Commission ... The Terms of Reference agreed to last December in Moscow place the final and ultimate responsibilities for formulating the policies and principles upon which the peace and security of the Pacific may well be based, in your hands."

As the forces of the occupation under General MacArthur's command have carried on their day-to-day task in Japan, the Far Eastern Commission in Washington has pursued its job of formulating Allied policy. With the completion of the first year of the Commission's activity, the need for a document setting forth the nature of the Commission and giving an account of its activities has become apparent. The following summary has been prepared in the hope that it will acquaint the public at large with the work of the international organization charged with devising policies under which the terms of Japan's surrender are being fulfilled.

II. HISTORY AND BACKGROUNDJapanese Surrender

Allied participation in the occupation of Japan began with the first Japanese offer to surrender. Acceptance of the Japanese offer by the four Allied Powers entailed the appointment of a Supreme Commander to receive the surrender in behalf of the Allied Powers. From the moment of formal surrender the authority of the Japanese Emperor and the Japanese State, it was specified, would be subject to the Supreme Commander. General Douglas MacArthur was accordingly designated as Supreme Commander on August 14, 1945. Acting for the Republic of China, the United Kingdom, the Union of Soviet Socialist Republics, and the United States, and in the interests of the other United Nations at war with Japan, on September 2, 1945, on board the United States battleship "Missouri", he formally accepted the surrender of Japan.



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Representatives of the following nine nations also signed the instrument of surrender with General MacArthur, Australia, Canada, China, France, the Netherlands, New Zealand, the Union of Soviet Socialist Republics, the United Kingdom, and the United States.

Occupation forces which first went ashore under General MacArthur's leadership were in the main American, and the directives under which the Supreme Commander began enforcing Japanese fulfillment of the surrender terms were issued to him by the United States Government. The statement on Basic Initial Post-Surrender Policy, a consolidation and projection of all previous United Nations planning for Japan, was forwarded in substance to General MacArthur by radio on August 29, 1945 and, following formal approval by the President, was dispatched by special messenger on September 6. Further directives covering specific policy matters not included in the basic statement were subsequently forwarded through the channels of the United States Government as the occasion required.

Far Eastern Advisory Commission

Growing out of proposals originally made on August 21, 1945, a Far Eastern Advisory Commission met in Washington on October 30, 1945, for the purpose of making "recommendations" on the "formulation of policies, principles, and standards by which the fulfillment by Japan of its obligations under the instrument of surrender may be determined." The Commission met regularly over the next two months. It was composed of representatives of Australia, Canada, China, France, India, the Netherlands, New Zealand, the Philippines, the United Kingdom, and the United States. The Soviet Union was not represented. In December 1945 the Advisory Commission undertook a trip to Japan, returning to Washington in February 1946.

Establishment of the Far Eastern Commission

At the Moscow Meeting of Foreign Ministers in December 1945 further negotiations between the United States, the Soviet Union, and the United Kingdom were conducted on the subject of Allied participation in the occupation of Japan, and with the concurrence of China the three Foreign Ministers on December 27, 1945 issued a communique establishing Terms of Reference for a Far Eastern Commission to replace the Far Eastern Advisory Commission. The Moscow Agreement was made known one day after the Advisory Commission had left Washington on its trip to Japan. Upon its return to Washington, therefore, the Commission was reconstituted as the new Far Eastern Commission, with new Terms of Reference and with the addition of the Soviet Representative. Headquarters were established in the former Japanese Embassy building in Washington, and the first meeting of the Far Eastern Commission was held there on February 26, 1946.

Terms of Reference

Under the Terms of Reference (Appendix 1) the Far Eastern Commission has two principal functions. First, to formulate "the policies, principles, and standards in conformity with which the fulfillment by Japan of its obligation under the terms of surrender may be accomplished"; and second, "to review, on the request of any member, any directive



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issued to the Supreme Commander for the Allied Powers or any action taken by the Supreme Commander involving policy decisions within the jurisdiction of the Commission. In addition, the Commission is empowered to consider such "other matters" as may be assigned to it by agreement among the participating powers. Making recommendations with regard to either the conduct of military operations or territorial adjustments, however, is specifically excluded.

The Terms of Reference provide that the Commission should respect existing control machinery in Japan, including the chain of command from the United States Government to the Supreme Commander and the Supreme Commander's command of occupation forces." Policy decisions of the Commission must be transmitted to the United States Government, and the United States Government is then made responsible for preparing directives in accordance with these decisions and transmitting these directives to the Supreme Commander for his guidance. As sole executive authority for the Allied Powers in Japan, the Supreme Commander is charged with the implementation of the directives prepared in accordance with Commission policy decisions.

The Commission may take action by a majority vote, provided the representatives of the United States, the United Kingdom, the Soviet Union, and China all concur in the action taken.

The Terms of Reference stipulate that the "United States Government may issue interim directives to the Supreme Commander pending action by the Commission whenever urgent matters arise not covered by policies already formulated by the Commission: provided that any directive dealing with fundamental changes in the Japanese constitutional structure or in the regime of control, or dealing with a change in the Japanese Government as a whole will be issued only following consultation and following the attainment of agreement in the Far Eastern Commission."

While the main seat of the Commission is in Washington, the Terms of Reference authorize it to meet in Tokyo or in any other place it may desire. The Commission is authorized to make such arrangements through the Chairman as may be practicable for "consultation" with the Supreme Commander.

No time limit is placed upon the functioning of the Commission by the Terms of Reference. The Commission shall cease to function when a decision to that effect is taken in accordance with the voting procedure described above. Prior to concluding its functions, however, the Commission is directed by the Terms of Reference to transfer such functions as may be appropriately transferred to "any interim or permanent security organization of which the participating governments are members."

Allied Council for Japan

The Moscow Agreement which established the Terms of Reference of the Far Eastern Commission also established Terms of Reference for an Allied Council for Japan, which was to have the function of "consulting with and advising the Supreme Commander in regard to the implementation of the terms of surrender, the occupation and control of Japan, and of directives supplementary thereto." The seat of the



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Allied Council for Japan was to be in Tokyo. The Chairman of the Council would be either the Supreme Commander himself or his Deputy, and in addition to him the membership would include representatives of the British Commonwealth, China and the Soviet Union. The British Commonwealth Member would represent jointly the United Kingdom, Australia, New Zealand, and India.

Reference to the Allied Council is made in the Terms of Reference of the Far Eastern Commission as follows: "The Commission and its activities will proceed from the fact that there has been formed an Allied Council for Japan..." The Terms of Reference of the Allied Council include the following provision with reference to the Far Eastern Commission: "If, regarding the implementation of policy decisions of the Far Eastern Commission on questions concerning a change in the regime of control, fundamental changes in the Japanese constitutional structure, and a change in the Japanese Government as a whole, a member of the Council disagrees with the Supreme Commander (or his Deputy), the Supreme Commander will withhold the issuance of orders on these questions pending agreement thereon in the Far Eastern Commission."

Organization of the Commission

The Far Eastern Commission is made up of representatives of the eleven nations referred to in the Terms of Reference. Major General Frank R. McCoy, United States Representative, who serve with the personal rank of Ambassador, was unanimously elected Chairman of the Commission at its first meeting. In most cases the representatives of the other countries are the Chiefs of Mission of those countries in Washington. A list of representatives and their alternates follows in alphabetical order, and a complete roster of the personnel of each national delegation on the Commission will be found in the appendix. (Appendix 2).

Australia	Ambassador Norman J. O. Makin Alternate: Major J. ...
Canada	Ambassador Hume ... Alternate: Mr. Ralph E. Collins
China	Ambassador V. K. Wellington Koo Alternate: Dr. Shoa Hwa Tan
France	Ambassador Paul E. Naggiar Special Ambassador of the Republic of France to the Far Eastern Commission Alternate: Mr. Francis Lacoste
India	Ambassador M. Asaf Ali Alternate: Mr. B. R. Sen
Netherlands	Ambassador A. Loudon Alternate: Dr. A. D. A. de Kat Angelino
New Zealand	Sir Carl Berendsen, New Zealand Minister to the United States Alternate: Mr. G. R. Powles



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Philippines	Ambassador Carlos P. Romulo, Permanent Representative of the Republic of the Philippines to the Far Eastern Commission and the United Nations Alternate: Mr. F. C. Rodriguez
Union of Soviet Socialist Republics	Ambassador Nikolai V. Novikov Alternate: Mr. S. K. Tsarapkin
United Kingdom	Sir George Sansom, His Britannic Majesty's Minister to the British Embassy in Washington Alternate: Mr. H. A. Graves

Committees

At its first meeting the Commission established working committees to consider and make appropriate recommendations on various aspects of the business before the Commission. Each of the working committees is composed of members from all of the eleven nations making up the Commission. A Steering Committee and seven working committees have been established.

The Steering Committee is responsible for organizing Commission business and coordinating the work of the various working committees. In practice the Steering Committee has functioned principally as a kind of committee-of-the-whole for the Commission. Recommendations and policy proposals from working committees are given preliminary consideration in the Steering Committee. Areas of disagreement between members are canvassed, and wherever possible they are resolved before policy proposals are forwarded to the Commission itself for consideration. The Chairman of the Steering Committee is Sir Carl Berendsen (New Zealand) and the Deputy Chairman is Dr. A. Loudon (the Netherlands).

Officers and principal fields of business of the working committees are listed as follows:

Committee No. 1: Reparations

Chairman	Major J. Plimsoll (Australia)
Deputy Chairman:	Dr. G. A. Ph. Weyer (Netherlands)
Subjects for Consideration	Reparations of goods and materials from Japan: restitution of looted property; related topics

Committee No. 2: Economic and Financial Affairs

Chairman:	Mr. F. C. Everson (United Kingdom)
Deputy Chairman:	Mr. Roswell H. Whitman (United States)
Subjects for Consideration	Extent and character of Japanese industry commerce, and agriculture necessary for a viable economy in Japan; measures necessary to establish such an economy; financial problems; related topics



RESTRICTEDCommittee No. 3: Constitutional and Legal Reform

Chairman: Mr. B. R. Sen (India)  
 Deputy Chairman: Mr. Ralph Collins (Canada)  
 Subjects for Consideration: The Emperor, Diet, Cabinet, local Government; political parties; a Bill of Rights; machinery for drafting a new constitution; electoral system and reform of the political system; related topics

Committee No. 4: Strengthening of Democratic Tendencies

Chairman: Mr. G. G. Dolbin (U. S. S. R.)  
 Deputy Chairman: Dr. T. T. Ma (China)  
 Subjects for Consideration: Establishment of freedom of speech, of religion and of thought, and respect for the fundamental human rights; positive policy for the reorientation of the Japanese; other measures to strengthen democratic tendencies; related topics

Committee No. 5: War Criminals

Chairman: Mr. H. T. Liu (China)  
 Deputy Chairman: Mr. C. Coronel (Philippines)  
 Subjects for Consideration: Identification, apprehension, trial, and punishment of persons suspected of war crimes

Committee No. 6: Aliens in Japan

Chairman: Mr. Francis Lecomte (France)  
 Deputy Chairman: Mr. F. C. Everson (United Kingdom)  
 Subjects for Consideration: Friendly aliens, neutrals, enemy nationals other than Japanese; related topics

Committee No. 7: Disarmament of Japan

Chairman: Mr. O. Reuchlin (Netherlands)  
 Deputy Chairman: Temporarily Vacant (USSR)  
 Subjects for Consideration: Disarmament and dissolution of Japanese armed forces; disposition of Japanese armaments and military equipment; long-range control of armaments necessary for internal police security in Japan; related topics

Each of these committees is organized into ad hoc subcommittees as the occasion may require, and several committees have one or two standing subcommittees.

