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FAR EASTERN COMMISSION

Transcript of 165th Meeting of the Far Eastern Commission
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.
Thursday, September 22, 1949

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

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CONFIDENTIALFAR EASTERN COMMISSION

Transcript of 165th Meeting of the Far Eastern Commission
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.
Thursday, September 22, 1949

Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
Mr. D. McNicol	(Australia)
Mr. R. S. Collins	(Canada)
His Excellency Dr. W. K. Lee	(China)
Mr. J. Daridan	(France)
Mr. P. Vaidyanathan	(India)
Mr. O. Reuchlin	(Netherlands)
Mr. G. R. Laking	(New Zealand)
Mr. S. P. Lopez	(Philippines)
Mr. V. I. Bazykin	(U.S.S.R.)
Mr. J. F. Ford	(United Kingdom)

Secretary General

Mr. Nelson T. Johnson

Reporter: Mr. R. Holtz, Department of State--FEC

Return to Dr. Blakeslee
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(The 165th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:40 A.M., 22 September 1949, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Good morning, gentlemen. I notice that a number of our ambassadors are absent and for the next couple of months I imagine that this will be more or less the representation while the ambassadors are at the United Nations.

ITEM 1 - CORRECTION AND APPROVAL OF PROVISIONAL MINUTES OF 164th MEETING

GEN. MCCOY: The minutes of the last meeting are before you. I understand the Secretary General has some corrections and will state them now, the session being open for business.

MR. JOHNSON: Mr. Chairman, at the request of the Soviet representative, two corrections:

On page 8, paragraph 59, line 4, between the words "particularly the question" and the words "of labor policy" insert the following: "of the levels of economic life in Japan and the question", so that the phrase reads as follows: "particularly the question of the levels of economic life in Japan and the question of labor policy in Japan".

On the same page, paragraph 59, line 14, the word "If" at the beginning of the sentence should be "It".

GEN. MCCOY: That will be made a matter of record.

Are there any other corrections, gentlemen?

(No response)

GEN. MCCOY: If not, the minutes will be made a matter of record in the usual way.

ITEM 2 - RESTITUTION OF LOOTED PROPERTY (FEC-011/55, FEC-011/51)

GEN. MCCOY: The Restitution of Looted Property is the next item on the agenda, having reference to FEC-011/55 and FEC-011/51.

FEC-011/55 is a statement and proposal submitted by the Philippine representative on the 15th of September. The Philippine representative noted that, under paragraph 8 of the FEC-011/51 policy paper, the existent policy decision on the subject, the 1st of October 1949 is set as the date for the distribution of the proceeds from the secured funds of unidentified looted property. The Philippine recommendation is that this date be extended to the 1st of January 1950 and that an ad hoc subcommittee composed of representatives of the seven recipient countries undertake to prepare a recommendation to the Commission regarding final disposition of the secured fund in question. I believe that suggestion of the Philippine delegate has been followed and a meeting of an ad hoc committee of those interested Powers was held.

I think Mr. Thresher was the Chairman who called the meeting. I would be very glad if he would give us a background of information.

MR. THRESHER: Mr. Chairman, at the meeting we considered not only the subject of the date, which was raised at the last meeting of the Commission by the Philippine representative, but also the question of the procedure for dividing funds. The present policy provides that it shall be divided according to national reparations shares but, of course, there are no such shares, and the meeting considered the question of whether it would be desirable to amend the policy in such a way as to permit the representatives of the seven countries concerned to arrive at an agreement on shares among themselves. A tentative draft was worked out at this meeting but so far it is not possible, I think, to put forward any amendment officially because a certain amount of consultation will be necessary before that can be done. Of course, if any member wishes to do so it can be done now, naturally.

GEN. MCCOY: Was there any recommendation to the Commission as to the deferment of the date itself?

MR. THRESHER: Well on that subject we had some information from

a United States member. It was not, of course, an official gathering but a United States representative was kind enough to come along in order to give us some information. I think it is permissible for me to raise this at this meeting. He told us that it was unlikely that SCAP, if the liquidation were carried out in an orderly fashion, would be able to complete the process before the 1st of April next year, 1950. The meeting therefore considered the possibility of changing the date to the 1st of April 1950 and I think it is mainly on that point that we need to get some instructions. In the circumstances it would seem to be quite reasonable because I think the process of identifying loot has not yet been entirely completed and it's obviously impossible for the Supreme Commander to complete the liquidation until the process of identifying loot has been carried out. We would want a certain amount of time after that, and I think it was the general feeling of the meeting that such a date as the 1st of April 1950 would be quite reasonable in the circumstances.

GEN. MCCOY: Thank you very much.

MR. LOPEZ: Mr. Chairman, in view of the fact that the date of expiration is October 1 and our next meeting will be on the 29th of September, that is to say, two days before the expiration date, it may be well to raise the problem before the Commission. I am not sure whether it is the intention of the informal group to propose a joint amendment to paragraph 8, but in view of the fact that the group was not able to arrive at such a joint proposal I would like, if I may, to facilitate the work of the Commission by concretely proposing on behalf of the Philippine delegation a formal amendment to paragraph 8. This amendment would be to the last two sentences of that paragraph and reads as follows:

"The secured fund should finally be distributed among the countries herein specified in accordance with a schedule of shares to be agreed upon among themselves,..."

The phrase there "a schedule of shares to be agreed upon among themselves" would replace the phrase in the policy decision "in accordance with the percentage mentioned above".

"...payable in United States dollars or, at the discretion of the Supreme Commander for the Allied Powers, in foreign exchange acceptable to the recipient countries concerned. The secured fund shall be made available for distribution to the recipient country not later than 1 April 1950."

The second amendment would be to the date as already stated by the representative of the United Kingdom.

I therefore move this formally before the Commission in the hope that in the one week remaining before our next meeting the members of the Commission will find it possible to come to an agreement upon these two amendments.

GEN. MCCOY: Is there any further comment, the resolution being before the Commission for action? In view of its being presented today, I join in the hope that the Commission can act together next week in enabling the matter to be deferred as suggested.

Is there any further comment on the resolution as presented by the Philippine delegate this morning?

DR. LEE: Mr. Chairman, my delegation welcomes the splendid effort made by the Philippine delegation and we are gratified with the report made by Mr. Thresher on the deliberations made during an informal meeting of the seven Powers. I understand though that the informal discussion which took place last Monday was not the first meeting of the ad hoc committee. The ad hoc committee was proposed by the Philippine delegation last week as a part of their proposal for a solution of the problem and, pending the approval by the Commission of his proposal, I think the ad hoc committee has not come into existence. Therefore, technically speaking, I do not object to the meeting--and I do wish we could meet even before October 1st--

but technically speaking it was not an ad hoc committee.

Now I think there are two aspects involved in the whole question. In this connection I certainly appreciate the expression made by the head of the United States delegation, General McCoy, both here and in his letter to me, that the United States delegation is anxious to see a prompt and fair solution of the problem. These two aspects are: one, the method and procedure with which we aspire and hope to reach a solution--equitable, fair and prompt solution of the problem which is pending before us, and, second, a dateline, the present of which will expire October 1st. So I think there is a consensus of opinion--agreement--among the members of the Commission that in view of the necessity of extending the date beyond October 1st, because we have not reached any agreement with reference to the division of the secured funds on our part, and also in view of the fact that General MacArthur expressed very explicitly, as reported by Mr. Thresher and as embodied in the letter written by General McCoy to me by way of replying to my earlier inquiry, that it was impossible for SCAP to liquidate the property in his custody before April 1st... So I don't know whether we could at this meeting tentatively agree upon the principle and necessity of extending the date beyond October 1st pending a more thorough discussion of the method and means of reaching agreement and take up the matter next week. This is no concrete proposal; it is a suggestion which is intended as a matter of facilitating a speedy, satisfactory solution of the whole matter.

With reference to the committee, I don't know whether it should be an ad hoc committee or what kind of committee--the name doesn't matter--but there is one thing I think is very important. I would like to see that a member of the United States delegation could participate and even preside over the meeting of the seven Powers. I recall that in Tokyo in the Restitution Advisory Committee there is always a member of the United States delegation participating just

for the purpose of facilitating progress and reaching a speedy agreement and, furthermore, also because of the fact that the United States is the principal occupying Power. I don't know whether this suggestion will meet with the approval of the Commission. If it does I hope that the United States delegate will preside over the next meeting whether it is formal or informal and that a meeting will take place the next few days before we meet next Thursday, so that perhaps we can work out some formula for discussion and for final approval at this level next Thursday.

GEN. MCCOY: Well the United States is not concerned in this division beyond a helpful attitude in meeting the situation. Certainly the formal resolution would seem to me to meet the situation for the present, that is as regards the deferment of the date, and I should hope that we would be prepared to pass on that next week. The procedure for the division of the proceeds of these funds is a question that might carry on or might be considered at the same time as a separate suggestion and one that I would be very glad to hear the other interested Powers express their opinion on.

MR. REUCHLIN: Mr. Chairman, could we have the Philippine proposal distributed perhaps, because I don't think I can comment on it until I have seen it typed out.

GEN. MCCOY: Yes. It is being copied now and will be circulated in a few moments.

MR. LOPEZ: Mr. Chairman, I proposed during our last meeting that an ad hoc subcommittee might be created. I had thought that the subcommittee might come to a common text for an amendment. But, as I stated in my previous statement, that has not occurred, and so I thought we might save time if we could put the two amendments together. I agree entirely with you, sir, that if the Commission should not be able to reach agreement as to the method of distribution we could at least during our next meeting--

GEN. MCCOY: Yes. I think that is the pressing point.

MR. LOPEZ: --agree on the date.

MR. FORD: Mr. Chairman, I should just like to say that we welcome the introduction of this motion by our Philippine colleague. We notice that it's divided into two sentences. The first one says that, "The secured fund should finally be distributed among the countries herein specified in accordance with a schedule of shares to be agreed upon among themselves...". The United Kingdom can agree to that and I am able to say that this morning. The second sentence says that, "The secured fund shall be made available for distribution to the recipient country not later than 1 April 1950". Now on the question of the date I think we shall be able to agree but we just haven't had time to consult the Foreign Office, and so on that point of the date I would like to make a reservation at this morning's meeting. But I expect that we shall have a position by next week.

GEN. MCCOY: Does that in a sense express the position of the other interested Powers?

MR. DARIDAN: I think so, Mr. Chairman. I have not yet received instructions from my Government and although I presume that we will be able to agree with the Philippine proposal I would rather wait one more week.

GEN. MCCOY: Yes. Well I would hope that we will take action next week. In the meantime we will go ahead with the agenda and the formal resolution of the delegate from the Philippines will be circulated here at the table in a few moments.

ITEM 3 - FISHING AND AQUATIC INDUSTRIES IN JAPAN (FEC-271/25)

GEN. MCCOY: The Steering Committee has forwarded to the Commission a paper that has been in the working committee and in the Steering Committee for a very considerable time. It is an important paper and will require considerable consideration. Possibly, before we discuss the matter at all, it might be helpful, as it always is,

to call on the Chairman of the Steering Committee to give us a little information on the background in the Steering Committee. Would you be able to do that now, sir?

MR. REUHLIN: Mr. Chairman, it is very kind of you to give me an opportunity to comment on this paper which came to the Steering Committee, but I wonder whether we can hardly call this paper sort of "newly born" and when I look around the table I see more or less all the members of the Steering Committee present who know its history, which is a long history, as well as I do.

The main difficulty has been centered around paragraph 2 b. Paragraph 2 a having limited the area where the Japanese are allowed to fish, we come in 2 b to a paragraph where the Supreme Commander gets authorized to expand that area mentioned in paragraph 2 a and the moment the extension involves the interest of any member country that country should be consulted and prior authorization shall be obtained. There was a phrase added to that paragraph which said that if the Supreme Commander could not come to an arrangement with the interested Power the Far Eastern Commission should take up the matter and settle the difficulties. That was taken out the meeting before the summer recess when the United States thought that the Far Eastern Commission should not have that final decision. After long discussion the United States came up with another proposal which left the final decision entirely in the hands of the Supreme Commander. Certain objections were raised to that procedure because it was thought that the country involved should have the final decision, and I think the difficulty has been centering around that question of who finally is going to decide whether an expansion is possible.

As is seen from the vote, the United States voted against, the Soviet Union voted against for other reasons, and also the Chinese representative voted against. I'm not quite certain for exactly what reasons the Chinese delegation voted against this paper, but of course our Chinese colleague will perhaps explain that. The United

States position was quite clear. That's all I have to say, Mr. Chairman. The rest of the paper speaks for itself.

But I may say that it has been stressed for many months that there is a certain urgency and I think the United States also would welcome a speedy decision on this matter. I think we all would.

GEN. MCCOY: Is there any other comment this morning on this fishing paper?

MR. VAIDYANATHAN: Mr. Chairman, as the Chairman of the Steering Committee just said, I'm not quite sure myself why China voted against this motion. I wonder whether the Chinese delegate would explain?

GEN. MCCOY: I will declare a recess for five minutes.

(The meeting recessed at 11:10 A.M.)

(The meeting reconvened at 11:15 A.M.)

DR. LEE: Mr. Chairman, I think Mr. Reuchlin, being the Chairman of the Steering Committee, is better informed than I am, with reference to the objection of the Chinese delegation.

GEN. MCCOY: Just wait one moment, please. The session will be resumed and I will ask the Chinese delegate, if he wishes, to give us further information as to the queries of the reasons for the Chinese vote against the paper.

DR. LEE: I think Mr. Reuchlin is better informed than I am of the reasons why the Chinese delegate at the Steering Committee could not see his way to agreeing--upholding--approving the recommendation. I'm not today prepared to make a systematic statement on the position of the Chinese delegation. I may do that next time. But I would like to give the important reasons why the Chinese delegation did not vote for the recommendation at the Steering Committee.

Now we voted against this recommendation not only because of paragraph 2 b but also because of paragraph 2 a. I would like to dwell upon the objection we have to the present text of paragraph 2 a first and then answer Mr. Reuchlin's query about our position on 2 b.

We recall that for a number of months there was before the Steering Committee a text of paragraph 2 a which had been worked out among all delegations and with the full approval of the United States delegation and a line was fixed not so wide and broad as the line suggested by the present text of paragraph 2 a. That was before the Steering Committee for a long time and we took for granted that that would be the basis for discussion. Then, all of a sudden the United States delegate at the Steering Committee came along and said that due to oversight on their part this line was too narrow for the Japanese fishing interests and proposed to extend the line--a wider one--toward the eastern coast of China. We couldn't agree to that. We thought that the first proposal and agreed upon line embodied in the original paragraph 2 a text--agreed to by the United States delegation and other delegations--should be the basis of discussion and we don't see the reason why the United States delegation should change around and take a different attitude and stand at the expense of the Chinese maritime interests. That is one thing. Even today I still cannot reconcile myself with the view of the United States delegation. So much for the first point, paragraph 2 a.

As to paragraph 2 b, Mr. Reuchlin and other delegates may also recall that we put forth certain amendments with reference to paragraph 2 b, but these recommendations--proposed recommendations were not accepted. That is all right. That is give and take. But we made it clear that even though we tried our best to accept the present text as it is, still we could not accept the proposed interpretative understanding made by the United States delegation. We think that is too much for us to agree to because if we accept that understanding the final say would rest with General MacArthur or with the United States Government. We still thought that the final say should be reserved for the Far Eastern Commission or, if not, should be a matter to be negotiated by the SCAP and the government concerned or

by the United States Government and the government concerned. For this reason we cannot support the majority view and we voted against the recommendation.

Is Mr. Reuchlin satisfied with my preliminary explanation?

MR. REUCHLIN: Yes, thank you.

GEN. MCCOY: Any other comments this morning on the fishing paper?

MR. BAZYKIN: Mr. Chairman: "During the consideration of the proposed policy decision on Japanese fishing in Committee No. 2 and in the Steering Committee, the question of the principle of further extension of the Japanese fishing area has been subjected to a lengthy discussion.

"There is no doubt that all countries represented on the Far Eastern Commission are interested in this question which is of extremely important political nature since it involves security problems. Throughout the whole period of discussions, the Soviet delegation proceeded from the position that the question of further extension of the Japanese fishing area, as a question of policy, should be decided by the Far Eastern Commission. It should be noted that the majority of the delegations favored this principle, but it was not adopted because of the opposition to this principle on the part of the United States delegation which seeks to ensure that the question of further extension of the Japanese fishing area be left fully at the discretion of the Supreme Commander.

