

SUMMARY--FECFEC--CONFIDENTIALSUMMARY--121st FEC Mtg.30 September 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 121st MEETINGITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 120th MEETING

Corrected; final approval postponed to allow United Kingdom representative opportunity for examination.

ITEM 2 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

Postponed.

ITEM 3 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

Australian reservation withdrawn.

ITEM 4 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2; FEC-014/9, FEC-045/5)

Soviet and United States statements presented. Discussion.

ITEM 5 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5)

Postponed.

ITEM 6 - LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32, FEC-242/35, FEC-320)

Queries by representatives directed to Soviet representative regarding clarification of FEC-320.

ITEM 7 - CIVIL AVIATION IN JAPAN (FEC-245/18; FEC-245/19)

Postponed.

ITEM 8 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

Postponed.

ITEM 9 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

Postponed.

ITEM 10- OTHER BUSINESSa. Inquiry concerning Suzuki InterviewITEM 11- PRESS RELEASE

None.

Summary--Minutes, 121st FEC Mtg.  
30 September 1948



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8 October 1948

FEC-CONFIDENTIALRECORD OF APPROVAL OF THEMINUTES OF THE 121ST FEC MTG.FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 121ST MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 122nd meeting, 7 October 1948, approved the provisional minutes of its 121st meeting with the following corrections:

Page 5 - last line, insert between the words "interest" and "until" the words "in the question of labor relations in the Japanese public service".

Page 8 (as revised by corrigendum of 5 October) - delete the period at the end of the seventh line and add the words "and without which they might be operated as non-peaceful industries."

2. Representatives are requested to incorporate the above corrections in their file copies of the provisional minutes of the 121st meeting of the Far Eastern Commission, and to attach this formal record of approval to those copies as corrected.

3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General

Record of Approval of the Minutes of the  
121st Meeting of the Far Eastern Commission.



FEC--CONFIDENTIALITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 120th MEETING

Approval of the minutes of the 120th meeting was postponed to allow the United Kingdom representative, who had not received them before the meeting, an opportunity to examine them. The following corrections were approved:

Page 1, second paragraph in Item 2 - delete the phrase "further consideration" and substitute "final action on the paper".

Pages 2 and 3 - delete the second full paragraph on page 3 and substitute therefor the third full paragraph on page 2.

Page 7, first paragraph - in the sixth line delete the words "narrow issue" and substitute "general question"; in the seventh line change "the Government" to "his Government" and substitute the word "narrow" for "broader"; in the antepenultimate line delete the word "whole" and add the words "of the ordinance" after the word "matter".

Page 8, second line - change the word "in" to "is".

Page 9, fourth line - insert the word "national" before the word "economy".

Page 9, first line of fourth paragraph - insert the word "as" between "arises" and "to".

ITEM 2 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

MR. PANYUSHKIN said that although at the present time he had no objection to FEC-319/2 in principle, he was still awaiting governmental instructions on the subject, and would therefore request postponement of final action.

Without objection, further consideration of this subject was postponed.

ITEM 3 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

MR. BULLOCK said that he was now prepared to remove the Australian reservation on FEC-240/16. He could participate in a vote whenever the Commission should be ready to act, and he would, at that time, submit a statement on behalf of his Government.

Without objection, further consideration of this subject was postponed.

ITEM 4 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2; FEC-014/9, FEC-045/5)

MR. PANYUSHKIN submitted the following formal statement:

"The Soviet delegation has carefully considered the United States representative's statement on 'Labor Policy in Japan' made at the 120th Far Eastern Commission meeting in which he informed that the official viewpoint of the United States Government on the question of violations by General MacArthur of the Far Eastern Commission decisions FEC-014/9 and FEC-045/5, as pointed out in the Soviet representative's statement of September 16, had been formulated in the press release of September 2 by Secretary of the Army Royall as well as in Mr. Sebald's statement at the meeting of the Allied Council for Japan on August 28, 1948.

"The United States representative also stated that the actions of MacArthur, who sent a directive to Prime Minister Ashida on July 22, were considered by the United States Government as legal and timely. Further the United States representative stated that the proposal of the Soviet representative on the Far Eastern Commission made on September 16 on this subject was unacceptable since it was allegedly



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based on an erroneous interpretation of facts and that therefore the consideration of this question in the Far Eastern Commission was unprofitable.

"The Soviet delegation cannot agree with this statement by the United States representative since it justified illegal actions of MacArthur who violated Article 10 of the Potsdam Declaration as well as relevant decisions of the Far Eastern Commission. The Soviet delegation rejects the statement of the United States representative, who qualified the Soviet representative's statement unacceptable as being allegedly based on an erroneous interpretation of facts. It is known that in the Soviet statement of September 16 there were punctually shown the facts of violation by General MacArthur of certain decisions of the Far Eastern Commission, while General McCoy's statement is a groundless one and has no foundation whatsoever. Such a statement of General McCoy, apparently, reckoned upon depriving the Far Eastern Commission of its opportunity to consider the substance of MacArthur's action, who by issuing his directive of July 22 to Prime Minister Ashida violated Far Eastern Commission decisions FEC-014/9 and FEC-045/5.

"The Soviet delegation cannot agree with such actions by the United States representative since, as it is stated in Article II-A-2 of the Terms of Reference of the Far Eastern Commission, the Commission is bound 'to review, on the request of any member, any directive issued to the Supreme Commander for the Allied Powers or any action taken by the Supreme Commander involving policy decisions within the jurisdiction of the Commission'.

"The Soviet delegation once again confirms that the Far Eastern Commission cannot by-pass the fact of direct violation by General MacArthur of Far Eastern Commission policy decisions FEC-014/9 and FEC-045/5 as well as of Article 10 of the Potsdam Declaration.

"The Soviet delegation, besides the facts showing the illegality of MacArthur's actions as stated in its statement of September 16, draws attention of Commission's members to the following additional circumstances:

1. While MacArthur's representative on the Allied Council Mr. Sebald tries to qualify MacArthur's directive as 'a suggestion rather than a directive', the Japanese Government accepted this 'suggestion' as a directive and carried it out fully. This is proved not only by practical actions of the Japanese Government which organized on the basis of this MacArthur's directive a broad campaign of repressive measures against the workers and employees of government enterprises and institutions but it is also proved by the text of an introductory part of the Cabinet order of July 31, 1948, which reads:

'The Cabinet hereby established the Cabinet order concerning the temporary measures to be taken in consequence of the letter of the Supreme Commander for the Allied Powers to the Premier dated July 22, 1948, under the Imperial Ordinance No. 542 of 1945 concerning the orders to be issued in pursuance of the acceptance of the Potsdam Declaration...'

2. The frivolous interpretation of the Far Eastern Commission policy decision FEC-045/5 at the meeting of the Allied Council for Japan on August 28 by Mr. Sebald who asserted that this decision had 'no bearing whatsoever upon the organization or principles governing the employment of public servants' is the further attempt to justify illegal actions of General MacArthur and the Japanese Government who openly took the road of depriving 3.5 million men and women - workers and employees of government enterprises and institutions in Japan who constitute more than 50 percent of all members of Japanese trade unions - of their legal rights provided for them by the Potsdam Declaration and the decisions of the Far Eastern Commission FEC-014/9 and FEC-045/5.