Secretariat

In its capacity as host to the Commission, the United States Government has furnished the headquarters for the Commission, has underwritten the Commission's budget, and has in the main supplied the personnel for the Commission's secretariat staff. The Honorable Nelson T. Johnson, former



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United States Ambassador to China and Minister to Australia, is the Secretary General of the Commission. Mr. Samuel S. Stratton is Deputy Secretary General. The Commission agreed that any nation is free to nominate representatives for the Secretary General's staff. Mr. Donald G. Badger was nominated by Australia for the position of Economic Secretary. The remainder of the Secretariat, however, are American personnel, supplied by the Department of State.

The Commission Secretariat is charged with the performance of all of the technical and administrative duties which Commission and committee meetings involve, including the preparation of committee agenda and minutes, the procurement, analysis, and dissemination of informational material about Japan, receiving and distributing official communications from governments, handling official Commission policy decisions and consultations, advising Commission members on questions of procedure, and performing such other functions as may be specifically assigned.

### III. ACCOMPLISHMENTS

The basic Initial Post-Surrender Policy statement issued by the United States to General MacArthur in September 1945 covered a wide variety of subjects, providing for democratic, constitutional, and economic reform, as well as for military disarmament. From time to time as the occupation progressed, this basic policy was supplemented and elaborated by further United States policy directives intended to meet particular situations arising in Japan. By the time the Far Eastern Commission began its operation, therefore, a substantial body of policy had already been transmitted to the Supreme Allied Commander, and the occupation of Japan based upon these policies was already under way. Under the Terms of Reference of the Far Eastern Commission these policies were subject to review by the Commission, and the Commission was authorized to modify them, if it so desired. On subjects not covered by these policies, the Commission was authorized to formulate such additional Allied policy as might be deemed necessary.

To date 32 policy decisions have been adopted by the Commission and a total of 12 formal consultations with the Supreme Commander on matters relating to policy have been approved.

#### A. JAPANESE CONSTITUTION

##### Issue of Japanese General Elections

One of the first items with which the Commission concerned itself was the general election for the first post-surrender House of Representatives, which had been scheduled by the Japanese Government, after several postponements, for April 10, 1946. Within the Commission the thought was expressed by some members that the election as scheduled was premature. Candidates representing long-suppressed liberal forces of Japan would not have had sufficient time, it was felt, to organize themselves politically to receive a percentage of the total vote that would adequately reflect the real extent of liberal political thought in Japan.



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Moreover, on March 6, 1946 the Japanese Cabinet had announced completion of a preliminary draft of a proposed revision of the Japanese Constitution. This announcement had an important bearing on the election for the House of Representatives because of the part the new Diet would be expected to play in putting any proposed constitutional revision into effect.

On March 20, 1946 the Commission accordingly approved a message of consultation with the Supreme Commander, communicating to him the doubts expressed by members on the date of the general election and requesting the Supreme Commander's views as to the advisability of postponing the elections (Appendix 3). The Supreme Commander subsequently replied that it was probable that "the new Diet will be the most truly responsive body to the will of the people that has ever served Japan and will provide the basis for a much more representative cabinet." Under these circumstances, he went on, "any postponement of the election would have a profound adverse reaction upon the purposes and success of the occupation." He added that if, in any case, "the results of the election prove disadvantageous to the purposes of the occupation, the remedy is always in my power to require the dissolution of the Diet and the holding of a new election under such provisions as are deemed necessary." (Appendix 4). The Commission took no further action on this matter and the election was held as scheduled.

Draft Japanese Constitution

Revision of the Japanese Constitution was, of course, one of the principal tasks facing the Allied occupation. Although the Meiji Constitution of 1889, which was still in effect, possessed a deceptive appearance of liberal democratic forms, it was actually a highly undemocratic document and had contributed greatly to perpetuating the basic feudal structure of Japanese life. During the period of military aggression the Meiji Constitution had served as a tool by which militaristic and ultra-nationalistic elements were able to obtain political power and exercise it without restraint in behalf of their designs for conquest.

The appearance on March 6, 1947 of a Government-sponsored draft revision of the Meiji Constitution focused the Commission's attention urgently upon the question of constitutional reform. Essentially the responsibility of the Commission with respect to a new Japanese Constitution amounted to insuring that any new constitution adopted should not be inconsistent with the principles of the Potsdam Declaration and, as prescribed by the Potsdam Declaration, should be a free expression of the will of the Japanese people.

In order to prevent hasty consideration by the Diet of the Government-sponsored draft, to give the Japanese people themselves as they approached the general elections for the Diet a clear indication of their own prerogatives in the matter of constitutional reform, and to spell out at the very outset the Commission's own authority in the matter of constitutional reform, the Commission on March 11, 1947 approved a policy decision entitled "Draft Japanese



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Constitution" (Appendix 5). Under the terms of this policy it was provided that the Supreme Commander should make known to the Japanese people that the submission of a draft constitution by the Government did not preclude favorable consideration of other proposals or drafts which might be subsequently submitted to the Diet. Furthermore, the Supreme Commander should also make known to the Japanese the fact "that the Far Eastern Commission must be given an opportunity to pass upon the final draft of the constitution to determine whether it is consistent with the Potsdam Declaration and any other controlling document before it is finally approved by the Diet and becomes legally valid".

Criteria for Adopting a New Constitution

In determining whether any constitutional revision actually represented the free will of the Japanese people, the manner in which such a constitutional revision was adopted would be of very great importance. Before turning their attention, therefore, to the task of drawing up a set of principles by means of which it would be possible to determine whether or not a new constitution actually would conform to the requirements of the Potsdam Declaration, the Commission first proceeded to establish a policy prescribing certain criteria governing the method of adopting a new Japanese constitution. This policy, which was approved on May 17, 1946, provided that the new constitution should have "complete legal continuity" from the present Meiji Constitution of 1889 and that "adequate time and opportunity should be allowed for the full discussion and consideration of the terms of any constitution" (Appendix 6). The manner in which the new constitution was adopted, the Commission said, should affirmatively "demonstrate" that it expresses the free will of the Japanese people.

Basic Principles for a New Constitution

A Commission policy decision setting forth a set of principles for use as a basis in determining whether or not a new constitution conformed with the Potsdam Declaration was approved on July 2, 1946 (Appendix 7). Among the principles set forth in this decision was the principle that the sovereign power should reside not, as in the past, in the Emperor, but in the people. Retention of the Emperor system in its "present constitutional form", the Commission declared, was not considered desirable and the Japanese people should be encouraged either to abolish the Emperor institution or to reform it along more democratic lines. Under the Commission's decision an acceptable constitution should accord the legislature full legislative powers, including full control over the raising of funds. An independent judiciary should be established. The Prime Minister and the Ministers of State should all be civilians, and a majority of them, including the Prime Minister, should be selected from the Diet. It was further provided that all property of the Imperial Household should be declared property of the State. Retention of the Privy Council and the House of Peers "in their present form and in their present powers" was declared to be undesirable. Universal adult suffrage and guarantees of fundamental civil rights and of local self-government were also included.



RESTRICTEDFurther Policies Relating to a New Japanese Constitution

On September 25, 1946 the Commission approved a policy decision setting forth certain additional principles and policies governing a new Japanese constitution (Appendix 8). These included a reaffirmation of the Commission's previous decision taken in the policy on Basic Principles that all Cabinet Ministers should be civilians, together with a further decision that the House of Councillors "should not have any predominance" over the House of Representatives. In this connection the Commission declared that it considered "essential its continuing right to scrutinize the implementing legislation very carefully to insure that such predominance is not established."

Review of the New Constitution

When it became clear that the method of adopting the new constitution which the Japanese Government intended to employ was by means of approval by the Diet, some doubt was expressed in the Commission whether such a method would in fact represent a free expression of the will of the Japanese people within the meaning of the Potsdam Declaration and the Commission's own policy on Criteria for the Adoption of a New Japanese Constitution (See Appendix 6). In the first place, there was still some dissatisfaction on the part of Commission members as to the composition of the present Diet, based upon arguments already suggested in the Commission's consultation concerning the advisability of postponing the date for the general elections for the Diet (See Appendix 4). In addition, there was a feeling among certain members that the Government-sponsored revision had not been before the Japanese people sufficiently in advance of the April elections so that it was a real election issue, and so that the Diet elected in April could be said to have a clear mandate from the Japanese people to approve the Government-sponsored new constitution. Another opportunity to express themselves on this new constitution should be given to the Japanese people, it was felt, in order to make doubly sure that the new constitution actually did represent the freely expressed will of the Japanese people.

These considerations, coupled with an equally strong desire to give the Japanese people a chance to test any dubious provisions of their new constitution in practice before adopting them finally led the Commission on October 27, 1946 to approve a policy decision calling for subsequent review of the new constitution (Appendix 9). Not sooner than one year after the new constitution goes into effect on May 3, 1947 and not later than two years, the policy provided, "the situation with respect to the new Japanese constitution should be reviewed by the Diet" and, without prejudice to the continuing jurisdiction of the Far Eastern Commission at any time, "the Commission shall also review the constitution within this same period." Also included was a provision that the Commission, "in determining whether the Japanese constitution is an expression of the free will of the Japanese people, may require a referendum or some other appropriate procedure for ascertaining Japanese opinion with respect to the constitution." Meanwhile, the decision provided that the provision for review should not alter the status of the new



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constitution, once it had gone into effect, to be the "legal successor of the present constitution."