"The Soviet delegation has repeatedly stated that it cannot agree with handing this important question of policy over to the discretion of the Supreme Commander and that it would not be able to support the paper under consideration as a whole if the general principle of extending the Japanese fishing area by the decision of the Far Eastern Commission is not restored in the paper. / The Soviet delegation states that its position on this

question remains unchanged.

"Proceeding from the above, the Soviet delegation submits for the consideration of the Commission an amendment to paragraph 2 b of FEC-271/25 and propose that this paragraph be worded as follows:

'No extension of Japanese fishing or other commercial aquatic activities beyond the foregoing area should be permitted without prior authorization by the Far Eastern Commission'."

Mr. Chairman, in connection with the discussion of this question in the Commission, I would like to draw the attention of the members of the Commission to a press report which appeared in today's issue of the "New York Times". It is stated in this report that General MacArthur gave the Japanese another huge expanse of the Pacific Ocean today for fishing. This report is concerned with a large expansion of the Japanese fishing area. The Commission hasn't been informed of this action of General MacArthur and I would like to hear from the United States representative whether this report is true.

GEN. MCCOY: Well I don't know. I haven't seen the report myself. But I will take into consideration the question of the Soviet delegate and also his proposed amendment which we will have circulated.

MR. MCNICOL: Mr. Chairman, I should like to express my Government's position with regard to paragraph 5 of FEC-271/25. As this paragraph now reads:

"Nothing in this paper shall be interpreted to apply to Japanese whaling activities, which are regarded as a separate matter."

it is susceptible of the interpretation that the Japanese need not apply conservation measures to the whaling industry. We know that such an interpretation would not be placed on this paragraph by members of the Commission but it would be quite understandable if

the general public reached such a conclusion on reading this policy. It seems quite unnecessary to us to include a specific reference to whaling in this paper. But if it is the wish of the Commission that it be made clear that this paper does not refer to Japanese whaling activities, a better procedure in our opinion would be to include a statement of understanding in the record at the time of the adoption of this paper to the effect that this policy is without prejudice to a position of the several member countries of the Far Eastern Commission regarding Japanese whaling, which is deemed to be a separate question. The inclusion of paragraph 5 in this document, sir, is therefore not acceptable to my Government.

GEN. MCCOY: Is it the wish of the Commission that further consideration be given this paper before bringing it to a vote?

MR. LOPEZ: Mr. Chairman, the Philippine delegation abstained in the Steering Committee when the vote was taken on this much controverted point on paragraph 2 b. The reason for the abstention was the fact that in the view of my delegation there seemed to be a contradiction between the clear text of paragraph 2 b and the interpretation that has been placed on it by the United States in its statement of 24 May 1949. The Philippine delegation, sir, has expressed its views in committee regarding this proposed policy and it is hardly necessary to recall at this time that the views of my Government are the natural outcome of our experience with Japanese fishing activities before the war and even as recently as a few months ago. Last May, thirteen Japanese fishermen using a motor launch of foreign registry were caught in the vicinity of Itbayat and Mayadis of the Batanes Group in the northernmost part of the Philippine Archipelago. The Commission, therefore, will understand why we are concerned over any proposal to extend the area for Japanese fishing. Our concern does not arise from fanciful fears but strictly from previous actual experience.

My delegation could have accepted paragraph 2 b of the paper now before the Commission were it given the interpretation

which in our view seems to be the logical and natural one. As the paragraph stands in the paper before us we have been inclined to regard it as affording every necessary safeguard for the security of the countries that might be directly affected. This safeguard will appear to be adequate provided, first, the clause "The Supreme Commander for the Allied Powers may, subject to security considerations" were to be interpreted as meaning that SCAP's power is permissive by virtue of the word "may" and that it would be subject to the security requirements of the countries members of the Far Eastern Commission that are directly affected. This, sir, would seem to be the natural interpretation since the clause "security considerations" cannot possibly refer to Japan itself but only to the countries that would be directly affected by the extension of the fishing area. An additional safeguard would seem to be provided in the last clause of paragraph 2 b "prior authorization shall be obtained by SCAP from such country", "shall be obtained" meaning that the authorization is mandatory upon SCAP and that it shall be secured prior to enforcement of the extension of the area from the interested country. However, sir, in view of the United States statement of 24 May 1949, it would seem that as it stands it is liable to misinterpretation.

My delegation notes in the penultimate sentence of the second paragraph of that statement: "In such an improbable, but yet possible, situation", that is to say if SCAP and the interested country should not agree, "if SCAP could not through negotiation secure a modification of the position taken by the member nation, he would be forced to exercise the discretion implied in paragraph 2 b of the policy decision...", and then would do as directed and subject only to the review of his action by the Far Eastern Commission at a later date. This, sir, in the view of my Government gives an entirely new complexion to paragraph 2 b, since, in our view, as it stands and provided we use the normal methods of interpretation, it could provide the guarantees many of the countries around this table seem to be

looking for. In view, however, of the possibility that the meaning of paragraph 2 b as we understand it might be enforced in a manner different from our understanding of it, the Philippine delegation would be obliged to refrain from giving support to this paragraph.

DR. LEE: Mr. Chairman, it is our opinion that in view of the complexities and the technical aspects of the question and other important considerations, it might be better to defer action on the paper so as to allow us more time to study it. In the meantime I would be very grateful to you, sir, as the chief of the United States delegation, if you could explain to me the reasons why your delegation voted against this paper. So far as I can see your delegation has secured practically all the points you have desired with that addition of the understanding, and yet your delegation at the Steering Committee voted against this paper. Now, in doing this, I must say I am following in the footsteps of Mr. Reuchlin just out of a matter of curiosity.

GEN. MCCOY: I take it then it's the wish of the members to continue this matter on the agenda of the Commission rather than send it back to the Steering Committee for further consideration.

MR. BAZYKIN: Mr. Chairman, I would like to inform the Commission that at the last meeting of the Steering Committee on September 20 the Soviet representative made an inquiry of the United States representative and asked that the United States representative supply the Commission with the full text of the conservation program developed by General MacArthur, the development of which program was reported in FEC-271/18. It was the press release of the State Department. Since this question was referred by the Steering Committee to this Commission, I would like to remind you of this request of the Soviet delegation.

GEN. MCCOY: I am informed that my Government is conscious of this query and the information will be furnished as requested. Item 3 will remain on the agenda.

ITEM 4 - a LEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; /35, /37, /38)

- b LEVEL OF ECONOMIC LIFE IN JAPAN; POLICY TOWARDS SHIP-BUILDING AND SHIPPING (FEC-297/10)

GEN. MCCOY: On the 15th of September the Soviet representative presented FEC-242/38 wherein he noted that the provisions of FEC-084/21 on maximum productive capacity in war-supporting industries expire on 1 October 1949, and that the Commission should therefore either adopt a new policy decision or, if this cannot be done by the 1st of October, should extend the applicability of paragraph 9 b of FEC-084/21. My Government has directed me to make the following statement in reply to my Soviet colleague:

"At the last meeting of the Commission my Soviet colleague read a statement urging that, in view of the approach of the October 1, 1949, terminal date for the applicability of paragraph 9 b of FEC-084/21, Reduction of Japanese Industrial War Potential, the Far Eastern Commission should take policy action prescribing new maximum permissible levels of capacity in the industries named in that paragraph or, failing such action before October 1, should extend the period during which paragraph 9 b should continue to apply.

"I am authorized to state that in the view of my Government the Far Eastern Commission should not take any policy action which would have the effect of imposing limitations upon Japanese peaceful industrial capacity, nor should it extend the date in question. In my statement of May 12 on the general subject of Japanese industrial reparations I gave notice that my Government continued to respect the legally binding effect of Far Eastern Commission policy with respect to reduction of Japanese industrial war potential, including the provision contained in paragraph 9 b. The effect of paragraph 9 b, however, will lapse on October 1. There is no need, in our view, to renew or extend it. On May 12 I further announced that, in accordance with Far Eastern Commission

policy direction, all specialized war-making industrial facilities in Japan had been destroyed by SCAP. So-called 'primary war facilities' have been impounded and, wherever feasible, converted to peaceful production. 'War-supporting industries' are, up to the practical limits of raw materials, credit and other availabilities and effective domestic and foreign demand, entirely devoted to peaceful productive activity.

"For the above reasons my Government perceives no advantage to the policy actions proposed by my Soviet colleague and, on the contrary, considers them inimical to the objective of Japanese peaceful economic revival."

That will be circulated, gentlemen, as the position of the United States.

MR. BAZYKIN: Mr. Chairman, today the Soviet delegation intends to move formally the proposal which is in line with the statement made at the last meeting of the Far Eastern Commission. The Soviet delegation introduces the following formal proposal:

"The Far Eastern Commission decides as a matter of policy that the provisions of paragraph 9 b of the Far Eastern Commission policy decision 'Reduction of Japanese Industrial War Potential' (FEC-084/21) regarding productive capacity maxima in war-supporting industries, are hereby extended until the adoption by the Far Eastern Commission of a decision on the level of economic life in Japan."

GEN. MCCOY: The motion of the Soviet representative is before the Commission for your consideration. Is there any comment this morning on this motion? What are your wishes, gentlemen, with respect to it?

MR. VAIDYANATHAN: Mr. Chairman, I wonder whether this motion could be postponed until next week because it still will be in September next week? I wonder whether the Soviet delegate - I just want to get instructions on this question.

GEN. MCCOY: If that is the wish of the Commission, it will be postponed and brought up for formal vote in view of the approach of the deadline of October 1st at the next meeting of the Commission. If there is no objection, that will be done and the matter will be put on the agenda of the next meeting.

- ITEM 5 - JAPANESE PARTICIPATION IN INTERNATIONAL RELATIONS (FEC-339, /2, /3, /5, /6, /7, /8, /9)
- ITEM 6 - JAPANESE MEMBERSHIP IN INTERNATIONAL CONVENTION OF TELECOMMUNICATIONS (FEC-334, /1, /2, /3, /4, /5, /6)
- ITEM 7 - LABOR POLICY IN JAPAN (FEC-318/20, /22, /24, /25, /26, /27, /28, /29)
- ITEM 8 - JAPANESE REPARATIONS AND LEVEL OF INDUSTRY (FEC-340, /2, /1, /3, /4, /5, /6, /7)
- ITEM 9 - REPORT OF COMMITTEE NO. 1 TO THE F.E.C. REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)
- ITEM 10- REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5; /6, /7, /8, /9, /10)
- ITEM 11- ECONOMIC STABILIZATION IN JAPAN

GEN. MCCOY: I have nothing new on the other matters on the agenda this morning, gentlemen. Have any of you any comments or statements?

(No response)

GEN. MCCOY: If not, we will proceed to other business.

ITEM 12- OTHER BUSINESS

MR. BAZYKIN: Mr. Chairman, under other business I have an inquiry to make.

a. Soviet Inquiry re Elimination of Excessive Concentration of Economic Power in Japan

MR. BAZYKIN: On August 3, 1949, SCAP Headquarters issued a statement to the effect that the dissolution of large industrial corporations and the elimination of ██████ excessive concentration of economic power in Japan had, allegedly, now been completed. In this connection the Soviet delegation considers it necessary that the Supreme Commander provide the Far Eastern Commission with information regarding the results of the implementation of

the program for the dissolution of large industrial corporations and the elimination of excessive concentration of economic power in Japan.

"It is desirable that the following questions be clarified in the information:

a. What large industrial and banking corporations of the Zaibatsu have been dissolved? The aggregate capital of the dissolved companies placed at the disposal of the Holding Company Liquidation Commission?

b. The amount of shares already distributed and the principle upon which these distribution was based.

c. The amount and value of shares of the dissolved companies acquired by foreigners or foreign companies and specifically by which foreign companies.

d. Which foreign firms have already drawn out business contracts with Japanese companies?

e. How many large industrial and banking companies included in the category of 'restricted companies' were subjected to deconcentration in each branch of industry and the names of these companies.

f. The result of the purge in economic and financial organizations provided for in Part IV, paragraph 2 a of the policy decision of the Far Eastern Commission FEC-014/9, Basic Post-Surrender Policy for Japan.

"Besides that, the Soviet delegation deems it desirable that the members of the Far Eastern Commission be provided with the full text of the report of the deconcentration review board submitted to the Supreme Commander, according to the 'New York Times' report of August 4, 1949."

GEN. MCCOY: Well I think a good deal of that information has been currently reported to the Commission. I would have to check up on it, and I will. It's quite a formidable lot of questions that

covers the action of the occupation during the past four years. I also am unfamiliar with these newspaper reports that seem to stir up such interest. However, that's the usual source of our misinformation nowadays, so I'll have to check up on it. I'm glad, however, that the Soviet representative seems to have picked out the "New York Times" which carries a certain weight.

(The Chairman consulted briefly with the Secretary.)

GEN. MCCOY: Mr. Minister, the Secretary informs me that he has been informed that there is a much fuller report than those I indicated that have been coming from time to time, now in channels to come to the Commission, and possibly when we get that we will find that most of your questions have been answered. At any rate we will check up very carefully on it for you.

Any other new business this morning, gentlemen, or other business?

(No response)

GEN. MCCOY: There seems to be none. We stand adjourned.

(The meeting adjourned at 11:55 A.M.)

CONFIDENTIAL

166

FAR EASTERN COMMISSION

Transcript of 166th Meeting of the Far Eastern Commission

Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.

Thursday, September 29, 1949

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

CONFIDENTIAL

CONFIDENTIALFAR EASTERN COMMISSION

Transcript of 166th Meeting of the Far Eastern Commission
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.
Thursday, September 29, 1949

Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
Mr. D. McNicol	(Australia)
Mr. R. E. Collins	(Canada)
His Excellency Dr. W. K. Lee	(China)
Mr. J. C. Winckler	(France)
Mr. B. R. Sen	(India)
Mr. G. J. Jobsis	(Netherlands)
Mr. G. R. Laking	(New Zealand)
Mr. S. P. Lopez	(Philippines)
Mr. V. I. Bazykin	(U.S.S.R.)
Mr. J. F. Ford	(United Kingdom)

Secretary General

Mr. Nelson T. Johnson

Reporter: Mr. R. Holtz, Department of State--FEC

(The 166th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:35 A.M., 29 September 1949, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Good morning, gentlemen.

Before proceeding to the consideration of the minutes, I would like to welcome Mr. Sen back after too long an absence from our board.

ITEM 1 - CORRECTION AND APPROVAL OF PROVISIONAL MINUTES OF 165th MEETING

GEN. MCCOY: The minutes of the preceding meeting are before you for the usual consideration, and the Secretary General has some typographical correction to call to your attention.

MR. JOHNSON: Mr. Chairman, on page 4 of the minutes of the 165th meeting, paragraph 24, fifth line, the second word in that line should read "proceeded".

GEN. MCCOY: Are there any other corrections or changes desired, gentlemen?

(No response)

GEN. MCCOY: Apparently not, and the minutes will be made a matter of the usual procedure.

ITEM 2 - RESTITUTION OF LOOTED PROPERTY (FEC-011/55, /56, /57, /51)

GEN. MCCOY: Our first article on the agenda has reference to the Restitution of Looted Property of the FEC-011 series. The Philippine representative noted that under paragraph 8 of FEC-011/51, the existent policy decision on the subject, the 1st of October 1949 is set as the date for the distribution of the proceeds from the secured fund of unidentified looted property. Following informal discussions amongst the representatives of the recipient countries, the Philippine representative at the last meeting offered a motion, contained in FEC-011/56 (as corrected by FEC-011/57), whereby the

proceeds of the secured fund should be distributed among the recipient countries in accordance with a schedule of shares to be agreed upon among themselves, and whereby the date for distribution from the secured fund should be extended to the 1st of April 1950.

I don't remember any objections to that. However, I would be very glad to hear any comments or suggestions in furtherance of the discussion of last week. There is no objection on the part of my country to this desired extension. The motion, if there is no comment, in FEC-011/56 as corrected in FEC-011/57 is before you for your action.

DR. LEE: Mr. Chairman, as members are aware, this is the last Far Eastern Commission meeting before October 1st. It is therefore a matter of urgency that the Commission should agree to an extension of the date of distribution of the secured fund pending a thorough discussion of the method and means of its division.

