

SECRET-2-

The Department of State will be in a better position to suggest how far, in its opinion, it will be practicable to go in the direction of reducing the logistic support of Allied Missions, following informal discussions of this matter with the Washington representatives of certain of the FEC governments. It is planned to initiate these discussions shortly.

Meanwhile, until these discussions have occurred and their results appraised, it is recommended that no implementing action on SCAP's proposal be taken.

Sincerely yours,

SECRET



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

United States Political Adviser
for Japan

7d
DC/R
file

Tokyo, April 14, 1949.

← DIVISION OF
NORTHEAST ASIAN AFFAIRS

No. 226

UNCLASSIFIED

APR 19 1949

DEPARTMENT OF STATE

REC'D
APR. 18

ACTION
FE ENC

Subject: Eighty-fourth Meeting of the Allied Council for Japan,
April 13, 1949.

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740.00119 Control (Japan) 13-2049
The Acting Political Adviser has the honor to refer to this Mission's despatch no. 191 of March 30, 1949 and to previous correspondence in regard to meetings of the Allied Council for Japan, and to forward as enclosures five copies each of the Agenda and Corrected Verbatim Minutes of the eighty-fourth meeting of the Council held on April 13, 1949.

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

Enclosures: *att.*

- ✓ 1. Five copies of Agenda, Eighty-fourth Meeting of the Allied Council for Japan, April 13, 1949.
- ✓ 2. Five copies of Corrected Verbatim Minutes, Eighty-fourth Meeting of the Allied Council for Japan, April 13, 1949.

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RBFinn:gd

- cc: American Embassy, London.
- American Embassy, Nanking.
- American Embassy, Moscow.
- American Embassy, Canberra.
- American Embassy, New Delhi.
- American Legation, Wellington.

Parchment Mat to the Department.

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APR 28 1949

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

740.00119 CONTROL(JAPAN)/4-1449

DMR

D-226 Tokyo

84-413

AGENDA
for the
EIGHTY-FOURTH MEETING
ALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo
Wednesday, 13 April 1949, at 1000 Hours

- I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE
EIGHTY-THIRD MEETING (1 Session, numbered 83-330).
- II PROCEDURAL MATTERS
None held over or submitted as subjects for this Agenda.
- III OFFICIAL MATTERS
None held over or submitted as subjects for this Agenda.

By Direction of the Chairman:

Thos. G. DoByms
THOS. G. DOBYMS
Colonel, U.S.A.
Secretary-General

8 April 1949

84-413

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

Meiji Building, Tokyo, Wednesday, 13 April 1949, at 1000 Hours

MEMBERS PRESENT

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

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

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

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

SECRETARY-GENERAL

Colonel Thos. G. Dobyms

Office of the Secretariat
Allied Council for Japan
13 April 1949

THE CHAIRMAN: The meeting will please come to order.

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

Are there any procedural matters? (Pause)

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

The meeting is adjourned.

(The meeting adjourned at 1001 hours.)

THE CHAIRMAN: The meeting will please come to order.

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Are there any procedural matters? (Pause)

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

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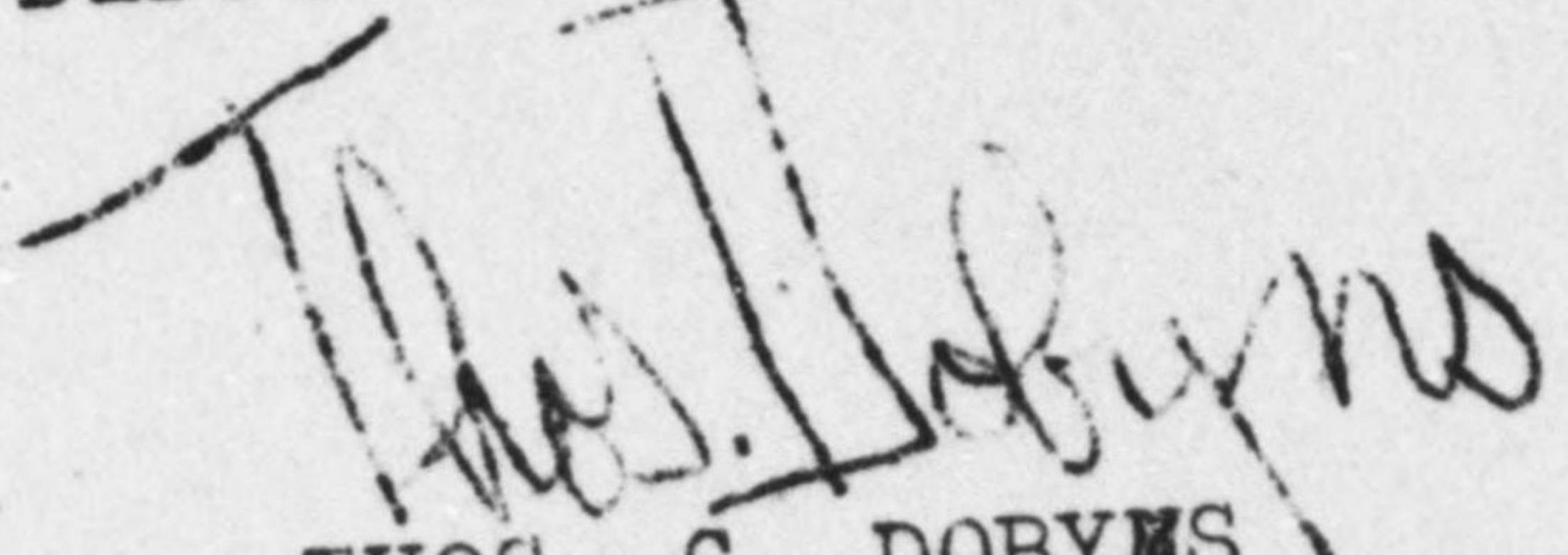
84-413

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8 April 1949

84-413

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The meeting is adjourned.

(The meeting adjourned at 1001 hours.)

DEPARTMENT OF STATE
OFFICE OF THE SECRETARY

April 25 1949

~~U - Mr. Webb~~

S - The Secretary *AR.*

For your information.

S/S-R:RGB

FE

DC/R
Anal <i>15</i>
Rev. <i>LC</i>
Cat. _____

RESTRICTED
DEPARTMENT OF STATE

Memorandum of Conversation

Japan 000986
Office of
FAR EASTERN AFFAIRS
15 1949
DIRECTOR
DATE: April 15, 1949

SUBJECT: Situation in Japan

PARTICIPANTS: Mr. Hanson H. Hathaway, Former Managing Editor of Stars and Stripes in Tokyo.
Mr. Max W. Bishop, Chief, Division of Northeast Asian Affairs

COPIES TO: FE
NA
US POLAD, Tokyo.

This Document Must Be Returned to
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CON
POL (JAPAN) / 4-15-49

Mr. Hathaway called this afternoon in accordance with an appointment made with me through Mr. Arneson of U. Mr. Hathaway gave the impression of being a careful and calm observer and reporter. He felt that the situation in Japan was drifting ominously and that unless something were done the consequences might well be disastrous. He felt that the military administration of Japan should be changed and the occupation placed under civilian control with emphasis on "businessmen" to solve Japanese economic difficulties. Overall control should be, he emphasized, in the hands of the State Department.

He spoke of a conversation which he had had with Prime Minister Yoshida shortly before his departure, some two weeks ago, from Japan. Mr. Yoshida said that most Japanese are beginning to feel that the situation is "hopeless", that they despair of ever finding a solution to their difficulties or getting back into their own hands something of substance. He said that the Japanese Government and the Diet were regarded by most Japanese as mere extensions of SCAP bureaucracy and authority and were not really responsible parts of the Japanese body politic. Accordingly attacks on the Japanese Government and the Diet were by many Japanese regarded as attacks on the occupation. This situation, according to Mr. Yoshida, resulted in depressingly low morale among the Japanese which increased

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the general unrest or, as he later put it, restlessness. Japanese by the thousands from the country go to the cities to escape difficulties. Other thousands go in the other direction for the same or similar reasons. Mr. Yoshida suggested that perhaps the most effective steps which might be taken would be (1) to modify the purge to enable Japan to use its best people; (2) to "leave us alone" and turn the problems over to the Japanese with occupation authorities withdrawing to a "supervisory" role; and (3) for the occupation forces to be placed on a garrison status and their functions confined to those of "policing the country" to assure no violation of the terms of surrender and no re-
armament or remilitarization in Japan.

Mr. Hathaway said that he had been asked to write articles for United Features of New York, but that he had not submitted ~~this~~ article to them.

an

MWB

FE:NA:MWBishop/pm

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

on AF Files

TO :FE - Mr. Butterworth

DATE: 4/19/49

FROM :NA - Mr. Bishop *MB*

SUBJECT: Statement for General McCoy to be Read in Submitting Proposed Policy Decision on Japanese Participation in International Relations.

Central Files
RM/R
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You have previously approved the proposed policy on Japanese participation in international relations to be introduced into the FEC on April 21. It is requested that you now approve the attached statement to be made by the United States Representative upon introduction of this policy.

740.00119-CONTROL (JAPAN) / 4-1949

Attachment

DC/R
Anal. <i>17</i>
Rev. _____
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740.00119 Control (Japan) / 4-1949

STATEMENT FOR GENERAL MCCOY TO BE READ IN
SUBMITTING PROPOSED POLICY DECISION ON
JAPANESE PARTICIPATION IN INTERNATIONAL
RELATIONS

It is now over three and a half years since Japan surrendered and we began the process of establishing conditions in Japan which would lead finally to the restoration of that country to a normal status in the family of nations. This was the path envisaged in the Potsdam Declaration. It was later adopted by the members of this Commission when in the Basic Post-Surrender Policy for Japan they established the policy and the objective "to help the people of Japan, in their own interest as well as that of the world at large to find means whereby they may develop within the framework of a democratic society an intercourse among themselves and with other countries along economic and cultural lines that will enable them to satisfy their reasonable individual and national needs and bring them into permanently peaceful relationship with all nations". All of us here have also agreed that an ultimate objective in relation to Japan is "to bring about the earliest possible establishment of a democratic and peaceful government which will carry out its international responsibilities, respect the rights of other states, and support the objectives of the United Nations".

The United States considers that it is entirely within SCAP's competence to authorize the Japanese to participate with other nations or groups of nations in such international relations or exchanges as Japan may be invited to enter into or participate in and as SCAP shall consider to be in the interests of the occupation. Such relations are, however, a two-way street and it is believed that the time has arrived when the governments represented on this Commission should give some positive indication that they will welcome increasing Japanese participation in international relations.

It is not unusual for states with a somewhat less than completely sovereign status to participate in international relations. Such participation is to be welcomed as an indication of development toward acceptance and discharge of full international responsibility. It is far more advisable that the Japanese progressively and gradually resume their international responsibilities under the guiding hand of SCAP with the support of the FEC than that they be thrown suddenly and abruptly back into the world arena on the signing of the treaty of peace.

Now

FD 940,00119 Control (Japan) / 4-1949
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- 2 -

Now that the immediate obligations of Japan under the Terms of Surrender have been largely fulfilled, we owe to the Japanese people an opportunity to win their way back into the family of nations. We have not only demilitarized Japan and punished her war criminals, but we have initiated positive programs of reform in constitutional, economic and social fields. Surely the member governments of the Far East Commission do not desire that these programs should obtain the benefit only of influences within the boundaries of Japan and that the Japanese should be denied the helpful guidance which direct contacts with governments and peoples can provide. Instruction cannot be by precept alone but must also be through knowledge at first hand of the operation of the sort of institutions we are seeking to foster in Japan.

The increasing participation by the Japanese in international relations and exchanges with other peoples will be a measurable step toward achievement of our common objective to foster the growth of a democratic and peaceful Japan and to afford Japan opportunity to regain a position of honor and respect in the international community. There are many routine, but nonetheless important, functions which the Japanese can and should immediately assume in regard to such matters as trade, property and citizenship. Discharge of these functions by the Japanese will relieve SCAP of a corresponding amount of detailed work.

As I have said earlier, international relations proceed on a two-way street. The barriers which we ourselves put in the way of revival of mutually beneficial exchanges will not disappear unless positive effort is made. There still exist in many countries vestiges of the hatred and bitterness which are inevitable aftermaths of war. It is the common responsibility of all our Governments represented here to help to dissipate this feeling. In the same way that the Japanese must gain direct experience of democratic institutions abroad, so the Allied nations and peoples must gain direct knowledge of the new Japan oriented toward peace and international cooperation if bitterness is to disappear.

For these reasons my Government feels that return to Japan of international relationships and exchanges is a pressing matter which requires our prompt attention and recommends strongly the approval by the Commission of the attached proposed policy decision.

RESTRICTED

In reply refer to
NA

MEMORANDUM FOR THE U. S. MEMBER
FAR EASTERN COMMISSION

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

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

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

W. Walton Butterworth
Director for Far Eastern Affairs

FE:NA:HWMoseley:lk
4/11/49

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H W M

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FE - Mr. Butterworth

June 13, 1949

NA - Mr. Bishop

Japanese Participation in International Relations

With reference to your query as to how well or ill situated we are to issue an interim directive if the FEC does not go along with our policy proposals regarding Japanese participation in international relations, I believe that we are in a fairly good position should we desire to issue an interim directive on this subject.

In the statement which General McCoy made in presenting this policy proposal to the FEC, he emphasized the feeling of the United States Government "that participation by Japan in international relationships and exchanges is a pressing matter which requires our prompt attention." We have thus put the FEC on notice that we regard this as a matter of urgency. In the same statement, however, we emphasized that "relations between nations and peoples are a two-way street" and that "the Governments represented on this Commission should give some positive indication that they will recommend increasing Japanese participation in international relations" and that "it is the common responsibility of all our Governments represented here to help to dissipate" the inevitable bitterness following war.

In presenting our views on Japanese adherence to the ITU and SCAP's action in that connection we have consistently maintained that SCAP, in the absence of a contrary FEC policy decision, has full discretionary powers to authorize Japanese participation in international relationships. In the conversations which I had with "friendly FEC representatives" prior to our introduction of the policy proposal to the FEC, I emphasized that in introducing this policy we had no intention of deviating from the position we had taken regarding SCAP's existing powers, but that we recognized the need for other Governments to allow the development of Japanese international relationships before beneficial results could be expected and therefore we were motivated by a desire to have the FEC countries take a position of leadership in bringing about the reestablishment of mutually beneficial international relationships with Japan. It was for this latter reason and not because we felt SCAP did not already possess the necessary discretionary powers that we introduced the policy into the FEC.

It is against this background that we would need to weigh the advantages of issuing an interim directive on this subject.

We have

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We have met considerable opposition because of the broad scope of our policy proposal. However, most of the FEC countries have indicated that they would favor a more limited policy decision regarding Japanese participation in international relationships.

I would suggest that we might accomplish more by attempting to expand Japan's international relationships in individual cases along restricted consular and technical international organization lines. We might, for example, work out some restricted arrangements for Japanese consular and trade representatives in this country along the lines of the action to be taken regarding German representatives in these categories. We might then go, through the diplomatic channel, to the friendly FEC powers and urge them to take similar individual actions, pointing out that it seems rather anachronistic for them to refuse Japanese such relationships when they are being given to Germans. We might also, through the diplomatic channel, approach such countries as Argentina, Brazil and Peru, where there are significant numbers of Japanese, and suggest that they might also wish to establish limited international relationships with the Japanese.

We are preparing in NA a list of technical international organizations (in addition to the ITU and the World Postal Union of which Japan is already a member), not a part of the UN machinery, in which the United States might urge Japanese participation.

In summary I believe that while we have already made clear that we consider this a matter of urgency and thus have laid the basic groundwork for an interim directive, we might well gain more by not issuing such a directive and tackling the problem through the diplomatic channel and by increasing as much as possible Japanese international relationships. We would, of course, need to have SCAP's full cooperation and it was in the hope of eliciting his support that we prepared a draft telegram asking SCAP's views on inviting Japanese consular representatives to perform limited functions in the United States.

FE:NA:MWBishop/pa

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FORM DS-322
7-18-46

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Charge to

Department of State

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Washington

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SUPREME COMMANDER FOR THE ALLIED POWERS

APR 19 1949

TOKYO

153

INFO: ARMY CHIEF OF STAFF

FOR ACTING POLITICAL ADVISER

Comite Mtg

Subject is Summary Steering/~~Committee~~/Meeting, April 12, 1949.

Agrarian Reform in Japan (SC-335/4)

Austral/~~can~~ member reiterated view that some expression by Comm as to desirability of program being carried out to its completion would be backing for SCAP in his attempts to overcome inertia of Jap and proposed following as amendment to para 3 c QTE to these ends, the FEC approves the basic principles underlying the measures set forth in para 2 above and their strict enforcement by the Jap should be encouraged UNQUOTE Canad/~~can~~, UK and New Zealand members supported Austral amendment. US member requested postponement so that he could receive further instr/~~uctions~~^s from his GOVT.