Issuance of the Review Policy Decision

At the request of the United States representative, the Commission approved this policy with the understanding that the "time and manner of issuance" of the decision would be a subject for further consideration by the Commission. On December 12, 1946 the Commission approved a decision directing that the terms of the policy decision on review of a new Japanese Constitution "should be formally communicated to the Government of Japan" and adding that the "time and manner of public announcement of this policy decision are still being considered by the Far Eastern Commission" (Appendix 10).

B. REPARATIONSInterim Reparations Removals

The Potsdam Declaration provided that "Japan shall be permitted to maintain such industries as will sustain her economy and permit the extraction of just reparations in kind but not those which would enable her to rearm for war." Determining (1) exactly what "just reparations in kind" should be, (2) how much of the Japanese industrial machine could be included in reparations without undermining the essential Japanese peacetime economy, and (3) how reparations thus made available were to be apportioned among the various claimant countries -- this has been the task of the Far Eastern Commission.

As a first step toward an over-all reparations settlement, the Commission at an early stage adopted a series of policy decisions which together comprise a program of so-called "interim reparations removals". While final agreement among the eleven members of the Far Eastern Commission as to the extent of industrial plants and facilities within Japan to be made available for reparations might require a considerable period of time, it was felt that relatively quick agreement could be reached governing the designation for reparations of industrial material within those industries most directly tied up with the Japanese industrial war machine, where the facilities to be designated were obviously in excess of Japanese peacetime needs. Adoption of such an interim program would at the same time constitute a preliminary step in preparing the Japanese themselves for some of the readjustments in their peacetime economy that would be required in the fulfillment of their reparations obligation. Agreement on interim removals would not, of course, prejudice any additional removals that might be made under a final reparations program.

The program of "interim removals" adopted by the Commission was confined to ten industrial categories which were considered basic to Japan's war economy. It should be made clear that this program did not authorize any actual removals from Japan, in spite of its name, but merely authorized designation by the Supreme Commander of appropriate



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industrial facilities within Japan to be "available for claim" as reparations. No actual transfer of facilities could be undertaken until some designation had been made of the various percentages of available assets claimant countries were to receive, and of the procedure by which such percentage shares were to be fulfilled with specific Japanese facilities.

The pertinent Commission policy decisions establishing the interim removal program follow.

1. Arsenals, Aircraft, and Light Metals

On May 13, 1946 the Commission adopted a policy to the effect that with certain exceptions facilities in Army and Navy arsenals, all aircraft plants and establishments, and all light metals plants and establishments should be made available for reparations claims (Appendix 11).

2. Machine Tools, Sulphuric Acid, and Shipbuilding

On May 23, 1946 the Commission approved a policy decision providing for interim removals in the machine tool, sulphuric acid, and shipbuilding industries (Appendix 12). Under this policy all installations of the Japanese machine tool industry, except that portion required for the production of a balance type-size aggregate of 27,000 units annually were to be made immediately available for reparations claim. Subject to certain specified limitations, all Japanese capacity for the production of sulphuric acid in excess of 3.5 million metric tons annually was likewise to be made immediately available for reparations claim. All naval shipbuilding facilities and those remaining shipbuilding facilities in excess of that required to build 150,000 gross tons and to service a merchant fleet of 3,000,000 gross tons were to be made available for claim, subject to certain specified limitations.

3. Ball and Roller Bearings

On May 29, 1946 the Commission approved a policy making available for reparations claim all ball and roller bearing capacity in Japan in excess of 32.5 million yen per year, computed on a basis of 1943-1944 average prices (Appendix 13).

4. Iron and Steel, Thermal Electric Power, and Soda Ash, Chlorine and Caustic Soda

On June 12, 1946 a policy was approved providing for interim removals in the iron and steel, thermal electric power, and soda ash, chlorine, and caustic soda industries. (Appendix 14). With certain specified limitations, these policies, when carried out, would leave Japan with facilities for an annual production of 3.5 million metric tons of steel ingot, 2.0 million tons of pig iron, 2.1 million thermal-electrically-generated kilowatts of power, 75,000 metric tons of chlorine, 82,500 metric tons of caustic soda in electrolytic plants, and 630,000 metric tons of soda ash.



RESTRICTED5. Privately-Owned Munitions

On June 20, 1946 the Commission approved a policy that all privately-owned munitions plants, with certain exceptions, should be made available for reparations claims (Appendix 15).

6. Synthetic Oil and Synthetic Rubber

On September 12, 1946 the Commission approved a policy to the effect that all facilities in the synthetic oil and synthetic rubber industries should be made available for claim, subject to the condition that synthetic oil plants designated for actual or potential conversion to the manufacture of sulphate of ammonia and fertilizers should be retained in operation until the supply of nitrogen from other sources is adequate (Appendix 16).

7. Steel Rolling Industry

On December 6, 1946 a policy was approved making available for reparations claim all steel rolling capacity in excess of that required to produce a balanced annual output of 2,775,000 metric tons of rolled steel products (Appendix 17). This policy decision was accompanied by another approved on the same date (Appendix 18) authorizing the Supreme Commander to retain in Japan until June 30, 1947 certain electric steel furnace capacity together with the rolling mills which integrated with it, the Supreme Commander had indicated to the Commission was required in view of a current coal shortage. If at any time before June 30, 1947 the Supreme Commander should consider that in order to meet the needs of the occupation an extension of this retention policy was necessary, the Far Eastern Commission declared that it would review the position.

8. Dissolution of the Zaibatsu

A policy relating generally to the selection of specific plants within those industries covered under the interim removal program was adopted by the Commission on May 13, 1946 (Appendix 19), requiring that the general objective of dissolving the so-called Zaibatsu industrial financial monopoly should be one of the criteria employed in making such plant selections.

Delivery of Reparations Goods

With the establishment of the interim removal program, the next step in the direction of a final reparations settlement was taken by the Commission on February 13, 1947 when a policy was approved providing that the Japanese Government should bear "all costs connected with dismantling, packing, transporting to a port in Japan for waterborne craft or for airborne craft, handling and loading on board the craft at that port of all reparations goods subsequently allocated for delivery to claimant countries. The total costs thus sustained by the Japanese would be divided up and added to the reparations accounts of the various recipient countries in proportion to their national percentage share of reparations goods from Japan, with the proviso, however, that the addition of these costs



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"should not affect the actual distribution of reparations received by the claimant countries." - in other words, that it should not reduce the actual amount of goods delivered as reparations. Title to the reparations goods would pass to the recipient country on board at the designated port, and the responsibility of arranging for their further transportation from Japan would rest upon the recipient country (Appendix 20).

Restitution of Looted Property

Closely related to reparations is the problem of returning to the original owners property recovered from the Japanese, that had been looted by them during the war and whose identity and original ownership could be clearly established. On July 18, 1946 the Commission approved a policy requiring the restitution of specified categories of identifiable property looted from occupied countries and of ships found in Japanese waters which were seized or sunk by the Japanese. On October 10, 1946 this policy was amended, in response to a request from the Supreme Commander for the Allied Powers for clarification of the paragraph dealing with ships damaged or sunk, to provide that the deadline of December 31, 1946 did not apply in certain cases in the repairing and returning of damaged ships (Appendix 21).

Restitution of Property Confiscated Within Japan

A further policy of the Commission, which set forth on an interim basis certain principles to be used by the Supreme Commander in making restitution to Allied nationals of any identifiable property which had been located in Japan and which was looted or confiscated by the Japanese prior to the outbreak of hostilities between their government and the Government of Japan" was adopted on March 6, 1947 (Appendix 22). As an interim measure, this policy made provision only for natural persons present in Japan, or juridical persons "where the holders of a controlling interest are nationals of members of the United Nations now resident in Japan." This policy established the principles that all property taken by the Japanese during the period of the war was understood to be confiscated "whether or not payment was made at the time of acquisition, unless it can be definitely shown that no duress or fraud was involved." It was stipulated, however, that the right to restitution provided by this Commission policy did not constitute a permission "to operate properties where the Supreme Commander for the Allied Powers considers the operations of such property injurious to the occupying forces or to the purposes of the occupation." On the other hand, the Supreme Commander was authorized to operate any properties which he, "upon consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan" considered to be "beneficial to the occupying forces and/or the accomplishment of the purposes of the occupation" without awaiting the restitution of title or the transfer of possession of such properties, provided that "in such cases compensation for the use of the property should be paid for the account of the owner."



RESTRICTEDC. JAPANESE ECONOMIC LIFE

Devising policies which will make possible in Japan an economy vigorous enough to sustain the various political reforms contemplated by the Potsdam Declaration, has constituted another major part of the Commission's work.

Inter-Allied Trade Board

World trade, particularly for a country like Japan that is deficient in natural resources, is an especially important factor in a healthy economic life. The Potsdam Declaration provided that the Japanese should eventually be permitted to participate in world trade. The Commission has devoted its attention to the form that such trade should take. Because many of the problems involved are of a specialized or technical nature, the establishment of a special body concerned with world trade was decided upon by the Far Eastern Commission as a first step in reviving Japan's trade. On October 10, 1946, the Commission approved as a policy decision the Terms of Reference for an Inter-Allied Trade Board for Japan to be composed of representatives of all of the nations who are members of the Far Eastern Commission (Appendix 23). Within a broad framework of policies on trade to be laid down by the Far Eastern Commission, the function of the Board is to consult with and advise the United States Government as to the disposition of exports from Japan and the procurement of imports required for Japan. Although the Board in general is to function independently, under the provisions of its Terms of Reference "all recommendations of the Board involving matters of policy shall be subject to the approval of the Far Eastern Commission."

The first meeting of the Board was held on October 24, 1946. Mr. Roswell H. Whitman, United States member, was elected Chairman. The Board accepted the offer of the Secretary General of the Far Eastern Commission to have the Commission Secretariat provide necessary services, and Mr. Donald G. Badger of Australia, Economic Secretary of the Commission, was designated by the Secretary General to serve as Secretary to the Trade Board.