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The Soviet delegation cannot agree with such actions by MacArthur and the Japanese Government nor with the statement of September 23, made by the United States representative on the Far Eastern Commission in justification of the above-said illegal actions of MacArthur and subsequent illegal action of the Japanese Government.

3. The Soviet delegation draws attention of the Far Eastern Commission members to that part in the United States member's statement of September 23 which reads that 'In the opinion of my Government, the temporary character of the interim ordinance of the Japanese Government and the fact that permanent legislation is now in preparation for submission to the Diet and review by SCAP, make it unprofitable for the Commission to engage at this time in an extended consideration of this complex subject'.

The Soviet delegation considers this statement as an attempt on the part of the United States representative to keep the Far Eastern Commission from control over the correct fulfillment of Commission's policy decisions, as well as from the adoption of timely and effective measures to remedy illegal actions of General MacArthur and the Japanese Government.

"It is natural that the Soviet delegation cannot by-pass such an unfounded intention of the United States representative and insists on the consideration and adoption by the Far Eastern Commission of the proposal submitted by it at the Commission's meeting on September 16, 1948."

GENERAL McCOY said that he had hoped that the Commission's consideration of this very important and complex subject might be characterized by a highly statesmanlike approach, with an absence of personal attack. He could not at the moment reply to the numerous charges in the statement of the Soviet representative, and would not attempt to do so until he had had an opportunity to study it.

GENERAL McCOY recalled that at the last meeting (pp. 3 & 4, Minutes, 120th Mtg.) the Chinese representative, joined by the Indian and New Zealand representatives, had requested information regarding mediation and arbitration machinery established in Japan. He wished now to supply information in response to this query, and presented the following formal statement (subsequently circulated as FEC-318/3):

"The Labor Relations Adjustment Law', passed by the Japanese Diet on September 20, 1946, was promulgated and put into force on October 13, 1946.

"The salient features of this Act are as follows:

The primary responsibility for settling disputes is stated to lie with the parties involved, the government's role being to assist them. On occurrence of an act of dispute, i.e. one hampering the normal activities of an enterprise, the parties are immediately to report to the appropriate Labor Relations Committee. These committees, organized on national, prefectural and in some cases on a special basis, are tripartite bodies consisting of equal members or representatives of employers, employees and neutral (i.e. government-selected) members.

The Labor Relations Committees, assisted by the competent government authority, are responsible for the conduct of the conciliation, mediation and arbitration activities called for under the Act. Each Committee maintains a panel of conciliators, named on the basis of experience in and knowledge of labor relations matters. In the event of a dispute and upon the request of one or both parties or on his own initiative, the chairman of the appropriate Labor Relations Committee appoints a conciliator from this panel who will endeavor to contact both parties, ascertain their views and assist them in arriving at a



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settlement. If no settlement can be reached, the conciliator withdraws and reports the salient facts to the Labor Relations Committee.

When certain conditions are present, and particularly in cases of disputes by public welfare workers such as those in transport, postal, telegraph, telephone, gas, electricity and public health activities, mediation is attempted by a Mediation Committee, appointed by the Labor Relations Committee concerned, from its members. Acceptance of any mediation settlement is voluntary, but public opinion is mobilized by the Mediation Committee for its support.

Where both parties agree in advance, or in accordance with a collective bargaining agreement, Labor Relations Committees are empowered to arbitrate disputes. Acceptance of arbitration awards are compulsory.

Certain restrictions are placed on acts of dispute under the Act in question. Police, firemen, prison guards, and those governmental employees engaged in administrative or judiciary work are denied the right to strike. Employees of government-owned enterprises, such as the government railways, postal, telephone and telegraph systems, tobacco factories and camphor and salt monopolies, are not subject to this restriction under the Labor Relations Adjustment Law. Both sides to disputes in public welfare activities are forbidden to commit acts of dispute within thirty days after application for mediation has been made, however.

Employers are forbidden to discharge or discriminate against workers for participation in acts of dispute, or for testifying before a Mediation or Arbitration Committee.

Experience since the promulgation of this Law has demonstrated that the Central and Prefectural Labor Relations Committees have been by far the most important agency for settlement of labor disputes which were not resolved by voluntary negotiations. Detailed statistics showing the number of labor disputes in which the labor relations committees assisted in settlement, during each month from December 1946 through April 1948, are shown in a table presented in the monthly 'Summation of Non-Military Activities in Japan' for June 1948 (page 219). This table also indicates on a monthly basis the number of cases and number of workers involved in disputes accompanied by strikes or other 'acts of dispute' and the number of cases settled without strikes or 'acts of dispute'.

The same table also presents a summary breakdown of labor disputes which other third parties assisted in settlement, such as government labor officials, representatives of other trade unions, and members of political parties. It is noteworthy that cases resolved by the labor relations committees covered more than 99% of the total number of workers involved in labor disputes in which there was third party intervention. Other significant facts shown by the table are the following:

A. The number of cases handled by the labor relations committees has tended to increase steadily--ranging between 18 and 33 cases per month in the first six months following December 1946, but covering more than 100 cases per month during the last four months shown in the table (January-April 1948).

B. The number of workers involved in labor disputes handled by the labor relations committees has been significant--ranging between 1,750,000 and 2,467,000 each month from October 1947 through April 1948.

C. In general the labor relations committees have been extremely successful in adjusting major labor disputes



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without work stoppages or work disruptions. There have been only three months (December 1947, and February and March 1948) in which more than 30,000 workers were involved in 'actual disputes' in cases handled by the labor relations committees. In each of the last months covered by the table, the labor relations committees succeeded in securing peaceful settlement of cases involving more than 90% of all workers involved in labor disputes--with the single exception of March 1948, when a number of government workers engaged in a 24-hour stoppage.

"Further information on the activities of the labor relations committees, the volume of cases handled by the committees and the cases resolved without 'actual disputes' will be found in earlier issues of the monthly 'Summation of Non-Military Activities in Japan'."

DR. KOO expressed his appreciation for the information just given in response to his query whether mediation and arbitration machinery had been set up and resorted to in settling labor disputes in accordance with the policy decision of the Far Eastern Commission. There was one point, however, he said, which remained to be clarified. He asked whether the machinery of the Labor Relation Committee, which was proved to have been very effective in settling the serious labor dispute involving one and a half million workers in 1947, was again resorted to in this dispute which had given rise to the Cabinet Order of 31 July. Information on this point, he said, would be helpful in the study and formulation of views regarding labor policy in Japan.

GENERAL McCOY replied that normal mediation machinery had been in operation in this case. However, no agreement was in sight, and the Supreme Commander was faced with the threat of an immediate strike at the end of the thirty-day interval following application for mediation. Since such a strike would have involved government employees and would have endangered the safety of the occupation, the Supreme Commander took steps to prevent its occurrence.

MR. PANYUSHKIN asked whether General MacArthur had used all means for the peaceful settlement of the dispute in question.

GENERAL McCOY replied that peace and order had indeed been maintained in Japan by the Supreme Commander.

MR. PANYUSHKIN said that he could not consider that peace and order had been maintained when workers had been arrested by hundreds in one night, simply because they had been striking for their rights, as established under Commission policy. The letter of 22 July from the Supreme Commander to the Japanese Prime Minister was itself a violation of order in Japan. The United States representative had just said that during a thirty-day period it had not been possible to mediate the dispute, and it was this remark which had impelled the present question.