Fishing and Aquatic Industries in Japan (SC-271/10)

Canad/~~can~~ member indicated he could accept SC-271/10 if words QTE has informed SCAP it UNQUOTE in line 5 of para 2 b were deleted. UK member gave notice that he would introduce amendment to para 2 a in near future. USSR member removed reservation in para 3 and called attn to proposed amendments to para 2 b and para 6, set forth in SC-271/11.

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14-1949

740.00119 Control
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14-1949

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7-18-46

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Department of State
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Washington

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-2-

Japanese Assets in Neutral Countries (SC-295/6)

Indian Member indicated he could support this paper. Retained ~~in~~ on

Agenda.

Labor Policy in Japan (SC-318/17)

QUOTE

SC-318/17 provides that the FEC bearing in mind that it is a matter for the occupation authorities in Japan to decide when strikes and other work stoppages should be ~~prohibited~~ as directly prejudicing the objectives or needs of the occupation, decides as a matter of policy that the provisions of FEC-045/5 (Principles for Japanese Trade Unions) should be applied to workers in Jap Govt enterprises. UNQUOTE ~~Canada, Netherlands, UK, Austral, NZ~~ ~~and~~ ~~and~~ indicated ~~that~~ they were prepared to vote for paper.

USSR member insisted that members Steering Comm discuss in detail Sov ~~and~~ proposals set forth in FEC-318/13.

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

US Member stated ~~that~~ it was ~~his~~ view ~~of~~ his GOVT that matter of replacement ~~of~~ cultural objects lost or destroyed as result ~~of~~ Jap ~~aggression~~ is one which, in contradistinction to ~~the~~ restitution of cultural objects,

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cannot properly be dealt with during occupation. He added that it is US position that proposals for program of replacement ~~of~~ cultural objects ~~should~~ ^{shld,} as has been case in Europe, be considered on their merits if introduced at time of peace conference. He pointed out that US appreciates profound sense of injury of those of its Allies which suffered looting of their cultural heritage at Japan's hands and that US position arises not out of lack of

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7-18-46

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sympathy for these nations in their loss but only from consideration that proposals for partial redress of loss through replacement from Japan's cultural store cannot properly be acted upon in advance of peace conference.

Chi member reserved right to comment on US position in future.

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

Retained on Agenda.

Summary FEC/^{mtg}~~meeting~~, Apr 14, 1949 contained in Dept's 149 re ITU. Only other action was approval by Comm of FEC-330/7, reply to complaint against SCAP by deported Ger national.

Acheson
(mms)

ACHESON

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4/18/49

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APR 19 1949 P.M.



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA
DIVISION OF
NORTHEAST ASIAN AFFAIRS

RAF
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HWA
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Return to

PERSONAL
and SECRET

Tokyo, April 20, 1949.

APR 28 1949

DEPARTMENT OF STATE

Dear Max:

We have given considerable thought to your letter (undated but envelope stamped April 4) regarding my airgram no. 227 of November 16, 1948, recommending a gradual increase in permissible functions of the Foreign Office. The draft telegram enclosed with your letter is an excellent composition and were it not that we have, in effect, already jumped the gun as it were, I would say it would be an entirely practical mode of procedure to send the telegram to me.

You have without doubt seen my no. 128, April 19, which refers to the proposed FEC policy decision (reference W 87248). I thought that the most practical way to achieve the desired results would be to tie in the proposed FEC policy decision with the ITU impasse that has arisen. For this reason my no. 128 (copy enclosed) replied to both telegrams as they both are concerned with the basic principle.

On the basis of General MacArthur's commitment, as contained in my no. 128, I believe it is now possible for the Department to begin implementing the basic policy---assuming that the necessary preliminaries have been carried out in Washington. (As I visualize the procedure which you probably will follow, if the proposed policy decision is bogged down in the FEC, an interim directive would be issued after some preparation on a diplomatic level.)

In connection with my no. 128, this telegram has been fully approved by General MacArthur and by the Chief of Staff. It therefore represents SCAP policy, and I see no reason why it should not be made the basis for gradual accomplishment of the objectives set forth in my A-227 and as so clearly stated in your draft telegram.

In the meantime I hope that the Department will give us all possible assistance in connection with the ITU Conference. You will

appreciate

Max W. Bishop, Esquire,
Chief, Division of
Northeast Asian Affairs,
Department of State,
Washington, D.C.

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740.00119 CONTROL (JAPAN) / 4-2049

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740.00119 Control (Japan)
/ 4-2049

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appreciate that two principles are involved: (1) the assumption by Japan of full rights as a member of the Union, and (2) the principle that SCAP is the appropriate authority to control Japan's foreign relations in the absence of an FEC policy to the contrary. We would like to maintain both principles.

Sincerely yours,

W. J. Sebald
W. J. Sebald

Enclosure:

Copy of Tokyo's telegram
no. 128, April 19.

PERSONAL and
SECRET

:WJS:CC:hh

CONFIDENTIAL19 April 1949
128SCAP
DEPT OF ARMY PRIORITY

128, April 19, 1949 (PASS TO DEPT OF STATE)

Reference W87248 and 160653Z (Deptel 149 April 15, 7 p.m.).

General MacARTHUR has informed me that he fully concurs in the State-Army proposed policy decision for introduction April 21 into Far Eastern Commission. It is a basic objective of Supreme Commander to encourage the development in Japan of respect for rights of other nations and to facilitate progressive resumption by Japan of normal international responsibilities. In this purpose, and subject to the Supreme Commander's discretion and continued control, participation by Japan with other nations or groups of nations in such international relations, conventions, meetings, consular arrangements, or other bilateral or multilateral accords as Japan may be invited to enter into, accede to, attend, or participate in, and as he shall consider to be in the interests of and in consonance with objectives of the Occupation, should, in his view, be encouraged by all appropriate means.

He further considers it to be in the interest of healthy international relations that responsible governments should now welcome full exercise by Japan of her rights of membership in the International Telecommunication Union and hopes that the United States Government will support the position that to limit Japan's participation to any other basis would be inadequate, niggardly, and unjustifiable.

General MacArthur considers indefensible the position now advanced by the French Government that Japan, having been admitted to full membership in International Telecommunication Union in strict conformity with protocol adopted at plenary session Atlantic City Conference, should not now be invited for participation in conference to full extent envisaged in protocol. He furthermore feels that recourse by French Government at this late date to argument that Far Eastern Commission alone is competent authority, to the exclusion of Supreme Commander's prerogatives, is an unwarranted assumption of political authority and decision which French Government does not in fact possess. In consequence, he favors disapproving sending Japanese to International Telecommunication Union Conference in limited status of technical advisers.

SEBALD

APPROVED:

OFFICIAL:

R. M. LEVY
Colonel, AGD
Adjutant GeneralCopies to: CinC, C/S, CCS,
G-1.W. J. SEBALD
Chief
Diplomatic SectionM/R: Above approved by C/S 18 Apr 49.
MWeatherby 26-5528CONFIDENTIAL



~~SECRET~~
THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

5703

Action Taken noted

no action United States Political Adviser
for Japan

Date of Action 5/19 Tokyo, April 21, 1949

No. 248

Action Office Symbol ITP-125

~~SECRET~~ Name of Officer Jullivan

(For Department Use Only) Direction to DC/R Jullivan

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Subject: Communist Policy Toward Japanese Attendance
at Communist-Sponsored International Conferences.

OFFICE OF
INTERNATIONAL TRADE POLICY
MAY 16 1949
DEPARTMENT OF STATE

The Honorable
The Secretary of State,
Washington.

Sir:

ITP:125 NA FE NEE ITP Be

I have the honor to refer to the Department's circular airgram of March 23, 1949 concerning the World Federation of Trade Unions (WFTU) and the proposed conference of Asiatic Trade Unions scheduled to convene in Peiping in May or early June.

Leftist Japanese interest in WFTU has been at a high level since the visit of a WFTU delegation to Japan in the spring of 1947. Japanese reaction to the split within that body has been for the most part negative. Those primarily interested in WFTU are communists and communist sympathizers in the labor movement. Such elements have tended to play down the reports of WFTU's internal difficulties, and have concentrated attention in their propaganda to the prospect of Japan's early participation in this labor organization.

The Military Intelligence Section of General Headquarters has prepared a summary of all available intelligence concerning Japanese plans to participate in WFTU. A copy of this summary of information is enclosed.

Since the All-Japan Liaison Council of Labor Unions (Zenroren) was elected to membership in WFTU at that body's Executive Committee meeting on March 1, it is now taking the initiative in Japanese efforts to secure participation in WFTU. As a member of WFTU in absentia, Zenroren is particularly anxious to send

representatives

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E.O. 11652, Sec. 3(E) and 5(D) or (E)
Authority AWD 760035
By Q/SR NARS, Date 22 AUG 1975

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JUN 9 1949

PTJMD

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-2-

representatives to the Milan convention in June. Elections are being held to select delegates, and while the results are not yet complete it is noted that Mr. DOBASHI Kazuyoshi, communist member of the Diet and former head of the communist-dominated All-Japan Communication Workers Union, has received the largest number of votes.

2/ Available information also indicates that the Democracy Protection League, a communist front group organized in 1948 primarily for the purpose of opposing revision of the National Public Service Law, also hopes to send representatives to the Milan meeting. A summary of information on this subject prepared by the Military Intelligence Section is also enclosed herewith. Among the members reportedly selected as delegates for the Milan meeting is Mr. OYAMA Ikuo, noted leftist intellectual who returned to Japan in 1947 after years of exile in the United States.

3/ The third enclosure to this despatch is a summary of information prepared by the Military Intelligence Section concerning the reported WFTU meeting in Peiping. According to the organ of the Preparatory Committee for Despatching Delegates to WFTU, the Peiping meeting contemplates the unification of an Asiatic labor front through the establishment of a Liaison Affairs Bureau of Asiatic Labor Unions. Ultimately it is planned to establish a Council of Asiatic Labor Unions. According to a usually reliable source, Mr. AOYAMA Kazuo is being considered as a delegate to the Peiping meeting. Mr. Aoyama was active during the war as an anti-Japanese propagandist in China.

Information from another usually reliable source indicates the extent of the Japan Communist Party's interest in the proposed Peiping meeting and its intention to despatch Japanese delegates "legally or illegally".

Numerous intelligence reports over the past year show a pronounced desire among Japanese communists to establish a liaison agency among the communist parties of the Far East. Some reports have indicated that such an agency may take, or has already taken, the form of a Far Eastern Cominform. In this sense, the eventual establishment of a so-called Council of Asiatic Labor Unions as a result of the scheduled Peiping conference would afford an excellent channel for the coordination of communist efforts throughout the Far East. Such considerations may perhaps be responsible for the great importance Comintern circles in Paris have reportedly attached to the Peiping meeting.

Japanese attendance at the WFTU Milan meeting and the Peiping meeting of the Asiatic Trade Unions Conference will, of course, be conditioned by General

Headquarters

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Headquarters refusal to permit Japanese labor union representatives to attend the All Union Central Council of Trade Unions meeting in Moscow on April 19 (this Mission's despatch no. 229 of April 14). Japanese leftists have naturally taken a hostile attitude toward General Headquarters unfavorable action on the Moscow meeting. On April 13 Zenroren announced to the press that it was planning to submit a new application to General Headquarters for permission to send Mr. KATO Etsuo, its representative, to Moscow. On April 12 the Soviet Member, Allied Council for Japan, in a statement to the press, attacked General Headquarters for refusing permission to Japanese labor leaders to attend the Moscow trade unions meeting. There is little doubt that Japanese leftist labor leaders fully realize that General Headquarters will likewise reject any requests for permission to send representatives to Milan and Peiping. It is expected, however, that applications will be made, if for no other reason than to attempt to make political capital out of the issue.

The proposed Asiatic Trade Unions Conference in Peiping presents a somewhat different problem from the Milan meeting. As already noted, the communist party has reportedly indicated that Japanese delegates will attend the Peiping meeting legally or illegally. Unauthorized attendance at the Peiping meeting would be a relatively easy matter in view of the covert channels of communication known to exist between Japan and the continent. It is quite possible, therefore, that Japanese communist representatives may secretly leave Japan for the Peiping conference.

A number of leftist Japanese have also received invitations to attend the so-called World Congress of Supporters of Peace, which was scheduled to convene in Paris April 20-23. It is General Headquarters policy to reject any applications for clearance to attend this meeting. Perhaps as a result of Headquarters unfavorable action with respect to clearance for the Moscow labor conference, no formal applications have been received in connection with the Paris convention, although delegations have orally approached the Civil Information and Education Section and the French Mission in Japan on the subject. Nevertheless, the invitations from the Paris Peace Congress have aroused considerable interest and enthusiasm among Japanese communists and leftists. According to information obtained by the Military Intelligence Section, an organization for promoting a world peace protection rally has been formed by representatives of Zenroren and a number of communist front cultural groups apparently for the purpose of launching an intensive communist propaganda campaign in support of any decision reached at the Paris conference.

Respectfully yours,


W. J. Sebald

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-4-

Enclosures: *att.*

- ✓ 1. Military Intelligence Summary,
"Japanese Plans for Participation
in WFTU Convention", April 7, 1949.
- ✓ 2. Military Intelligence Summary,
"Delegates From Democracy Protection
League Plan to Attend WFTU Convention",
April 2, 1949.
- ✓ 3. Military Intelligence Summary,
"WFTU Meeting in Peiping",
April 5, 1949.

Parchment Mat to Department.



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~~SECRET~~

dated April 21, 1949 from the United States Political Adviser for Japan, Tokyo, on the subject, "Communist Policy Toward Japanese Attendance at Communist-Sponsored International Conferences".

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(COPY)

General Headquarters
Far East Command
Military Intelligence Section, General Staff

7 April 1949

CI Opns Control/JPP/LMF

SUMMARY OF INFORMATION

SUBJECT: Japanese Plans for Participation in WFTU Convention.

1. Since February 1949 it has been noted that the All Japan Liaison Council of Labor Unions (Zenroren) has intensified its campaign to be represented at the Second International WFTU Convention scheduled to meet in Milan, Italy on 27 June 1949. With the withdrawal of the United States, Britain and the Netherlands in January 1949 and with the proposed withdrawal of the Canadian Congress of Labor for the reason that the WFTU is "only a platform for Communist propaganda", the Zenroren has begun to realize that its struggle for representation at the WFTU Convention is a futile one. However, the Zenroren and other Communist front labor organizations are continuing the fight for utilizing propaganda methods. Various leaflets and articles in labor organs were issued during February and March of which the following are typical:

a. A leaflet distributed by Zenroren at the Government Railway Workers' Union Central Committee Meeting in March 1949, states as follows:

"Harry Bridges, a well known United States Labor Union leader, criticized the withdrawal of the United States from the WFTU by stating that it was not the will of the masses to withdraw from the WFTU. The Scotland Chapter of the British Mine Workers' Union stated that the enemy of the workers is continually disrupting the workers' unity; whereas, 180,000 Dutch workers submitted a protest to the Dutch representatives to the WFTU condemning them for agreeing with the United States and the British representatives. The workers stated that in opposition to disruptive elements which are determined to suppress the

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labor front they are in full support of the regulations and the aims of the WFTU."

b. Another leaflet disseminated by the Zenroren to its various affiliated unions stated in substance as follows:

"The management of the WFTU, which is an International Federation of Labor Unions from 65 nations, cannot be left in the hands of a mere 7 men of the Executive Bureau. The interests of the workers of the world lies in the satisfactory management of this organization. Important issues and problems cannot be decided by an opinion of a handful of men. Personal opinions are not an excuse to disrupt an organization of international importance. Communistic or non-Communistic labor unions do not exist because the unions are non-partisan. Irving Brown, of the American Federation of Labor is the leader in a plan to establish a separate International Labor Union Federation that will obey the whims and fancy of the American capitalists. England is blindly supporting this movement. The leaders of the American Federation of Labor are concentrating their wholehearted efforts to attack the WFTU, however, these reactionary maneuvers have no effect on the members of the WFTU. In Soviet Russia the activities of the labor unions are not restricted. Capitalists have no authority in the Soviet and reactionaries are not tolerated. The working class of the Soviet have no intentions of reviving the old system of catering to the wishes of a few reactionary leaders. Some source states that it was the Soviet representatives who rejected the proposal to conduct a study of the Marshall Plan, but these statements are unfounded because it was the Soviet representatives who made the proposal and it was the United States and the British labor leaders who rejected the plan followed by withdrawal from the WFTU. The WFTU aims to raise the living standards of the working people of the world regardless of race or position. It is a known fact that the disruption of the labor front will lead to war and fascism with subsequent suffering for the workers. Struggle for the unification of the labor front if you do not want another world war; lets fight for the unification of the labor front. Do not believe in the unfounded rumors concerning the WFTU and let us endeavor to aid in realizing the demands of the WFTU."