Determination of the Peaceful Needs of Japan

Fixing a level for Japan's post-war economic life involves prescribing levels for various categories of Japanese industry which will insure that Japan, industrially disarmed and at the same time make it possible for her to maintain a viable economy. Before any determination could be taken on levels to be prescribed for individual industries, however, it was necessary to reach some over-all agreement in establishing in general terms the basis on which a viable peace-time Japanese economy should be built. A policy decision covering this question was approved by the Commission on January 23, 1947, establishing the principle that the "peaceful needs of the Japanese people" should be defined as being "substantially the standard of living prevailing in Japan during the period 1930-34." (Appendix 24) In order to determine the extent of industrial capacity which would be required to permit this 1930-34 standard, the Commission selected a statistical year "1950"



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as "an early normal post-war year", in terms of population growth, etc., on the basis of which specific Japanese post-war peace-time needs could be projected. The Commission's policy further provided that acceptance of the 1930-34 level "should not be interpreted to mean acceptance in advance of a specific level for any particular industry."

Assured Production Capacity Levels

Another important economic policy approved by the Commission was the decision providing for Assured Production Capacity Levels for various categories of Japanese industry, approved on 20 February 1947. (Appendix 25) Whereas the interim reparations removal program, set forth above, had established certain temporary "ceilings" on Japanese industry, this policy on assured production capacity levels was designed to establish production "floors" for eight specific categories of industry. The assured levels policy thus made it possible for certain specific plants within the industries covered to resume activity with an assurance that the reparations program would not interfere with them. Designation of the plants to be retained was the responsibility of the Supreme Commander. The ultimate level of each Japanese industry remained to be set at a figure between that prescribed in the interim removals program and that prescribed in the assured production levels program. The following industries were covered by the assured level policy: machine tool, army and navy arsenals, aircraft, iron and steel, light metals, thermal electric power, soda ash, chlorine, and caustic soda, and sulphuric acid. In the case of three of these - army and navy arsenals, the aircraft industry, and the light metal industry - no assured level was fixed, because under the terms of the interim reparations removal program, all facilities in these three industries were, with a few exceptions, had already been made available for reparations claims (See Appendix 11).

Allied Trade Representatives

In providing for imports into and exports from Japan, General MacArthur had for some time been assisted by a group of trade specialists representing the various countries comprising the Far Eastern Commission, who worked with the Supreme Commander pursuant to informal arrangements between the United States Government and the countries concerned. These trade representatives advised the Supreme Commander's headquarters as to the needs and interests of their respective nations in connection with specific Japanese exports and imports, and handled any other duties that might arise in connection with delivering and paying for the goods in question. Because of a desire within the Commission to formalize the duties that these representatives were engaged in, the Commission on March 13, 1947 approved a policy decision covering the functions of Allied Trade Representatives in Japan (Appendix 26). This decision, which detailed the functions already being carried out on an informal basis, was specifically designated as an interim policy, subject to review in the light of experience.



RESTRICTEDSupply of Food to Japan

Moved by the extensive world food shortage then current, which was particularly acute in certain countries represented on the Far Eastern Commission, the Commission on April 25, 1946 approved a policy to the effect that during the emergency period no imports of food should be permitted into Japan which would "have the effect of giving to the Japanese a priority or preferential treatment over the requirements of the peoples of any Allied power or liberated area" except where and to the extent that the Supreme Commander, with the advice of the Allied Council for Japan, should determine that "imports are essential immediately for the safety of the occupying forces" (Appendix 27). Also included in the policy was a request to the United States Government immediately to review the food import program for Japan in the light of the Commission's decision and in consultation with the various international food allocating authorities. The United States member, in adding his approval to the policy, stated for the record that the principles adopted by the Commission were in full accord with principles upon which the United States had in the past acted in supplying food to Japan.

Short Period Economic Controls

With a view to bringing the direction of Japanese economy into line in other respects with the realities of a world economy situation in which many other commodities were in world short supply, the Commission on February 27, 1947 approved a policy decision requiring the Japanese in so far as possible, to help in supplying consumer goods needed in areas which had been deprived of these goods because of Japanese aggression (Appendix 28). Production of these goods in Japan was to be increased, while consumption was to be curtailed. In particular, the policy applied to textiles, hardware, rubber goods, pottery, and electrical appliances. In the case of textiles, with certain exceptions, consumption in Japan was to be limited to 2½ pounds per person annually. Because of the emergency nature of the policy, provision was made for its termination automatically on December 31, 1947, unless extended by the Commission.

Trade Unions

One of the provisions of the Potsdam Declaration provides for the "strengthening of democratic tendencies" within Japan. The Commission has concerned itself with several aspects of this general field and has adopted two formal policy decisions. The first policy, entitled "Principles for Japanese Trade Unions" was approved on November 1, 1946. (Appendix 29). Japanese workers are under this policy, to be encouraged to form themselves into trade unions. Discrimination against employees because of union membership is forbidden, and the passage of appropriate legislation to guarantee the right of workers to participate in trade union activity is advocated. Prohibition of strikes or other work stoppages may be undertaken in accordance with the terms of this policy only where such stoppages would "directly prejudice the objectives of needs of the occupation. Also guaranteed was the right of trade unions to participate



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in political activities and to support political parties, as well as taking an "active part in the process of democratization of Japan," although with the specific qualification that such activity should be carried out only "wherever practicable and while not interfering with their normal operations."

#### Education

Revision of the Japanese educational system is the second subject connected with "strengthening of democratic tendencies" on which the Commission has adopted a formal policy decision. On March 27, 1947 a policy was approved providing in detail a set of standards and principles for the revision of the traditional Japanese educational system. These principles specified that "education should be looked upon as the pursuit of truth, as a preparation for life in a democratic nation, and as a training for the social and political responsibilities which freedom entails". (Appendix 30). The Commission's decision provided certain "guiding objectives for education, among them "the dignity and worth of the individual", and an emphasis upon the "interdependent character of international life". Under the Commission's policy decision teachers with a record as exponents of ultra-nationalistic and militaristic ideas were excluded from educational activity and provision was made for the development of new textbooks from which the objectionable doctrines of militarism, Emperor worship and state Shintoism would be expunged. In an effort to break up the close centralized control of Japanese education which had contributed to the pre-war plan of the militarists, the Commission policy also provided that "subject to "such control over the educational system as will insure the achievement of the objectives of the occupation, particularly the reforms called for by this policy decision", responsibility for the administration of educational establishments should gradually be taken away from the central Japanese Government and placed in the hands of local authorities.

#### War Crimes

Shortly after the surrender of Japan a United States policy directive was sent to General MacArthur providing for the apprehension, trial, and punishment of war criminals both within Japan and in areas previously dominated by the Japanese. This directive was in line with another provision of the Potsdam Declaration, specifying that "stern justice shall be meted out to all war criminals including those who have visited cruelties upon our prisoners." Although there was little opposition on the part of members of the Commission to this United States directive because of the international nature of the problem of war criminals, the Far Eastern Commission decided that such a policy dealing with them ought more appropriately to be an Allied rather than a unilateral United States policy. Accordingly, the United States policy was reviewed by the Commission in accordance with the provisions of the Terms of Reference. To some extent it was amended, and on April 3, 1946 the amended version was approved as a formal Commission policy (Appendix 31). In the Commission's policy the term "war crimes" was defined to include wars of aggression or in



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violation of international treaties, violations of the laws or customs of wars, and inhuman acts committed since or in the years immediately preceding the Mukden incident of September 18, 1931. The function of the Supreme Commander with respect to these trials was carefully defined, and procedures providing for the arrest and detaining of suspects and the gathering of information relating to the alleged crimes were detailed.

The Commission version differed in two significant aspects from the original United States policy. In the first place, the international military tribunal already set up in Tokyo to try accused war criminals was enlarged to include a judge nominated by each nation represented on the Far Eastern Commission. Specifically, this meant the addition to the tribunal of judges representing the Philippines and India. Secondly, the responsibility of the Supreme Commander to carry out the judgments of the tribunal, as well as his power to approve, reduce, or alter sentences imposed, was made subject to his consultation on these points with the Allied Council for Japan and with representatives in Japan of other nations who were members of the Far Eastern Commission but were not represented on the Council.

Aliens in Japan

Another original United States directive reviewed and reissued as a Commission policy had to do with the subject of non-Japanese nationals in Japan. On June 5, 1946 the Commission adopted a policy decision entitled "Aliens in Japan" (Appendix 32) which detailed the status and treatment to be accorded non-Japanese in Japan. Under the terms of the Commission's policy a distinction in status was made between the nationals of members of the United Nations, neutrals, and non-Japanese Axis nationals, with special provisions detailed for each category. In addition special principles governing the treatment of Formosans and Koreans in Japan were set out, including their repatriation and the protection of their property. Subject to the control of the Supreme Commander, Japanese authorities were, under the terms of the Commission policy, made "responsible for the care, safety, and welfare of such persons, and for their transportation to port of embarkation."

Japanese Extraordinary Taxation

In this connection the Commission on July 18, 1946 approved a policy providing that no Japanese taxation should "discriminate against aliens" and that no capital levy should be made by the Japanese with respect to property inside or outside Japan owned by nationals of members of the United Nations (Appendix 33).

Legal Jurisdiction Over Aliens

In order to anticipate and provide for the possibility that Allied nationals resident in Japan might be made subject to the jurisdiction of Japanese courts during the period of the occupation, the Commission approved on August 15, 1946 a policy limiting the extent of Japanese legal authority in



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this regard (Appendix 34). Under the terms of this policy Japanese courts were deprived of criminal jurisdiction over nationals of members of the United Nations who were attached to the armed forces of the Allies, with the stipulation that such jurisdiction should be exercised by the appropriate military court. Decisions by Japanese courts in civil cases in which nationals of members of the United Nations were involved should be reviewed by the Supreme Commander, the policy provided, and the Supreme Commander was given the authority to revise these decisions or to take any other action which he considered necessary in order to protect the rights of these nationals.

Japanese Atomic Research

All Japanese research and activity in the field of atomic energy was forbidden by the Commission during the period of the occupation in a policy decision adopted on January 30, 1947 (Appendix 35), except that "the mining, processing, and refining of radio active 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." At the same time the Commission decision took cognizance of discussions under way within the United Nations on the subject of atomic energy control by providing that in the field of atomic energy research Japan should eventually be governed by "such decisions by the United Nations on the control of atomic energy as are applicable."



RESTRICTEDLIST OF APPENDICES

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SC-215/4RESTRICTEDSC-215/416 May 1947FAR EASTERN COMMISSIONREVISION OF PROPOSED TEXT FOR  
PUBLIC REPORT ON COMMISSION ACTIVITIES  
(Reference: FEC-215 series)Note by the Secretary General

1. The enclosure, a revision of SC-215/3 prepared by the Secretariat pursuant to instructions of the ad hoc Sub-committee of the Steering Committee appointed to deal with FEC-215, is circulated herewith for the further consideration of the ad hoc Sub-committee.