GENERAL McCOY emphasized that the action taken by the Supreme Commander had prevented the violence and disorder which would have accompanied a strike of government employees and would have created a situation in which it would have been impossible for the Supreme Commander to discharge his responsibilities not only to his own Government but to all the governments represented on the Commission. As for the specific question just asked by Mr. Panyushkin, GENERAL McCOY said that it was relevant to point out that there had been three occasions during the course of the occupation when the Supreme Commander had found it necessary to intervene and stop strikes which in his opinion would have been so serious as to endanger the occupation. In the first two incidents he had intervened directly. In the third incident, the one now under consideration, he had not acted as a military governor, but had written his suggestions and advice to the Japanese Prime Minister. The reason for this had been that because the thirty-day period since application for mediation had expired, the strike would have been legal, and he had therefore wished to obviate it by acting through the Japanese Government rather than by acting directly in his capacity as military governor.

MR. BULLOCK said that while his delegation had not yet participated in discussion of the present subject, he did not wish this to be taken as an indication of lack of interest on the part of his Government. Australia had been interested in the labor policy in Japan from the beginning of labor developments under the occupation, and would maintain her interest until



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there was assurance that permanent legislation had been established under which the Japanese would enjoy collective bargaining rights comparable with those in democratic countries. The Australian position had been set forth in detail by Mr. Shaw at the 67th meeting of the Allied Council for Japan, 28 August 1948 (FEC-318/1). The most important long-range objectives in Japanese labor legislation, MR. BULLOCK said, should be, first, the distinction which was drawn in the Supreme Commander's letter to the Japanese Prime Minister between administrative and clerical civil servants and employees in the government on the one hand and employees in government industries on the other hand. The present temporary ordinance in effect in Japan seemed to indicate that this distinction drawn by the Supreme Commander had been misinterpreted. The second essential point was the establishment of an external arbitration authority to whom administrative public servants might appeal. The third point was that there should be no permanent prohibition of normal trade union rights by long-term legislation. MR. BULLOCK said that the main concern of his Government was not with the immediate problem of the events which had happened in connection with the temporary ordinance, but that this temporary ordinance should not be a pattern for long-term legislation. He attached considerable importance to the assurances which had been given that the legislation would be closely scrutinized not only by the Supreme Commander but by authorities in Washington.

GENERAL McCOY said that he understood that at the present stage the Supreme Commander was following developments in connection with the legislation and was consulting with the Japanese Government. Furthermore, the United States Government was following these developments very closely. He hoped that the continued consideration of the Commission in this important and complicated matter of legislation would contribute much to the eventual law that would be produced.

Without objection, further consideration of this subject was postponed.

ITEM 5 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5)

Without objection, further consideration of this subject was postponed.

ITEM 6 - LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32, FEC-242/35, FEC-320)

MR. BULLOCK referred to the Soviet statement (FEC-320) which had been submitted at the previous meeting. He understood this statement to have been made in connection with FEC-242/32, a proposed policy decision. That proposed policy, he pointed out, contained estimates of the capacity in certain war-supporting industries which would be necessary for Japan's peaceful needs and provided that surplus capacity would be made available for reparations. Throughout the Commission's consideration of the broad subject there had been used a terminology of "primary war facilities", "secondary war facilities" and "war-supporting industries". In the present Soviet statement, however, this terminology was not used, and reference was made simply to "war industries" and "peaceful industries". He asked whether the industries in FEC-242/32 were to be considered war industries in the terminology of the Soviet statement.

MR. POWLES associated himself with Mr. Bullock's query. He said that it was difficult for the New Zealand Government to determine its position on FEC-320 unless its meaning could be known exactly. In broad terms, there could of course be no objection to the development of peaceful industries and the prohibition of war industries, but it was precisely the problem of defining and distinguishing these two broad classes of industry which had concerned the Commission for a long time. Therefore, he did not think it possible to express an opinion on the Soviet proposal until the Soviet representative had supplied a list of the industries which he deemed to be war industries so that on the basis of such a list it could be assumed that all other industries were peaceful industries. The proposed policy shown in FEC-242/32 dealt with war-supporting industries, that is, industries essential to a peaceful economy, but which were also essential for war-making purposes. It was proposed in FEC-242/32 that the immense surplus capacity in those industries, a capacity which had been built up for war-making purposes, should be eliminated. If the Soviet position with regard to war-



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supporting industries was not known it would not be possible for a New Zealand opinion on the Soviet proposal to be expressed.

MR. POWLES noted that it was stated in the Soviet statement that "It follows from the above that the objectives of the Allied Powers should be not the limitation of the development of Japan's peaceful industry but the prevention of the development in Japan of war industry...". If the Soviet representative was suggesting in this part of his statement that there was a tendency among any members of the Far Eastern Commission to adopt a policy which would limit the development of Japan's peaceful industry, MR. POWLES thought that he was mistaken. He did not feel that any policy in existence or in contemplation would limit the development of Japan's peaceful industry, and he did not think that such a limitation was intended by any government represented on the Commission.

Giving a preliminary answer to the questions of some members of the Far Eastern Commission, MR. PANYUSHKIN pointed out that the statement of the Soviet delegation of September 23 made the policy of the Soviet Union in respect to economic development of Japan, namely its peaceful development, absolutely clear. It was said in this statement that the development of peaceful industry of Japan to a level of 1930-34 or to a higher level would contribute to the improvement of the physical well-being of Japanese population. Such a development of industry would broaden Japan's export, would contribute to the strengthening of her economic independence, would contribute to the satisfaction of appropriate needs, for example, of certain Asiatic countries, and would serve for Japan as a source of raw materials needed by her and other goods necessary for the satisfaction of peaceful needs of the Japanese people. Thus our task was not to limit the development of Japan's peaceful industry but to prevent the creation of conditions for the revival of Japanese militarism and Japanese aggression. The New Zealand representative had considered that the Soviet delegation was allegedly of the opinion that other Far Eastern Commission members had an intention to limit the development of Japan's peaceful industry. MR. PANYUSHKIN stated that the Soviet delegation had never held and did not hold now such an opinion. But he affirmed that the statement of the Soviet delegation of September 23 put the question of the development of the peaceful industry in a new way, namely, it was suggested that the development of Japan's peaceful industry should not be limited. MR. PANYUSHKIN pointed out that it was true that in the Soviet statement there was no enumeration of industries which were meant, as it had been correctly noted by certain members of the Far Eastern Commission at today's meeting.

MR. PANYUSHKIN further stated that in the Soviet statement there was provided not the limitation of the rehabilitation and development of Japan's peaceful industry, including such an industry, for example, as steel industry which is necessary for the development of peaceful industry and which, however, under certain circumstances could be used for a new aggression. In the Soviet statement there were provided measures which would make it possible to prevent the revival and creation of the Japanese war industry, namely, by way of establishing an appropriate control as it was provided in the proposals contained in the statement of the Soviet delegation of September 23, 1948.

MR. PANYUSHKIN said that if any confusion resulted from the fact that his statement had been offered in connection with FEC-242/32 he would have no objections to the statement being considered separately.