As regards the Philippine proposal to amend paragraph 8 to the effect that the distribution schedule should be agreed upon among the seven countries directly concerned, we are still waiting for instructions and consequently are not in a position to vote on it. In the meantime it may be highly useful to hold informal meetings or diplomatic consultations among the seven interested countries with a view to exploring the problem. As I said at the last meeting, in view of the valuable services that the United States representative has rendered to the Restitution Advisory Committee in Japan, it will be most helpful if the United States member would participate in such consultations and discussions.

GEN. MCCOY: I take it then that you wish the matter postponed and further consideration given by the recipient countries, and make the request that a United States representative sit in with this group?

DR. LEE: Yes, sir. I agree fully with the wisdom of extending the date because we are compelled to do so. But, as to the method and means by which we shall be able to arrive at an equitable and

prompt solution of the problem, I think it would be better for the seven countries to talk it over first before we formally amend a policy decision which was passed and approved by the Commission two or three years ago.

GEN. MCCOY: Well possibly the Philippine delegate could reframe his motion to cover just the extension of the period and that the other problem be considered at leisure by the group concerned.

MR. LOPEZ: Mr. Chairman, in fact, what our Chinese colleague is interested in seeing us do is to postpone action on the first part of the Philippine proposal and for the Commission to act only on the last sentence of the proposal. My delegation appreciates the problem of the Chinese delegation in this regard and would have no objection to splitting this proposal into two parts. If it is our wish to do so, before agreeing to a postponement of action it might be well for us to hear the views of other delegations.

MR. JOBSIS: Mr. Chairman, the Netherlands delegation is very interested in the point of view of the Chinese colleague. Nevertheless my country is very much in favor of the proposal before us as it is which means that two things hang together. However, if this proposal should be split up, we couldn't vote for the date of the 1st of April 1950; we would in that case prefer a date of, let us say, the 31st of December 1949. We think that it would be an inducement--which we hope would not happen, if only the last part of the proposal, that is the date, would be accepted here; we would rather prefer to have an extension of time until, for instance, the 31st of December in order to have an inducement to have before that time a real good, sound proposal as we consider this proposal to be. That is our opinion.

MR. WINCKLER: Mr. Chairman, I think that the Philippine motion does not prejudice of the method of distribution and we would be prepared to vote in favor of the proposal as it stands now in FEC-011/55. We prefer it not be split up.

MR. FORD: Mr. Chairman, we feel that the chief merit of this proposed amendment is to let the seven looted countries negotiate the shares between themselves. It doesn't prejudge, as the French colleague said, the method by which they do that. We don't think that the date is of any great significance, and since we do think that the merit is to let the seven looted countries agree between themselves we would prefer to see the motion stay as it is and not be separated.

MR. SEN: Mr. Chairman, I am inclined to agree with what the United Kingdom delegate has just said. The real point of this amendment seems to be the first part and that is that the secured fund should be distributed among the seven looted countries by an agreement among themselves. The date is not of very great importance. This amendment as it is drafted does not lay down what the method of distribution should be; it merely says that it should not wait for an agreement on the national reparations shares but on this specific issue there should be agreement among the seven countries concerned. So I think that it would be logical for us to support this amendment as it stands without any further change.

MR. MCNICOL: Mr. Chairman, the Philippine amendment as it now stands is quite acceptable to my Government and we prefer to have it as it now is. However, if the other members of the Commission wish just to deal with the date on this occasion we would be quite happy to go along with our Chinese colleague. Thank you.

GEN. MCCOY: In view of these comments, Dr. Lee, would it be-- It seems to me that it is an opportunity to settle a moot question which might drag on a good while over little differences of opinion. Here is an opportunity to settle it without committing as to details. Possibly you could abstain from voting in view of your instructions.

DR. LEE: That is, by abstaining from voting we are indicating acquiescence? In that case I think I would have to vote against it, because it is our view that no matter how meritorious the present

Philippine proposal is yet it is a tremendously distinct departure from an old policy and old practice, so much so that unless we seven countries, with the United States delegation participating, have discovered some just, equitable formula by which we hope to settle this problem, we, in my opinion, should not venture to amend a policy which we have adopted.

As to the extension of the date, I am fully in agreement with the Philippine delegation and other delegations. I am not opposed to the commencement of discussion and deliberation at once among the seven countries concerned; I am strongly in favor of it. I hope that discussion would take place at once and with the United States participating, and I also hope that the discussion and deliberations among the seven countries will result in some tangible solution in a few days. But before they reach some basis for discussion and for distribution I don't think it is wise for us to amend the policy.

MR. FORD: Mr. Chairman, as I understand it Dr. Lee is suggesting that there should be an ad hoc committee composed of the looted countries under the chairmanship of an American representative to discuss the procedure, including the method of division, and so on. Well it seems to me that there would be no useful purpose in having a discussion by the looted countries at present because the policy at present provides for division in a particular way, and if we want the seven looted countries to agree among themselves, as I take it we all do, then the first step surely is to amend the policy and only then can the meeting of the looted countries serve any useful purpose.

MR. LOPEZ: Mr. Chairman, I am glad the discussion has taken place because I felt that after hearing the views of the other delegations our Chinese colleague might feel reassured that the interests of his country would be regarded equally with those of other countries under the Philippine proposal. It has already been said that the text of the proposal does not prejudice the method of sharing. In

fact, when the ad hoc subcommittee meets what will it do? It will try to arrive at an agreement on a schedule of shares precisely as the proposal indicates. On the other hand, if the policy decision stands as it is and don't change in date, the effect of that would be that the subcommittee will meet and discuss the existing provision of the policy decision, that is to say, discuss shares on the basis of national reparations shares, since that is the provision of the existing decision. It would have no method with which to discuss a new method of sharing. So it would be up against the same blank wall that has been facing us during the past several years. This would open a new way out and I take it that our Chinese colleague is not adverse to making a new approach to the problem.

DR. LEE: Mr. Chairman, I am not opposed to a discussion of any new approach or method for settling the problem at all. But before we agree upon a new method we should not throw away an old method which has been prescribed in a policy decision three years ago. That is the point. Now we have something on hand--the old policy--which has a definite clause and sentence prescribing a process and procedure--method by which we should attempt to solve the problem. Now, before we discover any new method which is more equitable--more fair than the old one, or more practical, we should now all of a sudden throw overboard the old method which was given to us. I don't think there is any inconvenience or harm if the seven countries directly concerned could take up the matter at once and talk it over; if we extend the date now we have half a year to amend the policy decision--paragraph 8 any time, I think--when we meet in the future, and we have plenty of opportunity for doing it. If we agree in three days we can do it next week.

MR. FORD: Mr. Chairman, I don't think it's the old method which we are throwing overboard; I think it is the method which has thrown us overboard. We have to look around for some straw which we could

grasp to save ourselves.

GEN. MCCOY: This motion of the Philippine delegate seemed to me, as a completely disinterested party except in desiring as Chairman to help reach a solution--cut the Gordian knot--it seemed to offer a reasonable way of doing that.

As far as the remark of the Chinese delegate about the implications of his abstaining, I think it's definitely understood by the Commission that an abstention doesn't mean committing your country either for or against; it's just a way out that we have often had to use to get an important paper agreed upon and a veto not exercised. For instance, I remember the first case that came up was on the military paper of, oh, nearly three years ago--two years and a half ago--where the Soviet Ambassador announced that he abstained from voting and we have taken that as a precedent since, where a veto power abstains so that the paper itself which anybody wouldn't want to veto can be passed by the Commission.

DR. LEE: I thank you, Mr. Chairman, for calling my attention to the fact that it is not wise to exercise a veto if not absolutely necessary. So far during the last three or four years the Chinese delegation has not cast a veto vote. But I wish also to remind you that an abstention, though not implying acquiescence, means agreement with the majority opinion.

GEN. MCCOY: Yes.

DR. LEE: And if we acquiesce on this occasion the old policy will be amended accordingly. And, in the third place, if we extend the date today and leave the other question to be discussed among the seven countries, this procedure is not prejudicial to the eventual amendment of paragraph 8. Now if the procedure which I have suggested is prejudicial to the amendment of paragraph 8 I would take your suggestion to abstain in order to facilitate the passage of the resolution, but my suggested procedure does not prejudice any amendment of the paragraph in question so long as we do it before April 1st. So I

don't think it is necessary for me to abstain because there doesn't seem to be justification for my abstaining on a vote.

MR. LOPEZ: Mr. Chairman, since we are on this matter of procedure, is it not assumed that if the ad hoc group should come to an agreement the group will then make a recommendation to the full Commission and that only upon approval of that recommendation by the Commission will it go into effect? So that, presumably, our Chinese colleague will have two occasions to express his vote on the substance of such an agreement--in the subcommittee and in the full Commission.

GEN. MCCOY: Well it seems to me this is a good case for the Philadelphia lawyers on the small points, but in the large it seems to me a very sound, reasonable way of meeting the situation for the best interests of all concerned. I'm only interested in making international cooperation work and not have it bogged down on this effort, where so often we do bog down and did for a long period over reparations when there was every opportunity given to get the countries around this board together and many attempts were made by all concerned to find some way of getting agreement that failed completely on the fact that certain countries stood fast on what seemed to the others very minor points and defeated the ultimate intention of the Commission. So that I'm trying to find a way of solving this problem which, apparently, hasn't been solved by the group themselves, and this offers a reasonable way from my point of view to do it. However, in view of the delegate from China's statement there is no opportunity to get together today and, if there is no objection, I will postpone action and keep the matter on the agenda. I can't commit my own country to take any part in the proceedings.

DR. LEE: Mr. Chairman, I am aware that both the Australian and Philippine delegations are sympathetic to the suggestion which has been made, that is to separate the resolution, the substance of the Philippine resolution into two parts. I am trying to cooperate also,

4

sir. The part covering the extension of date: we can take action on it and have that passed. And then we can go ahead with the constitution of this committee whether it would act as an ad hoc subcommittee or an informal committee, with or without the United States delegation. Now, as soon as the recommendation is worked out by the seven countries we can propose it in the name of the ad hoc committee or the informal committee to the Commission and have action taken on it. I don't see any inconvenience in adopting such a procedure.

MR. SEN: Mr. Chairman, in view of the discussion it seems to me that we shall have to separate the two parts of this resolution. Since there is disagreement on the first part, we shall have to extend the second part if we are not to find ourselves in the position that the provision itself lapses. According to this original provision the secured fund shall be distributed not later than the 1st of October and if there is no resolution on the subject then automatically the subject goes out of hand. So, in view of disagreement on the first part, we shall have to take a decision on the second part as regards the extension.

GEN. MCCOY: Is there a motion to divide the motion circulated and vote this morning just on the question of date? I understand the only objection there was on the part of the Dutch representative.

MR. JOBSIS: Yes, Mr. Chairman.

GEN. MCCOY: In view of the discussion, possibly you would agree that that might be the best thing to do to meet the situation.

MR. JOBSIS: Mr. Chairman, in the opinion of my country we would vote against the separated motion. We would not vote against a motion to postpone a decision until the 31st of December or another date to clearly indicate that we should not run short of time and not be forced because of want of time to take a decision which we shouldn't like to take. So if the motion stands like this I would vote against it, also against the date of the 1st of April. And I would like, in that case, to make an amendment that the date should be extended to

the 31st of December 1949.

MR. FORD: Mr. Chairman, I should like to make one remark with reference to what Mr. Sen said about the date. I understood him to say that if we passed the date of expiration the policy would go out of hand or, as I take it, the rights of the looted countries would be prejudiced under the policy. Well I feel bound to say that we don't take that view; we don't think that the date has that significance. We feel that even though the date is passed the rights of the looted countries under this policy are not affected and that the Commission at any time can set a new date or act under the policy without a date.

Now, as to the separation of the two parts of the motion, I should like to say again that we will see that done with the very greatest reluctance. We think that the important part of this motion is the first part, and if you separate the two and adopt the second part we don't think that anything worthwhile has been achieved precisely for the reasons I said earlier, that we don't think that our rights, the rights of the looted countries, would be affected in any way by the passing of the date.

MR. SEN: Mr. Chairman, May I have your ruling as to the interpretation placed on this date, whether if we pass the date the matter does not go out of hand--that we lose control over the secured fund? What is the implication of the passing of this date without any decision?

GEN. MCCOY: I think I would probably have to put that up to the Supreme Commander as to the effect out there.

I call your attention--I had forgotten it--that some time ago when this was first broached I quoted the Supreme Commander as suggesting that the date of April 1st would be necessary for him to complete the liquidation so that the interests of the countries concerned could properly be considered by him, and that he would not be

willing to accept any date prior to that. He was quite sure and quite definite in that sense. So that any time we tamper with the works of the watch it gets so that it doesn't click or keep time in an orderly manner.

MR. FORD: Mr. Chairman, may I just supplement the remark I made just now about the date by another one. It seems to me that the principle about the distribution of the secured fund is in the sentence, "The secured fund should finally be distributed among the countries herein specified". That is the principle, I think. Then the last sentence says, "The secured fund shall be distributed to recipient countries not later than the 1st of October 1949". Well it seems to me that that is a secondary matter--the question of the date when the fund should be distributed. It very largely could be treated as a matter of convenience; we can change that date if we wish to do so. If the date passes and we haven't changed it we are not precluded from changing it at some later time--at any time. And the fact that we don't change that date today does not affect the principle in the first sentence which I read, and that principle is: "The secured fund should finally be distributed among the countries herein specified", and so on.

MR. LOPEZ: Mr. Chairman, I find myself in agreement with our United Kingdom colleague. I do not believe that the right of any country to the proceeds would be voided by a lapse in the date. It's a matter of convenience. That is all. But, in any case, I feel that the discussion is largely academic. The Commission is ready and willing to change the date as far as I find the discussion this morning and the only question has been raised by our Netherlands colleague who wants the date moved to the 31st of December this year. Now that raises a technical question. How far are the proceeds from these properties available from distribution? Are they available now or in the estimation of SCAP would they be available by the 31st of December? That seems to me the precise question.

GEN. MCCOY: Well SCAP has already stated that fact, that he would not be able to liquidate in an orderly and proper manner short of the 1st of April.

MR. JOBSIS: Mr. Chairman, after hearing the discussion around the table and the remarks made by yourself and that made by Mr. Ford, with your permission I would withdraw my amendment and my delegation will vote against the date of the 1st of April.

GEN. MCCOY: Will you make a motion as to the change of date to the 1st of April?

MR. LOPEZ: It's in the resolution. It's in the proposal I submitted last time.

GEN. MCCOY: Well I was just wanting you to propose splitting your paper. I'm not quite sure yet what the Commission wants to do, whether they want to vote on the whole paper this morning, in view of the statement of the Chinese delegate, or to get what we can through--whether we wish to vote on the question of the date alone.

MR. LOPEZ: I should say, sir, that it would be perfectly all right to split it and to call a vote on the two separate sentences one after the other as they occur in the Philippine proposal: first, the first sentence, and then after that the second sentence.

GEN. MCCOY: You would like to vote on both of your proposals by taking them separately?

MR. LOPEZ: Yes, sir.

GEN. MCCOY: Is there any objection to that?

(No response)

GEN. MCCOY: In that case, Mr. Secretary General, will you state the first motion with regard--in the words of the proposal but stating them separately and voting on them separately.

We will declare a recess while we are drawing up these separate amendments.

(The meeting recessed at 11:23 A.M.)

(The meeting reconvened at 11:36 A.M.)

GEN. MCCOY: Gentlemen, we will come to order and continue the motion. Apparently the motion before us needs a little compromise on the part of those concerned. I will recognize the Philippine delegate.

MR. LOPEZ: Mr. Chairman, in moving its original proposal my delegation did not intend to discard the method of distribution specified in the policy decision as it stands but only to widen the scope of the clause so as to include other possible methods. In other words, the clause "schedule of shares to be agreed upon among themselves" would in fact include also the method of national percentage shares. But apparently our Chinese colleague had misconstrued it. So I would like to say that my delegation would suggest as a compromise text for this sentence the following:

"The secured fund should finally be distributed among the countries herein specified in accordance with the percentage mentioned above or in accordance with any other schedule of shares to be agreed upon among themselves...".

GEN. MCCOY: The other sentence remains as is?

MR. LOPEZ: The other sentence remains as is. I hope, therefore, that this compromise formula will be supported by our Chinese colleague.

GEN. MCCOY: If there is no objection, then we will put that compromise and change before the Commission for a vote.