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c. The Zenroren also distributed the text of the following letter received from the Headquarters of the World Federation of Democratic Youth in Paris, France on 18 February 1949:

"Our beloved Comrades, we owe you a debt of gratitude for your profound interest in the International Council of Youth Workers and its multifarious problems and struggles. We have the pleasure of enclosing herewith the proceedings of the International Council of Young Workers which was convoked in Warsaw under the auspices of the World Federation of Democratic Youth in August 1948. We are counting on your continued cooperation and friendship towards the World Federation of Democratic Youth which is struggling for the benefit of all the young people".

d. The following is an extract from the 12 February 1949 issue of the publication "Under the Banner of the WFTU" which is the organ of the "Preparatory Committee for Dispatching Delegates to the WFTU":

"The representatives of the labor unions of our country indicated their strong desires of joining the WFTU in February 1947, when the WFTU inspecting team was visiting in Japan. The inspecting team persuaded the Japanese Labor Union leaders to aid in the unification of the world labor front which is to be based on democratism. The general directors meeting of the WFTU held in May 1947, in Prague, affirmed that the Japanese labor unions were obligated to aid in the struggle against Fascism and Feudalism with the rest of the world. The WFTU stressed the importance of establishing a Japanese central organ in order to confer with the WFTU. This was construed as further encouragement indicating that the Zenroren will be authorized to join the WFTU after the internal structure of Zenroren is strengthened. The Zenroren was designated as the Central Liaison organization by the WFTU. On 31 January 1949, the Executive Committee of the WFTU unanimously decided that the Japanese labor unions are eligible for membership."

2. Elections to select Japan's delegates to the WFTU were being conducted during several months up to 31 March 1949. Final results are not yet known, but an interim tabulation of votes as of 16 February 1949 is as follows:

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Dobashi Kazuyoshi	458,036 votes
Araki Seisaburo	365,788 votes
Kan Makoto	313,154 votes
Sato Yasumasa	235,157 votes
Kawaguchi Koji	220,996 votes
Shigemori Toshiharu	166,683 votes
Hishi Shinkichi	166,332 votes
Kameda Togo	154,169 votes
Watanabe Micho	138,003 votes
Suzuki Ichizo	129,603 votes
Takano Seiji	93,335 votes
Kawazoe Takayuki	62,537 votes
Yoshida Sukeji	58,251 votes
Takayama Keitaro	47,051 votes
Urabe Hideo	40,051 votes
Fujita Fujitaro	32,029 votes
Haraguchi Yukitaka	28,570 votes

Tsutsura Wataru, Muto Takeo, Kato Etsuo, Takita Minoru and Fujita Gitaro withdrew their candidacies.

3. The following pertinent report was received recently from a usually reliable source:

"On 12 March 1949, Watanabe Michio of Zenroren received a telegram from Saillant Louis, Secretary-General of WFTU which stated that at the WFTU Executive Committee meeting of 1 March 1949, the Zenroren had been recognized as a member of the WFTU since 1 January 1949. The telegram further stated that the 2nd WFTU Convention is to be held in Milan, Italy in June 1949 and for Zenroren to make necessary preparations to participate in the convention. The rightist members of the Zenroren Central Committee requested Watanabe Michio to explain the reason for the unexpected telegram since no formal request for membership has ever been submitted. It is believed that the WFTU Executive Committee assumed that since the Japanese labor leaders verbally expressed their desire for joining the WFTU to the WFTU inspection team when the latter team visited Japan in February 1947, a formal request was unnecessary. Since the withdrawal of the United States, Britain and the Netherlands, the WFTU is attempting to prevent Japan from joining a possible new labor organization free from Communist influence which may be organized by the above three countries."

4. All the above information has been obtained from sources considered usually reliable and is believed to be true.

SECRET

from the United States Political
Adviser for Japan, Tokyo, on
the subject, "Communist Policy
Toward Japanese Attendance at
Communist-Sponsored International
Conferences".

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General Headquarters
Far East Command
Military Intelligence Section, General Staff

2 April 1949

CI Opns Control/JPP/LMF

SUMMARY OF INFORMATION

SUBJECT: Delegates From Democracy Protection League
Plan to Attend WFTU Convention.

1. It has been learned from a usually reliable source that on 31 March 1949 representatives of the "Democracy Protection League" (Minshuhugi Yogo Domei) held a committee meeting in Tokyo to discuss ways and means of attending the World Federation of Trade Unions convention (scheduled for June 1949 at Milan, Italy). The committee decided to take the following actions:

- a. To request GHQ to issue passports.
- b. To publicize decision to dispatch delegates to the convention.

2. At the same meeting the following persons were selected as delegates to the convention:

- a. HIJIKATA Yoshi (prominent Soviet-trained Communist, active leader of leftist theatrical groups)
- b. HORIE Muraichi (Communist professor at Osaka University of Commerce, influential member of Communist front cultural groups)
- c. KAWAZOE Takayuki (Communist Party member and former head of Press and Radio Workers' Union)
- d. OMURA Einosuke (influential Communist in Japanese movie industry, active in pro-Soviet cultural organizations)
- e. OTAKE Hirokichi (prominent pre-war Communist, currently engaged in pro-Soviet propoganda activities)

f. OYAMA

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f. OYAMA Ikuo (pro-Communist intellectual and educator, a leading member of the Democracy Protection League)

g. SEKI Akiko (influential female Communist, principal of the Central Music School operated by the Youth Communist League)

h. WATANABE Yoshimichi (influential Communist Diet member, Chairman of the Communist front Democratic Scientists' Association)

3. It was planned at the meeting to have the above persons visit CIE Section, GHQ, with petition for issue of passports. (Note: Reason for proposed visit to CIE, rather than to ESS, Labor Division, is believed to be that these persons all are identified with cultural and educational activities rather than with the labor movement.)

4. Above information was obtained from a source known to be usually reliable and is believed to be true.

5. Comment: Following comments are based on information available in files of this office:

a. The Democracy Protection League is a loosely knit Communist sponsored group originally organized in August 1948 to spearhead opposition to the law prohibiting strikes by Government workers. Since then the organization has been developed on a nationwide scale as a sort of "popular front" group to take action against all types of alleged "Fascist" operations. The disorderly demonstration in Osaka on 27 March 1949 was sponsored by this organization.

b. Up to the present liaison with the WFTU has been conducted by the Communist dominated All Japan Liaison Council of Labor Unions (Zenroren), which was formally recognized by the WFTU in March 1949 as a member organization. Possible participation in the WFTU by the Democracy Protection League has not previously been reported.

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NO. 248 dated April 31, 1949
from the United States Political
Adviser for Japan, Tokyo, on
the subject, "Communist Policy
Toward Japanese Attendance at
Communist-Sponsored International
Conferences".

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General Headquarters
Supreme Commander for the Allied Powers
Military Intelligence Section, General Staff

APD 500
5 April 1949

CI Opns Control/JPP/LMF

SUMMARY OF INFORMATION

SUBJECT: WFTU Meeting in Peiping

1. Information available to date from G-2 sources, pertaining to the proposed formation of an Asiatic branch of the World Federation of Trade Unions and the meeting scheduled for May 1949 in Peiping, is summarized in the following paragraphs.

2. The following excerpts are quoted from recent issues of the publication "Under the Banner of the WFTU", organ of the Preparatory Committee for Dispatching Delegates to the WFTU:

"The WFTU leads the way to defend the rights for peace, liberty and independence and the cooperation of the labor unions in Asia is solicited. A conference of the labor unions in Asia is scheduled to be convoked in May 1949, in Peiping, China. The investigation of the true situation of Japanese labor unions, which is to be reported to the WFTU convention should be continued for the purpose of maintaining a living record of the laborers. The ideal opportunity to shake hands with the workers of the world favors us now. All members of the Japanese labor unions must be conscious of the fact that they are not struggling alone, but with the rest of the world."

"Unification of the Asiatic Labor Front by the WFTU is contemplated through the establishment of the Liaison Affairs Bureau of the Asia Labor Unions. The WFTU Executive Committee have decided to hold a meeting of as many Asiatic labor unions representatives as conditions would permit in Peiping, China, in early May 1949. The Peiping meeting is in preparation for the establishment of a Council of Asia Labor Unions in Autumn of 1949."

3. The following report has been received from a usually reliable source:

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"The WFTU Executive Committee recommended that a meeting of the Federation of the Asia Labor Union Council be held in Peiping, China in early May 1949. The conference as well as the date is only tentative and nothing definite is known at present. The Chinese labor representatives stated that the National Industrial Association of China is planning to hold a meeting of the Federation of Asia Labor Union Council at the earliest date possible. The representatives of the labor unions of India, Burma, Indonesia, Siam, Indo-China, Philippines, Japan and China will participate in the conference. This conference will endeavor to strengthen the relationship between the Asiatic labor unions and the WFTU and also to unite the entire workers in Asia."

4. Another usually reliable source has reported the following:

"An Asiatic Labor Union Conference is scheduled to be conducted in Peiping, China in early May 1949. The Japan Communist Party will dispatch representatives to this conference. It was reported that Aoyama Kazue was interested in attending the conference."

5. A third usually reliable source reported the following:

"On 3 Feb 49, a tri-country Communist Party leaders' conference was held in Tokyo. Communist Party representatives of Japan, China and Korea were present at the meeting. Full details of the conference are unknown but investigation reveals that Kamiyama Shigeo, a member of the JCP Central Committee stated that according to information obtained from the Japan Branch of the China Communist Party, the WFTU has decided to conduct an Asiatic Labor Union Conference in Peiping, China in May 1949. Studies will be conducted on how to dispatch Japanese Labor Unions representatives to this conference either legally or illegally."

6. A fourth source, also considered usually reliable, recently reported the following:

"Although no official notice has been received, the Asiatic Labor Union Conference is scheduled to be held in Peiping, China in May 1949. 2 Yen per union is being assessed by the respective unions to defray all expenditures to be incurred in dispatching delegates to the WFTU Convention. However, the money is being retained by the respective union headquarters pending the decision of the Executive Council regarding the disposition of the money. In case SCAP disapproves Japan's participation in the WFTU Convention, a final decision will be made relative to the disposition of these funds."

7. All above information has been received from sources considered generally reliable, and is believed to be true.

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7-1-48

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Department of State

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To

APR 22 1949

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Certain American Diplomatic Officers.

PLS
~~XXX~~ approach FONOFF and indicate US GOVT most desirous obtain INTERNATL support its proposed policy introduced FEC April 21 QTE In view of the fact that one of the basic objectives of the occupation of JAP is to encourage the development in JAP of respect for the rights of other nations and to facilitate the progressive resumption by JAP of its normal INTERNATL responsibilities;

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

Upon introduction policy USREP made statement including FOL points which you may wish to emphasize.

Potsdam

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Potsdam Declaration envisaged establishment responsible JAP GOVT. In Basic Post Surrender Policy FEC countries agreed to help JAP develop ECON and cultural intercourse with other countries and bring JAPS into permanent peaceful relationship with all nations. Also agreed ultimate objective establish democratic and peaceful JAP GOVT which will carry out its INTERNATL responsibilities and respect rights of other states.

Since democratic and responsible JAP GOVT now established FEC countries should take leadership in supporting gradual and progressive resumption by JAP of INTERNATL responsibilities under guiding hand SCAP. Realistic approach necessary in view delay Peace Treaty and lapse of almost four years since surrender.

JAP need benefits and guidance of direct contacts with other GOVTS and people. Participation by JAP in INTERNATL relations will thus foster basic objectives and help dissipate vestiges of wartime hatred and

bitterness,

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bitterness, Furthermore allied nations and peoples will gain knowledge of new JAP through direct contacts.

SCAP has informed US such policy will further his objectives. Policy also desirable for improvement relations between JAP and all other countries.

You may also point out to FONOFF that this is a problem which should not be approached from standpoint legal technicalities involving long and fruitless debate; but rather from standpoint of broad political implications of situation in JAP and in world at large. Peace continues to be denied JAPS without blame on their part. There is growing uneasiness among JAPS who face increasing hardship. The heavy burden upon limited US resources continues. Foregoing policy will be one step to decrease tension and to promote JAP trade and thus alleviate US burden. JAPS will either move toward sound friendly relationships with non-communist powers or into association communist power system in Asia. To abandon JAP to latter and unreasonably to deny them entrance into relationships

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relationships with our nations and peoples would be to
undo our costly victory in the Pacific.

Please keep DEPT informed results your efforts to
gain support for proposed policy.

ACHESON
(MWB)
ACHESON

TELEGRAPH BRANCH: Send to:

AMEMBASSY

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- London
- Manila
- ~~XXXXXXXX~~ Canton
- New Delhi
- Ottawa-Byair
- Paris
- The Hague
- Wellington

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT
 DIVISION OF
 NORTHEAST ASIAN AFFAIRS

TO : NA - Mr. Bishop

APR 29 1949 DATE: 4/22/49

FROM : EP - R. Burr Smith *RM*DEPARTMENT OF STATE

SUBJECT: Definition of Japanese Occupation Costs and the Priority to be Accorded their Repayment (FEC 288).

The proposal introduced by the U.S. in the FEC with regard to occupation costs (FEC 288) bears the same title as is given above as the subject of this memorandum. The first paragraph states that "occupation costs should be defined as costs incurred after 2 September 1945 by the Allied Powers" for (a) non-yen advances for imports into Japan to prevent disease and unrest and to accomplish the purposes of the occupation, and (b) non-yen expenditures for the maintenance and repatriation of certain categories of persons.

At the last meeting of the FEC Subcommittee on Occupation Costs several questions were raised as to the intentions of the U.S. Government with regard to the scope of the proposal. No definitive reply has been made to these questions and an examination of the document on which the U.S. proposal was based (SWNCC 236/51) has given no clear indication of the intended scope of the paper. There are set forth below the specific questions raised in the Subcommittee, together with comments indicating the replies which are considered appropriate:

1. Is it the intention of the U.S. Government that only those expenditures mentioned in FEC 288 should be considered occupation costs, or is it intended that the proposal should define only those occupation costs which must be repaid on a priority basis in order to satisfy the principle expressed in FEC 014/9 (Basic Post-Surrender Policy) and FEC 219/17 (Division of Reparation Shares) that reparations must be in such a form which would not prejudice the defraying of the cost of the occupation?

Comment: There are several categories of expenditures which must be regarded as occupation costs, although they are not mentioned in the paper at hand. For example, the pay and maintenance of military forces in Japan is clearly an "occupation cost" in the general sense, but was omitted from this paper because it was not considered appropriate to claim for it the kind of priority treatment which the paper would establish. The paper concerns or defines only those of the various occupation cost items which should be repaid on a priority basis in order to satisfy the principle that reparations should not prejudice the defrayment of the cost of occupation.

2. What assurance

740.00119 Central (Japan) / 4-2249

- 2 -

2. What assurance can be given to other FEC members that the US will not at some later date claim prior payment of other categories of costs?

Comment: The question can be specifically answered by amending the first sentence of FEC 288 to read as follows:

"Occupation Costs, as the term is used in FEC 014/9 and FEC 219/17, should be defined as costs incurred", etc. This is considered consistent with the intent of the U.S. in drafting FEC 288.

Unless you express reasons to the contrary, I shall instruct the US representative on the Subcommittee, Mr. Dux, to reply to the questions along the lines of the comments made above.

For your convenience, there is attached a copy of the US policy proposal (FEC 288).

Attachment:

FEC 288.

Copies to:

EP - Mr. Oliver
OFD - Mr. Barnett
L/P - Mr. Snow
NA - Mr. Hemmendinger

OFD:EP:MM ^{MD} Dux:hc

4/22/49

notes?
ok
hb
See Smith's memo 4/15



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA
DIVISION OF
NORTHEAST ASIAN AFFAIRS

United States Political Adviser
for Japan

MAY - 5 1949

Handwritten signature/initials

No. 250

DEPARTMENT OF STATE Tokyo, April 22, 1949

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*no action required
May 11, 1949
mg file*

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Subject: Possible Jeopardization of Occupation Objectives
by Plan for Japanese Government Reorganization

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The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to this Mission's despatch No. 245 dated April 21, 1949, regarding the implementation of the Nine Point Economic Stabilization Program, and to make specific reference to the first point of that Program calling, in part, for stringent curtailment of Japanese Government expenditures.