2. A summary of FEC-083/5, Assured Production Capacity Levels for Japan, has been included in the text of the enclosure, for consideration in the event that this policy is released to the press before a decision has been made on the publication of a Commission Report. All of the other policy decisions summarized in the enclosure have now been released to the press.

NELSON T. JOHNSON  
Secretary General

SC-215/4



RESTRICTEDE N C L O S U R EPROPOSED TEXT FOR PUBLIC REPORT  
ON COMMISSION ACTIVITIESI. INTRODUCTION

From its beginning the occupation of Japan has been an Allied responsibility. It was to the Allied Powers that the Japanese surrendered on August 14, 1945. General MacArthur formally accepted that surrender on September 2, 1945 as Supreme Commander for the Allied Powers. Since February 26, 1946 the task of formulating Allied policies under which the Japanese were to carry out the obligations imposed upon them by the Terms of Surrender has been carried out by the Far Eastern Commission, an inter-Allied body composed of representatives of eleven nations and meeting regularly in what used to be the Japanese Embassy in Washington.

Welcoming the members of the Far Eastern Commission at their first meeting, the United States Secretary of State, James F. Byrnes, outlined in broad terms the responsibility that had been entrusted to the Commission by the Moscow Agreement of Foreign Ministers. "Peace in the Pacific," he said, "is an essential cornerstone to a stable world structure. The guidance of Japan to a position of peaceful association with the other nations is therefore a task of major responsibility. That responsibility now belongs to you of the Far Eastern Commission....The Terms of Reference agreed to last December in Moscow placed the final and ultimate responsibility for formulating the policies and principles upon which the peace and security of the Pacific may well be based, in your hands."

As the occupation forces under General MacArthur's command have carried on their day-to-day tasks in Japan, the Far Eastern Commission in Washington has been engaged in



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formulating Allied policy. With the completion of the first year of the Commission's activity, the need for a document describing the structure of the Commission and giving an account of its activities has become apparent. The following summary has been prepared by the Commission Secretariat in the hope that it will acquaint the public at large with the work of an important international organization concerned with the occupation of Japan.



RESTRICTEDII. HISTORY AND BACKGROUNDJapanese Surrender

Allied participation in the occupation of Japan began with the first official Japanese surrender offer on August 10, 1945. Acceptance of this offer by the four major Allied Powers entailed the appointment of a Supreme Commander to receive the surrender in behalf of the Allied Powers, with the understanding that from the moment of formal surrender the authority of the Japanese Emperor and the Japanese State was to be subject to the Supreme Commander. On August 14, 1945 General Douglas MacArthur was designated Supreme Commander. On September 2, 1945, acting for the Republic of China, the United Kingdom, the Union of Soviet Socialist Republics, and the United States, and in the interests of the other United Nations at war with Japan, he formally accepted the surrender of Japan on board the United States battleship Missouri. Representatives of the following nine nations also signed the instrument of surrender with General MacArthur: Australia, Canada, China, France, the Netherlands, New Zealand, the Union of Soviet Socialist Republics, the United Kingdom, and the United States.

Occupation forces which first went ashore under General MacArthur's leadership were in the main American, and the policy directives under which the Supreme Commander began enforcing Japanese fulfillment of the surrender terms were issued to him by the United States Government. The statement of Basic Initial Post-Surrender Policy, a consolidation and projection of all previous United Nations planning for Japan, was forwarded in substance to General MacArthur by radio on August 29, 1945 and, following formal approval by the President, was dispatched by special messenger on September 6. Further directives covering specific policy matters not included in



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the basic statement were subsequently forwarded through the channels of the United States Government as the occasion required.

Far Eastern Advisory Commission

Growing out of negotiations originally begun on August 21, 1945, a Far Eastern Advisory Commission was convened in Washington on October 30, 1945, for the purpose of making "recommendations" on the "formulation of policies, principles, and standards by which the fulfillment by Japan of its obligations under the instrument of surrender may be determined." The Commission met regularly over the next two months. It was composed of representatives of Australia, Canada, China, France, India, the Netherlands, New Zealand, the Philippines, the United Kingdom, and the United States. The Soviet Union declined the proposal to take part in the Far Eastern Advisory Commission because of its purely advisory character. In December 1945 the Advisory Commission undertook a trip to Japan and returned to Washington in February 1946.

Establishment of the Far Eastern Commission

At the Moscow Meeting of Foreign Ministers in December 1945 further negotiations between the United States, the Soviet Union, and the United Kingdom were conducted on the subject of greater Allied participation in the occupation of Japan, and with the concurrence of China the three Foreign Ministers on December 27, 1945 issued a communique establishing Terms of Reference for a Far Eastern Commission to replace the Far Eastern Advisory Commission. The Moscow Agreement was made known one day after the Advisory Commission had left Washington on its trip to Japan. Upon its return to Washington, therefore, the Advisory Commission was reconstituted as the Far Eastern Commission, with new Terms of Reference



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and with the addition of a Soviet representative. Headquarters were established in the former Japanese Embassy in Washington, and the first meeting of the Far Eastern Commission was held there on February 26, 1946.

Terms of Reference

Under the Terms of Reference (Appendix 1) the Far Eastern Commission has two principal functions. First, to formulate "the policies, principles, and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished"; and second, "to review, on the request of any member, any directive issued to the Supreme Commander for the Allied Powers or any action taken by the Supreme Commander involving policy decisions within the jurisdiction of the Commission." In addition, the Commission is empowered "to consider such other matters as may be assigned to it by agreement among the participating Governments." Making recommendations with regard to either the conduct of military operations or territorial adjustments, however, is specifically excluded.

The Terms of Reference provide that the Commission should "respect existing control machinery in Japan, including the chain of command from the United States Government to the Supreme Commander and the Supreme Commander's command of occupation forces." Policy decisions of the Commission are to be transmitted to the United States Government, and the United States Government is then made responsible for preparing directives in accordance with these decisions and transmitting the directives to the Supreme Commander for his guidance. As sole executive authority for the Allied Powers in Japan, the Supreme Commander is charged with the implementation of the directives prepared in accordance with Commission policy decisions.



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The Commission may take action by a majority vote, provided the representatives of the United States, the United Kingdom, the Soviet Union and China all concur in the action taken.

The Terms of Reference stipulate, however, that the "United States Government may issue interim directives to the Supreme Commander pending action by the Commission whenever urgent matters arise not covered by policies already formulated by the Commission; provided that any directives dealing with fundamental changes in the Japanese constitutional structure or in the regime of control, or dealing with a change in the Japanese Government as a whole will be issued only following consultation and following the attainment of agreement in the Far Eastern Commission."

While the main seat of the Commission is in Washington, the Terms of Reference authorize it to meet in Tokyo or in any other place it may desire. The Commission is authorized to "make such arrangements through the Chairman as may be practicable for consultation" with the Supreme Commander.

No time limit is placed upon the functioning of the Commission by the Terms of Reference. The Commission "shall cease to function when a decision to that effect is taken" in accordance with the voting procedure described above. Prior to concluding its functions, however, the Commission is directed by the Terms of Reference to transfer such functions as may be appropriately transferred to "any interim or permanent security organization of which the participating governments are members."

Allied Council for Japan

The Moscow Agreement which established the Terms of Reference of the Far Eastern Commission also established Terms



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of Reference for an Allied Council for Japan, which was to have the function of "consulting with and advising the Supreme Commander in regard to the implementation of the Terms of Surrender, the occupation and control of Japan, and of directives supplementary thereto." The seat of the Allied Council for Japan was to be in Tokyo. The Chairman of the Council would be either the Supreme Commander himself or his Deputy. In addition to him the membership would include representatives of the British Commonwealth, China and the Soviet Union. The British Commonwealth member would represent jointly the United Kingdom, Australia, New Zealand, and India.

Reference to the Allied Council is made in the Terms of Reference of the Far Eastern Commission as follows: "The Commission in its activities will proceed from the fact that there has been formed an Allied Council for Japan..." The Terms of Reference of the Allied Council include the following provision with reference to the Far Eastern Commission: "If, regarding the implementation of policy decisions of the Far Eastern Commission on questions concerning a change in the regime of control, fundamental changes in the Japanese constitutional structure, and a change in the Japanese Government as a whole, a member of the Council disagrees with the Supreme Commander (or his Deputy), the Supreme Commander will withhold the issuance of orders on these questions pending agreement thereon in the Far Eastern Commission."



RESTRICTEDIII. ORGANIZATION OF THE COMMISSIONCommission

The Far Eastern Commission is composed of representatives of the eleven nations referred to in the Terms of Reference. Major General Frank R. McCoy, United States Army (Retired), United States Representative, who serves with the personal rank of Ambassador, was unanimously elected Chairman of the Commission at its first meeting. In most cases the representative of the other countries are the Chiefs of Mission of those countries in Washington. A list of representatives and their alternates follows in alphabetical order, and a complete roster of the personnel of each national delegation on the Commission will be found in the appendix. (Appendix 2)

Australia	Ambassador Norman J. O. Makin Alternate: Major J. Plimsoll
Canada	Ambassador Hume Wrong Alternate: Mr. Ralph E. Collins
China	Ambassador V. K. Wellington Koo Alternate: Dr. Shao-hwa Tan
France	Ambassador Paul E. Naggiar, Special Ambassador of the Republic of France to the Far Eastern Commission Alternate: Mr. Francis Lacoste
India	Ambassador M. Asaf Ali Alternate: Mr. B. R. Sen
Netherlands	Ambassador A. Loudon Alternate: Dr. A. D. A. de Kat Angelino
New Zealand	Sir Carl Berendsen, New Zealand Minister to the United States Alternate: Mr. G. R. Powles
Philippines	Ambassador Carlos P. Romulo, Permanent Representative of the Republic of the Philippines to the Far Eastern Com- mission and the United States Alternate: Mr. F. C. Rodriguez
Union of Soviet Socialist Republics	Ambassador Nikolai V. Novikov Alternate: Mr. S. K. Tsarapkin
United Kingdom	Sir George Sansom, His Britannic Majesty's Minister to the British Embassy in Washington Alternate: Mr. H. A. Graves
United States	Major General Frank R. McCoy, U.S.A. (Ret.) Alternate: Major General John H. Hilldring, Assistant Secretary of State for Occupied Areas



RESTRICTEDSteering Committee

A Steering Committee and seven working committees have been established.