DR. LEE: Mr. Chairman, what the Philippine delegate has reported is the result of the discussion held between Mr. Lopez, Mr. Ford, and myself during the recess. So you see we made full use of the recess. Except for the wording I am in full agreement with the Philippine delegate. There is nothing seriously wrong about the wording except one point: I wish to retain as much as possible the version first suggested by the Philippine delegation. If you will permit me to do so I will read it to you and see whether my version, which does not differ from his greatly, will meet with your approval and the approval

of the members: "The secured fund should finally be distributed among the countries herein specified in accordance with the percentage mentioned above" and then "or in accordance with a schedule of shares" not "any other". I think the word "a" is more dignified -- "a schedule of shares to be agreed upon" or "on" and then "by such countries".

GEN. MCCOY: By whom?

DR. LEE: "by such countries". The original version is better, I think, than the present one. I wish to modify the last part of it to say instead of "among themselves" the phrase "by such countries". I think my version is better. I don't know whether the Philippine delegate would approve of it?

GEN. MCCOY: Is that agreeable to you?

MR. LOPEZ: Mr. Chairman, I find no serious objection to it. The second amendment certainly produces no change. But I had thought that my wording, which says "in accordance with any other" would mean clarifying the position since there would be no point in a distinction of the two possibilities and since as a matter of fact both of them would be schedules of shares. I attempted to make them mutually inclusive by producing the phrase "any other". But it's a minor technical matter and I will be able to accept the amendment of the Chinese delegate.

MR. SEN: Since this is a matter of mere drafting, could we not leave it to the Secretariat whether it should be "any other" or "a"?

DR. LEE: Mr. Chairman, if the Philippine delegate agrees with me, at least, and naturally with Mr. Ford because he has taken part in the discussion, then it can be done right here without bothering the Secretary General.

MR. SEN: It's a question of drafting and I am sure that the Commission will accept the best draft which is in accordance with the sense of the house. There is no difference in the sense of the house. The sense is agreed upon; it is only a question of how best to express it, and it seems to me that probably that procedure would be best.

(At this point the Chairman consulted with his assistants.)

GEN. MCCOY: Gentlemen, we're still landlocked or deadlock or stalemated from the point of view of the United States this time, so that I will declare a recess and see if we can't find a formula that we can all agree on.

MR. LOPEZ: What is the trouble, Mr. Chairman? I have accepted the Chinese amendment.

GEN. MCCOY: Yes. But we haven't.

(The meeting recessed at 11:55 A.M.)

(The meeting reconvened at 12:05 P.M.)

GEN. MCCOY: Gentlemen, once more we will come into session.

The Chairman, representing the United States, is unable to agree with the motion as proposed at this time. However, the United States member would be able to vote on the question of the date alone but not on the question of the other agreed on modification. This would be without prejudice to the rights of the countries concerned due to postponing action on that until next week. So that, if it is your pleasure, we will vote on the date at this time and leave the other for consideration at the next meeting after the United States member is properly authorized to act for his Government.

Will you propose the motion as to the date.

MR. JOHNSON: Mr. Chairman, the motion is to amend the last sentence of paragraph 8 to read:

"The secured fund shall be made available for distribution to the recipient countries not later than 1 April 1950."

MR. MCNICOL: Yes.

MR. COLLINS: Yes.

DR. LEE: Yes.

MR. WINCKLER: In favor.

MR. SEN: Yes.

MR. JOBSIS: Abstain.

MR. LAKING: Yes.

MR. LOPEZ: Yes.

MR. BAZYKIN: Abstain.

MR. FORD: In favor.

GEN. MCCOY: In favor.

What is the tally, Mr. Secretary General?

MR. JOHNSON: The tally, Mr. Chairman, is 9 in favor with 2 abstentions. The motion is carried.

GEN. MCCOY: The motion is adopted, gentlemen. We will defer action on the other remaining motion until next week.

ITEM 3 - FISHING AND AQUATIC INDUSTRIES IN JAPAN (FEC-271/25, /26, /27)

(No discussion.)

GEN. MCCOY: In view of the time and the fact that the other matters before us will require considerable discussion, I have asked the Indian delegate to make a statement on behalf of his Government.

(Accordingly, Item 3 was discussed next and Item 4 was discussed later in the meeting.)

ITEM 8 - JAPANESE REPARATIONS AND LEVEL OF INDUSTRY (FEC-340, /1, /2, /3, /4, /5, /6, /7)

MR. SEN: Mr. Chairman, I am very grateful to you for advancing this Item 8 on the agenda and giving me this opportunity this morning to make my statement.

"On May 12th 1949, the United States representative on the Commission made a statement on Japanese Reparations and Level of Industry. I wish to state our preliminary views on these questions for the purpose of exploratory discussions, reserving the right to make subsequent submissions to the Commission as may be necessary.

"The question of Reparations and the Level of Industries has been under consideration in this Commission almost since its inception. Though the Commission has been able to arrive at decisions on certain interim proposals, it has failed to

reach a decision on the question of the division of reparations shares as well as the fixation of levels of industry.

"It is now almost four years since the surrender of Japan. According to the latest information available Japan has been able to attain only about seventy per cent of the industrial production level of 1930-34. On the 23rd January 1947, the Far Eastern Commission determined as a matter of policy that 'the peaceful needs of the Japanese people should be defined as being substantially the standard of living prevailing in Japan during the period of 1930-34'. The Far Eastern Commission further went on to say that 'data about the standard of living during 1930-34 should, for present purposes, be used to make an estimate of Japan's peaceful needs in 1950'. There are various obstacles which retard Japan's productivity. With her growing population it is apparent that Japan will need to produce more than one hundred per cent of the 1930-34 production level to reach the standard of living which prevailed in 1930-34, the target set by the Far Eastern Commission.

"Successive estimates have tended to modify the surplus industrial capacities in Japan considered available for distribution as reparations. We appreciate the growing anxiety on the part of the United States to limit accordingly reparations removals from Japan to the minimum consistent with Japan's peaceful needs.

"We have a good deal of sympathy for the American taxpayer who has to bear the burden of the cost of balancing the deficit economy of Japan for the past four years, and we feel that, if the position in Japan is as critical as has been stated in the United States statement, there is a good case for allowing Japan to retain higher industrial capacities which will be devoted to production for peaceful purposes.

"We have never been actuated by a desire to suppress Japan's standard of living to a level which will retard the attainment of the Allied objectives as set forth in the Potsdam Declaration and the Basic Policy of the Far Eastern Commission. We have consistently been of the opinion that for the successful functioning of a viable democracy in Japan the standard of living of her people should be maintained at the level agreed upon by the Far Eastern Commission. We feel that the Allies, in their own enlightened self-interest, should waive the claims for reparations from Japan's industrial facilities, the removal of which may jeopardize her attainment of a self-sustaining economy within a reasonable period of time and thus open up the possibility of a growing unrest and a resurgence of Japan's militarism.

"We are at the same time anxious, like our colleagues around the table, that efforts should be made to prevent Japan from reviving her war-making capacity. We are glad to note the assurance in the statement of the United States Government that in no circumstances such a possibility would be allowed to materialize. In order to achieve this objective--that is to eliminate from Japan the possibility of a military resurgence--we would like the Supreme Commander to exercise general supervision of all Japan's industries to ensure that none is diverted to war-like purposes.

"Turning now to the economic results of the retention in Japan of her industrial capacities, we feel that steps should be taken to ensure that Japan does not again resort to such devices as currency depreciation, exchange manipulation, excessive economic concentrations which restrict competition, or unfair labour practices to produce goods which may endanger the standard of living of her neighbours. We suggest it should be the duty of SCAP to exercise the necessary supervision in the matter.

"The United States Government has suggested that Japan's external assets in the Far Eastern Commission countries should be retained by these countries. This proposal is acceptable to us and I hope it would be acceptable to other countries as well.

"However, I would like to raise the question of the disposition of assets in neutral countries. There is, I understand, a proposal now before the Steering Committee which will permit marshalling of Japan's assets in some neutral countries. I notice from the draft policy of the Far Eastern Commission that there is no proposal for the disposition of such assets. I would urge the Commission to proceed to determine the nature of the ultimate disposal of such assets as early as possible. I would venture to suggest that such assets should be available for distribution to the countries eligible for reparations and that concrete steps should be taken to achieve this objective.

"Finally, I understand that the question of the disposition of Japanese assets in Siam has not yet been taken up in the Commission. I would suggest we proceed to an early examination of this matter."

Thank you, Mr. Chairman.

(Copies of the above statement were circulated to representatives.)

MR. BAZYKIN: Mr. Chairman, at the last meeting of this Commission it was decided to discuss at this meeting the item of Levels of Economic Life in Japan, that is, Item 4, and to discuss the proposal of the Soviet delegation on this subject. In connection with Item 4, I would like to make a statement.

GEN. MCCOY: Yes. We will pass over Item 3 for that purpose.

ITEM 4 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; /35, /37, /38, /39, FEC-084/23)

- b LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS SHIP-BUILDING AND SHIPPING (FEC-297/10)

MR. BAZYKIN: "At the last meeting of the Far Eastern Commission the United States representative opposed the proposal of the Soviet delegation that the Far Eastern Commission should, without any further delay, consider and adopt a policy decision on the level of economic life in Japan. He opposed likewise the proposal of the Soviet delegation that the provisions of paragraph 9 b of FEC-084/21, which expire on October 1, 1949, be extended until the above-mentioned policy decision is adopted. The United States representative stated that these proposals of the Soviet delegation were, allegedly, 'inimical to the objective of Japanese peaceful economic revival'.

"The Soviet delegation deems it necessary to state that in opposing the adoption of a policy decision on the level of economic life in Japan the United States Government is violating the provision of paragraph 9 b of the policy decision FEC-084/21 'Reduction of Japanese Industrial War Potential' which provides that the Far Eastern Commission should adopt a policy decision on this subject prior to October 1, 1949.

"The Soviet delegation considers the United States Government's assertion that the adoption of the Soviet proposals would be inimical to the objective of Japanese peaceful economic revival to be without any foundations whatsoever.

"As is known, it was the proposals of the Soviet delegation on the level of economic life in Japan (FEC-242/37) which stressed the necessity of giving Japan the possibility of unlimited development of the peaceful branches of her industry.

"The United States Government's opposition to the adoption of the policy decision on the level of economic life in Japan merely proves the unwillingness of the United States Government to carry out the policy decision FEC-084/21 'Reduction of Japanese Industrial War Potential'.

"The Soviet delegation continues to insist that the Far Eastern Commission, without any further delay, begin the consideration of the draft policy decision on the level of economic life in Japan as well as the consideration of the Soviet proposals set forth in FEC-242/37. Besides this, the Soviet delegation deems it necessary that the provisions of paragraph 9 b of FEC-084/21 be extended until the adoption by the Far Eastern Commission of a decision on the level of economic life in Japan."

DR. LEE: Mr. Chairman, on this matter of reduction of Japanese war potential, the Chinese delegation also attaches great importance. We're sorry to say that we have not received instructions on this point and therefore we have to reserve our position for the time being. In the meantime, however, I would like to suggest that the date fixed in paragraph 9 b be extended for a period of one year in order to afford an opportunity for full discussion by the Commission. The extension of the date would of course be without prejudice to the merits of the substantive aspect of the question. With your permission, sir, I have a separate motion to submit for the consideration of the Commission, purely as to the extension of the date without going into the substantive matter. The motion reads:

"The provisions of paragraph 9 b, 'Reduction of Japanese Industrial War Potential', are hereby extended until the end of the present phase of the occupation of Japan or until 1 October 1950, whichever is the earlier, pending a decision as to the long-term disarmament controls."

MR. MCNICOL: Mr. Chairman, I would like to support the proposal of my Chinese colleague to extend the application of the date in paragraph 9 b of FEC-084/21. It will be recalled that when the policy on Reduction of Japanese Industrial War Potential was adopted it was fully expected that a decision on the permissible maxima for the seven war-supporting industries listed in paragraph 9 b of this paper would follow from a prior decision as to the capacity levels for these industries, industrial removals from these industries would be used as reparations, and disposition of the remaining excess facilities as provided for under paragraph 6 of FEC-084/21. This decision has not been made despite the fact that the Commission has had before it for eighteen months a proposed policy, FEC-242/32, which would have established such levels and made available surplus capacity as reparations. The Australian Government considers the

question of maxima for the seven industries specified should not go by default simply because the Commission has so far been unable to reach a decision on capacity levels. Until a decision is reached by the Commission on this question, my Government considers that the application of paragraph 9 b should be extended.

I should also like to refer to a statement made by the Australian representative at the 73rd meeting of the Steering Committee on the 29th of July 1947 when the question of a terminal date for the application of paragraph 9 b was being considered. The Australian representative, at that time, in supporting the United States amendment for a terminal date said, "that his his delegation understood from the tenor of the whole discussion on this subject that the United States desire for the termination date was motivated by a wish to insure that, at the time of the peace conference, the long-term industrial levels for Japan could be discussed without prior commitments. For the same reasons, the Australian Government would support the United States amendment...". At the time this policy was passed we all looked forward to an early peace conference. If, Mr. Chairman, we allow paragraph 9 b to lapse, we would be making a prior commitment about a question which should properly be decided by that peace conference. I would hope that if we can extend the period as suggested by our Chinese colleague by that time we would have had a peace conference. Thank you, Mr. Chairman.

GEN. MCCOY: Does the Soviet representative accept this amendment as submitted by the Chinese, or do you still wish your motion before the Commission?

MR. BAZYKIN: Mr. Chairman, in my opinion the Soviet wording of the proposal is more appropriate to the situation and I prefer the wording suggested by the Soviet delegation.

GEN. MCCOY: The Chinese motion being in the nature of an amendment it will be voted on first. Is it the desire of the Commission to vote this morning or to consider these questions? Well, I think,

before I go further on the question of these amendments, I will read a statement of the United States in furtherance of its former one, in view of the statement by my Soviet colleague this morning.

"My Government has requested me to supplement the remarks which I made at the last meeting of the Commission in expressing the opposition of my Government to the Soviet motion to amend paragraph 9 b of the Far Eastern Commission policy decision, 'Reduction of Japanese Industrial War Potential' (FEC-084/21).

"To remove any possible misunderstanding as to the reasons ^{that} for this position, I wish to state/in the view of the United States Government the Far Eastern Commission policy decision on 'Reduction of Industrial War Potential' serves two purposes: first, to eliminate from Japan and prohibit the re-establishment in Japan of industrial facilities for war purposes; and second, to determine what industrial capacity was to have been made available for reparations removal.

"As to the first purpose, the Supreme Commander for the Allied Powers has accomplished the demilitarization objective of FEC-084/21 by destroying specialized war-making industrial capacity and effectively prohibiting the operation of all primary war facilities as such.

"As to the second purpose, the position of the United States Government was clearly and fully stated in my statement of 12 May 1949 on the subject of Japanese industrial reparations. Whether or not other Commission members can accept fully that position, there should be no disagreement that normal development of Japanese industrial operations for peaceful purposes should not be hampered by being kept within a continuing strait jacket. This was the view of my Government throughout negotiation of FEC-084/21 and before approving its provisions on August 14, 1947, the United States Government had pressed for and had

secured the acceptance by other Far Eastern Commission countries of a cut-off date--1 October 1949--after which restrictive levels on production for peaceful purposes in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries should lapse.

"It was argued then that while the Far Eastern Commission was obviously competent to deal with basic matters of occupation policy, it was not the proper body in which to deal with the question of long-range disarmament controls. That position seemed to have been accepted by the Commission when the cut-off date was included in this policy. My Government now hopes that this position can still be accepted by other Far Eastern Commission countries. For the reasons I have mentioned the United States Government will vote against the Soviet motion whose long-range effects and implications can seriously prejudice, both practically and psychologically, Japan's efforts to achieve economic self-support."

That also applies to the amendment of the Chinese delegate. Now, there is an amendment to the motion of the Soviet delegation submitted and circulated on behalf of the Chinese delegate. Is it the desire of the Commission this morning to vote on these amendments or postpone them for further consideration?

DR. LEE: Mr. Chairman, I think, in view of the fact that the prescribed date in the policy decision is October 1st, we have to reach some decision as to the date today. That is one thing I want to bring to your attention. Second, you have asked me to agree with you in considering my motion as an amendment to the Soviet motion. I think this is a matter for you, sir, the Chairman, to interpret. But since the Australian delegate has seconded and supported my motion I hope he also agrees to it, keeping in mind the motion as an amendment.