*c XR
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In accordance with the program drawn up by the Economic and Scientific Section (ESS), General Headquarters, Supreme Commander for the Allied Powers, for implementation of the Stabilization Program, the operating costs of the Japanese Government "will be reduced through the institution of personnel reductions and increased efficiency of governmental operations."

Pursuant to this requirement, State Minister Ichiro HONDA has drawn up a "Plan for Governmental Reorganization," which was approved by the Diet and which calls for a 30 percent reduction in the number of bureaus, divisions and other units in Japanese Government ministries, et cetera, and a reduction in personnel in each ministry by approximately 30 percent (20 percent for special enterprise accounts). According to press accounts, between 500,000 to 550,000 government employees would be dismissed, a proposal which has given rise to widespread Japanese press comment, much in a condemnatory vein.

Various sections of this Headquarters are now of the opinion that the so-called "Honda Plan" for Japanese Government reorganization should consider the specific needs of Government agencies upon which those sections are dependent for statistical data and which are being called upon to carry out Japanese implementation of the Stabilization Program. In this connection, it will be noted that ESS appears to be the section most vitally interested

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

DMR

740.00119 CONTROL (JAPAN) / 4-2249

Tokyo's Despatch No. 250,
April 22, 1949.

- 2 -

in the overall question of Japanese Government reorganization, although the Government Section, Natural Resources Section, and other groups also put forth their special interests in this regard.

The reorganization question has been discussed at several of the most recent weekly ESS staff meetings, attended by an officer of this Mission, it being pointed out by several division chiefs that they would be extremely reluctant to have a 30 percent personnel cut effected in the particular Japanese Government agency with which they work closely for implementation of the Stabilization Program and realization of other Occupation objectives. Although admitting that the division chiefs might have valid personal reasons for objecting to any reorganization plans which might affect their operations, Major General Walter F. MARQUAT, Chief, ESS, nonetheless expressed the opinion that the situation called for further study in this Headquarters and consultation with the Japanese authorities.

- 1/ There is now enclosed a copy of a memorandum dated April 16, 1949, sent by General Marquat to the Chief of Staff of Headquarters, SCAP, pointing out the incomplete nature of the "Honda Plan" as thus far presented to this Headquarters and stating that, while it is impossible to determine whether or not Occupation objectives are jeopardized, "indications are that the Japanese Government is using this Reorganization Plan as a means of circumventing many of the measures which have been or are being accomplished pursuant to directives of the Supreme Commander."

General Marquat points out that in every instance statistical units have either been eliminated or reduced in rank; that the proposed reorganization almost uniformly weakens the units responsible for economic controls; that the proposed reorganization may impair the implementation of the anti-monopoly policy of SCAP; and that it is impossible, on the basis thus far made available by the Japanese authorities, to determine whether or not the proposed reorganization is consistent with personnel reductions required by the 1949-50 budget.

In his recommendations to the Chief of Staff, General Marquat asks that the Japanese Government be instructed to submit detailed plans for each phase of the reorganization plan to the appropriate staff sections of this Headquarters for review before ministry establishment bills are presented to the Diet, and that final "no objection" be secured by the Japanese Government from Government Section of this Headquarters, after that Section has obtained final concurrences from other interested staff sections.

Asked April 22 whether an official response had been made by the Chief of Staff in response to the above cited memorandum,

a responsible

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Tokyo's Despatch No. 250,
April 22, 1949.

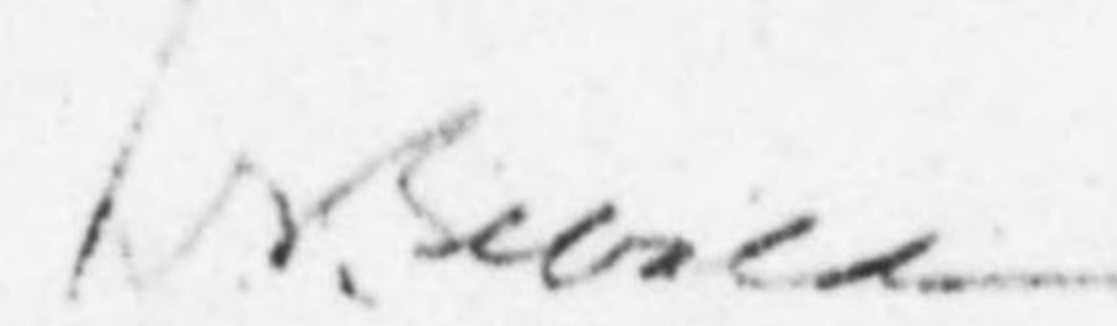
- 3 -

a responsible ESS official stated to an officer of this Mission that no such response had yet been received. He added, however, that ESS had been advised informally by the Chief of Staff's office that the concerned Japanese authorities had already cleared 11 bills on reorganization for presentation to the Diet and that some 15 or 16 additional bills on this subject were being drafted. The Chief of Staff's office additionally was quoted to the effect that the interested sections of this Headquarters would be given an opportunity to study the bills at the same time they were under consideration in the Diet.

The ESS official expressed the view that the foregoing suggested arrangement was not considered to be final and that it was hoped by ESS that the recommendation for concurrences by the respective sections of this Headquarters, suggested in the last paragraph of the enclosed memorandum, would be adopted.

2/ An echo of the ESS insistence upon retention by the Japanese Government of adequate personnel in agencies specializing in gathering of statistics, economic control, and allied functions, was afforded by an editorial in the April 21, 1949, issue of the English-language edition of the Osaka Mainichi, a copy of which is enclosed. According to this paper, the need for accurate statistical data is highlighted by the "fact" that no exact figures presumably are available even with respect to the exact numbers of Government employees, "still less the detailed arrangement of these Government workers."

Respectfully yours,


W. J. Sebald

Enclosures: *att*

1. Copy of memorandum dated April 16, 1949, sent by ESS to Chief of Staff, General Headquarters, SCAP;
2. Copy of editorial entitled "Importance of Statistics" published April 21, 1949, by Osaka Mainichi, Osaka.

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Enclosure No. 1 to Despatch No. 250,
dated April 22, 1949, from United States
Political Adviser for Japan, Tokyo, on
the subject "Possible Jeopardization
of Occupation Objectives by Plan for
Japanese Government Reorganization."

(COPY)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section

16 April 1949

091.1 (15 Apr 49)ESS/EX

MEMORANDUM FOR: Chief of Staff

SUBJECT: Plan for Japanese Governmental Reorganization

THE PROBLEM

1. The official Japanese "Plan for Governmental Reorganization," as approved by the Cabinet, has been referred to the Economic and Scientific Section with instructions that if some specific objective of the Occupation is jeopardized thereby a Staff Study thereon should be submitted to the Chief of Staff.

DISCUSSION

2. The data submitted consists only of a chart showing on the one side the present structure, and on the other side the proposed structure. Informal discussions with the appropriate officials of the Japanese Government have produced little additional information. It is believed, however, that the following is contemplated:

a. A reduction of 30% in the number of bureaus, divisions and other units.

b. Reduction in the number of personnel in each ministry by approximately 30% (20% for special enterprise accounts).

3. It is impossible to determine from information available as to whether or not objectives of the Occupation are jeopardized. However, indications are that the Japanese Government is using this Reorganization Plan as a means of circumventing many of the measures which have been or are being accomplished pursuant to directives of the Supreme Commander. For example:

a. In every instance statistical units have either been eliminated or reduced in rank. This action could seriously interfere with the ability of these agencies to comply with SCAP directives and to supply the required statistical and economic data which are the basis for exercising surveillance for making

allocations

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Enclosure No. 1 to
Tokyo's Despatch No. 250,
April 22, 1949.

- 2 -

allocations and many other economic decisions. This action will limit the ability of GHQ to secure necessary statistics to measure the effectiveness of economic and social directives. It will definitely hamper the acceptance of Japan as an equal in the family of nations by throwing doubts as to the objectivity of labor indices and economic data when used in national and international comparisons. International acceptance of data as unbiased and factually complete is essential if the objective of the speedy integration of Japan as a self-sustaining nation into the economic world is to be realized.

b. The proposed reorganization almost uniformly weakens the units which are responsible for economic controls, which is incompatible with the directive to the Japanese Government to strengthen and improve the control system and to assure that commodities produced from allocated materials are properly used for the economy of Japan. Many of the allocation and distribution programs will become meaningless unless surveillance is exercised to insure that allocation tickets are issued in accordance with program requirements and that production is undertaken in accordance with allocations made.

c. The proposed plan may impair the implementation of the anti-monopoly policy of the Supreme Commander, since agencies which have been set up to perform functions which were not previously required in the Japanese economy, but are now essential if democratic principles are to be followed, will be weakened. At the present time foreign investments, international contracts, patent agreements and investigations of violations of anti-monopoly legislation are increasing the work-load of applicable agencies of the Japanese Government.

4. Consideration was given to personnel requirements in the preparation of the budget currently before the Diet, with the objective of requiring substantial personnel reductions. However, it is impossible on the basis of information submitted to determine whether or not the proposed reorganization is consistent with personnel reductions required by the budget. It has been assumed that immediate action would be taken by the Japanese Government to commence reduction of surplus personnel, followed by reorganization along lines which would give due consideration to the essential functions which must be performed.

CONCLUSIONS

5. It is impossible to determine in specific detail how the proposed Reorganization Plan will jeopardize objectives of the Occupation but it is evident that the plan proposed will

seriously

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Enclosure No. 1 to
Tokyo's Despatch No. 250,
April 22, 1949.

- 3 -

seriously impair the functioning of many agencies which have been established to accomplish specific directives of the Supreme Commander.

RECOMMENDATIONS

6. It is recommended that the Japanese Government be instructed to submit detailed plans covering each phase of the proposed reorganization, to include proposed tables of organizational and functional charts, to the appropriate staff sections of General Headquarters for review before ministry establishment bills are presented to the Diet.
7. It is recommended that, subsequent to this review by appropriate staff sections of General Headquarters, final "no objection" be secured by the Japanese Government from Government Section (Government Section to secure final concurrences from interested staff sections prior to approval in accordance with established practices).

W. F. MARQUAT
Major General, U. S. Army
Chief, Economic and Scientific Section

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Enclosure No. 2 to Despatch No. 250,
dated April 22, 1949 from United States
Political Adviser for Japan, Tokyo, on
the subject "Possible Jeopardization
of Occupation Objectives by Plan for
Japanese Government Reorganization."

(Copy of editorial published April 21, 1949, in the
English-language edition of Osaka Mainichi, Osaka)

IMPORTANCE OF STATISTICS

Administrative reform is now all too necessary for the re-construction of our national economy. In order for Government expenditures to be minimized and, consequently, the current heavy tax burden of the people to be reduced, administrative reform must be carried out at all costs.

Efficient administrative reform naturally depends upon the rationalization and streamlining of the existing administrative structure. Only when the administrative structure is rationalized and streamlined will a personnel cut of the Government payroll be made possible and that reasonably.

This rationalization and streamlining must be carried out with full preparedness and utmost circumspection. Should it be merely a makeshift and random manipulation, the result will not be an improvement but only an aggravation of the existing administrative operations.

Therefore, a really rational and reasonable reorganization of the administrative setup must be founded upon scientific statistical data. This data should show how the administrative business is being dealt with, how many people are being used and in what way they are apportioned.

As a matter of fact, however, we are surprised to find that even the actual number of Government employees is not known exactly, still less the detailed arrangement of these Government workers. Despite the absence of such essential statistical data, the Government is now bent on trodding its administrative readjustment. A dangerous stunt indeed!

The recent improvement of the staple food distribution is due, above all things, to the fact that scientific and statistical investigations are now available for staple food harvesting. If the exact figures are ready at hand as to the people's income and corporate earnings, the now ubiquitous and clamorous grumbings about income tax collection will similarly be dispensed with.

Despite this great importance of statistical data and the organs in charge of mapping them out, the Yoshida Government's blueprint of administrative reform is so designed as to attach lesser importance to the departments and agencies working on statistics.

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Enclosure No. 2 to
Tokyo's Despatch No. 250,
April 22, 1949.

- 2 -

For example, the so far independent Investigations and Statistics Bureaus of the Agriculture, Commerce and Labor Ministries are reduced in their respective ranks to the Agricultural Renovation Bureau, in the case of the Agriculture Ministry, and to new departments belonging to the Cabinet Secretariat in the case of Commerce and Labor Ministries.

This move on the part of the Yoshida Government is apparently a retrogression from an ideal administrative organism by reducing the ranks of the statistics and investigations organs and placing them under the general executive bureau and department.

The Yoshida Government must have its own reasons and justifications for such a plan but, in our opinion, the result will be irrational and unscientific. It will, at the same time, be nothing more than the "undemocratization" of administration.

It is highly hoped that the Yoshida Government will come to a realization that any administrative reform in the absence of exact data will only pave the way toward irrational and unscientific politics and run counter to the ideal of the democratization of politics.

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Kern, Harry F.

Newsweek

NEWSWEEK BUILDING • BROADWAY AND 42ND STREET

NEW YORK 10
 OFFICE OF
 FAR EASTERN AFFAIRS
 APR 24 1949
 DIRECTOR
 DEPARTMENT OF STATE

April 24, 1949

Mr. W. Walton Butterworth
 Director for Far Eastern Affairs
 Department of State
 Washington, D. C.

DC/R
 CONTROL
 740.00119

Dear Mr. Butterworth:

Thank you very much for your kind letters of April 14 and 18. Mr. Raymond and Mr. Kauffman have both told me of the intelligent and sympathetic interest the State Department has showed in their problems. I think that perhaps they both can make some contribution however small toward the reasonable revival of Japan. I am very glad to hear that the Council report and the other papers I sent you were of interest. I have now compiled a number of quotations from some of our sources in Japan, and I attach a copy for your information.

I intend to be in Washington the first few days of May, and I would especially like to talk to you, not only about our problems in Japan, but also about the situation in China. I proposed--rashly, I suppose--to our Editorial Board that Newsweek put together a rather full account of the situation in China, its background, and the various opinions which are held regarding it. I usually see Senators Knowland and Bridges when I am in Washington, and they seem to have a fairly definite point of view. I would, of course, hear what the Army thinks, and naturally I would be especially anxious to get the opinion of the State Department.

Sincerely yours,

Harry F. Kern
 Harry F. Kern
 Foreign Editor

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 Enclosure

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Self
 Bureau of
 FAR EASTERN AFFAIRS
 AUG 19 1952
 ASSISTANT SECRETARY
 Department of State

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740.00119 Control (Japan)

CS/H

FROM AN IMPORTANT AMERICAN DIPLOMAT

I think the election has some important lessons for us. Some of the commentators have spoken of Yoshida's electoral strength as a consequence of his being anti-American. Any sane person acquainted with Yoshida knows that he is not anti-American; but he has a consistent record of political independence and soundness with no kowtowing to Headquarters. Voters in the millions have become very tired of Japanese politicians who have been engaged in an unending daily process of making the rounds of numberless desks in Headquarters for their political decisions. This Yoshida has always refused to do. We have also had our innumerable political amateurs who thought they could manipulate at will the political institutions of this country, and I hope that the election results will cause them to recognize (I fear they won't) that much greater wisdom will be necessary in the future if we are to have a sound influence. Yoshida's victory is a memorable forward step in the direction of a pattern of Government in Japan alternating between two major parties, which is so very much more desirable than the French coalition system. Time and wisdom will be necessary to solidify the party which, in the present contingency, ought to be the opposition party over against Yoshida. That is the first political need of the country at the present time. So far the Occupation has made nothing but mistakes concerning this problem, and the rapid gains of the extreme Left are a very serious matter.

EW 740.00119 Central
Sofman / 4-24-49

FROM AN AMERICAN OFFICER OF HIGH RANK

Secretary Royall's visit to Japan has set off a world-wide tempest in a teapot over an off the record press conference held in Tokyo. All during Royall's stay, he kept propounding questions as to what would happen out here if the occupation forces withdrew entirely from Japan. He harped on that theme during the five occasions I was with him and I can well see how the correspondents interpreted his questions as a probable contemplated action. He did state that he was strongly in favor of the Armed Forces getting out of military and civil government, both in Japan and in Germany, but that neither the State Department nor any branch of the U.S. Government was organized to perform these duties. The controversy that has resulted from the interpretation of his questions has served to only more confuse the issues in Japan.

There are so many puzzling angles to the flurry of contradictory views which have been aired recently concerning the American military policy for Japan that the Japanese are at a loss to know what to think or do. The only thing which is certain is that on a matter which is one of life or death to them, the Japanese have been thrown into such bewilderment and consternation that all of their activities tend to become paralyzed. For, not knowing what they should now think, they naturally cannot figure out how they should act.