The Steering Committee is responsible for organizing Commission business and coordinating the work of the various working committees. All recommendations and policy proposals from working committees are considered by the Steering Committee before being forwarded to the Commission. Areas of disagreement between members are canvassed, and wherever possible are resolved before policy proposals are forwarded to the Commission itself for consideration. The Chairman of the Steering Committee is Sir Carl Berendsen (New Zealand) and the Deputy Chairman is Dr. A. Loudon (the Netherlands).

A list of members of the Steering Committee follows:

(See Appendix 2)

Australia	Major J. Plimsoll
Canada	Mr. Ralph E. Collins
China	Dr. Shao-hwa Tan
France	Mr. Francis Lacoste
India	Mr. B. R. Sen
Netherlands	Ambassador A. Loudon
New Zealand	Sir Carl Berendsen
Philippines	Mr. F. C. Rodriguez
Union of Soviet Socialist Republics	Rear Admiral S. S. Ramishvili
United Kingdom	Mr. H. A. Graves
United States	Dr. George H. Blakeslee

Committees

At its first meeting the Commission established working committees to consider and make appropriate recommendations on various aspects of Commission business. Each of the working committees is composed of delegates from all of the eleven nations constituting the Commission.



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Officers and principal fields of business of the working committees are listed as follows:

Committee No. 1: Reparations

Chairman: Major J. Plimsoll (Australia)  
Deputy Chairman: Dr. G. A. Ph. Weyer (Netherlands)

Subjects for consideration: Reparations from Japan: restitution of looted property; related topics

Committee No. 2: Economic and Financial Affairs

Chairman: Mr. F. C. Everson (United Kingdom)  
Deputy Chairman: Mr. Roswell H. Whitman (United States)

Subjects for consideration: Extent and character of Japanese industry, commerce and agriculture \* necessary for a viable economy in Japan; measures necessary to establish such an economy, such as regulation of Japanese foreign commerce, control of agriculture, control of fishing and aquatic industries, control of transportation and communication, and control of industries democratic agrarian reform; liquidation of monopolistic financial -- industrial concerns (Zaibatsu); complete elimination of Japanese war industry; reduction, control and reconversion to the peacetime production of industry, commerce, shipping, shipbuilding and other industries which were used for war purposes during wartime; control of scientific and industrial research; stocks of strategic raw materials; relief problems, such as prevention of mass unemployment, public health, food, housing, and financial problems.

Committee No. 3: Constitutional and Legal Reform

Chairman: Mr. B. R. Sen (India)  
Deputy Chairman: Mr. Ralph E. Collins (Canada)

Subjects for consideration: The Emperor, Diet, Cabinet, local Government; political parties; a Bill of Rights; machinery for drafting a new constitution; judiciary; electoral system and reform of the police system; related topics

Committee No. 4: Strengthening of Democratic Tendencies

Chairman: Mr. G. G. Dolbin (U. S. S. R.)  
Deputy Chairman: Dr. T. T. Mar (China)



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Subjects for  
consideration:

Positive policy of democratization of the Japanese; removal from the Government and governmental institutions as well as from organs of local administration and self-government, of all militarist and totalitarian elements who actively supported the aggressive policy of Japan; dissolution of former military and semi-military, fascist, nationalistic and secret organizations, reactionary political parties, trade unions and peasants' organizations; supervision of elections in order to insure free expression of the people's will; activities of the Japanese Parliament; educational system; public information including press and radio and also public entertainments -- theatre and movie; political and social status of women; working of the Japanese Constitution; State Shinto.

Committee No. 5: War Criminals

Chairman: Mr. Hsuan-tsui Liu (China)  
Deputy Chairman: Mr. C. Coronel (Philippines)

Subjects for  
consideration: Identification, apprehension, trial,  
and punishment of persons suspected of  
war crimes; related topics

Committee No. 6: Aliens in Japan

Chairman: Mr. Francis Lacoste (France)  
Deputy Chairman: Mr. F. C. Everson (United Kingdom)

Subjects for  
consideration: Enemy nationals other than Japanese;  
Koreans; Allied persons desiring  
repatriation; Allied persons who have  
collaborated with the Japanese; and  
relation of non-Japanese civilians to  
Japanese authorities.

Committee No. 7: Disarmament of Japan

Chairman: Mr. O. Reuchlin (Netherlands)  
Deputy Chairman: Temporarily Vacant

Subjects for  
consideration: Disarmament and dissolution of Japanese  
armed forces; disposition of Japanese  
armaments and military equipment; long-  
range control of armaments necessary  
for internal police security in Japan;  
related topics

Each of these committees appoints ad hoc subcommittees as the occasion may require, and several committees have one or two standing subcommittees.



RESTRICTEDSecretariat

In its capacity as host to the Commission, the United States Government has furnished the headquarters for the Commission, has underwritten the Commission's budget, and has in the main supplied the personnel for the Commission's secretariat staff. The Honorable Nelson T. Johnson, former United States Ambassador to China and Minister to Australia, is the Secretary General of the Commission, and Mr. Samuel S. Stratton is his Deputy. The Commission agreed that any nation is free to nominate representatives for the Secretary General's staff. Upon the nomination of Australia, Mr. Donald G. Badger was appointed by the Secretary General to the position of Economic Secretary. The remainder of the Secretariat, are American personnel.

The Secretariat is charged with the performance of all of the technical and administrative duties which Commission and committee meetings involve, including the preparation of committee agenda and minutes, the procurement, analysis, and dissemination of informational material about Japan, receiving and distributing official communications from governments, handling official Commission policy decisions and consultations, advising Commission members on questions of procedure, and performing such other functions as may be specifically assigned.



RESTRICTEDIV. ACCOMPLISHMENTS

The Basic Initial Post-Surrender Policy statement issued by the United States to General MacArthur in September 1945 covered a wide variety of subjects, providing for democratic, constitutional, and economic reform, as well as for military disarmament. From time to time as the occupation progressed, this basic policy was supplemented and elaborated by further United States policy directives intended to meet particular situations arising in Japan. By the time the Far Eastern Commission began its operation, therefore, a considerable number of exclusively United States policies had already been transmitted to the Supreme Commander, and the occupation of Japan based upon these policies was already under way. Under the Terms of Reference of the Far Eastern Commission these policies were subject to review by the Commission, and the Commission was authorized to modify them, if it so desired. On all subjects within its Terms of Reference, the Commission was authorized to formulate such additional Allied policy as might be deemed necessary; when a policy was formulated and issued as a directive it superseded previous directives in conflict with it.

To date 37 policy decisions have been adopted by the Commission and a total of 12 formal consultations with the Supreme Commander on matters relating to policy have been approved.



RESTRICTEDA. JAPANESE CONSTITUTIONDate of Japanese General Elections

One of the first items with which the Commission concerned itself was the general election for the first post-surrender House of Representatives in the Japanese Diet: this election had been scheduled by the Japanese Government, after several postponements, for April 10, 1946. Within the Commission the thought was expressed by some members that the election as scheduled was premature; candidates representing long-suppressed liberal forces of Japan would not have had enough time, it was felt, to organize themselves in such a way that the results of the election would adequately reflect the real extent of liberal political thought in Japan. Moreover, on March 6, 1946 the Japanese Cabinet had announced completion of a preliminary draft of a proposed revision of the Japanese Constitution. This announcement had an important bearing on the election for the House of Representatives because of the part the new Diet would be likely to play in putting any proposed constitutional revision into effect.

On March 20, 1946 the Commission accordingly approved a message of consultation with the Supreme Commander, communicating to him the doubts expressed by members as to the date of the general election and requesting the Supreme Commander's views on the advisability of postponing the election (Appendix 3). The Supreme Commander subsequently replied that it "was probable that the new Diet will be the most truly responsive body to the will of the people that has ever served Japan and will provide the basis for a much more representative cabinet." Under these circumstances, he went on, "any postponement of the election would have a profound adverse reaction upon the purposes and success of the occupation." He added that, in any case if, "the results of the election prove



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disadvantageous to the purposes of the occupation, the remedy is always in my power to require the dissolution of the Diet and the holding of a new election under such provisions as are deemed necessary." (Appendix 4). After considering the Supreme Commander's reply, the Commission voted on a proposal to require postponement of the election; a majority agreed that no action was necessary.

Draft Japanese Constitution

Revision of the Japanese Constitution was, of course, one of the principal tasks facing the Allied occupation. Although the Meiji Constitution of 1889, which was still in effect, possessed a deceptively liberal appearance, it was actually a highly undemocratic document and had contributed greatly to perpetuating the basic feudal structure of Japanese life. During the period of military aggression the Meiji Constitution had served as a tool by which militaristic and ultra-nationalistic elements were able to obtain political power and exercise it without restraint in behalf of their designs for conquest.

The appearance on March 6, 1946 of a Government-sponsored draft revision of the Meiji Constitution focused the Commission's attention urgently upon the question of constitutional reform. Essentially the Commission's responsibility with respect to a new constitution amounted to insuring that any new constitution adopted should not be inconsistent with the principles of the Potsdam Proclamation and, as prescribed by the Potsdam Proclamation, should be a free expression of the will of the Japanese people.

In order to prevent hasty consideration by the Diet of the Government-sponsored draft, to give the Japanese people themselves as they approached the general election for the House of Representatives a clear indication of their own



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prerogatives in the matter of constitutional reform, and to spell out at the very beginning the Commission's own authority in the matter of constitutional reform, the Commission on March 20, 1946 approved a policy decision entitled "Draft Japanese Constitution" (Appendix 5). Under the terms of this policy it was provided that the Supreme Commander should make known to the Japanese people that the submission of a draft constitution by the Government did not preclude favorable consideration of other proposals or drafts which might subsequently be submitted to the Diet. Furthermore, the Supreme Commander should also make known to the Japanese the fact "that the Far Eastern Commission must be given an opportunity to pass upon the final draft of the constitution to determine whether it is consistent with the Potsdam Declaration and any other controlling document before it is finally approved by the Diet and becomes legally valid".

Criteria for Adopting a New Constitution

For the purpose of determining whether any constitutional revision actually represented the free will of the Japanese people, the manner in which such a constitutional revision was adopted would be of very great importance. Before turning their attention, therefore, to the task of drawing up a set of principles by means of which it would be possible to determine whether or not a new constitution conformed with the requirements of the Potsdam Proclamation, the Commission first proceeded to establish a policy prescribing certain criteria governing the method of adopting a new Japanese constitution. This policy, which was approved on May 17, 1946, provided that the new constitution should have "complete legal continuity" from the Meiji Constitution of 1889 and that "adequate time and opportunity should be allowed for the full discussion and consideration of the terms of the new constitution" (Appendix 6). The manner in which the new constitution



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was adopted, the Commission said, should "demonstrate that it affirmatively expresses the free will of the Japanese people."