GEN. MCCOY: What is the wish, gentlemen? Do you wish to vote now?

MR. BAZYKIN: Mr. Chairman, I consider that the voting should take place today.

MR. SEN: Mr. Chairman, may I know what the position will be if the voting takes place next week? On the 1st of October this policy would have lapsed. Then, if this matter is taken up next week, there will be nothing to vote on.

GEN. MCCOY: In other words you feel that we should vote now.

MR. SEN: Yes., there is no choice in the matter.

GEN. MCCOY: In answering your query, Mr. Minister, I am informed that this will not prejudice the case, in any case, if the Commission should act at a later date.

I'm informed that some of the delegates have not received instructions yet and I will once more ask for your wishes as to voting now or deferring until next week.

MR. COLLINS: Mr. Chairman, I can only say that I am without instructions.

GEN. MCCOY: What was your remark, sir?

MR. COLLINS: I am without instructions and would have to abstain if the vote were taken today. And I would agree with your interpretation of the applicability of the policy. I would assume that as a matter of fact paragraph 9 h would lapse on October 1st, but if either

one of the two motions were accepted by the Commission a week later or two weeks later it would simply have the effect of reviving the policy.

GEN. MCCOY: That would be my understanding.

MR. COLLINS: And it would make no substantial difference.

MR. BAZYKIN: Mr. Chairman, since this proposal is related to the date of October 1st, I insist that the proposal be voted on today.

GEN. MCCOY: Well, having made the decision that the Chinese motion is an amendment to the Soviet motion, we'll now vote on the Chinese amendment.

MR. JOHNSON: Mr. Chairman, the motion is:

"The provisions of paragraph 9 b of 'Reduction of Japanese Industrial War Potential' are hereby extended until the end of the present phase of the occupation of Japan or until 1 October 1950, whichever is the earlier, pending a decision as to the long-term disarmament control."

GEN. MCCOY: Will you take the tally, please.

MR. MCNICOL: In favor.

MR. COLLINS: Abstain.

DR. LEE: In favor.

MR. WINCHLER: Abstain.

MR. SEN: Abstain.

MR. JOBSIS: In favor.

MR. LAKING: Abstain.

MR. LOPEZ: Yes.

MR. BAZYKIN: Abstain.

MR. FORD: Abstain.

GEN. MCCOY: Against.

MR. JOHNSON: The tally, Mr. Chairman, is 4 in favor, 1 opposed, and 6 abstentions. The motion is lost because of no majority.

GEN. MCCOY: We will now put the motion of the Soviet delegate to a vote in like manner.

MR. JOHNSON: The motion, Mr. Chairman, before the Commission is contained in FEC-084/23 and reads:

"The Far Eastern Commission decides as a matter of policy that the provisions of paragraph 9 b of the Far Eastern Commission policy decision 'Reduction of Japanese Industrial War Potential' (FEC-084/21) regarding productive capacity maxima in war-supporting industries are hereby extended until the adoption by the Far Eastern Commission of a decision on the level of economic life in Japan."

MR. MCNICOL: In favor.

MR. COLLINS: Abstain.

DR. LEE: Abstain.

MR. WINCKLER: Abstain.

MR. SEN: Abstain.

MR. JOBSIS: In favor.

MR. LAKING: Abstain.

MR. LOPEZ: Abstain.

MR. BAZYKIN: In favor.

MR. FORD: Abstain.

GEN. MCCOY: Against.

MR. JOHNSON: The tally, Mr. Chairman, is 3 in favor, 1 opposed, and 7 abstentions. The motion is lost because of no majority.

MR. BAZYKIN: Mr. Chairman, in connection with the voting of the Soviet proposal, I would like to say that in spite of the fact that the Soviet proposal was not adopted, I insist that the Far Eastern Commission discuss without any further delay the draft policy decision on the Level of Economic Life in Japan (FEC-242/32) and the Soviet amendments to that paper set forth in FEC-242/37.

GEN. MCCOY: I am sorry to say, Mr. Minister, that that has escaped my attention and I shall have to give it due consideration, and with your permission we will bring it up for action next week.

GEN. MCCOY: In view of the late hour, I will, with your permission, drop down to "Other Business" to see if there is anything that from your point of view requires action or statement this morning.

ITEM 5 - JAPANESE PARTICIPATION IN INTERNATIONAL RELATIONS (FEC-339, /2, /3, /5, /6, /7, /8, /9)

ITEM 6 - JAPANESE MEMBERSHIP IN INTERNATIONAL CONVENTION OF TELECOMMUNICATIONS (FEC-334, /1, /2, /3, /4, /5, /6)

ITEM 7 - LABOR POLICY IN JAPAN (FEC-318/20, /22, /24, /25, /26, /27, /28, /29)

ITEM 9 - REPORT OF COMMITTEE NO. 1 TO THE F.E.C. REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

ITEM 10- REPARATIONS REMOVALS; ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5; /6, /7, /8, /9, /10)

ITEM 11- ECONOMIC STABILIZATION IN JAPAN

(No discussion of the above items.)

ITEM 12- OTHER BUSINESS

a. Soviet Inquiry on Fishing Conservation Program

MR. BAZYKIN: Mr. Chairman, under "Other Business" I would like to say that we have received your reply to our inquiry in respect to the conservation program. But, in this connection, I would like to remind the Chairman that the Soviet delegation asked for the full text of the conservation program and not just the titles of some measures. Therefore I would like again to ask the United States representative to provide the Far Eastern Commission with the full text of the conservation program.

GEN. MCCOY: I am informed that all we have on the subject ourselves is here. But I will follow up your wishes and report the result of my queries next week also.

b. Soviet Inquiry on Fisheries Inspection Fleet

MR. BAZYKIN: Mr. Chairman, I also would like to remind the Commission that the Soviet delegation is waiting for the reply to the inquiry in respect to the fisheries inspection fleet.

GEN. MCCOY: I am informed that that's being worked out and will be available shortly. We stand adjourned, gentlemen.

(The meeting adjourned at 12:55 P.M.)

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167

FAR EASTERN COMMISSION

Transcript of 167th Meeting of the Far Eastern Commission

Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.

Thursday, October 6, 1949

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

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FAR EASTERN COMMISSION

Transcript of 167th Meeting of the Far Eastern Commission
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.
Thursday, October 6, 1949

Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
Mr. D. McNicol	(Australia)
Mr. R. E. Collins	(Canada)
His Excellency Dr. W. K. Lee	(China)
Mr. J. C. Winckler	(France)
Mr. P. Vaidyanathan	(India)
Mr. G. J. Jobsis	(Netherlands)
Mr. G. R. Laking	(New Zealand)
Mr. S. P. Lopez	(Philippines)
Mr. V. I. Bazykin	(U.S.S.R.)
Mr. J. F. Ford	(United Kingdom)

Acting Secretary General

Mr. D. K. Eichler

Reporter: Mr. R. Holtz, Department of State--FEC

(The 167th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:35 A.M., 6 October 1949, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Good morning, gentlemen. The session is open.

ITEM 1 - CORRECTION AND APPROVAL OF PROVISIONAL MINUTES OF 166th MEETING

GEN. MCCOY: I will ask you to consider the minutes of the previous meeting and make any comments or corrections. Have there been any corrections submitted, Mr. Deputy Secretary General?

MR. EICHLER: No, sir.

GEN. MCCOY: The Deputy Secretary General tells me that no corrections have been submitted to him. If there are no corrections, the minutes will stand a matter of record in the usual way.

ITEM 2 - RESTITUTION OF LOOTED PROPERTY (FEC-271/25, /26, /27)

GEN. MCCOY: We will take up the Restitution of Looted Property on which we voted last week as to one paragraph extending the date from October 1st to April 1st. At that time the United States representative was not able to agree with the other members of the Commission as to the compromise paragraph agreed upon by the other members of the Commission. I'm glad to know that we can agree now with that paragraph if it is your wish. I will rule that it is still before the Commission and ask if there is any further comment or discussion desired before putting it to a vote.

(No desire for discussion indicated.)

GEN. MCCOY: There seems to be none, and if there is no objection the Deputy Secretary General will put the moot paragraph to a vote.

MR. EICHLER: Mr. Chairman, the paragraph in question can be found on page 5 of the minutes, I believe, of the last meeting, paragraph 35. The paragraph reads:

"The secured fund should finally be distributed among the countries herein specified in accordance with the percentage"-- (I think that should be "percentages". Am I correct?)--mentioned above, or in accordance with a schedule of shares to be agreed upon by such countries, payable in United States dollars or, at the discretion of the Supreme Commander for the Allied Powers, in foreign exchange acceptable to the countries concerned."

(The Chinese representative indicated assent with the above wording of the sentence.)

GEN. MCCOY: I will call for the vote if everyone is prepared.

MR. MCNICOL: In favor.

MR. COLLINS: In favor.

DR. LEE: In favor.

MR. WINCKLER: In favor.

MR. VAIDYANATHAN: In favor.

MR. JOBSIS: In favor.

MR. LAKING: In favor.

MR. LOPEZ: Yes.

MR. BAZYKIN: Abstain.

MR. FORD: In favor.

GEN. MCCOY: In favor.

MR. EICHLER: Mr. Chairman, the motion is carried by a vote of 10 in favor with 1 abstention.

DR. LEE: Mr. Chairman, I should be grateful to you if you can tell us today whether your Government is ready to participate--

GEN. MCCOY: Please repeat that query.

DR. LEE: I shall be grateful to you, sir, if you would tell us today whether your Government is ready to participate in the discussions to be held among the seven countries on this problem. I would repeat the expression of hope and conviction that United States participation in such deliberations will contribute a great deal toward

a just and equitable solution of the problem.

GEN. MCCOY: Well I haven't been informed as to that yet. It is still before my Government and I will inform the Commission as soon as practicable as to that participation.

MR. LOPEZ: Before we proceed to the next item, Mr. Chairman, I wonder whether we should consider making the group of seven recipient states a formal body of the Commission. Heretofore it has been meeting informally. In view of the amendment which has been adopted and of the desire of the recipient states to come to an agreement, I would like to suggest, if there is no serious objection to it, that the seven recipient countries be formally constituted into an ad hoc subcommittee of the Commission and be ordered to proceed to the necessary discussions in accordance with the amendment we have approved.

GEN. MCCOY: What is the opinion of my colleagues on the best way to meet the statement and request of the Philippine delegate?

DR. LEE: Mr. Chairman, on behalf of the Chinese delegation I second the motion proposed by the Philippine delegate. I think it is more in line with the general practice of this Commission if this ad hoc committee is an official subcommittee of the Commission.

GEN. MCCOY: Well it's certainly now a recognized group. But I was just wondering what is the best way to handle it. Of course, the Secretariat would be at the disposition of the group and it might be an ad hoc committee or a--

DR. LEE: You see, the crucial point, Mr. Chairman, is whether or not the agreement reached among the countries concerned as a result of their discussions--deliberations--will eventually be referred to the Commission for approval. If it will be referred--

GEN. MCCOY: Well I would think not--that it is not a Commission committee in that sense; it is dependent upon the agreement of those concerned. There are other countries not concerned in the restitution and the division of shares, so that I would think it would have to be considered without the formal action of the Commission.

DR. LEE: You see, sir--

GEN. MCCOY: However, that is off-the-cuff and I would be very glad to hear my colleagues on the best way of handling it. It seems that it is a little different from anything else we have had heretofore, but it is in the nature of an ad hoc committee which has been meeting more or less under the guise or wing or cloak of the Commission.

MR. VAIDYANATHAN: Mr. Chairman, I think the Commission could refer this question to the ad hoc subcommittee to come to a decision and report the decision back to the Commission.

GEN. MCCOY: Back to the Commission?

MR. VAIDYANATHAN: Yes, an agreement reached in the subcommittee and reported back to the Commission.

MR. FORD: Mr. Chairman, our point of view on this question is that we ought to be guided by the words of the policy which we have just adopted and those words say in accordance with any other schedule of shares to be agreed upon among themselves, that is, to be agreed upon by the seven countries. It doesn't say that they are to be agreed upon by the Far Eastern Commission or even to be referred to the Far Eastern Commission after the seven countries have reached agreement among themselves.

Now, starting from that point, we think that the procedure for reaching this agreement between the seven countries concerned is a matter for the governments of the seven countries and that we ought to obtain the views of the governments of those seven countries. I don't see any reason why it should be done in the Far Eastern Commission.

MR. VAIDYANATHAN: I am not suggesting, Mr. Chairman, that it should be done in the Far Eastern Commission; what I just said was an agreement should be reached in the subcommittee and as a matter of information it should be given to the Far Eastern Commission, which may be glad to know that at least some countries are prepared

to come to a decision on this question.

GEN. MCCOY: Well, once more, I should think that would be a question for the countries concerned--whether they want to give that information.

MR. FORD: Mr. Chairman, I quite agree with Mr. Vaidyanathan that it would be proper for the seven countries, when they have reached agreement between themselves, to notify the Commission of the nature of the agreement. On the question of a committee of the Commission, whether it is a subcommittee--an ad hoc committee, I feel that it isn't necessary to formally constitute some committee of the Commission. Again I feel that this is a matter for the seven governments who can decide upon the procedure to suit themselves by agreement between themselves. There has been a reference to the committee which has met in the past and that has been described as an ad hoc committee meeting under the auspices of the Commission. Well, as a matter of fact, Mr. Chairman, I think I am correct in saying that the two meetings which have been held, or there may have been three, were called in the first place by the United Kingdom delegation. We didn't refer the matter to the Commission, anyway. As a matter of convenience we met in the Commission building and we had the services of the Commission Secretariat, but there was no attempt on our part when we called that committee of the seven countries to secure the formal auspices of the Commission.

GEN. MCCOY: Is that the sense of the Commission, gentlemen?

MR. COLLINS: Mr. Chairman, we are, as I have said, not directly interested in this and will have no part in the actual distribution. I would, however, like to raise one problem which it seems to me may involve the Commission as a whole. While, I think, it is probably quite clear that the seven countries should decide among themselves what the schedule of shares should be, and while I don't think that the Commission should have any jurisdiction over that at all, there

is the problem I think of how this decision is transmitted to the Supreme Commander under a policy decision of the Far Eastern Commission. That, it seems to me, would be the only point with which the Commission might come into the picture.

GEN. MCCOY: Has the committee heretofore faced that, Mr. Ford?

MR. FORD: No, Mr. Chairman.

GEN. MCCOY: Well I would feel that there are several points involved there that ought to be studied by our experts. In the meantime I would feel that the group should continue to be in the same status as described by Mr. Ford and I will leave it that way, and have this procedure considered and discuss it with you again. Certainly the final action of the committee should be considered and can be brought for discussion again.

MR. LAKING: Mr. Chairman, I wonder if the position would not be simply covered if the suggestion made by the delegate of India were adopted? So far as the policy decision is concerned, my delegation voted for it in the sense that it has been explained by the delegate of the United Kingdom, namely that it has been handed over to the seven countries to reach a decision--not merely to reach an agreement--subject to confirmation by the Far Eastern Commission. But it seems to me that if that decision, when reached, were reported to the Far Eastern Commission with a request that it be transmitted to the Supreme Commander the position would be quite adequately covered without and beyond any possibility of confusion.

GEN. MCCOY: Yes. Well the group might discuss that suggestion of the New Zealand representative and inform the Commission at a subsequent meeting. Certainly we want to be very reasonable in helping where we can and not being too meticulous about the procedure.

MR. LOPEZ: Mr. Chairman, I agree with the position that has been expressed here on what happens in the amendment just adopted, that the Commission has delegated authority to the seven recipient states by virtue of which the seven recipient states would have com-

plete authority to reach the agreement stated therein, to report the agreement to the Commission, and for the Commission to issue the necessary directives to SCAP. However, sir, one more question arises in connection with the functioning of the group of the seven states. If they are to operate outside the Commission or, as it were, independently of the Commission, the question might arise later as to what rules of procedure they are to follow. How will they arrive at this agreement? I hope no vote will later be necessary, but if a vote should be called for in the course of their discussions, how would they vote?

GEN. MCCOY: Well I think the procedure--that the committee itself should be the judge of its own procedure. Certainly that is not a problem for the Commission. We will continue this in the sense of your wishes as we go along and in the meantime the responsibility devolves on the countries concerned.