DR. KOO said that the Soviet statement presented to the Commission at the 120th meeting and also the clarification furnished at this meeting by the Soviet Ambassador were of great interest and far-reaching importance. He was not in a position to state the views as yet of his Government since he had not received the necessary instructions.

In the meantime, there were three points which he desired the Soviet Ambassador to clarify in order to facilitate his study of the issues raised in the statement.

In the first place, he would like to know the definition of "war industries" in order to preclude any possible misinterpretation or misunderstanding



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DR. KOO said that he was not yet prepared to state the views of the Chinese Government on FEC-320. At present, however, he desired to address inquiries to the Soviet representative, the replies to which would facilitate the Chinese study of the proposal. First, he desired to repeat the inquiry raised by the Australian representative. It would be very helpful, he said, to know the definition of war industries as used in the Soviet statement. Although the Soviet representative had thrown some light on this point, DR. KOO thought that it would be well to preclude any possible misinterpretation or misunderstanding of the scope and character of those industries to be considered as war industries by supplying the Commission with a list of such industries. It would also be desirable to have a list of war-supporting industries which could serve either warlike or peaceful purposes. In connection with war-supporting industries it would be well to make clear under what conditions they would be considered peaceful industries and under what conditions they would be considered war industries.

Secondly, DR. KOO asked whether it was to be understood from the Soviet statement that reparations could be exacted from peaceful industries out of current production. He referred to the third paragraph of FEC-320 where it was stated, "Besides, it should be remembered that Japan will have to satisfy legitimate claims for reparations on the part of those states which suffered from Japanese aggression". He hoped that he was correct in deducing from this sentence that the Soviet representative had intended to propose that reparations could be secured from current production. In this connection he drew attention to paragraph 11 of the Potsdam Declaration in which it was stated, "Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind".

Thirdly, DR. KOO drew attention to the Soviet proposal that an appropriate control be established in Japan to prevent the revival or creation of Japanese war industry and that such a control could be provided for in the peace treaty with Japan, the preparation and conclusion of which was long overdue. DR. KOO desired to ask whether it was the Soviet representative's intention to discuss this question of control immediately, with a view to applying it after approval by the Commission to present peaceful industries in Japan before the conclusion of a peace treaty or whether he intended merely to raise the question now and to leave the discussion and settlement of the proposal to the peace conference.

Without objection, further consideration of this subject was postponed.

ITEM 7 - CIVIL AVIATION IN JAPAN (FEC-245/18; FEC-245/19)

Without objection, further consideration of this subject was postponed.

ITEM 8 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)

b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

Without objection, further consideration of this subject was postponed.

ITEM 9 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

Without objection, further consideration of this subject was postponed.

ITEM 10- OTHER BUSINESS

a. Inquiry concerning Suzuki Interview

MR. REUHLIN, speaking as acting chairman of the Steering Committee, pointed out that at the last meeting (page 10, Minutes, 120th FEC Mtg.) the United States representative had said that the views of his Government on this matter would be expressed at the Steering Committee. However, on 28 September the Australian member had withdrawn his proposal on Travel of Japanese Abroad (SC-309) with which discussion of the Suzuki interview



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as to both its scope and character. It would be desirable to have a list of the categories of industries definitely considered as war industries and another list of war-supporting industries which were susceptible of being made to serve either as war industries or peaceful needs. In regard to these war-supporting industries, he asked what were the conditions under which these war-supporting industries might be operated as peaceful industries *and without which they must be operated as non-peaceful industries.*

In the second place, he asked whether it could be understood that the Soviet proposal as embodied in the aforementioned statement permitted the exaction of reparations from "peaceful industries" such as reparations out of current production. The point was not only deduced from the following sentence in the third paragraph of the Soviet statement: "Besides, it should be remembered that Japan will have to satisfy legitimate claims for reparations on the part of those states which suffered from Japanese aggression". It was also expressly provided in paragraph 11 of the Potsdam Proclamation defining the terms of Japanese surrender that "Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind". He asked for a clarification and confirmation of his understanding of the Soviet statement.

In the third place, he said, one of the Soviet proposals was to establish some kind of control over the Japanese industries in order to see that they were not to be converted into war industries or war-supporting industries. It was stated in the Soviet statement that such a control should be provided for in the peace treaty with Japan, the preparations and conclusion of which, the statement observed, were long overdue. The precise point he would like to ask was, whether it was the intention of the Soviet representative to discuss the question of setting up a system of control with a view to applying it to Japanese industries in the interim period between now and conclusion of the peace treaty or it was his intention only to raise the question now but to leave the discussion and approval of his proposal to the peace conference on Japan when it took place.

Without objection, further consideration of this subject was postponed.

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had been connected at the Steering Committee level. It was therefore appropriate, he thought, to inquire whether any information as to the United States position on this interview was available for presentation to the Commission.

GENERAL McCOY said that his Government was actively considering the matter. However, he had no definite information to give at present.

MR. BULLOCK said that his Government had long maintained the position that no Japanese should be allowed to travel abroad, because of the danger of their indulging in propaganda. His Government was now prepared to abandon this position, provided the Commission would be supplied with the full and prompt information which had been promised regarding movements of Japanese abroad. Numerous representatives had expressed their deep concern over what they considered the blatant propaganda contained in the Suzuki interview. He was disappointed that there was not yet any explanation forthcoming in connection with this glaring example of the kind of occurrence which his Government had so long feared would result from allowing Japanese to move abroad freely. He felt that the United States delegation was under a certain obligation to supply the Commission with at least a preliminary statement as soon as possible.

GENERAL McCOY said that he would of course bring the Australian representative's remarks to the attention of his Government.

There was no other business.

The meeting adjourned at 12:15 P.M.



COPY NO. \_\_\_\_\_

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FEC CONFIDENTIALMINUTES, 122nd FEC Meeting7 October 1948FAR EASTERN COMMISSION

Provisional Minutes of the 122nd Meeting of the Far Eastern Commission,  
Held in the Main Conference Room, 2516 Massachusetts Avenue, N. W.,  
Washington, D. C.  
7 October 1948, 10:30 A.M.

REPRESENTATIVES PRESENT

Major General Frank R. McCoy (United States) (Chairman)  
His Excellency Mr. N. J. O. Makin (Australia)  
Mr. H. W. Bullock  
Mr. R. E. Collins (Canada)  
Dr. S. H. Ten (China)  
Mr. J. Daridan (France)  
Mr. S. N. Banerji (India)  
Mr. O. Reuchlin (Netherlands)  
Mr. G. R. Powles (New Zealand)  
Mr. J. U. Jovellanos (Republic of the Philippines)  
His Excellency Mr. A. S. Panyushkin (U.S.S.R.)  
Mr. H. A. Graves (United Kingdom)

SECRETARY GENERAL

Mr. Nelson T. Johnson

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

Minutes, 122nd FEC Meeting  
7 October 1948



SUMMARY

FL CONFIDENTIALSUMMARY, 122nd FEC Meeting7 October 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 122ND MEETING

ITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 120TH MEETING

Corrected.

ITEM 2 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 121ST MEETING

Corrected and approved.

ITEM 3 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

Postponed.

ITEM 4 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

Chinese representative suggested an amendment to paragraph 3. Chinese and Philippine positions still reserved.