At the start of the occupation, the U.S. Government sent out to Japan a group of theorists well supplied with academic degrees but completely devoid of practical experience. This group directed the drafting of the constitution, the drafting of election laws, and the drafting of the most radical labor laws in the world. Their actions have completely upset the economy of Japan and some of the practical people who have recently been sent out to help straighten out matters find it most difficult to revise the idealistic but impractical legislation now existing. A few of the Japanese leaders recognize the necessity for returning to realism, but reversal of policy out here adds only to the general confusion of the Japanese populace.

FROM AN AMERICAN CORRESPONDENT

There was considerable apprehension about future Communist activities. Efforts of the government, with SCAF backing, to control labor may help with the rebuilding of Japan, but at the same time strengthens the communist party. Japanese seem convinced that this will continue until the occupation is out, after which they are confident they can handle the matter. However, the stronger the party becomes under present conditions, the tougher the job when it falls entirely into their laps.

FROM A WELL INFORMED JAPANESE EDITOR

The foremost problem now confronting Japan is the everincreasing Communist infiltration into every rank of the communities. As you know, the Communist Party scored 35 seats in the House of Representatives in the recent general election against the 4 they had before. If things go on at this rate, they will more than double the present force in the Diet in the next election. Students, farmers, small businessmen are going Communist in alarming numbers. I don't think American officials as well as the majority of American correspondents (who are all armchair correspondents, in my opinion) really grasp the seriousness of the situation. When they are advised of it they usually brush it off as exaggeration. Some correspondents go so far as to say that the Japanese are "mildly blackmailing" the U.S. into helping them financially with the communist bogey. They are too suspicious or cynical to understand the real situation.

The controversy over the former Secretary of War Royall's statement--that the U.S. Army will pull out of Japan in case of war--a statement he made confidentially to American correspondents when he was in Tokyo last was a most unhappy incident since the American military government was installed in this country. What Royall said was reported in Japanese newspapers as a result of the controversy, and that is exactly what the communists had long been propagating among the public. Royall certainly played into the hand of his opposite camp. And what confused Japanese more was the fact that Royall, upon his return to the U.S., denied what he had stated in Tokyo. We do not know what caused him to resign from his war secretary's post, but there is surely no denying that his resignation has smoothed up much of the ruffled Japanese sentiments.

I've read in the papers what Mr. Kades, a lieutenant of the Government Section of G.H.Q. said in Washington. He said in effect, according to the despatch, that ultra-nationalistic influence was much more alarming than the communistic one in Japan, and that Hatoyama was the leader of the group of the former influence. Nothing could be farther from the truth. Ultra-nationalistic influence is practically non-existent here. Hatoyama had long been pushed aside off the political theatre in those days prior to and during the war. Mr. Kades himself had long been talked about in Japan as involved in political scandals and sent back under some plausible pretext. Few Japanese and still less American officials here will believe in his integrity.

FROM A MEMBER OF THE AMERICAN COUNCIL ON JAPAN

My associate had a long talk with a mutual Japanese friend. Without mentioning his name, this chap has spent a lifetime in government service, including two important assignments in this country. If any Japanese is a conservative, he is. He voted Communist! He was tired of having Japan used merely to promote schemes in the minds of American planners that had little or nothing to do with the welfare of Japan.

He went on to say to my correspondent that the Communists fairly won 10 out of their 35 seats in the Diet. The real Communist strength has been increased by government workers, not only because of resentment over the no-strike law, but through expectation that the Diet, being held down on the budget, will be forced to require the discharge of about one third of government employees.

* * *

FROM A FORMER JAPANESE DIPLOMAT

Prior to the withdrawal of the U.S. force which is today the main strength to keep this country secure, this country must be brought up to be able to maintain our internal stability and tranquility, to say nothing about possible aggression from abroad! Today some think that U.S. people here are lenient toward Communism, but if Communists become powerful, they will be surely intolerant toward democracy and therefore it is safer to coquet with Communists. There was similar psychology among even our intelligent class people when militarism was all-powerful.

* * *

FROM A FORMER JAPANESE FOREIGN MINISTER

The number of the Communist members in the House of Representatives has greatly increased as the result of the recent general election. But it is generally believed that it will make another increase in the next election owing to such questions as the reduction of personnel in different government services, Commercial Companies, etc., and the confiscation of private properties of those whose tax payment is in arrears. A large majority of the Japanese people, however, are opposed to the Communists. This fact has been proved by the last general election in which the Democratic-Liberals have gained a sweeping victory.



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

United States Political Adviser
for Japan

Tokyo, April 25, 1949.

DIVISION OF
NORTHEAST ASIAN AFFAIRS

MAY 3 1949

DEPARTMENT OF STATE

PERSONAL AND CONFIDENTIAL

Dear Max:

We have given considerable thought to ways and means to comply with the request contained in your letter of April 11, 1949 asking for a detailed table of organization of GHQ, SCAP, and including information regarding the salary status of personnel.

The only detailed information which I have been able to obtain is that contained in the enclosed comparative statement of actual and authorized personnel dated March 1, 1949.* Unfortunately, this does not indicate salary status of civilians nor does it differentiate between military and non-military work. I hope that you will appreciate the difficulty in which we find ourselves in matters of this kind as obviously any broad questions raised with respect to numbers of personnel usually cause considerable raising of eyebrows on the part of everyone concerned.

I should think that it would be more feasible for you to obtain this information from CAD who certainly must have detailed rosters of personnel, as they are the ones who do the hiring. At any event, however, we will continue to be on the lookout for any information along these lines that may be of assistance.

Sincerely yours,

Bill
W. J. Sebald

Enclosure:

Comparative Statement

Mr. Max W. Bishop,
Chief, Division of Northeast
Asian Affairs,
Department of State,
Washington 25, D. C.

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* A new report to be dated 30 April '49 is presently under preparation. It will be sent when available.

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STANDARD FORM NO. 64

Office Memorandum

OFFICE OF
 UNITED STATES GOVERNMENT
 FAR EASTERN AFFAIRS

MAY 9 1949

DATE: May 9, 1949

DIRECTOR
 DEPARTMENT OF STATE

pm/R

TO : FE - Mr. Butterworth

FROM : NA - Marshall Green *neg.*

SUBJECT:

You asked me to investigate the accuracy of the statements made by Mr. Gilchrist in the first half of paragraph 3 of his attached memorandum.

On September 6, 1945 the U.S. Government forwarded an advance draft of its Basic Post-Surrender Policy to SCAP for comment. On the basis of SCAP's comments, a few changes were made in the draft which was then sent as a U.S. directive to SCAP on November 1, 1945, but the directive (for some unexplained reason) was not made public until April 8, 1948, when it was published in Documents and State Papers, a State Department publication. This directive formed the basis of an FEC policy decision on the same subject, transmitted to SCAP on June 26, 1947 and published two months later.

The "severe criticisms" to which Mr. Gilchrist refers evidently pertain to FEC-230 which came in for strong criticism in the December 1, 1947 issue of Newsweek. FEC-230 has not been made public, although it was shown to certain members of Congress in confidence.

Attachment

Gilchrist Memorandum

To: Mary Knuts - W2R

NA:MGreen:br

Check Mr G's recommendation

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Anal. <i>f</i>
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DEPARTMENT OF STATE

ASSISTANT SECRETARY

April 25, 1949

POLICY PLANNING

RM/
Central
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STAFF

APR 25 1949

To: S/P - Mr. George Kennan
From: S/A - Philip C. Jessup

Department of State

Apropos of what you said in the meeting with the Secretary this morning, you might be interested in the attached memorandum from Huntington Gilchrist regarding Japan.

Huntington is an old friend of mine who served for a good many years in the original Secretariat of the League and who has now been for some time with the American Cyanamid Company. He is a Trustee of Brookings and International Chairman of the Institute of Pacific Relations. I think he is a person who might be useful in connection with either Japan or Germany.

*State Dept
Ambassador at Large
from Jessup*
Philip C. Jessup
Ambassador at Large

Attachment

"American Responsibility for Japan" frm Mr. G. dtd 4/20/49

CONFIDENTIAL

940.00119 CONTROL (JAPAN)
CONFIDENTIAL FILE
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CS/E
940.00119 Control (Japan)
4/25/49

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: 4-29-49

TO : NA - ~~Mr. Fearey~~
Mrs. Green

FROM : FE - Mr. Butterworth
DIVISION OF
NORTHEAST ASIAN AFFAIRS

SUBJECT :

MAY - 2 1949

DEPARTMENT OF STATE

This is some thoughtful grist
for your mill which I hope is grinding
not slowly ^{but} and fine.

Fw 740,00119 Contact (Japan) 4-25-49

FE:WWButterworth:mss

AMERICAN RESPONSIBILITY FOR JAPAN

I. 1. "Two Billion Dollar Failure in Japan" is the title of the leading article in FORTUNE for April 1949. Serious questions as to the administration of Japanese affairs have also been raised in NEWS-WEEK magazine, in reports of the American Council on Japan as well as in books and periodicals published under the auspices of the Institute of Pacific Relations and elsewhere. On the other hand, for instance in carrying out disarmament, in obtaining the acceptance by the Japanese of a democratic regime and in many other ways, the Occupation has been a great success. Special mention is made here of alleged failures and unsolved problems, however, because they require action and have prompted the brief preliminary examination of the situation which is set forth in this memorandum.

2. Although the Occupation of Japan has the character of an operation on behalf of the principal Allied Powers, in the event of differences of opinion among them, it is agreed that the policies of the United States are to govern. The chief administrative officer of the Occupation is the Supreme Commander for the Allied Powers (SCAP). He is also the Chief of the United States Forces in the Far East and United States Representative on and Chairman of the Allied Council in Japan, General MacArthur now holds all these positions.

3. General statements of policy for and "Directives" to SCAP have originated in Washington in the State Department and have been reviewed in the Sub-Committee for the Far East (SFE) and the full Committee, now called the State-Army-Navy-Air Coordinating Committee (SANACC). The first such general statement of policy received the approval of the President on September 6, 1945 and was published on

American Responsibility for JapanPage 2

September 22, 1945. This formed the basis for a much more detailed and technical Directive which was formally issued to SCAP on November 8, 1945 but which was not published until April 1948 (after certain severe criticisms of SCAP policy had been published, particularly in NEWSWEEK in December 1947). A later Directive covering similar ground was issued on June 26, 1947 and has been published. It is understood that on the basis of a report by Mr. George Kennan, State Department Planning Chief, prepared after his trip to Japan in the Spring of 1948, a new over-all statement of policy was approved by the State and Army Departments, the National Security Council and the White House, and has been delivered to SCAP. This statement has not been published, but presumably it has met some of the criticism of the Occupation which has been voiced in various quarters.

4. It has been stated on reliable authority that many of the sweeping social and economic reforms that have been imposed upon Japan, like the now famous FEC-230, were put into operation without the approval or knowledge of the officials in Washington charged with the responsibility for policy toward Japan. It has also been frequently remarked that "General MacArthur is a law unto himself" and that "SCAP pays no attention to Washington," etc.

II. 5. Many of the allegations to which reference has been made are serious. Many of them may not be well founded but the sources of criticism are varied and important. The whole situation requires attention.

6. It may first be useful to consider some of the specific reasons which may account for some of the alleged failures:

a. SANACC in Washington and SCAP in Japan were created at the beginning of the Occupation when the

American Responsibility for Japan

Page 3

problems were primarily military and sufficiently radical changes in the set-up have not been made in the meantime although the primary problems have been economic, political and social.

b. Policy statements and Directives have been prepared in Washington by a small number of officials. They have neither been sufficiently studied and revised by senior officials and cabinet officers in Washington nor by sufficiently able staff or by General MacArthur himself in Tokio. The United States Congress appears to have taken almost no interest in this problem although it has had to approve appropriation bills for high military and civilian costs in Japan.

c. There has been no centralization of responsibility in Washington for fundamental policies or developments in Japan. The title of SANAAC alone, indicating the dispersion of authority in four separate government departments, speaks for itself.

d. It is understood that at one time SCAP made monthly reports on general policy to Washington but that these were abandoned a long time ago. There does not appear to be any high-level, responsible, effective review or follow-up in Washington of developments in Japan.

7. The whole problem, however, would appear to be of a more fundamental character. Neither the Administration nor the Congress, over the past fifty years, has ever appeared to solve with any success the basic problem of the application of the United States

American Responsibility for JapanPage 4

Constitution to the government or occupation of overseas territories held either permanently or temporarily under the authority of the United States Government. Perhaps primarily for this reason the normal democratic processes of government have never applied to these overseas territories, and developments therein have often been overlooked by Congress. This is all the more reason for providing clear lines of authority and supervision in the executive departments.

8. In brief, the United States Government and the American people have assumed the overwhelming responsibility for all important post-war developments in Japan not only on their own behalf but also on behalf of all their allies in World War II. However, actual responsibility for policy and practice in Japan has apparently remained in the hands of a comparatively few American officials in Washington and Tokio. The basic traditions of responsibility in a democratic form of government have not operated here.

III. 9. In view of the fundamental, far-reaching character of these problems, it is suggested that consideration be given to the following:

10. Prompt and complete publicity (except in very special cases) should be given to policy statements and Directives issued from Washington to SCAP and by SCAP itself in Japan.

11. An over-all study of the administrative set-up in Washington and in SCAP should be made at once and this should be reviewed from time to time as might appear appropriate in the future. This over-all study could perhaps best be made by an independent non-governmental agency with experience and a reputation such as has, for instance, the Brookings Institution. The request

American Responsibility for Japan

Page 5

should come from the President and the study should be made as quickly as possible. The Brookings Institution made an outstanding contribution of this kind to an administrative problem when it reviewed for the Senate the original proposals for setting up the E.C.A.

12. Whether a study of this kind is made or not, consideration might be given to the following possibilities:

a. The preparation and transmission by SCAP to Washington and the Far East Commission (FEC) of regular reports, at least quarterly, on the development in Japan of the basic situation with sufficient detail to illustrate trends, these reports to be published promptly.

b. The stimulating of one or more appropriate Congressional Committees (either standing or ad hoc) to review developments in Japan.

c. The appointment of a Citizens Advisory Committee to review basic developments in Japan, at least once a year, and with power to make recommendations to the President. It should have an outstanding chairman, like Mr. Bernard Baruch or Mr. Raymond Fosdick, and although its members should be asked to serve without pay, expenses should be provided by the Government and a small staff paid by Government funds should be appointed by the Committee. The members might all be appointed by the President or in part they might be chosen by representative national bodies, like the United States Chamber of Commerce, the National Association of Manufacturers, the C.I.O., A.F. of L., etc., and the membership of the

American Responsibility for JapanPage 6

Committee should be large enough to be broadly representative of the various interests and geographical sections of the country. It should not, however, be unwieldy and should perhaps be limited to a maximum of 20 to 25 people. It should be the primary duty of this Committee to review the basic over-all policies and developments in Japan, so that American public opinion might have a method of bringing its influence to bear upon this important responsibility which is ultimately one to be borne by the American public and for which the American taxpayer now bears a considerable burden. This Committee might, as appropriate, obtain the views of responsible opinion in Allied countries in view of the fact that the United States represents all its allies in supervising the administration of Japan. This Committee might also prove a useful body to be consulted by the responsible departments of the Government when it comes to preparation of the Peace Treaty with Japan.

d. A smaller Consultative Committee, which might be chosen by the Advisory Committee, or by the President from the membership of the Advisory Committee, might also be appointed. This Committee should meet at least quarterly and would represent the Advisory Committee when the latter was not in session. Its members should be available to make regular visits to Japan for a duration of, say, at least a month once a year to review conditions on the spot and to confer directly with the officials in Japan primarily responsible for non-military problems there.

American Responsibility for JapanPage 7

The Chairman of the Advisory Committee should also be Chairman of the Consultative Committee, and the same staff should be available for both. The Consultative Committee should consist of not more than five members and should be paid on an adequate per diem basis, as well as for expenses. The reports of these Committees should be published regularly although, at their discretion, confidential reports should also be permitted.

e. Every effort should be made to avoid setting up unnecessarily new, permanent Government organizations and offices. For this reason, one of the duties of the Advisory and Consultative Committees should be to make recommendations, in so far as this may in their opinion be practicable, for the handling by regular Government departments and committees of Congress of the problems of overseas territories under American jurisdiction. The Advisory and Consultative Committees should be appointed on a three-year basis and their terms of reference should indicate that the major problem before them is an emergency one so that their activities should be expected to decline rather than to increase as time goes on. The staff of the Committees might usefully include one or two members seconded by Government departments but should consist primarily of two or three able executives obtained on loan from outside academic or business organizations so that a permanent bureaucratic set-up could be avoided. The Committees should be given the duty of winding up

American Responsibility for Japan

Page 8

their own affairs as soon as practicable. It is recognized that there may be strong reasons for continuing this proposed set-up, at least in part, on a restricted but permanent basis if it should appear that in no other way will the democratic process of Government operate satisfactorily in respect of overseas territories. Any extension of the life of these Committees should, however, be dependant upon a specific decision to that effect by the President.