ITEM 3 - FISHING AND AQUATIC INDUSTRIES IN JAPAN (FEC-271/25, /26, /27)

GEN. MCCOY: The next item has to do with fishing and aquatic industries in Japan. FEC-271/25 is a proposed policy decision approved by the Steering Committee on 20 September 1949. FEC-271/26 is a Soviet proposed amendment to paragraph 2 b, submitted on 22 September. FEC-271/27 is a United States reply to a Soviet inquiry on the conservation program in the Japanese fishing industry.

In connection with this paper, there was a query on behalf of the Soviets of the 15th of September on the fishery inspection. I find that that has been replied to by the United States Government in the form of an enclosure which will be circulated. I don't think that I will read it. I will have it circulated now and it will be part of the discussion in connection with the paper itself.

(Copies of FEC-271/28 were circulated to representatives.)

This paper has been an important one from the point of view of all concerned and has been pending for some time without our being

able to iron out certain difficulties. My own country has felt that it is important primarily to the success of the occupation. As you well know, the Japanese economy or life-blood is largely dependent upon fish and rice. Every time since the world began that an international fishing solution has been broached on the high seas it is naturally a cause of great concern, especially as we well know the Japanese in their previous incarnation were very aggressive and regardless of the rights of their neighbors.

I went through that in the years that I was sitting in the Philippines as Assistant to the Governor General there and can quite appreciate the position of the Philippine delegate. However, this is one of those complex problems in the sense where there are a good many horns to the dilemma and we seem to be impaled on at least one or two of them still. However it's a very important thing from the point of view of the responsibility of the Supreme Commander who really has to, as you might say, feed the Japanese still with a spoon through no fault of his own.

I think, in view of the background and the discussion heretofore, that to get it down to brass tacks as United States representative, I would like to re-introduce before the Commission practically the same amendment that was considered in the Steering Committee as an amendment. The proposal of the United States is to delete all of paragraph 2 b after the words "Far Eastern Commission" in the fifth line and replace with the following:

"asserts a direct concern in respect to fishing or other commercial aquatic activities, SCAP will attempt to secure consent of such country to an agreement reasonably calculated to benefit the Japanese economy and to protect the legitimate interest of such country."

The paragraph would then read:

"The Supreme Commander for the Allied Powers may, subject to security considerations, expand the above-mentioned area for Japanese fishing or other commercial aquatic activities. If such expansion will involve an area in which any member country of the Far Eastern Commission asserts a direct concern in respect to fishing or other commercial aquatic activities, SCAP will attempt to secure consent of such country to an agreement reasonably calculated to benefit the Japanese economy and to protect the legitimate interests of such country."

(Copies of the above amendment were circulated to representatives.)

GEN. MCCOY: The Soviet delegate: I am conscious also that you have an amendment before the Commission on this subject.

While we are considering this, Mr. Minister (USSR), I find that we have a reply to your query in connection with the "New York Times" article on the subject of the extension of the Japanese fishing area. I'll have this circulated also if you please.

(Copies of the above-mentioned U.S. reply, which reads as follows, were circulated to representatives.)

"In a press release of September 21, 1949, SCAP stated that SCAPIN-2046 of September 19, 1949, re-defines the area authorized for Japanese fishing to include an extension of the area to the east as far as the 180th meridian, the northern limit being the 40th parallel and the southern limit remaining as before, the 24th parallel.

"In the absence of a Far Eastern Commission fishery paper, the United States member, during Far Eastern Commission consideration of this question, has indicated his view that SCAP has the authority to expand the Japanese fishing area.

"At a meeting of Far Eastern Commission Committee No. 2 on December 21, 1948, the United States member informed the Committee that SCAP had indicated to this country that an expansion

of the fishing area was being contemplated (the area contemplated for expansion being described at the meeting). The United States member further informed the Committee that this Government planned to reply that it would perceive no objection to such an extension. The area of expansion defined in the SCAP release is the easterly portion of the contemplated area described at the meeting."

GEN. MCCOY: I will declare a five minutes recess so you will have an opportunity of looking over these two papers before we proceed with the discussion.

(The meeting recessed at 11:10 A.M.)

(The meeting reconvened at 11:20 A.M.)

GEN. MCCOY: Gentlemen, we will come into our session again and open it, for your consideration of this important paper.

MR. MCNICOL: Mr. Chairman, on behalf of my Government I would like to make some comments on the amendment which you have submitted this morning to this document FEC-271/25.

In June of this year the Australian Government, in the interests of arriving at a policy decision on Japanese fishing and aquatic industries, and motivated by the desire to meet the United States position as far as possible, indicated its willingness to accept the deletion of the last sentence of paragraph 2 b of SC-271/24 along with the United States statement of understanding which was contained in SC-271/16 of 24 May. My Government was most reasonable in accepting the United States position at that time. However, at a later meeting of the Steering Committee, on 26th July, the United States member reversed his approval for the deletion of the last sentence of paragraph 2 b along with the statement of understanding and substituted the amendment which has been submitted again today. This amendment is not acceptable to my Government since we would require an assurance that SCAP would do more than attempt to reach

agreement with the country which felt it had a direct concern in the area in which further expansion of the fishing area was contemplated.

Paragraph 2 b as it appears before us in FEC-271/25 is acceptable to my Government. We could also accept paragraph 2 b with the addition of the United States statement of understanding if that were the wish of the majority of the member countries of the Commission. We cannot, however, accept the present United States amendment to paragraph 2 b.

GEN. MCCOY: Well I am sorry to hear that, sir. But I believe that or a similar statement by the Australian representative at the Steering Committee has already been considered by the United States Government and once more I am unable to state that it will or has changed its view, that a clarification of paragraph 2 b should be made in the text of the paragraph along the lines proposed in the amendment. But I'm still of the mind that we're almost together and hope that there is some way that we can find a formula that will be agreeable to all concerned.

DR. LEE: Mr. Chairman, I am sure you are aware of the fact that the Chinese delegation in the Steering Committee has been trying very hard to work out a sort of compromise so that it will meet with the approval of all the countries on the Commission. In the same spirit I shall try to make an amendment to the United States amendment which just has been proposed, with the hope of facilitating the discussion and conclusion of some compromise. I have asked one of my colleagues to type this out and mimeograph it for distribution among my colleagues here at the table and I am sure it will be ready in a few seconds.

The substance of my amendment and the United States amendment is not altogether too different from each other; there are only I think two minor changes: one is with reference to the usage of a verb and the second one is the arrangement of two phrases in the last

part of the sentence and in the order in which they should be placed.

Now, with reference to the usage of the verb, my amendment reads from "Far Eastern Commission" down: "asserts a direct concern in respect to fishing or other commercial aquatic activities SCAP" and delete "will attempt to" and put there "shall"---"shall secure the consent of such country to an agreement reasonably calculated...". I would explain why I should prefer "shall" instead of "will attempt to". In this respect and in this case, I fully agree with my Australian colleague that it is more logical---more just to use a sort of verb which will require of SCAP a bit heavier responsibility. I think our position and the position taken by my Australian colleague is a reasonable one.

Then, from "calculated" down we delete "to benefit the Japanese economy" and so forth and so on. We wish to put this phrase "to protect the legitimate interest of such country" first and then "to benefit the Japanese economy" next. Now I think logically this Commission should be more concerned with the legitimate interests of the countries represented at the table than with the benefit of the Japanese economy. In saying that I don't mean to imply that I want to disregard the livelihood in the future of the Japanese nation. No. I don't think that any of our colleagues at the table has that intention. But to do justice to the countries which have been attacked, invaded, and ruined by the Japanese aggressors, who might have been prosecuted and killed already, nevertheless it was Japan who ruined all of us here and we have to take care of the interests of these nations represented at the table more than scrupulously the interests of the possible survival of the Japanese economy.

Now I wish to put these two phrases in their proper order in order to forestall any misgivings or misunderstanding or misinterpretation. Therefore, I think, all-in-all, to put the whole thing in a nutshell it is a matter of drafting, and if you are more

or less inclined to consider my amendment I wish to change another verb which is not very material and very important to move but I think it means something nevertheless. That is the word "asserts". I think "asserts" is a verb which in a legal sense is not nearly so good as "claims". You see, "claims" is more definite. Now if that change meets with the approval of the majority opinion of the Commission I will make that change too.

So altogether, my amendment differs from the amendment of the United States Government in three aspects: instead of using "asserts" I propose to use "claims"; instead of using the verb "shall attempt to" I propose to use "shall"; third, instead of putting the phrase "to benefit the Japanese economy" first I propose to put it next after the phrase "to protect the legitimate interest of such country". I am trying to propose something which might be acceptable to the majority of the Commission. I think in a moment the mimeographed copies of my amendment will be ready for distribution.

GEN. MCCOY: Don't you think that we're getting a little bit involved for the Commission? I was wondering if it would meet with the approval of the proponents to refer this paper back to the Steering Committee. For once the Steering Committee is without any particular work and they are so familiar with this problem that I naturally am trying to pass the buck a little bit if it meets with the approval of the Commission. What do you think about it?

MR. VAIDYANATHAN: Mr. Chairman, the whole thing has been discussed in the Steering Committee and I must say the Chinese delegate introduced almost exactly the same amendment in the Steering Committee and the Steering Committee produced the document FEC-271/25 for the consideration of the Commission. I don't think any useful purpose would be served by sending it back to the Steering Committee because we have already discussed it in the Steering Committee--the same thing.

GEN. MCCOY: What do you think, Mr. McNicol?

MR. MCNICOL: I would be quite happy, sir, to have it go back to the Steering Committee. I think that we would probably get further at that level than we would here with the amendments we have got in mind. I would be perfectly content to have it sent back to the Steering Committee.

GEN. MCCOY: The Soviets have an amendment to this paper also. What is your wish, Mr. Minister?

MR. BAZYKIN: Mr. Chairman, different suggestions and proposals have already been discussed in the Steering Committee. However, if the majority of the Commission believes that it would be better to send this paper to the Steering Committee, I would have no objections. But my opinion is that all the proposals before the Commission could be discussed here.

MR. FORD: Mr. Chairman, I agree very much with what our Indian colleague said up to a point. I do think on reading the amendment you made this morning the phrasing of it might be considered a little invidious in some ways--the placing of the Japanese economy before the legitimate interests of other countries. And perhaps the words "will attempt to secure consent" might carry the implication that SCAP's attempts wouldn't meet with a reasonable response, that his arguments wouldn't meet with a reasonable response from the other countries. I think that might be considered a little invidious too. Since these concern matters of drafting, I would be inclined to favor referring the paper back to the Steering Committee.

MR. JOBSIS: Mr. Chairman, my colleague, Mr. Reuchlin, who is Chairman of the Steering Committee, has taken great pains in trying to reach a compromise in the Steering Committee. The same story tends to repeat itself here. I hope you don't mind, as Mr. Reuchlin is absent, that I tell his tale here.

Well the Chinese amendment was introduced here in the same way it was introduced in the Steering Committee. Mr. Reuchlin tried to reach a compromise to get the original text back. So he submitted

an amendment to the Chinese amendment which was again an amendment to the American amendment. So with lots of trouble we came back to the original text with a hope that this would give a possibility to the United States, after having heard the response to their new amendment, to try and reconsider perhaps their ideas, which bore the same characteristic as the amendment you introduced this morning, Mr. Chairman. We are very sorry to discover that this possible cure hasn't helped. However, now we are very glad that you propose to send it back to the Steering Committee because you will certainly have some idea in mind, because if we send it back to the Steering Committee to repeat again the same process I do not think that any useful purpose would be served by sending it back. But if your country, or you, yourself, Mr. Chairman, propose to send it back in the hope that a compromise might still be reached--that this wouldn't be labor lost but some love might be born there--under these circumstances I would agree with my Australian and my United Kingdom colleague and also be in favor of sending it back to the Steering Committee. However, my hopes are small, Mr. Chairman.

GEN. MCCOY: Well I always stick on a final vote on a paper of this sort as long as there is a glimmer of hope of getting together, and I still feel there is. So that, with your permission, we will refer this back to the Steering Committee.

MR. BAZYKIN: Mr. Chairman, since this item is referred to the Steering Committee, I believe that the Soviet proposal should also be discussed there.

GEN. MCCOY: Yes.

DR. LEE: Mr. Chairman, I wish to follow the majority on this matter by agreeing to referring this matter to the Steering Committee, but I wish to make it clear that since the Chinese delegation objects to the wording of paragraph 2 a as well as to the wording of this paragraph we will reserve our right of raising the substantive matter contained in 2 a also in the Steering Committee.

ITEM 4 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; /35, /37, /38, /39, /40, /41 FEC-084/23)

- b LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS SHIP-BUILDING AND SHIPPING (FEC-297/10)

GEN. MCCOY: I will not read the whole story; I think it's before you, although I was a little bit blank on that subject last week in not having been conscious of the amendment of the Soviet representative. At that time his amendment, which is a very important one, had slipped me completely, I am sorry to say, and hasn't received prior consideration and is now being considered. In view of that fact I hope that possibly there might be some help given by other members this morning on the Soviet amendment to that paper.

MR. BAZYKIN: Mr. Chairman, I would like to make a short statement on this subject.

"At the last three meetings of the Far Eastern Commission the Soviet delegation insisted that the Far Eastern Commission proceed, without any further delay, with the discussion of the draft policy decision on the level of economic life in Japan (FEC-242/32) and the Soviet proposals on this document submitted by the Soviet delegation on December 23, 1948 (FEC-242/37).

"As is known, the policy decision of the Far Eastern Commission FEC-084/21 'Reduction of Japanese Industrial War Potential' provides that the Far Eastern Commission should have adopted such a policy decision prior to October 1, 1949. Notwithstanding the fact that this date has already lapsed, there are nevertheless no reasons whatsoever to further delay the consideration of this question.

"It is necessary to note that the proposal of the Soviet delegation that the Far Eastern Commission proceed, without any further delay, with the discussion of FEC-242/32 was opposed only by the United States representative who asserted, without any foundation whatsoever, that the adoption of such a decision

would, allegedly, be 'inimical to the objective of Japanese peaceful economic revival'.

"In order to be convinced of the unfoundedness of such an assertion of the United States Government it is necessary to analyze the Soviet proposals on the level of economic life in Japan contained in FEC-242/37.

"Indeed, in regard to paragraph 1 of this document the Soviet delegation proposes: 'No limitations should be placed upon the production of pig iron, steel, copper, aluminum, machine tools, sulphuric and nitric acid, soda ash and caustic soda, chlorine, calcium carbide, ferro-alloys, ball and roller bearings, railway equipment and rolling stock, automobiles of non-military type, electric power, cement and the inventory of metal-working machinery so long as it will be intended for the satisfaction of only peaceful needs of the population, but not for the military purposes'.

"In regard to this paragraph the Soviet delegation proposes to place limitations only upon the production of industrial explosives which could be used for military purposes. Besides this the Soviet proposal provides that the question of increasing the capacity for production of explosives should be decided by the Far Eastern Commission if it is proved that such an increase is called for by the peaceful needs of Japan.

"In the Soviet proposals regarding paragraph 3 of FEC-242/32 it is also proposed to permit the production of nickel, magnesium, synthetic fuel and other products with the limitation of the production of these products by the quantities necessary for the satisfaction of only peaceful (non-military) needs of the Japanese economy.

"It is clear from the above examples that the Soviet proposals cannot in the slightest degree be inimical to the development of the peaceful branches of Japanese industry.

"Therefore the Soviet delegation once again insists that the Far Eastern Commission proceed, without any further delay, with the discussion of the draft policy decision on the level of economic life in Japan (FEC-242/32) and the Soviet proposals set forth in FEC-242/37."

GEN. MCCOY: In the statement that the Soviet Minister has just made he ends the statement:

"It is clear from the above examples that the Soviet proposals cannot in the slightest degree be inimical to the development of the peaceful branches of Japanese industry.

"Therefore the Soviet delegation once again insists that the Far Eastern Commission proceed, without any further delay, with the discussion of the draft policy decision on the level of economic life in Japan (FEC-242/32) and the Soviet proposals set forth in FEC-242/37."

So that it is now before you, gentlemen, for discussion. Is there any discussion desired this morning?

(No response)

GEN. MCCOY: My remembrance is that at the time the Soviet paper was originally presented the same request was made and there has been no discussion since, so that I would be very glad to have the wishes of the Soviet representative considered. The request he asks is for discussion.