ITEM 5 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY  
(FEC-242/32; FEC-242/35)

b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320)

Soviet replies to queries raised at previous meeting on FEC-320. Further queries raised.

ITEM 6 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA  
(FEC-299/5)

Postponed.

ITEM 7 - LABOR POLICY IN JAPAN (FEC-318, /1, /2, /3; FEC-014/9, FEC-045/5)

Postponed.

ITEM 8 - CIVIL AVIATION IN JAPAN (FEC-245/18; FEC-245/19)

U.S. proposal (FEC-245/20) presented. Subject referred to Committee No. 2.

ITEM 9 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)

b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

Postponed.

ITEM 10 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

Soviet request for retention on agenda renewed.

ITEM 11 - OTHER BUSINESS

a. Travel Outside Japan of Japanese Commercial Representatives  
(FEC-293/11)

Report of Committee No. 2 submitted.

b. Discussion of "Suzuki Interview"

Chairman informed the Commission of precautionary measures taken by United States Government.

ITEM 12 - PRESS RELEASE

None



COPY NO. 143

15 October 1948

FEC-CONFIDENTIALRECORD OF APPROVAL OF THEMINUTES OF THE 122ND MTG.FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 122ND MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 123rd meeting, 14 October 1948, approved the provisional minutes of its 122nd meeting with the following corrections:

Page 1- third paragraph under Item 4 - substitute the word "that" for the word "for" in the first line and delete the word "to" in the phrase "to be discussed" in the second line.

2. Representatives are requested to incorporate the above corrections in their file copies of the provisional minutes of the 122nd meeting of the Far Eastern Commission, and to attach this formal record of approval to those copies as corrected.

3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General

Record of Approval of the Minutes of the  
122nd Meeting of the Far Eastern Commission.



FEC--CONFIDENTIALITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 120th MEETING

Certain corrections to the minutes of the 120th meeting had been noted at the 121st meeting (Minutes, page 1), but formal approval had been postponed at the request of the United Kingdom representative. MR. GRAVES said that these minutes were acceptable to him.

THE COMMISSION unanimously approved the minutes of its 120th meeting with the corrections noted at the 121st meeting.

ITEM 2 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 121st MEETING

THE COMMISSION unanimously approved the minutes of its 121st meeting with the following corrections:

Page 5, last line, insert between the words "interest" and "until" the words "in the question of labor relations in the Japanese public service".

Page 8 (as revised by corrigendum of 5 October), delete the period at the end of the seventh line and add the words "and without which they might be operated as non-peaceful industries".

ITEM 3 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

MR. PANYUSHKIN said that he was still awaiting governmental instructions on this subject.

Without objection, further consideration of this subject was postponed.

ITEM 4 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

DR. TAN suggested that the words "under this program" be deleted at the end of paragraph 3. The implication of their inclusion, he felt, might be that visits by persons who would engage in political and propaganda activities would be permitted under other Commission policies, and that only this policy on interchange for cultural purposes would prohibit their travel. The intention of the Commission would be more clearly expressed by flatly prohibiting such travel, without any qualification such as was implied by the words in question. DR. TAN said that the final position of his delegation still awaited the receipt of governmental instructions, but that in the meantime he was suggesting this minor drafting change as a method of clarifying the intended meaning of paragraph 3.

MR. JOVELLANOS said that the Philippine position was still reserved, pending the receipt of instructions.

MR. PANYUSHKIN said that he would like <sup>that</sup> for the Soviet amendments (paragraph 4, cover page of FEC-240/16) to this document ~~to~~ be discussed and voted upon by the Commission.

Without objection, further consideration of this subject was postponed.

ITEM 5 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320)

GENERAL McCOY said that the United States Government had noted with interest the Soviet statement (FEC-320) concerning the proposal in FEC-242/32. The United States Government had pointed repeatedly to the mutually beneficial effects upon the economic rehabilitation of Far Eastern countries which might be expected from a development of Japanese peaceful industry and enlargement of Japan's foreign economic ties. He recalled that he had on 21 January 1948 (FEC-292) stated that the United States Government



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expected to take positive measures to bring about that objective. His Government welcomed any indication that other member countries had a similar interest in realizing the potential advantages to all member countries which might be expected from the free and healthy development of Japanese trade and production for peaceful purposes.

MR. PANYUSHKIN recalled that during the discussion of FEC-320 at the meeting of 30 September (pp. 6-8, Minutes, 121st FEC Mtg.) the Australian, New Zealand, and Chinese representatives had put questions to him concerning certain points in the statement. MR. PANYUSHKIN said that he now wished to afford clarification on these questions and presented the following statement:

"First question, with regard to the understanding of the terms 'war industry' and 'war-supporting industry':

When determining the terms 'war industry' and 'war-supporting industry', the Soviet delegation adheres to the definitions of these categories of industry as shown in the Far Eastern Commission policy decision FEC-084/21.

The Soviet delegation is ready to hear and discuss other proposals concerning this question.

"The second question, with regard to the sources of reparations:

The Soviet delegation's position in respect to this question coincides with the principles stated in the following papers:

- a. The Potsdam Declaration, paragraph 11;
- b. Far Eastern Commission policy decision FEC-014/9, paragraph 4;
- c. Far Eastern Commission policy decision FEC-084/21, paragraph 1 b.

"The third question, with regard to the control over Japanese industry:

The Soviet delegation considers that the establishment of control with the purpose of preventing the revival and creation of Japanese war industry should be discussed at the Peace Conference and included as its integral part into the peace treaty.

At the present time the task of the Allies is to ensure that the policy decisions of the Far Eastern Commission FEC-084/21 and FEC-059/3 are completely fulfilled. In addition, the Soviet delegation considers it necessary to point out that the responsibility for the fulfillment of the Far Eastern Commission policy decisions FEC-084/21 and FEC-059/3 is borne by the Supreme Commander for the Allied Powers."

GENERAL McCOY said that he understood from Mr. Panyushkin's statement that the reference to control over Japanese industry had to do with machinery to be set up at a peace conference and put into effect only after the period of occupation, rather than with machinery to be set up during the occupation, which might be in conflict with the Terms of Reference of the Commission. Throughout the period of the occupation, he understood, it was intended to continue the Commission as the sole source of control.

MR. PANYUSHKIN confirmed that, as it had been stated in the Soviet statement of 23 September and in his statement above, the establishment of control should be discussed at the peace conference and included as an integral part of the peace treaty.

MR. POWLES and DR. TAN thanked Mr. Panyushkin for his statement of clarification, which they felt sure would be valuable to their respective governments in the consideration of FEC-320.

GENERAL McCOY inquired concerning the meaning of the phrase "those



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powers most interested in preventing a new Japanese aggression", which, it was proposed in FEC-320, should exercise control over Japanese industry. Were those powers the same as those presently members of the Commission, or was it intended that they should consist of fewer or more countries than those now members of the Commission?

MR. BULLOCK referred to the first of the three replies given by Mr. Panyushkin above. He understood that the Soviet position was one of adherence to the definitions of war industries and of war-supporting industries found in FEC-084/21. However, in FEC-320 no mention was made of war-supporting industries; instead peaceful industries and war industries were mentioned. Therefore, it was not clear to him what the Soviet attitude was with regard to those war-supporting industries enumerated in FEC-242/32.