13. Special reports, missions and staff for special problems should be continued as in the past. Mr. Dodge is apparently rendering valuable service to SCAP in dealing with the fundamental economic problems of Japan today. It is to be hoped that more men of this caliber can be invited in future to assist in this way and on the Committees mentioned in the preceding paragraphs, and that they will be persuaded to accept such appointments. Moreover, the appointees need not be limited to U. S. citizens. Mr. Paul Hoffman has been outstandingly successful in obtaining qualified personnel for ECA positions. The appointment of the Advisory and Consultative Committees, mentioned above, with outstanding leaders in their membership, might serve to induce industrial and other leaders in American life to give some of their time to the solution of the outstanding problems in Japan.

14. So long as the military spirit and methods are dominant in SCAP, all this will be difficult. Under present changing circumstances, it seems reasonable to expect that General MacArthur would welcome some program of this kind which should increase the prospects for the success of SCAP and that he would be prepared, for this reason, to entrust civilians with complete responsibility for non-military

American Responsibility for Japan

Page 9

problems. If this is not the case, then the problem of General MacArthur's usefulness in Japan should be faced frankly, especially now that the problems in that country are primarily civilian and not military, and that there is no need to maintain the appearance of a new one-man domination of that country.

15. The implementation of some such program as that which has been sketched above would require the time and the serious attention of a considerable number of outstanding American citizens. It does not, however, seem excessive when one considers the critical economic, political and social problems of Japan, a country of over 80,000,000 people, more than one-half the population of the United States, located in that part of the world where conditions generally are today in greater flux than anywhere else. What appear to be needed are not 5,000-6,000 American officials largely of a junior or a subordinate rank in Japan, but 20-25 outstanding leaders in various branches of American life who would be willing to give at least part of their time to some hard thinking on the more fundamental problems which face Japan today.

16. To summarize, the United States has a more direct responsibility for Japan than for any other foreign country. American democratic processes have not been operating in the solution of many serious problems in that critical part of the world. Prompt consideration should be given to the adaptation of existing machinery or the creation of a new machinery so that representative American leaders and the American public will know without delay what is going on in Japan and so that American officials in Japan may be kept more responsive to American opinion.

Huntington Gilchrist.

April 20, 1949
HG:dj

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APR 26 1949

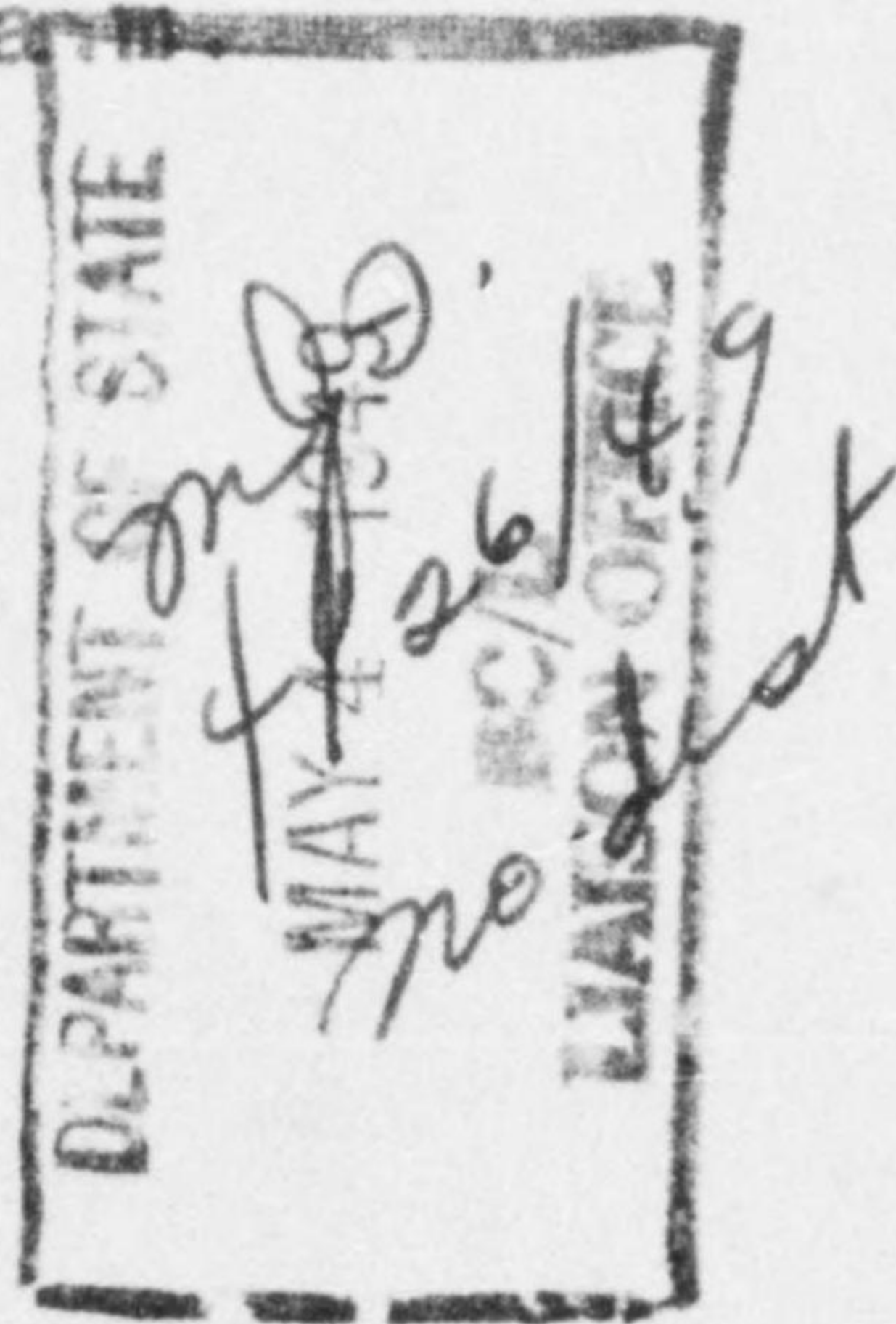
Control 9113

DEPARTMENT OF STATE
Rec'd April 25, 1949
5:26 p.m.



FROM: Paris
TO: Secretary of State
NO: 1669, April 25, 6 p.m.

Schuman is out of town until tomorrow evening. I hope to see him Wednesday, however, to take up with him question of our FEC motion as described DEPCIRTEL April 22, 9 a.m.



CAFFERY

SMD:EFC

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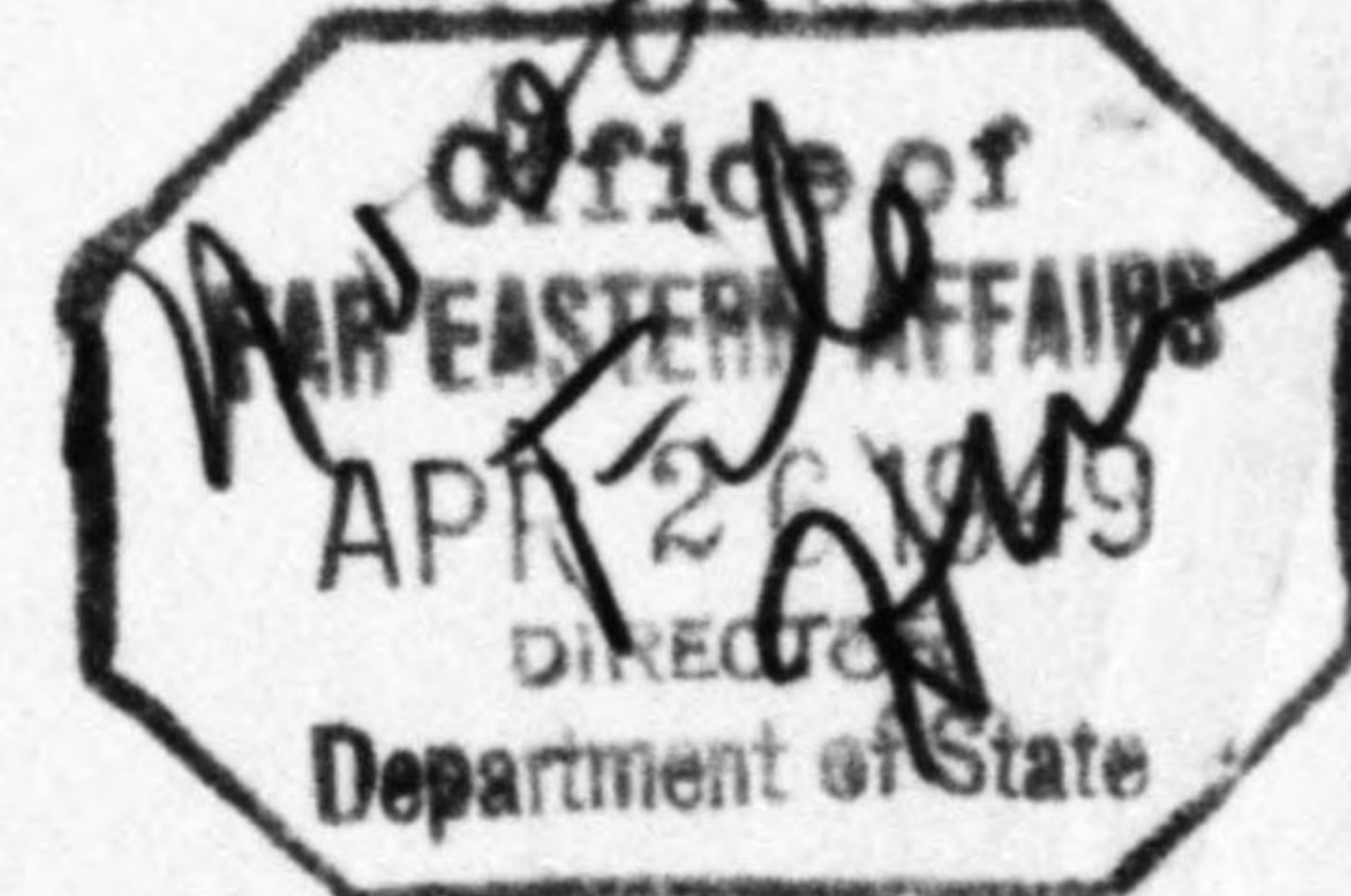
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FROM: Wellington
TO: Secretary of State
NO: 61, April 26, 5 p.m.

Control-9350

Rec'd April 26, 1949
9:13 a.m.



Discussed with Acting Secretary External Affairs DEPCIRTEL April 22, 9 a.m. He appears sympathetic but points out proposed policy very broad requiring careful study before instructions issued to New Zealand representative FEC. Will inform me when decision reached. I stressed developing situation China lends vital importance to Jap being kept in friendly relationship with non-Communist powers. He heartily agreed this view.

SCOTTEN

RB:MFM

740.00119 CONTROL (JAPAN) 740.00119 DEPT TEL
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(Japan) 74-2649

JUN 20 1950

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PC/R

April 26, 1949

In reply refer to
NA

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MEMORANDUM FOR THE UNITED STATES MEMBER
FAR EASTERN COMMISSION

There is enclosed for your information a copy of
a press release which was issued by the Headquarters
of the Supreme Commander for the Allied Powers in
Tokyo on April 23, 1949 at 12 noon, Tokyo time.

[Signature]
Max W. Bishop
Chief,
Division of Northeast Asian Affairs

740.00119 CONTROL (JAPAN)
/4-2649

Enclosure:

As stated.

[Handwritten initials]

FE:NA:ALDunning:clh
4/26/49

A true copy of
the signed original.
[Signature]

UNCLASSIFIED

740.00119 Control
(Japan) /4-2649
CSIC

April 26, 1949

In reply refer to
NA

UNCLASSIFIED

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Max W. Bishop
Chief,
Division of Northeast Asian Affairs

Enclosure:

As stated.

FE:NA:ALDunning:elh
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UNCLASSIFIED

April 26, 1949

In reply refer to
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UNCLASSIFIED

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FAR EASTERN COMMISSION

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Max W. Bishop
Chief,
Division of Northeast Asian Affairs

Enclosure:

As stated.

A true copy of
the signed original
P. W. B.

FE:NA:ALDunning:clh
4/26/49

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No. 81

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

ACTION
is assigned to
FE

Yokohama Branch,
Office of the U. S. Political Adviser,
Yokohama, Japan, April 26, 1949.

DEPARTMENT OF STATE
NORTHEAST ASIAN AFFAIRS
MAY 5 1949

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Subject: Memorandum on Military Government Activities
in Nagoya Area.

THE HONORABLE
THE SECRETARY OF STATE,
WASHINGTON.

SIR:

I have the honor to enclose a memorandum prepared by Vice Consul Pfeiffer on the activities of Military Government in the Nagoya area, in particular concerning labor problems and taxation.

XR
894.504
894.512

It is thought that Mr. Pfeiffer's account of his observations while attending a conference between the managers of a large steel company and Military Government personnel on labor problems are of particular interest, as well as the attached statement on the theory of "Production Control."

As the Department is aware, "production control" is a peculiarly Japanese development in the field of labor-management disputes which involves the workers excluding the management or owners, and entering, occupying, operating, and completely managing a plant in the event of a labor dispute, instead of striking.

It is also thought that the reported views of the United States labor leader now attached to Military Government concerning labor policies in Japan are of considerable significance.

Attention is also called to the observations of members of the Mie Military Government Team concerning

their

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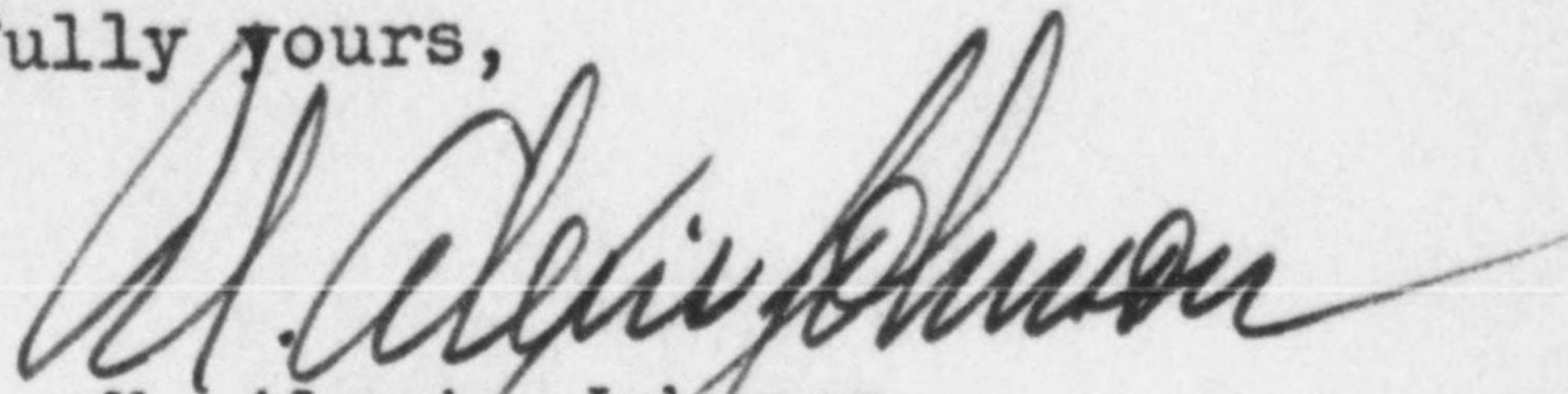
740.00119 CONTROL (JAPAN) / 4-2649

No. 81
Yokohama, Japan
April 26, 1949

- 2 -

their role in the recent tax collection program, and the burden of maintaining idle machinery in Aichi Prefecture designated for reparations.

Respectfully yours,



U. Alexis Johnson
American Consul General

Enclosures: *att*

1. Memorandum
2. Statement

322.3

UAJOHNSON:bw

Original and hectograph to the Department. ✓

Copy to: US POLAD, Tokyo

Mar

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Enclosure No. 1 to Despatch
No. 81 dated April 26, 1949,
from Yokohama Branch, Office
of the U.S. Political Adviser,
entitled "Memorandum on Mili-
tary Government Activities in
Nagoya Area.
April 15, 1949.

For Department Use Only.

To: U. Alexis Johnson, Consul General.
From: Harry F. Pfeiffer, Jr., Vice Consul.
Subject: Memorandum of Conversation with Officers of
Tokai-Hokuriku Regional Military Government
Team.