In fact, the reply that was made on the 12th of May in the statement at that time on the directive issued by the United States on the change of economic status in Japan seemed to me to cover the case. But I would be very glad to reconsider the point from the point of view of discussion in view of the wish of the Soviet delegate.

MR. VAIDYANATHAN: Mr. Chairman, the United States, on the 12th of May 1949, presented a paper, FEC-340, which is a very important paper, and in that paper they said that no limitation should be placed on the peaceful needs of Japanese industry. My Government at the last

meeting of the Far Eastern Commission supported the United States in that respect. In the USSR statement FEC-232/37, paragraph 1, which I will read now, says:

"No limitations should be placed upon the production of pig iron, steel, copper, aluminum, machine tools, sulphuric and nitric acid, soda ash and caustic soda, chlorine, calcium carbide, ferro-alloys, ball and roller bearings, railway equipment and rolling stock, automobiles of non-military type, electric power, cement and the inventory of metal-working machinery so long as it will be intended for the satisfaction of only peaceful needs of the population, but not for the military purposes."

I can't see actually any difference between the main implications of FEC-340 and this paragraph of the USSR paper. There is, I think, more or less an agreement between the USSR and the United States on this subject.

GEN. MCCOY: On the general statement, yes.

MR. VAIDYANATHAN: Yes. So I think it should be fairly easy to reach some sort of agreement.

GEN. MCCOY: Thank you very much.

Any other discussion this morning, gentlemen?

(No response)

GEN. MCCOY: There seems to be none. We will proceed to the next item on the agenda.

Is there any action desired or any discussion on any of the succeeding items on the agenda, gentlemen?

ITEM 5 - JAPANESE PARTICIPATION IN INTERNATIONAL RELATIONS (FEC-339, /2, /3, /5, /6, /7, /8, /9)

MR. BAZYKIN: Mr. Chairman, in connection with the discussion of Item 5, Japanese Participation in International Relations, I would like to make a statement relative to Japan's adherence to the Universal Postal Convention.

"In connection with Japan's adherence to the Universal Postal Convention signed at Paris on July 5, 1947, and to the final protocol of the same date, the Soviet delegation informs the Far Eastern Commission of the following point of view of the Soviet Government in this matter.

"The Soviet Government believes that as a matter of principle it is possible to permit Japan to adhere to the Universal Postal Convention. However, such permission should be granted by the Far Eastern Commission whose purpose is, as is known, to formulate policies, principles and standards in conformity with which the fulfillment by Japan of its obligations under the Terms of Surrender may be accomplished.

"Therefore, the Government of the USSR believes that Japan's adherence to the Universal Postal Convention was performed in violation of the Terms of Reference of the Far Eastern Commission and therefore cannot be recognized as legal until an appropriate decision on this question has been reached by the Far Eastern Commission."

GEN. MCCOY: Is there any discussion this morning, gentlemen, on this statement of the Soviet representative?

(No response)

GEN. MCCOY: I think possibly it should be referred to the committee that is studying the general subject under the paper that's on our agenda. This is before the Commission but it is also being considered by Committee No. 4. This is a policy paper submitted by the United States and this statement is pertinent to that consideration. So that it will be considered here; also, with your approval, I will have it referred to Committee No. 4.

- ITEM 6 - JAPANESE MEMBERSHIP IN INTERNATIONAL CONVENTION OF TELECOMMUNICATIONS (FEC-334, /1, /2, /3, /4, /5, /6)
- ITEM 7 - LABOR POLICY IN JAPAN (FEC-318/20, /22, /24, /25, /26, /27, /28, /29)
- ITEM 8 - JAPANESE REPARATIONS AND LEVEL OF INDUSTRY (FEC-340, /1, /2, /3, /4, /5, /6, /7, /8)
- ITEM 9 - REPORT OF COMMITTEE NO. 1 TO THE F.E.C. REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)
- ITEM 10- REPARATIONS REMOVALS; ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5; /6, /7, /8, /9, /10)
- ITEM 11- ECONOMIC STABILIZATION IN JAPAN

(There was no discussion of the above items.)

ITEM 12- OTHER BUSINESS

GEN. MCCOY: Under "Other Business", gentlemen, is there anything new this morning?

a. Soviet Inquiry concerning Economic Deconcentration

MR. BAZYKIN: Mr. Chairman, I would like to remind the Commission that the Soviet delegation is waiting for an answer to the inquiry in respect to the economic deconcentration, which inquiry was made on September 22.

GEN. MCCOY: Yes. That has not been forgotten. It is being considered. It requires considerable work and consideration and will be shortly available.

I think all the other questions or queries on behalf of the members have been answered but that one. Is that correct? Would you check up with me on the papers to be circulated in reply to queries, Mr. Deputy Secretary General? Have you any others to be circulated this morning?

MR. EICHLER: Not this morning, Mr. Chairman. The only ones we have circulated this morning are the United States answer to the fishery inspection system and the reply you made to the Soviet query on the "New York Times" article on the extension of the fishery area. I think those are the only outstanding ones in addition to the deconcentration request.

GEN. MCCOY: All right.

b. Philippine Inquiry concerning Press Report on Earmarked Gold

MR. LOPEZ: Mr. Chairman, the "New York Times" this morning reports from Tokyo that earmarked gold which has been the subject of discussion in the Commission for some time has been delivered to France and Thailand. My delegation would like to request official confirmation of this report from the United States delegation.

MR. EICHLER: Mr. Chairman, the Secretariat has received the directive issued by the United States--received it yesterday afternoon late--and it should be ready for distribution to members this morning.

GEN. MCCOY: It will be in your boxes.

ITEM 13- PRESS RELEASE

GEN. MCCOY: The Deputy Secretary General has a statement to make.

MR. EICHLER: Mr. Chairman, in connection with the press release item, Item 13, may the Secretariat assume that we will follow the same procedure with respect to the amendment adopted this morning on restitution of looted property? If there is no objection the usual procedure will be followed in that case.

(Consent with the above request was indicated by representatives.)

GEN. MCCOY: If there is nothing further, gentlemen, we stand adjourned.

(The meeting adjourned at 12:00 N.)

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168

FAR EASTERN COMMISSIONTranscript of 168th Meeting of the Far Eastern CommissionHeld in Main Conference Room, 2516 Massachusetts Avenue, N.W.Thursday, October 13, 1949

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

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FAR EASTERN COMMISSION

Transcript of 168th Meeting of the Far Eastern Commission
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.
Thursday, October 13, 1949

Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
Mr. D. McNicol	(Australia)
Mr. R. E. Collins	(Canada)
His Excellency Dr. W. K. Lee	(China)
Mr. J. Daridan	(France)
Mr. P. Vaidyanathan	(India)
Mr. G. J. Jobsis	(Netherlands)
Mr. G. R. Laking	(New Zealand)
Mr. S. P. Lopez	(Philippines)
Mr. V. I. Bazykin	(U.S.S.R.)
Mr. H. A. Graves	(United Kingdom)

Secretary General

Mr. Nelson T. Johnson

Reporter: Mr. R. Holtz, Department of State--FEC

(The 168th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:35 A.M., 13 October 1949, Major General Frank R. McCoy, Chairman.)

ITEM 1 - CORRECTION AND APPROVAL OF PROVISIONAL MINUTES OF 167th MEETING

GEN. MCCOY: Good morning, gentlemen. The session is open for your action on the minutes.

The Secretary General has a correction to inform you about.

MR. JOHNSON: Mr. Chairman, on page 5 of the minutes of the 167th meeting of the Far Eastern Commission, paragraph 38, line 6, the word "heavier" after the word "commandeer" which begins that line should be dropped and substituted therefor the two words "more definite", so that the line will read "commandeer more definite responsibility for securing the consent".

GEN. MCCOY: Are there any other comments or criticisms or corrections, gentlemen?

(No other corrections indicated.)

GEN. MCCOY: There seem to be none. The minutes will be approved and made a matter of record in the usual way.

ITEM 2 - ELECTION OF CHAIRMAN OF COMMITTEE NO. 1: REPARATIONS (FEC-206/45)

GEN. MCCOY: The Steering Committee, at its last meeting, Tuesday, approved the recommendation of the Secretary General that Mr. David McNicol be elected chairman of Committee No. 1, vice Mr. Bullock. The recommendation of the Steering Committee is before you, and although we're sorry to lose Mr. Bullock I welcome Mr. McNicol at this board and also as the chairman of Committee No. 1, subject to any other action by the Commission.

If there is no objection, this recommendation of the Steering Committee will be approved.

ITEM 3 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; /35, /37, /38, /39, /40, /41, /42, FEC-084/23)

- b LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS SHIPBUILDING AND SHIPPING (FEC-297/10)

GEN. MCCOY: At the last meeting I rather covered the background of Item 3 on the Level of Economic Life in Japan: Policy towards Japanese Industry. It is still before us in the form of an amendment submitted by the Soviet representative, and at the last meeting this was put before you for discussion and consideration and still is before you for that action.

Is there any comment or discussion this morning on the subject?

(No response)

GEN. MCCOY: Has the Soviet delegate, the proponent of this amendment, any special request to make as to its disposition?

MR. BAZYKIN: Mr. Chairman, my desire is to hear the views of other representatives around this table. I have nothing to add this morning, but my wish is to hear the views of the representatives.

GEN. MCCOY: There has been a statement made by the Indian representative on the subject that was read and circulated.

On the 6th of October the Soviet representative submitted a statement, FEC-242/42, summarizing the Soviet position and again urging that the proposed policy decision and the Soviet amendments be discussed. I made reference at that time to the effect that from the point of view of the United States I thought the statement of May 12th covered the general position of the United States on the subject.

Are there any points that need clarification or that need, in following the wishes of the proponent of the amendment, any discussion this morning from the point of view of any of the other delegates?

(No response)

GEN. MCCOY: There seem to be none.

There's nothing new been brought to my attention on any of the other subjects still on the agenda. I'm prepared to look around for any remarks or actions proposed on any of those following.

If there are none, we will proceed to "Other Business".

ITEM 4 - JAPANESE REPARATIONS AND LEVEL OF INDUSTRY (FEC-340, /1, /2, /3, /4, /5, /6, /7, /8)

ITEM 5 - JAPANESE PARTICIPATION IN INTERNATIONAL RELATIONS (FEC-339, /2, /3, /5, /6, /7, /8, /9, /11)

ITEM 6 - JAPANESE MEMBERSHIP IN INTERNATIONAL CONVENTION OF TELECOMMUNICATIONS (FEC-334, /1, /2, /3, /4, /5, /6)

ITEM 7 - LABOR POLICY IN JAPAN (FEC-318/20, /22, /24, /25, /26, /27, /28, /29)

ITEM 8 - REPORT OF COMMITTEE NO. 1 TO THE F.E.C. REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

ITEM 9 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5; /6, /7, /8, /9, /10)

ITEM 10- ECONOMIC STABILIZATION IN JAPAN

(There was no discussion of the above items.)

ITEM 11- OTHER BUSINESS

GEN. MCCOY: Is there any new business before us this morning on the part of any delegate?

(No response)

GEN. MCCOY: There seems to be none.

If there is no objection, the meeting will stand adjourned.

(The meeting adjourned at 11:45 A.M.)

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169

FAR EASTERN COMMISSION

Transcript of 169th Meeting of the Far Eastern Commission

Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.

Thursday, October 20, 1949

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

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Transcript of 169th Meeting of the Far Eastern Commission
Held in Main Conference Room, 2516 Massachusetts Avenue, N.W.
Thursday, October 20, 1949

Representatives Present

Major General Frank R. McCoy, Chairman	(United States)
Mr. D. McNicol	(Australia)
Mr. R. E. Collins	(Canada)
His Excellency Dr. W. K. Lee	(China)
Mr. J. C. Winckler	(France)
Mr. P. Vaidyanathan	(India)
Mr. O. Reuchlin	(Netherlands)
Mr. G. R. Laking	(New Zealand)
Mr. F. Lozada	(Philippines)
Mr. V. I. Bazykin	(U.S.S.R.)
Mr. H. A. Graves	(United Kingdom)

Secretary General

Mr. Nelson T. Johnson

Reporter: Mr. R. Holtz, Department of State—FEC

(The 169th meeting of the Far Eastern Commission, 2516 Massachusetts Avenue, N.W., Washington, convened at 10:35 A.M., 20 October 1949, Major General Frank R. McCoy, Chairman.)

GEN. MCCOY: Good morning, gentlemen: the session is now open.

ITEM 1 - CORRECTION AND APPROVAL OF PROVISIONAL MINUTES OF 168th MEETING

GEN. MCCOY: The very brief minutes of the last session will be made a matter of record unless there is some correction or comment desired.

(No correction indicated.)

GEN. MCCOY: There seems to be none.

ITEM 2 - FISHING AND AQUATIC INDUSTRIES IN JAPAN (FEC-271/33)

GEN. MCCOY: Our Steering Committee had a very constructive look at the fishing paper again and has returned it to the Commission; approved and forwarded by the Steering Committee by a vote of 8 in favor to 3 opposed.

What are your wishes on this paper? Is there any discussion desired at this level or any amendments to be proposed at this level?

MR. BAZYKIN: Mr. Chairman: "At the Far Eastern Commission meeting of September 22, 1949, the Soviet delegation submitted its proposal to change the wording of paragraph 2 b of the proposed policy decision on Japanese fishing. However, the Soviet proposal was not discussed at the level of the Commission and, together with other amendments to the proposed policy decision, was sent back to the Steering Committee.

"In the course of lengthy discussions of this document, it became clear that the basic difference in the points of view, mainly between the United States delegation and other delegations, concentrates on the question of further expansion of the area for Japanese fishing, which directly involves the problem of security.

"The United States delegation asserted that this question was, allegedly, of an administrative nature and that, therefore, the right to make decision on this question should be given to the Supreme Commander. This assertion of the United States delegation is entirely unfounded since the expansion of the fishing area constitutes an important question of policy because it involves the problems of security.

"Unfortunately, certain delegations which originally shared the point of view of the Soviet delegation on this question, have, under the influence of the United States delegation, changed their positions and found it possible to agree with the United States' demand to give to the Supreme Commander the right to decide this very important question of policy at his own discretion. The United States representative's statement of May 24, 1949, on the interpretation of paragraph 2 b as well as the wording of paragraph 2 b which has been adopted on the basis of this interpretation (as set forth in FEC-271/33), leave no doubt in this respect.

"In the course of the discussion the Commission had an opportunity to become convinced that, in establishing the area for Japanese fishing, the Supreme Commander did not care to take into account the interests of certain countries members of the Far Eastern Commission. This fact emphasizes once again the advantage of the Soviet delegation's proposal which provides that the question of further expansion of the Japanese fishing area should be decided by the Far Eastern Commission.

"The Soviet delegation deems it necessary to stress that it cannot agree that the Supreme Commander be given the discretion to decide this important question of policy and that it would be unable to support this document as a whole if the general principle of extending the Japanese fishing area by the

Far Eastern Commission, as had been recommended by Committee No. 2 in SC-271/2, is not restored.

"Proceeding from the above, the Soviet delegation again submits its proposal regarding the wording of paragraph 2 b for the consideration of the Commission.

"The Soviet delegation proposes that paragraph 2 b be worded as follows:

'No extension of Japanese fishing or other commercial aquatic activities beyond the foregoing area should be permitted without prior authorization by the Far Eastern Commission'."

GEN. MCCOY: This amendment has been before the Commission before for consideration and discussion. It has also been thoroughly considered in both the working committee and the Steering Committee. The statement of the Soviet representative very well expresses his opinion, but it is the same opinion that he has held throughout the action on this paper. Of course, in the Steering Committee--both originally and since it has been referred back there--there has been an attempt to gain cooperation. I wouldn't put it in the words of the Soviet Minister that under the influence of the United States the others followed the United States; they are not accustomed to do that and the United States is not accustomed to act that way. Its whole attitude in this affair has been one of sweet reason in trying to find a way that we can cooperate. That's what this Commission is all about--not to follow any one country but to give due consideration to the wishes and claims and interests of those around this table. That has been done with this paper. It has been given very careful consideration. I think it's a very good example of an attempt to get international cooperation in finding a formula finally that a majority of this Commission can accept; otherwise there would be no fishing paper and the interests of the other countries would

be at the disposition of the United States rather than giving the consideration that this paper does to all concerned. So that I think the Soviet representative has given a very plain and proper statement from his point of view, but it is not the point of view of the United States and the majority of the Commission.