MR. PANYUSHKIN replied that, as he had already explained, the Soviet position was one of adherence to the definitions contained in FEC-084/21.

MR. BULLOCK asked what the Soviet attitude toward the industries listed in FEC-242/32 would be. Would the Soviet delegation favor an initial reduction in the capacity of those industries mentioned therein, which were of course the same industries as those listed in FEC-084/21?

MR. PANYUSHKIN said that at the present time the Commission was not discussing FEC-242/32. Whenever the Commission should discuss it, the Soviet delegation would make known its position regarding it.

Following a brief recess for purposes of consultation, MR. BULLOCK said that in the interest of obtaining clarity he found it necessary again to raise his question in a somewhat different form. He had previously mentioned FEC-242/32 because it was listed on the agenda and because it represented the culmination of a long series of negotiations and posed all the fundamental problems confronting the Commission on this issue. He now wished to ask the Soviet representative whether the reference in FEC-320 to war industries applied only to the facilities mentioned in paragraphs 2 and 3 of FEC-084/21 or whether it applied also to those facilities mentioned in paragraph 5 of that policy.

GENERAL McCOY said that the nature of the questions which had been directed to the Soviet representative was such that his replies might well be postponed until the next meeting.

Without objection, further consideration of this subject was postponed.

ITEM 6 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5)

Without objection, further consideration of this subject was postponed.

ITEM 7 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3; FEC-014/9, FEC-045/5)

Without objection, further consideration of this subject was postponed.

ITEM 8 - CIVIL AVIATION IN JAPAN (FEC-245/18; FEC-245/19)

GENERAL McCOY invited attention to FEC-245/20, containing a United States proposal on Non-Japanese Civil Aviation in Japan, and indicating by deletions and underscoring the differences between the United States position and the provisions of FEC-245/18. He recalled that Soviet proposed amendments (FEC-245/19) were outstanding on this subject. Because of the technical nature of the subject, he thought that FEC-245/20 might well be referred to Committee No. 2 for consideration.

MR. PANYUSHKIN asked whether FEC-245/20 was intended to supersede FEC-245/18 or was to be regarded as a new United States proposal.

GENERAL McCOY replied that FEC-245/20 was intended to indicate the United States position, which had been reserved for some time.



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MR. REUHLIN said that in his view FEC-245/20 should be regarded as United States proposed amendments to FEC-245/18, and that it should, together with other relevant papers, be referred to Committee No. 2.

MR. GRAVES said that FEC-245/20 clearly constituted a comprehensive amendment to FEC-245/18. He agreed that the subject could best be considered in Committee No. 2.

Without objection, FEC-245/20, FEC-245/19, and FEC-245/18 were referred to Committee No. 2 for consideration.

ITEM 9 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)

b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

Without objection, further consideration of this subject was postponed.

ITEM 10- PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

GENERAL McCOY recalled that he had suggested on 16 September that, in view of the action taken by the Supreme Commander to exempt restitution cargoes from port charges, FEC-304/16 be removed from the agenda, since in substance it would arise for consideration when the paper on Conduct of Trade (SC-273/13) now before the Steering Committee should come before the Commission. The Soviet representative had requested retention of the item on the agenda, and GENERAL McCOY asked whether Mr. Panyushkin was now in a position to agree to its removal from the agenda.

MR. PANYUSHKIN asked that FEC-304/16 be retained on the agenda, pending receipt of the proposal now before the Steering Committee.

Without objection, further consideration of this subject was postponed.

ITEM 11 - OTHER BUSINESS

a. Travel outside Japan of Japanese Commercial Representatives (FEC-293/11)

GENERAL McCOY invited attention to FEC-293/11, which had been approved by Committee No. 2 at its meeting the previous afternoon and forwarded directly to the Commission, in accordance with the Commission's instructions (page 3, Minutes, 120th FEC Mtg.).

Without objection, further consideration of this subject was postponed.

b. Discussion of "Suzuki Interview"

MR. BULLOCK asked whether General McCoy was prepared to give any information as to any steps taken by the United States Government as a result of publication of the interview with Mr. Suzuki in U.S. News and World Report.

GENERAL McCOY said that his Government had not yet completed its consideration of and action on questions arising from the incident. He could, however, inform the Commission of two preliminary measures which had been taken:

First, with reference to all Japanese whose travel from Japan might be duly authorized by the Supreme Commander, the Supreme Commander had been informed of the support currently being accorded by the United States Government to the pertinent provisions of policy proposals now under consideration by the Commission, specifically to paragraph 3 of FEC-240/16 (Interchange of Persons between Japan and Other Countries for Cultural Purposes), and to paragraph 1 d of FEC-293/8 (Travel outside Japan of Japanese Commercial Representatives).



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Second, with regard to those Japanese who would travel to the United States, the United States Government was taking action to ensure that they were advised to exercise discretion in making any addresses or statements or in giving interviews of a public character in order to avoid such comment on policy matters as might be capable of interpretation as propaganda activity.

There was no other business.

The meeting adjourned at 11:50 A.M.



COPY NO. 178FEC-CONFIDENTIALMINUTES--123rd FEC Mtg.14 October 1948FAR EASTERN COMMISSION

Provisional Minutes of the 123rd Meeting of the Far Eastern Commission  
Held in the Main Conference Room, 2516 Massachusetts Avenue, N. W.  
Washington, D. C.  
14 October 1948, 10:30 A. M.

REPRESENTATIVES PRESENT

Major General Frank R. McCoy (United States) Chairman  
Mr. H. W. Bullock (Australia)  
Mr. R. E. Collins (Canada)  
His Excellency Dr. V. K. Wellington Koo (China)  
Mr. J. Daridan (France)  
Mr. S. N. Banerji (India)  
Mr. O. Reuchlin (Netherlands)  
Mr. G. R. Powles (New Zealand)  
Mr. Emilio Abello (Republic of the Philippines)  
Rear Admiral S. S. Ramishvili (U.S.S.R.)  
Mr. H. A. Graves (United Kingdom)

SECRETARY GENERAL

Mr. Nelson T. Johnson

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

Minutes--123rd FEC Mtg.  
14 October 1948



SUMMARY

FEC CONFIDENTIALSUMMARY, 123rd FEC Meeting14 October 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 123RD MEETINGITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 122ND MEETING

Corrected and approved.

ITEM 2 - TRAVEL OUTSIDE JAPAN OF JAPANESE COMMERCIAL REPRESENTATIVES  
(FEC-293/11; FEC-293/8, FEC-293/9)

Soviet amendments discussed and voted down. Discussion of paragraph 1 c.

ITEM 3 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS  
(FEC-277/16, FEC-277/17)

Postponed.

ITEM 4 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19; 273 series)

Postponed.

ITEM 5 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

Postponed.

ITEM 6 - INTERCHANGE OF PERSONS BETWEEN J.P.N AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

Postponed.

ITEM 7 - a LEVEL OF ECONOMIC LIFE IN J.P.N: POLICY TOWARDS J.P.NESE INDUSTRY (FEC-242/32; FEC-242/35)b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN J.P.N (FEC-320)

Discussion of queries regarding interpretation of FEC-320.

ITEM 8 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5)

Postponed.