1. Conversations with Labor Officer:

In my periodic visits to Nagoya for the performance of routine consular functions, I have had an opportunity to become well acquainted with Mr. Harold L. WALKER, who is presently the Labor Officer of the Tokai-Hokuriku Regional Military Government Team. Since this Regional Military Government Team exercises supervision over the highly industrialized prefectures of Aichi, Mie, Gifu, Fukui, Ishikawa and Toyama, the position of labor officer is very important. Mr. Walker seems to be unusually well qualified for this position. He is a representative of the Railway Labor Executives Association, which is composed of representatives of the four railway brotherhoods, and has been their representative in government service for the past fourteen years. As such he is one of the five professional labor representatives presently assigned to the Occupation, there being, in addition, two representatives each from the AFL and CIO. He has just recently arrived from the United States and, therefore, brings a fresh viewpoint to the job.

He expresses general disagreement with the labor policies thus far pursued by the Occupation and points to the present conditions existing in Japanese labor as evidence that such policies were ill conceived. He feels that the strong initial pro-labor movement that was fostered by the Occupation threatens to destroy management and thereby impoverish labor, since jobs for labor must be created and supplied by management. As a professional labor organizer and representative, he, therefore, finds himself at present in the paradoxical position of having first to support and assist management in order to be of real assistance to labor.

In support of his aforementioned views and also to acquaint me with the operation of military government on a working level, Mr. Walker invited me to attend a conference between representatives of an important steel company in the Nagoya area and the Labor Officer of the Aichi Military Government Team. The conference was attended by Mr. ISHII and Mr. TAKEUCHI, Managing Directors

of the Daido

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- 2 -

of the Daido Steel Manufacturing Company, Limited., Lt. McLAUGHLIN, Labor Officer of the Aichi Military Government Team, a representative of the Nagoya municipal procurator's office, and Mr. Walker. The problem, briefly stated, was as follows:

Daido Steel is a large organization with branches in Nagoya, Osaka and Tokyo engaged in the manufacture of electric ovens, heaters, locomotive parts, hollow drill steel, etc. In order to increase efficiency and production in keeping with the recent Economic Stabilization Program, the company wanted to close down two plants and curtail the operation of a third that were operating inefficiently. Management, therefore, notified approximately 2,000 workers that their services were terminated. The notices were ignored and destroyed by the union members and at one point management officials of the firm were involuntarily detained until 10:00 p.m. one Sunday night since they refused to accede to demands of the union. The union contended that management could not fire any employees without the approval of the union based on the existing contract. I saw a copy of the contract, and it did in fact specify that management could make no changes relative to promotion, reassignment, hiring or termination of employees, or disposal of plant without the approval of the union. The contract was concluded between the Daido Steel Company and the All-Japan Iron and Steel Industry Workers Union effective December 2, 1947. The contract was originally valid for a year from the effective date, but continued valid after that period unless replaced by another contract negotiated by the same management and union. Under such a contract, of course, management is completely at the mercy of the union and can hardly be said to exist as a separate entity.

The Directors of the Daido Steel Company who were present at the conference proposed to break the contract by having it declared illegal on the grounds that the All-Japan Iron and Steel Industry Workers Union had become affiliated since the formation of the contract with the All-Japan Metalworkers Union. They also wanted to declare a two-day-holiday, with the employees receiving 60% of pay, to see what action the union would then pursue.

Mr. Walker and Lt. McLaughlin advised the directors that while they agreed the contract should be declared illegal and broken, they did not agree with the course of action proposed by the company since it would probably result in defeat in court. Further, that the proposed two-day-holiday served no purpose since it left the initiative with the union and did not solve the real problem which entailed getting rid of surplus employees. They proposed instead that only employees retaining time cards be admitted to the plant by the company guards. (Time cards of terminated personnel had previously been taken up.) The guards, although they are sympathetic with the union, are forbidden by existing Japanese labor legislation to belong to the union and, therefore, are

subject

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- 3 -

subject to the orders of management, or, if they refuse, can be fired. In the event that the guards might refuse such orders, it was proposed that new guards, who would obey company orders, be hired to stand by. If the union resorted to violence, police protection should then be sought. (I might note at this point that Mr. Walker informed me that in similar cases that occurred in Nagoya, the police had stood idly by while union members who had seized the plant or assumed "production control" had sold the plant output or even parts of the plant. The police were reluctant to take any action since they were afraid they would not be supported by the courts and the unions were very influential and represented by competent counsel.) Lt. McLaughlin stated in the meantime that he would request the legal officer of the Aichi Military Government Team to seek to find grounds for the illegality of the contract under existing Japanese legislation so that the matter could be taken to court and also advised the company officials to have their attorneys follow the same course. The company officials agreed to follow this advice and voiced the concern that the union might attempt to assume "production control" of the plant. The conference was terminated at this point.

The legal officer of the Military Government Team subsequently stated that he thought the contract might be attacked on the grounds that it was contrary to Article 206 of the Japanese Civil Code which states: "An owner is, subject to limitations of laws and ordinances, entitled freely to use, receive profits from, and to dispose of the thing owned." He also stated that he had called the Legal Section of Eighth Army for assistance, but was told that this was a labor problem and not within their purview. He thereupon called the Labor Section of Eighth Army and was told to refer the matter to the Japanese Labor Negotiation Board in Nagoya.

As an interesting side light, I might relate an incident that occurred while the aforementioned conference was in progress. Lt. McLaughlin was constantly interrupted by numerous telephone calls, some of which were from local dependents concerning payment of their servants, and one of which was from the Provost Marshal of the Fifth Air Force Headquarters in Nagoya who has jurisdiction over that area. It seems that two Japanese anti-communistic labor organizations, Sodomei (Japan Federation of Labor Unions) and Minshu-ka Domei (Democratization League), wanted to hold a parade involving approximately 20,000 people the following Sunday. The Provost Marshal objected to the parade on Sunday since his organization did not work on that day. Lt. McLaughlin pointed out to him that if the parade were held on Sunday, the persons involved would not lose a work day, that this was in the interests of the Occupation, etc., but the person calling from the Provost Marshal's office did not seem to be too influenced by this consideration. I learned subsequently, however, that the parade was held on Sunday presumably since someone

higher

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- 4 -

higher in rank than the lieutenant convinced the Provost Marshal that that was the thing to do.

In discussing the conference later, Mr. Walker stated that he was really exceeding his bailiwick by advising the management of the Daido Steel Company since the function of military government was only to observe and report. He said he was particularly interested in this case, however, since he wanted to make a test case out of it. The problem was to have this absurd contract declared invalid in a Japanese Court and also to head off "production control" in the plant. He defined "production control" as the theory that the workers in a manufacturing plant or business have the legal right in the event of a strike or lockout to enter, occupy, manage, operate, make use of distributing facilities, collect the proceeds of sales, pay workers and assume control over all financial records of the plant. He looks upon this as the crux of the Japanese labor problems at present. There is attached a study of the problem in some detail made by Mr. Walker and Mr. Featherstone, the Legal Officer of the Tokai Regional Team. As will be noted therein, it is their belief that there has as yet been no judicial decision concerning the legality of this theory although numerous plants in Japan have been so seized and are at present being operated under this theory.

In discussing the general labor policy pursued by the Occupation, he stated that it was his belief that an attempt had been made in the early part of the Occupation by persons then directing the labor policy to introduce radical programs far exceeding any similar advancements made by labor in industrial mature countries such as England or the United States in the relatively primitive state of labor in Japan. He stated in this connection that it was obviously impossible for the economy of Japan to support labor legislation that grants a year's salary to an employee who is terminated after six months employment as is the case under present Japanese legislation. He also felt that there had not been enough labor guidance on an operational level to help Japanese labor to avoid such pitfalls as will follow upon the system of "production control" for example.

2. Conversations with other Military Government Officers:

I recently had the opportunity to visit the Mie Military Government Team Headquarters at Tsu in the company of Mr. Walker and Major BURNS, the Economics Officer of the Tokai Regional Team. The Mie Military Government Team is classified as an intermediate team with a present personnel complement of twelve officers, eight enlisted men, and ten civilians. Although in the course of the brief visit I did not have an opportunity to speak to any of the officers at any length, or view the operations of the Team in any detail, I was very favorably impressed. The

Team

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- 5 -

Team seemed to be well administered, morale to be high, and it appeared to enjoy the confidence of the Japanese people in that area. They seemed to work very closely with the Japanese officials of that area and to render much useful assistance and advice. The officers stated that while their primary duty was to observe and report, they were required on occasion by higher headquarters to prod the Japanese of that area in meeting required quotas. They pointed in particular to the unfortunate role that they felt they were required to play in the recent tax collection program. They felt in many instances that the taxes which were assessed were entirely unfair and that considerable "face" was lost by using the prestige of the Occupation to assist in the collection of such taxes. It seemed that the mode of assessment entailed consulting the neighbors of a particular taxpayer as to the amount that the neighbors felt that that particular person should and could pay, and thereby resulted in numerous injustices.

The present policy with regard to reparations was also generally criticized. It was pointed out, for instance, that the present cost of maintaining reparations machinery for one month in Aichi Prefecture alone amounts to ¥40,000,000 and that only 12% of such machinery has been authorized to be put in use. It seems that it is necessary that such machinery be periodically broken down, cleaned, and re-assembled. It was also stated that such items as small hand tools and lumber are marked for reparations as well as large machinery.

It is the general concensus of the Military Government officers to whom I have spoken that the future policy of the Occupation should be in the direction of decreasing the number of controls on the Japanese economy to an absolute minimum and allowing the Japanese to resolve their own problems whenever possible.

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Enclosure No. 2 to Despatch No. 81 dated April 26, 1949, from Yokohama Branch, Office of the U.S. Political Adviser, entitled "Memorandum on Military Government Activities in Nagoya Area."

THE LEGAL POSITION OF THE "PRODUCTION CONTROL THEORY"

STATEMENT OF THE THEORY

That the workers in a manufacturing plant or business have the legal right in the event of a strike or lockout to enter, occupy, manage, operate, make use of distributing facilities, collect the proceeds of sales, pay workers, and assume control over all financial records.

HISTORY

The theory was first asserted in 1945 after the Trade Union Act was passed by the Diet. No clear cut decision has been rendered by any of the courts declaring it illegal. It was mentioned in the Toyo Clock Works Case in Saitama Prefecture in November 1946, but that case was decided on other grounds, namely, the illegal acts connected with the matter such as the destruction of property, embezzlement, and trespassing.

It is understood that the Liberal Lawyers Association has stoutly maintained the legal validity of the theory and that it is espoused by a member of the Central Labor Committee in Tokyo.

HAS THE THEORY SUPPORT IN JAPANESE CONSTITUTION

Constitution provides: (Article 29)

"The right to own or to hold property is inviolable.

"Property rights shall be defined by law, in conformity with the public welfare.

"Private property may be taken for public use upon just compensation there for."

A property right is a human right and is just as fundamental as the right of free speech, free press or any other rights mentioned in the Constitution, is "the supreme law of the nation and no law, ordinance, imperial rescript, or other act of government, or part thereof, contrary to the provisions hereof, shall have legal force or validity." (Article 98)

The theory advanced concerns itself with the preemption of property owned by employers. As such, it is private property. In the light of Article 29 do the supporters of the theory maintain that the workers assume control of the plant or business "for public use." The Constitution, after stating that the right to own or hold

property

- 2 -

property is inviolable, then specifies that "Private property may be taken for public use upon just compensation therefor." Ordinarily this applies to land taken for roads, public buildings, railroads, museums and the like. But even assuming a fantastic position, there are no laws providing for the operation of the theory in this sense. When private property is condemned for public use, there are strict laws governing the process which protect the owner of the property and the equity he has in it.

Certainly the Constitution cannot be so twisted so as to take from Peter to pay Paul; surely it cannot be interpreted to benefit one group of persons at the expense of another or others.

The persons who condemn private property for public use are duly appointed officers of the government. Can a Union arrogate this power unto itself.

The theory is clearly and without any question of doubt in direct conflict with both the spirit and letter of the Constitution.

HAS THE THEORY SUPPORT IN JAPANESE LAW

The proponents of the theory rely apparently on Articles 697-702 of the Civil Code.

Article 697 (Requisites and effect):

1. A person who is under no obligations but has started to take another individual's business into his custody, must execute his work in a way most suitable for the interests of the owner, by following the lines of the peculiar nature of the work.

2. The custodian must carry out his work in compliance with the will of the owner in the event he understands the Owner's will, or is in a position rendering it possible for him to guess what it is.

Article 698 (Emergency Case of Business Custody):

So long as the actions are not carried out maliciously or else there are no serious mistakes undertaken, the custodian is not obligated to pay for any damages sustained during his course of action in taking the business into his custody in order to save the owner from any urgent dangers detrimental to his own body, honor, or properties.

Article 699 (Obligations to Report):

The custodian must report without delay to the owner his actions of commencing custodial duties. This

does not

- 3 -

does not apply in a case when the owner in question has already known about this.

Article 700 (Duties of Continuing Custody):

The custodian must continue his duties until either owner, his successor, or his legal representative can take over the business. This does not apply to a case when it is apparent that the continuation of this is against the will of the owner, or else detrimental to his interests.

Article 701 (Applicable Articles Under the Rules of Delegation):

The regulations from Article 645 to Article 647 shall also apply to Business Custody.

Article 702 (Duties of Reimbursing Expenses):

1. The custodian can put in a request to the owner for reimbursements when he has paid out expenses profitable for him.

2. Paragraph 2 of Article 650 shall be applied in a case when the custodian is imposed with debts profitable for the owner.

3. In the event the custodian carries out his work against the owner's will, the application of the two (2) preceding paragraphs shall be restricted within the profits the owner is receiving at present.

Article 645 (Duty to Report):

The entrustee upon receiving a request from the entruster, must take a report on the conditions of the business which has been entrusted to him. He must also report without fail the details when he has completed the work delegated to him.

Article 646 (Obligations for Transference or Surrender):

1. The entrustee must submit to the entruster money and other goods received during the course of the work performed by him in carrying out the duties delegated to him. This also applies to the fruits he has received.

2. The rights the entrustee gained under his own name for the benefit of the entruster shall be transferred to the entruster.

Article 647 (Responsibility to Spend Money):

When the entrustee spent for his own use the money he should have yielded to the entruster, or the money he should have used for his interest, the entrustee shall

have

- 4 -

have to pay the interest for the days after he started spending the money. Besides this, he shall have to pay for damages if it occurred.

ITEM 2, Article 650:

When the entrustee bore the debts considered necessary to dispose of the commissioned business, he may make the entruster reimburse instead of the entrustee, or make him mortgage a comparable thing if it is before its reimbursement time.

Article 645:

The above provisions of the Civil Code were adopted many years ago and at a time when the post-war period of labor strife could not possibly be envisioned. In the era in which they were adopted, the aims, ideals, and structure of Japanese society were radically different than they are today. When they became laws, it certainly was not expected that they would be used as a solution to a management-labor problem.

Assuming, for the sake of argument, the fantastic position that this body of laws could be interpreted to sustain the so-called "Production Control Theory," a perusal of the Civil Code Articles which are applicable shows the following:

a. The second paragraph 2, Article 697 clearly indicates that "the custodian must obey the wishes of the individual when he is in a position to estimate the wishes."

b. Article 700 states that "the custodian must continue administration until the individual or his successor or legal representative can assume the administration. This does not apply where it is evident that the continuation of such activities is against the individual's will or is against the interest of the individual."

It should be clear that there is an attempt here to set out laws governing a trustee-beneficiary relationship of either a voluntary or involuntary character, and that where a person is able to act in his own capacity his consent must be had before any of the Civil Code provisions are of any validity.

It is apparent that a strike or lockout is not the type of incapacity contemplated by the provisions. For the employee in such cases has not lost his power to act. He, himself, is capable of acting, but is prevented from doing so by the stalemate reached in the state of labor relations. The Union in such an instance is just as incapable of action as the employee. No one has suggested that the employer can move in and take over the labor of the unions, yet the situation on both sides is certainly the same.

The Control Government under laws passed by the Diet might set up a body of statutes providing under certain

circumstances

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- 5 -

circumstances where an impasse had been reached between labor and management, that a manufactory or business should be taken over by the government. But this would necessitate a specific body of law and probably would be violative of Article 29 of the Constitution.

There is no question but that the production control theory is clearly illegal and constitutes a threat to the entire fabric of Japanese society. The management of an enterprise, be it of an industrial or mercantile nature, calls for a high type of skill and experience. The assumption of control by unions of enterprises would eventually wreck the economy of this country beyond repair. No union member of any standing or sense would support the theory for one instant.