However, I feel that, as he requests, it should be given consideration by the Commission again and again. Seven times seven, as the Bible said, we meet these problems and in the course of doing so we have very often reached agreement, and I hope that will be the case in this paper which I consider important from the point of view of the Commission. So that I would be very glad to hear, and I am following the wishes of my Soviet colleague in asking your consideration of his amendment, any comments or discussion that may be considered desirable.

Possibly the Chairman of the Steering Committee, who has heard this many times and has been good enough to have had it considered once more by the Steering Committee, might care to give the background of the Committee. I don't press it upon him. He has been quite patient up to this moment and I don't want to stretch it beyond--

MR. REUHLIN: Well, Mr. Chairman, I would rather not speak for the Steering Committee because the members are present here and probably wish to express their own opinion. But I can give our delegation's opinion on the Soviet proposal and I think the Soviet member knows what our opinion is. But as we are on a different level I will state it again.

I agree with the Soviet representative that this is a question which definitely has security aspects, but besides the security aspects I think it has another aspect and that is the aspect of conservation of fish. The Soviet representative objects to the term "administrative measure". Well it's a word which I think

was used in order to show that this measure of expanding the area should be taken in a reasonable length of time and not after a year or two years and that the Far Eastern Commission therefore was not the body to decide these matters, that they should be decided between—not by SCAP—but between SCAP and the country concerned. We don't agree with the Soviet representative that SCAP has the right to decide; we think that it is a matter for the sovereign state which has a concern in a certain area to decide with SCAP. They will consult with SCAP and they will reach an agreement. But what we didn't like was that that right should be given to the whole Far Eastern Commission to decide for the country concerned. So in the early stages there was an ending phrase to paragraph 2 b which was almost similar to the phrase which is contained in the Soviet proposal. We felt that we couldn't accept that phrase because it more or less infringed upon the sovereign rights of countries to have the Far Eastern Commission as a body decide whether a country had a direct concern or not. We think that is a matter solely for the country concerned and the Supreme Commander, to come to an agreement.

For the rest of his statement I must concur with what you said. We certainly have not been influenced. We have perhaps been influenced, but we also think that we have influenced and that, as you say, is the right way of coming to a compromise. We all perhaps would like a different wording of paragraph 2 b in our own line of thought, but we have made concessions and we think that this is the best common denominator which we could arrive at in order to get agreement. And it's true, of course, that the Soviet proposal has never been changed. That's all I have to say for the Netherlands delegation, Mr. Chairman.

GEN. MCCOY: Thank you very much. Are there any other remarks or discussion desired this morning?

MR. LOZADA: Mr. Chairman, the position of the Philippine delegation on this policy paper has been expressed on past occasions in the Steering Committee and the working committee. The Philippine Government considers this paper to be very important. We believe that a policy paper that is to be passed by this body should not only benefit Japan's economy but should also contain provisions that would protect conservation measures and the national security of countries very near Japan. The Philippine delegation fully appreciates the efforts exerted by the members of this Commission in arriving at a certain compromise proposal, but we sincerely believe that the rights of the countries affected are better guarded by the statement contained in paragraph 2 b of the document SC-271/24. For this reason, Mr. Chairman, I regret to state that the Philippine delegation cannot accept the policy proposal, that is, the paper under discussion.

GEN. MCCOY: Well, that is your opinion about it, that is about the general paper as forwarded by the Steering Committee. The question that is now before the Commission is the Soviet amendment. Do you care to make any remarks about that?

MR. LOZADA: Mr. Chairman, the opinion of the Philippine delegation in connection with the Soviet proposal has already been expressed in the Steering Committee, and I think I can correctly state that we abstained on the proposal of the Soviet representative.

GEN. MCCOY: Are there any other comments, gentlemen?

MR. BAZYKIN: Mr. Chairman, in connection with the statement of the Netherlands representative, I would like to state that the Soviet proposal does not infringe the sovereignty of states. I believe that during the consideration of any question of policy the representatives around this table take into consideration the interests of their sovereign states and I believe that during the consideration of the question of expanding the Japanese fishing area the representatives would also take into account their own interests.

GEN. MCCOY: Naturally. Do you wish to have your amendment voted on now or do you care to have it further considered?

MR. BAZYKIN: Mr. Chairman, this morning I heard the opinions of only two representatives and I would like to hear the opinions of other representatives as to why they consider the Soviet proposal unacceptable.

GEN. MCCOY: Do any of the delegates wish to take advantage of this invitation on the part of our colleague?

(No response)

GEN. MCCOY: If there are no other comments, the amendment is before you--

MR. VAIDYANATHAN: Mr. Chairman, I abstained from voting in the Steering Committee and probably I didn't explain why I abstained from voting on the Soviet proposal. My Government feels that while of course the Far Eastern Commission decisions of policy should be upheld this question of fishing is not such a policy, and that it should be left to SCAP and the country concerned to arrive at a reasonably calculated decision. So I supported the proposed policy framed in the Steering Committee but abstained from voting on the Soviet proposal. Probably that will explain my abstention in the Steering Committee.

GEN. MCCOY: If there are no other comments, the Secretary General will call for a vote on the Soviet amendment.

MR. JOHNSON: Mr. Chairman, the motion before the Commission is a motion to amend paragraph 2 b of FEC-271/33, and it reads:

"No extension of Japanese fishing or other commercial aquatic activities beyond the foregoing area should be permitted without prior authorization by the Far Eastern Commission."

This wording will be substituted for paragraph 2 b as it now stands in the paper.

GEN. MCCOY: The Secretary General will take the vote on this amendment.

MR. MCNICOL: Against.
MR. COLLINS: Against.
DR. LEE: Abstain.
MR. WINCKLER: Against.
MR. VAIDYANATHAN: Abstain.
MR. REUCHLIN: Against.
MR. LAKING: Against.
MR. LOZADA: Abstain.
MR. BAZYKIN: In favor.
MR. GRAVES: Against.
GEN. MCCOY: Against.

The vote is 1 for, 7 against, 3 abstentions, so that the amendment is lost.

The paper now is before you, gentlemen, for your consideration, FEC-271/33. What are your wishes, gentlemen, as to the paper known as Fishing and Aquatic Industries in Japan, as forwarded by the Steering Committee, FEC-271/33? Is there any discussion desired?

(No response)

GEN. MCCOY: There seems to be none. The paper will be voted upon. The Secretary General will take the tally, please.

I might add that the Steering Committee approved and forwarded the enclosed paper by a vote of 8 in favor (Australia, Canada, France, India, Netherlands, New Zealand, United Kingdom, United States) to 3 opposed (China, Philippines, USSR).

MR. JOHNSON: The proposal before the Commission, Mr. Chairman, is FEC-271/33, Fishing and Aquatic Industries in Japan.

MR. MCNICOL: In favor.
MR. COLLINS: In favor.
DR. LEE: Against.
MR. WINCKLER: In favor.
MR. VAIDYANATHAN: In favor.
MR. REUCHLIN: Yes.

MR. LAKING: Yes.
MR. LOZADA: Against.
MR. BAZYKIN: Against.
MR. GRAVES: In favor.
GEN. MCCOY: In favor.

The tally, gentlemen, is 8 for the paper, 3 against, including China and the USSR in those against. So that this paper is lost.

Gentlemen, I have no comment on any of the other articles on the agenda but they remain for your consideration. Is there any desire on the part of any member to discuss any of the other articles on the agenda or make any statements thereto?

MR. BAZYKIN: Mr. Chairman, I have a statement to make on Item 5.

ITEM 3 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; /35, /37, /38, /39, /40, /41, /42, FEC-084/23)

- b LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS SHIP-BUILDING AND SHIPPING (FEC-297/10)

ITEM 4 - JAPANESE REPARATIONS AND LEVEL OF INDUSTRY (FEC-340, /1, /2, /3, /4, /5, /6, /7, /8)

(There was no discussion of the above-listed items.)

ITEM 5 - JAPANESE PARTICIPATION IN INTERNATIONAL RELATIONS (FEC-339, /2, /3, /5, /6, /7, /8, /9, /11, /12)

MR. BAZYKIN: Mr. Chairman: "In connection with the reply given by the United States representative on October 13, 1949 (FEC-339/12) to the statement of the Soviet delegation of October 6, 1949, on the question of Japan's adherence to the Universal Postal Convention, the Soviet delegation states that the Soviet Government considers the arguments advanced by the United States Government regarding the legality of Japan's adherence to the Universal Postal Convention to be unfounded. The Soviet delegation confirms its statement of October 6, 1949, that Japan's adherence to the Universal Postal Convention cannot be recognized as legal until an appropriate decision on this question has been reached

by the Far Eastern Commission."

GEN. MCCOY: The views of the United States are on record in this affair, which is now being considered in its general aspects at the working committee. There was a reply to which the Soviet representative alludes, that is the reply from the United States which was circulated. I will not make any comment on that other than call your attention to the fact that it was circulated, and if any of the delegates have not received it, which gives the reply of the United States to the query of the Soviet delegation, I will be glad to furnish them with a copy.

The statement of the Soviet representative will be given due consideration.

Is there any comment on it, gentlemen?

(No response)

GEN. MCCOY: There seems to be none.

- ITEM 6 - JAPANESE MEMBERSHIP IN INTERNATIONAL CONVENTION OF TELECOMMUNICATIONS (FEC-334, /1, /2, /3, /4, /5, /6)
- ITEM 7 - LABOR POLICY IN JAPAN (FEC-318/20, /22, /24, /25, /26, /27, /28, /29)
- ITEM 8 - REPORT OF COMMITTEE NO. 1 TO THE F.E.C. REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)
- ITEM 9 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5; /6, /7, /8, /9, /10)
- ITEM 10- ECONOMIC STABILIZATION IN JAPAN

(There was no discussion of the above-listed items as to substance.)

ITEM 11- OTHER BUSINESS

GEN. MCCOY: Is there any new business under the term "Other Business" this morning? I have none from the point of view of the United States. Has the Secretary General any statement to make?

MR. JOHNSON: No, sir.

GEN. MCCOY: Oh, yes. I beg your pardon, Mr. representative of the Netherlands. You were about to remark?

a. Discussion of Removal of Inactive Items from Agenda

MR. REUCHLIN: Mr. Chairman, under "Other Business" I was just thinking what is going to happen to us at next week's meeting? We still keep on the agenda items like 3, 4, 5, 6, 7, 8, 9, and 10, and I don't know whether it gives proof of being in touch with reality in keeping these items on the agenda. If we come together next week--the Steering Committee as far as we know is not going to meet next week--the items will still be on the agenda. They have been on the agenda for a very long time. If any of the members wishes to raise a question concerned with these topics or make proposals concerned with these topics they can always do so, but I really fail to see why we keep these items on the agenda and meet and adjourn in one minute again. That is what will probably happen next week. So I would propose that we omit all these items from the agenda. By that we don't say that we have finished with the subjects, but I see no proposal before the Commission and I think it would be much more taking into account and having taken a realistic attitude to drop all these items from the agenda. Then we wouldn't have to carry all these papers.

GEN. MCCOY: In other words you would go under our usual rules of order and consider these items tabled?

MR. REUCHLIN: That is exactly it.

GEN. MCCOY: And anybody who wishes to discuss them or bring them up under "Other Business" at any time would be free to do it?

MR. REUCHLIN: Yes, that would be my view.

GEN. MCCOY: What are your wishes, gentlemen, on the matter?

MR. BAZYKIN: Mr. Chairman, we have on our agenda some items containing concrete proposals. Let us take, for example, Item 3, Level of Economic Life in Japan: there is a Soviet proposal to amend FEC-242/32. Unfortunately, sometimes we bypass these items and do not actively consider them. Besides that, there is Item 7, Labor Policy in Japan, which also requires consideration by the Commission.

Mr. Chairman, in order not to delay subjects on the agenda, I propose that, let us say, at the next meeting we actively discuss, for example, Item 3 and/or Item 7.

GEN. MCCOY: Are there any proposals that will meet the case, gentlemen, and dispose of those items to which there is no objection to being dropped from the agenda? I take it that you would like to have Item 3 and Item 7 retained on the agenda, Mr. Bazykin?

MR. BAZYKIN: Yes, Mr. Chairman. I ask my colleagues to consider these items because on these two items we have concrete proposals which should be dealt with.

GEN. MCCOY: That would be Items 3, 5 and 7? Is that correct?

MR. BAZYKIN: Yes.

GEN. MCCOY: Would you have any objections to dropping the others?

MR. BAZYKIN: Perhaps, Mr. Chairman, we could decide that at the next meeting of the Commission.

GEN. MCCOY: Do you make your statement in the form of a motion or just a suggestion?

MR. REUCHLIN: No, Mr. Chairman. That was purely a suggestion. I think that if we meet next time and we, although I don't see why we can't do it now, take up Item 3, if there is a proposal I am ready to vote on it. But we probably will find that--there is a French saying--"the battle ended because there were no more fighting people", and I think that will probably happen next time. But I don't make a definite proposal.

MR. BAZYKIN: Mr. Chairman, there is no armistice yet so we have to continue. But, sometimes to reach an armistice is more difficult than to win the war. Mr. Chairman, since all these items have been on our agenda for a long time I believe that it would be perfectly all right to discuss the suggestion made here at the next meeting, whether we shall retain these items on the agenda or not. Perhaps, during that time, the members will consider the items on the agenda and have something to say on them.

GEN. MCCOY: Is that the wish of the Commission--to follow the suggestion of the Soviet Minister?

(No response)

GEN. MCCOY: Is there any objection to those not in question? Let me say, assuming that the Soviet delegate wishes to have Items 3, 5 and 7 discussed at the next meeting, is there any objection to dropping Items 4, 6, 8, 9 and 10 from the agenda, always subject to the right of anybody to bring up anything connected with them under new business or "Other Business"?

MR. BAZYKIN: Mr. Chairman, since different items were introduced into the agenda by certain delegations, I believe that it would be more appropriate to discuss the dropping of each item separately.

GEN. MCCOY: What are your wishes, gentlemen?

DR. LEE: Mr. Chairman, I understand it is the practice of this Commission that only when a subject is disposed of negatively or positively by the Commission the subject is dropped from the agenda. The mere fact that we have ceased to be as active as we used to be does not justify dropping these items from the agenda altogether. Aside from those questions which the Soviet delegate has mentioned which he would like to take up at the next meeting, there are other questions on the agenda which are either before a working committee or the Steering Committee. Take, for instance, the question on Japanese Participation in International Relations: there is active discussion going on all the time in the working committee. That has not been disposed of at all. I think with reference to the reparations question there are a number of delegations which have not expressed their views and we, the Chinese delegation, are anxious to hear their views. So, if the Commission is not prepared to deviate from the general practice, I would suggest that all those items which have not been properly disposed of by the Commission should be kept on the agenda. Whether we can think of some ways and means of developing our fighting spirit so as to end the war

either way is up to the Commission and to you, Mr. Chairman. But the very fact that we are not any more active does not seem to justify the dropping of these items from the agenda. That is what I wish to say today.

GEN. MCCOY: Well, in this case it's a mere matter of procedure and the Chairman will follow the wishes of the Commission as expressed informally in this way. I will not put it to a vote. I will be glad to hear your wishes.

MR. BAZYKIN: Mr. Chairman, when I mentioned Items 3 and 7 I did not mean that other items are not important and that they shouldn't be discussed. It is the right of each delegation expression of views on each item, and if there is a desire to drop one or another item it should be discussed in relation to that item only. I mentioned Items 3 and 7 only because of the fact that there are pending Soviet proposals on them.

GEN. MCCOY: Well, following the suggestions made, we will take up Items 4 (see agenda). Is there any desire to keep that on the agenda?

MR. VAIDYANATHAN: Mr. Chairman, only three countries have made statements on that item. China, the Philippines, and India have made comments under that heading. I myself feel that in cases where the Commission hasn't come to a decision all those items should be kept on the agenda, but members be told at each Commission meeting what will be the active items that could be discussed at the next meeting so that, as the Netherlands delegate said, we need not have to carry bulky papers to the Commission. Then we will also know what items will be discussed and we can come prepared for those items.

GEN. MCCOY: In other words, you would like all the--

MR. VAIDYANATHAN: All the items, and also a discussion of what items would be discussed at the next meeting.

GEN. MCCOY: Any other comment, gentlemen?

MR. BAZYKIN: Mr. Chairman, I believe that the dropping of any