ITEM 9 - LABOR POLICY IN J.P.N (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3;  
FEC-014/9, FEC-045/5)

French and Philippine statements (FEC-318/5). Soviet proposed policy decision submitted (FEC-318/4).

ITEM 10 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

Postponed.

ITEM 11 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN J.P.N  
(FEC-304/16; T-036, 304 series)

Postponed

ITEM 12 - OTHER BUSINESS

None.

ITEM 13 - PRESS RELEASE

None.



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COPY NO. \_\_\_\_\_

22 October 1948

FEC-CONFIDENTIALRECORD OF APPROVAL OF THEMINUTES OF THE 123rd FEC MTG.FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 123RD MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 124th meeting, 21 October 1948, approved the provisional minutes of its 123rd meeting with the following corrections:

Page 2, 5th line from bottom - change "gibe" to "give".

Page 5 - change first paragraph under item 6 to read, "Admiral Ramishvili requested the postponement of the subject until the next meeting."

Page 6 - in the 10th and 15th lines, change the word "industries" to "industry". In the 19th line change the word "our" to "the".

Page 10 - in the paragraph numbered 1 in the middle of the page, change the phrase "bargaining for the workers" to "bargaining by the workers".

Page 12, first line - delete the words "Mr. Chairman".

5th line - change "I ask" to "Admiral Ramishvili asked".

2. Representatives are requested to incorporate the above corrections in their file copies of the provisional minutes of the 123rd meeting of the Far Eastern Commission, and to attach this formal record of approval to those copies as corrected.

3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General

Record of Approval of the Minutes of the  
123rd Meeting of the Far Eastern Commission



FEC-CONFIDENTIAL

GENERAL McCOY opened the meeting by welcoming Mr. Emilio Abello, the newly appointed alternate representative for the Philippine Republic, who was attending a meeting of the Commission for the first time.

ITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 122ND MEETING

The Commission unanimously approved the minutes of its 122nd meeting with the following corrections:

Page 1, third paragraph under Item 4 - substitute the word "that" for word "for" in the first line and delete the word "to" in the phrase "to be discussed" in the second line.

ITEM 2 - TRAVEL OUTSIDE JAPAN OF JAPANESE COMMERCIAL REPRESENTATIVES  
(FEC-293/11; FEC-293/8, FEC-293/9)

GENERAL McCOY recalled that there had been various references to the "Suzuki interview". He said that in his opinion, if the Commission could agree to adopt the present proposal on travel outside Japan of Japanese commercial representatives and the proposed policy on interchange of persons between Japan and other countries for cultural purposes (item 6 below), a great deal would have been done by the Commission to preclude the recurrence of such unfortunate incidents as the Suzuki interview. In conformity with the spirit and intention of the relevant provisions in both of these proposed policies, the occupation authorities, at the request of the United States Government, had taken steps to caution all Japanese authorized to travel abroad, that in the interests of their own country discretion should be used in public statements and press interviews to avoid giving a false impression which might excite suspicion that they were engaged in propaganda activities. This action which had been taken by the Supreme Commander in regard to the propaganda activities by Japanese abroad would be strengthened, GENERAL McCOY emphasized, if the Commission were to adopt the two proposals in question.

ADMIRAL RAMISHVILI asked how the adoption of FEC-293/11 would prevent a recurrence of the Suzuki incident.

GENERAL McCOY replied that his remark was not intended to imply that all chance of recurrence of some similar incident would be precluded. He wished to say simply that while no policy could be expected to operate perfectly, adoption of the policies in question would contribute to a solution of the problem, and he pointed out that paragraph 1 c and 1 d of FEC-293/11 provided that travel authorized and the number of commercial representatives permitted to travel abroad should be restricted to levels consistent with Japan's peaceful needs, and that furthermore the activities of these representatives should be confined to trade and not allowed to serve as a cover for activities of a political or propaganda nature. FEC-293/11 was the result of long negotiation, during which differences had been reduced to minor ones and it represented a compromise which was acceptable to the United States, and, he hoped, to other delegations as well.

MR. GRAVES pointed out that FEC-240/16, the proposal on cultural interchange, also prohibited visits of persons who might engage in political or propaganda activities.

ADMIRAL RAMISHVILI moved that paragraph 1, FEC-293/11 be amended to read as follows:

"1. In order to widen the scope of trade and to further the policy of liquidating the pre-war Japanese monopolies in foreign trade and preventing the creation of new monopolies, a limited resumption of private trade contacts by the travel of Japanese commercial representatives abroad may, subject to the approval of the country of destination, be permitted under the following conditions:"



FEC-CONFIDENTIAL

MR. POWLES said that the New Zealand delegation had voted against the proposed Soviet amendment at the Steering Committee level and would again vote against it because it was felt that the liquidation of pre-war monopolies and the prevention of creation of new monopolies was more adequately dealt with and more appropriately included in the proposed policy on conduct of trade (FEC-273/19, item 4, below) than it would be in a proposal having to do with the procedures to be followed in authorizing travel abroad of Japanese commercial representatives.

MR. GRAVES said that his delegation had voted against the Soviet amendment at the Steering Committee level and would again vote against it because it proposed the deletion of what, in the United Kingdom view, was a very important introductory sentence reading: "During the period of the occupation it is recognized that the operation of the private trade of Japan with other countries must be conducted largely through foreign nationals travelling or residing in Japan."

MR. DIRIDIN associated himself with Mr. Graves' remarks.

MR. BULLOCK said that he agreed with the view expressed by Mr. Graves. Australia had long found it difficult to accept any policy along the lines of FEC-293/11 and had felt that, during the period of the occupation, trade would best be carried on by Allied traders in Japan, with Japanese traders being allowed to go abroad only as a last resort. In view of this position, the first sentence of paragraph 1 was of great importance to the Australian delegation, and he would not be able to support the proposal without this sentence.

MR. BULLOCK agreed with Mr. Powles' remarks that the liquidation and prevention of monopolies was more adequately and more properly dealt with in the proposal on conduct of trade than it was in the present proposal. Too much emphasis on the prevention of the creation of new monopolies would, he thought, detract from the points which should properly be emphasized in this proposal. It would be asking a great deal to charge business men going abroad with responsibility for the prevention of the rise of new monopolies.

DR. KOO said that the Chinese delegation had no objection to the addition of the phrase "to further the policy of liquidating the pre-war Japanese monopolies in foreign trade and preventing the creation of new monopolies". Such a provision, he felt, was in harmony with the spirit of overall Commission policy. However, that part of the Soviet amendment which proposed the deletion of the introductory sentence to the paragraph made it difficult for his delegation to support the Soviet proposal since, in the Chinese view, the sentence was of vital importance in the paper. Not only the period during which the present proposed policy was to apply had been made clear in this first sentence, but also the general principle of recognizing that the operation of private trade of Japan with other countries should be conducted largely through foreign nationals travelling or residing in Japan. He did not understand what the reasons for the Soviet objections to the sentence might be and he requested some clarification of the reasons for the Soviet objections.

ADMIRAL R. KISHVILI said that the additional phraseology proposed in his amendment with regard to the liquidation and the prevention of creation of new monopolies was in keeping with the Commission's general policy and he therefore saw no reason for any objection to its inclusion in the present proposal. With regard to the deletion of the first sentence, he pointed out that this sentence was irrelevant to the subject of this document which dealt with the travel outside Japan of Japanese commercial representatives.