Once under way property rights of whatever nature would collapse. The mechanic with his house and land could have it arbitrarily taken from him, and even his tools he could not call his own. The farmer could not be certain of rights in his land, farm implements or crops. No person or group of persons would dare risk their capital in a business venture of any sort. Stagnation would be the net result and unemployment would stalk the land followed by the specter of starvation and disease.



Action Assigned to ^{SCA} THE FOREIGN SERVICE
Action Taken ^{to NAF} OF THE
^{action} UNITED STATES OF AMERICA

ACTION
is assigned to

FE NEA

No. 343 of Action ----- AMERICAN EMBASSY
Date -----
~~CONFIDENTIAL~~ Office Symbol ----- New Delhi, India, April 26, 1949
Name of Officer -----

Direction to DC/R -----
Subject: Indian Attitude With Regard to the Progressive Resumption by Japan of International Responsibilities.

THE HONORABLE
THE SECRETARY OF STATE,
WASHINGTON.

OFFICIAL RECORD COPY
Return to DC/R Files
when ACTION is completed.

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DEPARTMENT OF STATE

MAY 10 1949

I have the honor to attach hereto a copy of a letter dated April 25, 1949 handed by me on that date to Mr. K.P.S. MENON, Foreign Secretary, Ministry of External Affairs (Enclosure No.1) and a memorandum of conversation which took place at the time that I handed the letter to Mr. Menon.

My letter to Mr. Menon was prompted by the Department's circular telegram of April 22, 1949, 9 p.m. instructing the Embassy to approach the Ministry of External Affairs and to indicate that the Government of the United States was anxious to obtain international support for its proposed policy introduced in the Far Eastern Commission on April 21, relating to the progressive assumption by Japan of its normal international responsibilities.

Although I am not in possession of the full background I have obtained the impression from conversations between representatives of the Embassy and Indian officials that although the Government of India in general favors our policy with regard to the restoration of Japanese economy and to the gradual assumption by Japan of its international responsibilities, it is jealous of the prerogatives of the Far Eastern Commission and would like to have that Commission retain a firm hand over SCAP. I therefore endeavored in my letter and during my conversation to impress upon Mr. Menon, who, in the absence of the Prime Minister and Sir Girja Bajpai, is in charge of the Ministry of External Affairs, how difficult it would be for SCAP to carry out a constructive policy in Japan if it would be necessary for it to obtain approval in advance from the FEC for most of its actions.

I do not know whether we shall be successful in prevailing upon the Government of India to adopt a more liberal attitude toward SCAP. I feel, however, that Mr. Menon realized the validity of some of the arguments which I advanced.

The

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DIVISION OF SOUTHEAST
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New Delhi, India
Despatch No. 343
April 26, 1949

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The Embassy will keep the Department informed of developments. In the meantime any suggestions from the Department would be appreciated with regard to further approaches which we might make to the Government of India on this subject.

Respectfully yours,

Loy W. Henderson
Loy W. Henderson

LWHenderson:sm

To Department in original and hectograph

Enclosures: *att.*

- ✓ 1. Copy of letter to Foreign Secretary, Ministry of External Affairs
- ✓ 2. Memorandum of conversation

Copy to:

USPOLAD, Tokyo

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Enclosure No. 1 to CONFIDENTIAL Despatch No. 343 dated April 26, 1949 from the American Embassy, New Delhi, India on the subject "Indian Attitude With Regard to the Progressive Resumption by Japan of International Responsibilities".

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AMERICAN EMBASSY

New Delhi, India, April 25, 1949

Dear Mr. Secretary:

I have just received from my Government a telegram asking me to approach the Government of India and to point out to it how anxious the Government of the United States is to obtain international support for its proposed policy introduced in the Far Eastern Commission on April 21, 1949.

As I understand it, this policy was stated as follows:

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

The Far Eastern Commission decides as a matter of policy that the Supreme Commander of the Allied Powers, subject to his discretion and continued control, should permit Japan to participate with other nations or groups of nations in such international relations, conventions, meetings, consular arrangements or other bilateral or multi-lateral accords as Japan may be invited to enter into, accede to, attend or participate in and as SCAP shall consider to be in the interests of the occupation.

When introducing this statement of policy the American Representative made a number of comments which stressed the following points:

(1) The

His Excellency
Mr. K.P.S. Menon,
Foreign Secretary,
Ministry of External Affairs,
Government of India,
New Delhi

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Enclosure No. 1 to CONFIDENTIAL Despatch No. 343 dated April 26, 1949 from the American Embassy, New Delhi, India on the subject "Indian Attitude With Regard to the Progressive Resumption by Japan of International Responsibilities".

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(1) The Potsdam Declaration envisaged the establishment of a responsible Japanese Government. In their basic post-surrender policy, the countries represented in the Far Eastern Commission agreed to help the Japanese develop economic and cultural intercourse with other countries and to bring the Japanese into permanent peaceful relationships with all nations. It was also agreed that their ultimate objective should be to establish a democratic and peaceful Japanese Government which would carry out its international responsibility and respect the rights of other states.

(2) Since a democratic and responsible Japanese Government has now been established, the Far Eastern Commission countries should take the leadership in supporting gradual and progressive resumption by Japan of international responsibilities under the guiding hand of the Supreme Commander of the Allied Powers. A realistic approach to this matter is necessary in view of the fact that the conclusion of a peace treaty has been so long delayed and almost four years have already elapsed since the surrender.

(3) The Japanese need the benefits and guidance derived from direct contacts with other Governments and peoples. The participation by the Japanese in international intercourse would thus foster the basic objectives and contribute to the dissipation of the vestiges of wartime hatred and bitterness. Furthermore, the Allied Nations and peoples would gain knowledge of the new Japan through such direct contacts.

SCAP has made it clear that in his opinion such a policy will further his objectives and that the policy was also desirable for the purpose of bringing about an improvement of relations between Japan and other countries.

We sincerely hope that it will be possible for the Indian Government to review its policies with regard to Japan, having in mind how important it is that SCAP be in a position, unfettered by long and fruitless debates, to carry out the policy set forth by the United States on April 21. Past experience has shown how difficult it would be for such a policy to be executed unless SCAP is able to approach the problem from the standpoint of the broad political implications

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Ecnlosure No. 1 to CONFIDENTIAL Despatch No. 343 dated April 26, 1949 from the American Embassy, New Delhi, India on the subject "Indian Attitude With Regard to the Progressive Resumption by Japan of International Responsibilities".

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of the situation in Japan and in the world at large. It is feared that unless SCAP is in a position to approach the problem in this manner, peace will continue to be denied the Japanese without any blame on their part. At the present time there is a growing uneasiness among the Japanese people who find themselves facing increasing hardships. The Japanese people will either move towards sound friendly relationships with the democratic peoples of the world or into an association which may well strengthen world forces endeavoring to promote chaos and to disrupt the peace. It is believed that one of the most effective ways of encouraging the Japanese to develop friendly relationships with the democratic peoples of the world would be the effective execution by SCAP of the policy set forth above.

Respectfully yours,

Loy W. Henderson

Enclosure No. 2 to CONFIDENTIAL Despatch No. 343 dated April 26, 1949 from the American Embassy, New Delhi, India on the subject "Indian Attitude With Regard to the Progressive Resumption by Japan of International Responsibilities."

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MEMORANDUM OF CONVERSATION

April 25, 1949

PARTICIPANTS: Mr. K.P.S. Menon, Foreign Secretary, Ministry of External Affairs;
Loy W. Henderson, American Ambassador

SUBJECT: Desire of Government of the United States that Conditions Will Be Created Which Will Permit Japan Progressively to Resume its Normal International Responsibilities.

During a conversation which I had today with Mr. K.P.S. Menon, Foreign Secretary, Ministry of External Affairs, I handed him a letter, a copy of which is attached hereto, pointing out how anxious the Government of the United States is to obtain international support for its proposed policy, introduced in the Far Eastern Commission on April 21, 1949, favoring the progressive resumption by Japan of its normal international responsibilities.

In handing this letter to Mr. Menon, I said that I was inclined to believe that the Government of India tended to agree with the American objective of endeavoring to bring about the progressive resumption by Japan of its international responsibilities. It was my understanding, however, based on various remarks made to members of the Embassy by members of the Ministry of External Affairs that the Government of India was anxious to defend the prerogatives of the Far Eastern Commission and that it, in general, felt that SCAP should make no decisions of importance in the international field without obtaining permission in each instance from the Far Eastern Commission.

Mr. Menon said that he thought that I had stated fairly accurately the position of India. India was interested in the Japan of the future; it desired that Japan should rapidly take its rightful place in the concert of nations; but it wished to retain through its seat in the Far Eastern Commission the right to pass on important decisions of SCAP in the international field.

I said

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Enclosure No. 2 to CONFIDENTIAL Despatch No. 343 dated April 26, 1949 from the American Embassy, New Delhi, India on the subject "Indian Attitude With Regard to the Progressive Resumption by Japan of International Responsibilities".

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-2-

I said that judging from the manner in which the Soviet Union had conducted itself in other commissions we had ground to fear that if SCAP was not permitted a certain amount of discretion in making decisions with regard to the international position of Japan, the Soviet members of the Commission, by the use of obstructive tactics and even possibly through the use of the veto, might frustrate our efforts to obtain our objective, which was the same, I was convinced, as that of India and of most other members of SCAP. It was to be hoped that the Government of India would re-examine the situation carefully and make sure that its interest in preserving the authority of the Far Eastern Commission over SCAP with regard to the carrying out of policy decisions was not playing into Soviet hands and retarding the economic and political recovery of Japan.

Mr. Menon said that my letter to him had arrived at an opportune time since an Indian representative from Japan was at the present time on consultation in the Ministry of External Affairs and it might be possible to go over the whole matter with him. Although Mr. Menon displayed a desire to be cooperative, he was careful to refrain from making any comment which might encourage me to believe that India would reverse what appears to be its present policy in the Far Eastern Commission and support the exercise by SCAP of wider powers in the field of international affairs. He did say, however, that after further discussion he would talk the matter over with me again.

In making my remarks to Mr. Menon I was endeavoring to carry out insofar as my background would permit me the Department's circular instruction of April 22, 1949, 9:00 a.m.

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APR 27 1949
DEPARTMENT OF STATE

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Rec'd April 27, 1949
12:17 p.m.

Office of
FAR EASTERN AFFAIRS
APR 27 1949
DIRECTOR
Department of State

FROM : Paris
TO : Secretary of State
NO : 1696, April 27, 2 p.m.

I took up with Schuman this morning matter set out in circular telegram April 22, 1949, 9 a.m., and he said offhand he was sympathetic to our proposal and he would personally study dossier and discuss it with his subordinates.

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RB:KC

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Rec'd April 27, 1949 4:25 p.m.

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FROM: London

TO: Secretary of State

NO: 1615, April 27, 5 p.m.

DEPCIRTEL April 22, 9 a.m. re US resolution introduced FEC.

Office of FAR EASTERN AFFAIRS
APR 28 1949
DIRECTOR
Department of State

Denying states not satisfied with proposed resolution as does not solve basic problem which is settlement of future of Japan. Japanese will become more and more restless as problems of ex-enemy countries in Europe are settled without settlement Japanese difficulties. One step not enough. Should get at basic problem. However, will put question before interested ministers and inform Embassy later.

DOUGLAS

JSP:HJB

DEPARTMENT OF STATE
JUL 12 1949
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Department of State

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NO. _____

Washington

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London.
July 2, 1949

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A-730 Embassy's comments would be appreciated as to the significance of Mr. Bevin's statement in the House of Commons on June 22 (Hansard, June 22, column 190) in reply to Mr. William Teeling's inquiry as to the steps which His Majesty's Government will take to bring about a peace treaty with Japan without Russian cooperation. Mr. Bevin stated that the "future international status of Japan is now under discussion in the Far Eastern Commission on proposals recently submitted by the United States delegate. The measure of agreement or disagreement in the forthcoming debates will doubtless be a guide to His Majesty's Government's future action on this subject."

United States policy proposal to the Far Eastern Commission (re Dept. Circular telegram April 22, 1949) that Japan be permitted to resume international relationships subject to control of SCAP was for purpose of fulfilling one of the basic objectives of the occupation of facilitating the progressive resumption by Japan of its normal international responsibilities as well as indirectly bringing about normal international relationships. United States policy proposal had no direct relationship to peace treaty negotiations. Apparently Denning recognized the point there was no direct relationship between the two subjects (re urtel 615, April 22).

The United Kingdom statement in the Far Eastern Commission on May 19 on the subject of Japanese participation in international relations was as follows:

"His Majesty's Government in the United Kingdom sympathise with the broad objectives of the United States proposal contained in FEC 339 but they cannot agree to it in its present form because:

(a) it is expressed in such broad terms that it could result in the termination of a state of war with Japan without recourse to the signature of the Treaty of Peace,

(b) there

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Washington

LONDON - A-730, July 2, 1949

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(b) there is no indication in it how Japan is to develop or what her status is to be, and

(c) they cannot agree that the Supreme Commander should be the sole arbiter as to the degree of relationship which the Japanese shall be entitled to maintain with foreign powers outside Japan.

"His Majesty's Government in the United Kingdom would, however, be prepared to give careful consideration to a policy proposal designed to secure a greater measure of Japanese participation in international agreements on a technical level and which would avoid the above points to which they take exception."

For your information the reaction of most FEC countries has been sympathetic to the United States proposal but their views have been generally similar to that expressed above by the United Kingdom representative.

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DEPARTMENT OF STATE

Memorandum of Conversation

Office of
FAR EASTERN AFFAIRS
MAY 2 1949
DATE: DIRECTOR
RECEIVED 27 JAN 1949

SUBJECT: Proposed Policy With Respect to Japanese Participation in International Relations.

PARTICIPANTS: Mr. Max W. Bishop, Chief, Div. of Northeast Asian Affairs
Mr. Harold W. Moseley, Special Assistant, NA
Dr. Tan Shao-hwa, Minister, Chinese Embassy
Mr. J. O. Reuchlin, Minister, Netherlands Embassy
Mr. J. F. Ford, First Secretary, British Embassy
Mr. H. W. Bullock, Second Sec'y., Embassy of Australia
Mr. Ralph E. Collins, Second Sec'y., Embassy of Canada
COPIES TO: Mr. F. H. Corner, First Sec'y., Embassy of New Zealand
Mr. S. N. Banerji, India Delegation, FEC
Mr. Faustina Lozada, Philippine Delegation, FEC

Copies to: NA FE EUR NEA L/P USPOLAD, Tokyo

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Members of the FEC delegations as indicated above were invited in at Mr. Bishop's request in order that he might present to them the proposed policy with respect to Japanese participation in international relations in advance of the formal introduction of the policy in the FEC by the United States. A copy of the proposed policy is appended to this memorandum.

Mr. Bishop explained to the representatives present that it was the feeling of the U.S. Government that since a democratic and responsible Japanese Government has been established, it was now time that the FEC countries should take leadership in supporting the gradual and progressive assumption by Japan of its international responsibilities under the guiding hand of SCAP. He indicated that it is our view that a realistic approach to this matter is now necessary in view of the peace treaty delay and the lapse of almost four years time since the surrender of Japan. Mr. Bishop pointed out that SCAP has informed the United States that such a policy will further his objectives in the occupation of Japan.

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He invited attention to the FEC Basic Post-Surrender Policy in which the FEC countries agreed to help Japan develop economic and cultural intercourse with other countries and bring Japan into permanent peaceful relationship with all nations. He also pointed out that one of the ultimate objectives agreed upon in this FEC policy was to establish a democratic and peaceful Japanese Government which would carry out its international responsibilities and would respect the rights of other states. Mr. Bishop went on to point out that the proposed policy was in line with the aforementioned FEC Basic Post Surrender Policy.

The reaction of the representatives present was in general one of reserve regarding the details of the proposed policy but was favorable to the principle of allowing some resumption of Japanese participation in international relations. They all indicated, however, that it would be necessary for them to obtain the views of their governments before they could discuss the proposal in the FEC. Mr. Bishop emphasized that we of course did not expect them to be able to express more than their personal views before hearing from their governments.

Some of the representatives present said that the proposed policy raised several legal questions in connection with an exchange of official representatives between Japan and other countries. Mr. Bishop indicated that it was our hope that the subject would not be approached from the standpoint of legal technicalities, but rather that it would be accepted from the standpoint of the broad political implications of the situation in Japan and in the world at large. He emphasized that the proposal was purposely drafted in very broad terms, and that it should be born in mind that before Japan participates in international relations she must (1) be invited to enter into such relationships, (2) SCAP must approve, and (3) SCAP must consider such participation to be in the interests of the occupation.

Mr. Bishop said that Japan needed the benefits and guidance of direct contacts with other governments and people, and furthermore other countries would benefit by gaining a direct knowledge of the new Japan.

He

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