Basic Principles for a New Constitution

A Commission policy decision setting forth principles for use as a basis in determining whether or not a new constitution conformed with the Potsdam Proclamation was approved July 2, 1946 (Appendix 7). Among the requirements set forth in this decision was the principle that the sovereign power should reside not, as in the past, in the Emperor, but in the people. Retention of the Emperor system in its "present constitutional form", the Commission declared, was not considered desirable and "the Japanese should be encouraged to abolish the Emperor Institution or to reform it along more democratic lines."

Under the Commission's decision an acceptable constitution should accord the legislature full legislative powers, including complete control over the raising and spending of public funds. An independent judiciary should be established. The Prime Minister and the Ministers of State should all be civilians, and a majority of them, including the Prime Minister, should be selected from the Diet. It was further provided that all property of the Imperial Household should be declared property of the State. Retention of the Privy Council and the House of Peers "in their present form and with their present powers" was declared to be undesirable. Provisions for universal adult suffrage and guarantees of fundamental civil rights and of local-self-government were included.

After deciding on this policy, the Commission continued to consider carefully the progress of the Government-sponsored draft constitution in the Japanese Diet, and was in frequent consultation with the Supreme Commander during this period.



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Further Policies Relating to a New Japanese Constitution

On September 25, 1946 the Commission approved a policy decision setting forth certain additional principles and policies governing a new Japanese constitution (Appendix 8). These included a reaffirmation of the Commission's previous decision taken in the policy on Basic Principles that all Cabinet Ministers should be civilians, together with a further decision that the House of Councillors, the proposed new upper House of the Diet, "should not have any predominance" over the House of Representatives. In this connection the Commission declared that it considered "essential its continuing right to scrutinize the implementing legislation very carefully to insure that such predominance is not established."

In accordance with this decision the Commission has received from the Supreme Commander and examined thirty-one laws implementing the new Japanese constitution, which was promulgated on November 3, 1946. The Commission has consulted with the Supreme Commander several times in connection with these laws, and plans to study their future operation along with the new constitution.

Review of the New Constitution

When it became clear that the Japanese Government intended to adopt the constitution by means of approval by the Diet, some doubt was expressed in the Commission whether this particular method would in fact represent a free expression of the will of the Japanese people within the meaning of the Potsdam Proclamation and the Commission's own policy on Criteria for the Adoption of a New Japanese Constitution (See Appendix 6). In the first place, there was still some dissatisfaction on the part of Commission members as to the composition of the then existing Diet, based upon arguments already suggested in the Commission's consultation concerning



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the advisability of postponing the date for the general election for the House of Representatives (See Appendix 3). In addition there was a feeling among certain members that the Government-sponsored revision had not been before the Japanese people sufficiently in advance of the April elections so as to become a real election issue, and so that the Diet there elected could be said to have a clear mandate from the Japanese people to approve the Government-sponsored constitution. Another opportunity to express themselves on this new constitution should be given to the Japanese people, it was felt, in order to make doubly sure that the new constitution actually did represent the freely expressed will of the Japanese people.

These considerations, coupled with an equally strong desire to give the Japanese people a chance to test their new constitution in actual operation, led the Commission on October 17, 1946 to approve a policy decision calling for subsequent review of the new constitution (Appendix 9). Not sooner than one year after the new constitution went into effect on May 3, 1947 and not later than two years, the policy provided, "the situation with respect to the new Japanese constitution should be reviewed by the Diet", and "without prejudice to the continuing jurisdiction of the Far Eastern Commission at any time, the Commission shall also review the constitution within this same period." Also included was a provision that the Commission, "in determining whether the Japanese constitution is an expression of the free will of the Japanese people, may require a referendum or some other appropriate procedure for ascertaining Japanese opinion with respect to the constitution." Meanwhile, the decision stated that the provision for review should not alter the status of the new constitution, once it had gone into effect, as the "legal successor of the present constitution."



RESTRICTEDIssuance of the Review Policy Decision

At the request of the United States representative, the Commission approved this policy decision on constitutional review with the understanding that the "time and manner of issuance" of the decision would be a subject for further consideration by the Commission. On December 12, 1946 the Commission approved a decision directing that the terms of the policy decision on Review of a New Japanese Constitution "should be formally communicated to the Government of Japan" (Appendix 10), and on March 20, 1947 the policy decision on constitutional review was released to the press.



RESTRICTEDB. REPARATIONSInterim Reparations Removals

The Potsdam Declaration provided that "Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind, but not those which would enable her to re-arm for war." It has been the task of the Far Eastern Commission to determine (1) exactly what "just reparations in kind" should be. (2) how much of the Japanese industrial machine could be included in reparations without undermining the essential Japanese peacetime economy, and (3) how reparations thus made available were to be apportioned among the various claimant countries.

As a first step toward an over-all reparations settlement, the Commission at an early stage adopted a series of policy decisions which together comprise a program of so-called "interim reparations removals." It was felt that a final reparations settlement might require a considerable period of time, but that relatively swift agreement could be reached on the designation for reparations of industrial facilities within those industries most directly involved in the Japanese industrial war machine and thus most obviously in excess of normal peacetime needs.

At the same time adoption of such an interim program would prepare the Japanese for some of the readjustments in their peacetime economy that would eventually be required before their reparations obligations were completely fulfilled. Agreement on interim removals would not, of course, prejudice any additional removals that might be made under a final disposition of reparations.

The program of "interim removals" adopted by the Commission was confined to these industrial categories which were



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considered basic to Japan's war economy. This program, however, did not authorize any actual removals from Japan, in spite of its name, but merely authorized the designation by the Supreme Commander of appropriate industrial facilities within Japan to be "available for claim" as reparations. No actual transfer of the facilities thus designated could be undertaken until some determination had been made of the various percentages of available assets claimant countries were to receive, and of the procedure by which such percentage shares were to be fulfilled with specific Japanese facilities.

The pertinent Commission policy decisions establishing the interim removal program follow.

1. Arsenals, Aircraft, and Light Metals

On May 13, 1946 the Commission adopted a policy to the effect that with certain exceptions facilities in Army and Navy arsenals, all aircraft plants and establishments, and all light metals plants and establishments should be made available for reparations claim (Appendix 11).

2. Machine Tools, Sulphuric Acid, and Shipbuilding

On May 23, 1946 the Commission approved a policy decision providing for interim removals in the machine tool, sulphuric acid, and shipbuilding industries (Appendix 12). Under this policy all installations of the Japanese machine tool industry, except that portion required for the production of a balance type-size aggregate of 27,000 units annually were to be made immediately available for reparations claim. Subject to certain specified limitations, all Japanese capacity for the production of sulphuric acid in excess of 3.5 million metric tons annually was likewise to be made immediately available for reparations claim. All naval shipbuilding facilities and those remaining shipbuilding facilities in excess of that required to build 150,000 gross tons and to service a merchant



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fleet of 3,000,000 gross tons were to be made available for claim, subject to certain specified limitations.

3. Ball and Roller Bearings

On May 29, 1946 the Commission approved a policy making available for reparations claim all ball and roller bearing capacity in Japan in excess of 32.5 million yen per year, computed on a basis of 1943-1944 average prices (Appendix 13).

4. Iron and Steel, Thermal Electric Power, and Soda Ash, Chlorine and Caustic Soda

On June 12, 1946 a policy was approved providing for interim removals in the iron and steel, thermal electric power, and soda ash, chlorine, and caustic soda industries (Appendix 14). With certain specified limitations, these policies, when carried out, would leave Japan with facilities for an annual production of 3.5 million metric tons of steel ingot, 2.0 million tons of pig iron, 2.1 million thermal-electrically generated kilowatts of power, 75,000 metric tons of chlorine, 82,500 metric tons of caustic soda in electrolytic plants, and 630,000 metric tons of soda ash.

5. Privately-Owned Munitions

On June 20, 1946 the Commission approved a policy that all privately-owned munitions plants, with certain exceptions, should be made available for reparations claim (Appendix 15).

6. Synthetic Oil and Synthetic Rubber

On September 12, 1946 the Commission approved a policy to the effect that all facilities in the synthetic oil and synthetic rubber industries should be made available for claim, subject to the condition that synthetic oil plants designated for actual or potential conversion to the manufacture of sulphate of ammonia and fertilizers should be retained in operation until the supply of nitrogen from other sources became adequate (Appendix 16).



RESTRICTED7. Steel Rolling Industry

On December 6, 1946 a policy was approved making available for reparations claim all steel rolling capacity in excess of that required to produce a balanced annual output of 2,775,000 metric tons of rolled steel products (Appendix 17). This policy decision was accompanied by another approved on the same date (Appendix 18) authorizing the Supreme Commander to retain in Japan until June 30, 1947 certain electric steel furnace capacity together with the rolling mills integrated with it. The Supreme Commander had indicated to the Commission that these were temporarily required because of a current coal shortage. If at any time before June 30, 1947 the Supreme Commander should consider that in order to meet the needs of the occupation an extension of this retention policy was necessary, the Far Eastern Commission declared that it would review the situation.

Dissolution of the Zaibatsu

A policy relating generally to the selection of specific plants within those industries covered under the terms of the interim removal program was adopted by the Commission on May 13, 1946 (Appendix 19). This policy required that the general objective of dissolving the so-called "Zaibatsu" industrial and financial monopoly should be one of the criteria employed in the selection of specific plants.

Delivery of Reparations Goods

With the establishment of the interim removal program, the next step in the direction of a final reparations settlement was taken by the Commission on February 13, 1947 when a policy was approved providing that "the Japanese Government should bear all costs connected with dismantling, packing, transporting to a port in Japan for waterborne craft or for airborne craft, handling and loading on board the craft at



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that port", of all reparations goods subsequently allocated for delivery to claimant countries. The total costs thus sustained by the Japanese were to be divided up and added to the reparations accounts of the various recipient countries in proportion to their national percentage share of reparations goods from Japan, with the proviso, however, that the addition of these costs "should not affect the distribution of reparations received by the claimant countries". In other words, the addition of these delivery costs would not reduce the actual amount of goods delivered as reparations. Title to the reparations goods would pass to the recipient country when the goods were delivered on board at the designated port, the policy provided, and the responsibility of arranging for their further transportation from Japan would rest upon the recipient country (Appendix 20).

Division of Reparations Shares

As a first step in settling the most important part of the reparations problem, namely, the determination of the various national percentages shares of reparation goods, the Commission on May 8, 1947 approved a policy entitled Division of Reparations Shares, which set forth in broad terms the criteria to be used in determining shares for each country. (Appendix 21). Under the terms of this policy, the shares of particular countries in the total settlement of reparations from Japan shall be determined on a "broad political basis, taking into due account the scope of material and human destruction and damage suffered by each claimant country as a result of the preparations and execution of Japanese aggression, and taking also into due account each country's contribution to the cause of the defeat of Japan, including the extent and duration of its resistance to Japanese aggression". The policy further provided that reparations



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should be "in such a form as would not endanger the fulfillment of the program of demilitarization of Japan and which would not prejudice the defraying of the cost of occupation and the maintenance of a minimum civilian standard of living". The Australian representative abstained from voting on this policy because in the opinion of the Australian Government the question of division of reparations shares should be dealt with in the peace conference.

At the present time the Commission is proceeding with discussions looking toward final agreement as to specific shares on the basis of this broad policy.

Restitution of Looted Property

Closely related to reparations is the problem of recovering and returning to the original owners property which had been looted by the Japanese during the war and the identity and original ownership of which could be clearly established. On July 18, 1946 the Commission approved a policy requiring the restitution of specified categories of identifiable property looted from occupied countries and of ships found in Japanese waters which were seized or sunk by the Japanese. On October 10, 1946 this policy was amended, in response to a request from the Supreme Commander for clarification of the paragraph dealing with ships damaged or sunk, to provide that the deadline of December 31, 1946 did not apply in certain cases to the repairing and returning of damaged ships (Appendix 22).

The Commission is currently considering certain revisions of this policy decision which would liberalize the standards of identification and expand the categories of looted objects. Separate consideration is also being given to a policy for replacing cultural objects looted by the Japanese from occupied areas and subsequently lost or destroyed.



RESTRICTEDRestitution of Property Confiscated Within Japan

A further policy of the Commission, which set forth on an interim basis certain principles to be used by the Supreme Commander in making restitution to Allied nationals of any identifiable property which had been located in Japan prior "to the outbreak of hostilities between their government and the Government of Japan" and which was looted or confiscated by the Japanese, was adopted on March 6, 1947 (Appendix 23). As an interim measure, this policy made provision only for natural persons present in Japan, or juridical persons "where the holders of a controlling interest are nationals of Members of the United Nations now resident in Japan", or for charitable and religious institutions financed primarily by non-Japanese funds. This policy established the principle that all property taken by the Japanese during the period of the war was understood to be confiscated, "whether or not payment was made at the time of acquisition unless it can be definitely shown that no duress or fraud was involved." It was stipulated, however, that the right to restitution did not constitute permission "to operate properties where the Supreme Commander for the Allied Powers considers the operations of such property injurious to the occupying forces or to the purposes of the occupation." On the other hand, the Supreme Commander was authorized to operate any properties which, "upon consultation with the Allied Council for Japan in accordance with the Terms of Reference of the Allied Council for Japan" he considered to be "beneficial to the occupying forces and/or the accomplishment of the purposes of the occupation", without awaiting the restitution of title or the transfer of possession of such properties, provided that "in such cases compensation for the use of the property should be paid for the account of the owner".



RESTRICTEDC. JAPANESE ECONOMIC PROBLEMS

Establishing policies which will make possible in Japan an economy capable of sustaining the various political reforms contemplated by the Potsdam Proclamation has constituted another major part of the Commission's work.

Determination of the Peaceful Needs of Japan

The level fixed for Japan's post-war economic life must insure that Japan is industrially disarmed and at the same time make it possible for her to maintain a viable economy. Before any determination could be taken on specific levels to be prescribed for individual industries, it was necessary to reach some over-all decision establishing in general terms the basis on which a viable peace-time Japanese economy should be built. A policy decision covering this question was approved by the Commission on January 23, 1947, establishing the principle that the "peaceful needs of the Japanese people should be defined as being substantially the standard of living prevailing in Japan during the period 1930-1934." (Appendix 24). In order to determine the extent of industrial capacity which would be required to permit this 1930-34 standard, the Commission selected the statistical year "1950" as an early normal post-war year - in terms of population growth, etc. - on the basis of which specific Japanese post-war peace-time needs could be projected. The Commission's policy further provided that acceptance of the 1930-34 level "should not be interpreted to mean acceptance in advance of a specific level for any particular industry."

The Commission is currently proceeding with a consideration of the next step in this task, namely, determining the exact levels to be fixed for specific industries.



RESTRICTEDAssured Production Capacity Levels

Pending a final decision on the level of industry in Japan, the Commission on February 20, 1947 adopted a policy providing for Assured Production Capacity Levels for various categories of Japanese industry. (Appendix 25) Whereas the interim reparations removal program, set forth above, had established certain temporary "ceilings" on Japanese industry, the policy on assured production capacity levels was designed to establish production "floors" for eight specific categories of industry. The assured levels policy thus made it possible for certain specific plants within the industries covered to resume activity with the assurance that the reparations program would not interfere with them. Designation of the plants to be retained was the responsibility of the Supreme Commander, upon consultation with the Allied Council for Japan as provided by the Council's Terms of Reference. The ultimate level of each Japanese industry remained to be set at a figure between, or at, that prescribed in the interim removals program and that prescribed in the assured production levels program. The following industries were covered by the assured level policy: machine tool, army and navy arsenals, aircraft, iron and steel, light metals, thermal electric power, soda ash, chlorine, and caustic soda, and sulphuric acid. In the case of three of these - army and navy arsenals, the aircraft industry, and the light metals industry - no assured level was fixed, because under the terms of the interim reparations removal program, all facilities in these three industries, with a few exceptions, had already been made available for reparations claim (See Appendix 11).

Inter-Allied Trade Board

World trade, particularly for a ~~country~~ like Japan which is deficient in natural resources, is an ~~important~~ factor in a



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healthy economic life. The Potsdam Proclamation provided that the Japanese should eventually be permitted to participate in world trade, and the Commission has devoted its attention to the form that such trade should take. Because many of the problems involved are of a specialized or technical nature, the establishment of a special body concerned with world trade was decided upon by the Far Eastern Commission as a first step in reviving Japan's trade. On October 10, 1946, the Commission approved as a policy decision the Terms of Reference for an Inter-Allied Trade Board for Japan, to be composed of representatives of all of the nations who are members of the Far Eastern Commission (Appendix 26). Within a broad framework of policies on trade to be laid down by the Far Eastern Commission, the function of the Board is to consult with and advise the United States Government as to the disposition of exports from Japan and the procurement of imports required for Japan. Although the Board in general is to function independently, under the provisions of its Terms of Reference "all recommendations of the Board involving matters of policy shall be subject to the approval of the Far Eastern Commission."

The first meeting of the Board was held on October 24, 1946. Mr. Roswell H. Whitman, United States member, was elected Chairman. The Board accepted the offer of the Secretary General of the Far Eastern Commission to have the Commission Secretariat provide necessary services, and Mr. Donald G. Badger of Australia, Economic Secretary of the Commission, was designated by the Secretary General to serve as Secretary to the Trade Board.

To date the Board has been concerned primarily with the allocation of Japanese textile exports, the marketing of Japanese raw silk, and the problem of reopening Japan to private trade.



RESTRICTEDSources of Japanese Imports and  
Destination of Japanese Exports

In furtherance of the trade program for Japan the Far Eastern Commission on May 8, 1947 approved two policy decisions setting forth the criteria that should govern the conduct of Japanese imports and exports. (Appendices 27 and 28).

The primary objective of the Japanese import program should be to minimize the cost and difficulty of procurement, with particular attention being paid to price, other terms of purchase, assurance of meeting scheduled requirements, and other relevant factors such as the interest of all Members of the United Nations, including new trade situations and pre-war patterns of trade, so long as the pre-war patterns of trade reflect current economic needs of the countries concerned. The needs of countries other than Japan must be duly considered where commodities in world short supply are involved. The United States responsibility for the prevention of such disease or unrest as would endanger the occupation is also protected.

The primary objective of the export program should be to maximize the proceeds, with consideration being given to 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. Commercial exports are to 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". The interests of all Members of the United Nations are to be considered, and "the Inter-Allied Trade Board may recommend individual treatment for different types of exports", just as it may do in the case of imports. The principles in accordance with which foreign exchange is considered usable and by which prices should be fixed are also set forth.



RESTRICTEDAllied Trade Representatives

In providing for imports into and exports from Japan, General MacArthur had for some time been assisted by a group of trade specialists representing the various countries comprising the Far Eastern Commission, who worked with the Supreme Commander pursuant to informal arrangements previously agreed upon in the Commission. These trade representatives advised the Supreme Commander's headquarters as to the needs and interests of their respective nations in connection with specific Japanese exports and imports, and assumed any other duties that arose in connection with delivering and paying for the goods in question. Because of a desire within the Commission to formalize the duties of these representatives, the Commission on March 13, 1947 approved a policy decision covering the functions of Allied Trade Representatives in Japan (Appendix 29). This decision, which detailed the functions already being carried out on an informal basis, was specifically designated as an interim policy, subject to review in the light of experience.

Supply of Food to Japan

Moved by the extensive world food shortage, which was then particularly acute in certain countries represented on the Far Eastern Commission, the Commission on April 25, 1946 approved a policy to the effect that during the emergency period no imports of food should be permitted into Japan which would "have the effect of giving to the Japanese a priority or preferential treatment over the requirements of the peoples of any Allied Power or liberated area", except where and to the extent that the Supreme Commander, with the advice of the Allied Council for Japan, determines that "imports are essential immediately for the safety of the occupation forces" (Appendix 30). Also included in the policy was a request to



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the United States Government immediately to review the food import program for Japan in the light of the Commission's decision and in consultation with the various international food allocating authorities. The United States member, in adding his approval to the policy, stated for the record that the principles adopted by the Commission were in full accord with principles upon which the United States had in the past acted in supplying food to Japan.

Since that time the Commission has continued to give serious consideration to the Japanese food situation, although no further policy proposal has been approved.

Short Period Economic Controls

In further recognition of world-wide economic shortages, the Commission on February 27, 1947 approved a policy decision requiring the Japanese in so far as possible, to help in supplying the consumer goods needed in areas which had been deprived of these goods because of Japanese aggression (Appendix 31). Production of these goods in Japan was to be increased, while consumption was to be curtailed. In the case of textiles, consumption in Japan was to be limited with certain exceptions to  $2\frac{1}{2}$  pounds per person annually. Because of the emergency nature of the policy, provision was made for its termination automatically on December 31, 1947, unless extended by the Commission.