The Soviet amendment to paragraph 1 was put to a vote and lost by one (U.S.S.R.) in favor, to 8 opposed, with two abstentions (China, India).

ADMIRAL R. KISHVILI moved that paragraph 1 a of FEC-293/11 be amended to read:

"a. Such travel should *give* the Japanese no advantage over foreign nationals doing business with or in Japan subject to the economic controls required by reason of the occupation. Such controls should apply equally to Japanese and foreign nationals."



FEC-CONFIDENTIAL

He pointed out that paragraph 1 a as shown in FEC-293/11 provided that foreign nationals have maximum freedom to develop trade in Japan. This was objectionable, he said, because the document FEC-293/11 was intended to deal with the travel of Japanese commercial representatives abroad and subsequently the reference to foreign nationals was irrelevant.

MR. COLLINS said that the provision which would be deleted from the paragraph if the Soviet amendment were adopted was very important. He would therefore oppose the amendment because of his preference for the retention of the provision. Furthermore, the meaning of the paragraph, if the Soviet amendment were adopted, would be obscure and since, for the further reason that in its present version the paragraph was perfectly clear to him, he would vote against the Soviet amendment.

The proposed Soviet amendment to paragraph 1 a was put to vote and lost by one (U.S.S.R.) in favor to 10 opposed.

DR. KOO said that the Chinese delegation had objected to the original version of paragraph 1 c as shown in FEC-293/8 because the meaning and implications of the paragraph were not clear. The present modified version of the paragraph was much clearer and to some extent met the Chinese position. However, some obscurity still persisted with regard to the meaning of the phrase "Japan's foreign trade to a level consistent with her peaceful needs as defined by the Far Eastern Commission." It had been the Chinese wish to add a reference to the Commission's policy on Determination of the Peaceful Needs of Japan (FEC-106/1) thus making the relevant phrase read: "peaceful needs as defined by the Far Eastern Commission in FEC-106/1 Determination of Peaceful Needs of Japan." The Chinese objective in this regard had been to confine the Commission's policy to the definition already approved and not to refer in the present proposal to any future definitions which might be approved. FEC-106/1 defined the peaceful needs of the Japanese people as being substantially the standard of living prevailing in Japan during the period 1930-1934. If the condition were admitted that the present proposal should refer to future definitions of Japan's peaceful needs as well as to the existing definition, then the Commission would be basing its action on vague and uncertain agreements which might be reached in the future. Such a decision, he thought, would serve no useful present purpose since it was idle to speculate as to what future circumstances might be. In fact future circumstances might be such that it might become unnecessary for restrictions on the travel of Japanese commercial representatives to be maintained. In the Chinese view the phrase "as defined by the Far Eastern Commission" should only mean and could only mean the definition which had already been approved by the Commission in the past.

DR. KOO continued that the Commission had a precise definition of Japanese peaceful needs which had already been adopted and he thought that an attempt to broaden the present policy to include any future definition only complicated the Commission's problem and made it difficult, for the Chinese delegation at least, to support the proposal.

DR. KOO said that if it was generally understood that the reference in paragraph 1 c to the definition of peaceful needs meant only the definition set forth in FEC-106/1, he would be able to support the proposal without any drafting change. Indeed, if it was felt that a specific reference to FEC-106/1 was too narrow and that certain other Commission policies contributed to a full understanding of the Commission's definition of Japanese peaceful needs, he could agree to a reference in the paper to "FEC-106/1 and other relevant policy decisions of the Commission" although in the Chinese opinion only FEC-106/1 actually provided the definition in question. The other relevant policy decision, he said, simply dealt with particular industries in terms of the definition in FEC-106/1 and they would therefore not be prejudiced by the specific reference.



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MR. DIRIDAN said that the remarks of Dr. Koo made it clear that the wording of paragraph 1 c was far from perfect. The French delegation had noted the somewhat unsatisfactory nature of the wording but had felt that any specific reference would have to include several policy decisions and therefore the French delegation had decided to accept the paragraph in its present form.

MR. GRAVES said that he considered the wording of paragraph 1 c to be sufficiently clear since it referred to Japan's peaceful needs as defined at any moment by the Commission. He would therefore prefer the present wording of the paragraph. He asked whether the Chinese representative was formally proposing an amendment to the paragraph or was simply suggesting the desirability of specific reference to the Commission's policy.

DR. KOO said that he desired simply to assure that the definition of Japan's peaceful needs referred only to the definition already adopted. He would be satisfied with a general understanding on the part of all delegations that the present paragraph referred simply to the explicit definition in FEC-106/1 and not to any future definitions which might be approved. If this was the general understanding he would refrain from making a formal motion to amend the paragraph. He gathered that the United Kingdom representative agreed that paragraph 1 c could refer only to the definition already approved.

MR. GRAVES said that if his delegation were called upon to interpret paragraph 1 c at any particular moment it would rely on the definition of Japan's peaceful needs which could be found in policy decisions adopted by the Commission up to that moment.

ADMIRAL RAMISHVILI said that he had not yet received final instructions as to his government's position on paragraph 1 c. He was therefore not in a position to vote at the present meeting.

Without objections further consideration of this subject was postponed.



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ITEM 3 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16,  
FEC-277/17)

ADMIRAL RAMISHVILI said that his delegation had not received FEC-277/17 in time to verify the accuracy of the proposed Soviet amendments as set forth therein. He requested that further consideration of the subject be postponed.

GENERAL McCOY noted that several reservations were outstanding on this subject and asked whether any representatives were prepared to indicate changed positions.

MR. DARIDAN said that the French delegation was still without instructions on the subject.

DR. KOO said that he had no objection to a discussion of the proposed policy decision. MR. ABELLO said that he was prepared to discuss the subject.

MR. POWLES observed that when proposed policies which had been very thoroughly discussed at the working committee and Steering Committee levels were involved, it had, in the past, proved advantageous for the Commission to restrict its discussion to specific amendments which were proposed. Since Admiral Ramishvili was not yet ready to discuss his proposed amendments he thought it well to postpone further discussion of this subject.

Without objection, further consideration of this subject was postponed.

ITEM 4 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19; 273 series)

Without objection, further consideration of this subject was postponed.

ITEM 5 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

ADMIRAL RAMISHVILI said that he was not yet prepared to state the Soviet Government's views on this subject.

Without objection, further consideration of this subject was postponed.

ITEM 6 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

ADMIRAL RAMISHVILI ~~said that he was not prepared to state the Soviet position on this subject.~~ *requested the postponement of the subject until the next meeting.*

Without objection, further discussion of this subject was postponed.

ITEM 7 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY  
(FEC-242/32; FEC-242/35)

b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320)

MR. GRAVES referred to the remarks of the Soviet representative as recorded in the minutes of the 122nd meeting (page 3) to the effect that "whenever the Commission should discuss it [FEC-242/32] the Soviet delegation would make known its position regarding it". He wished at this time to ask if the Soviet representative could give his view on FEC-242/32 since in the United Kingdom opinion it was one of the most important papers on the Commission agenda. It had been under discussion in committee for two years and although the United States representative had stated (FEC-242/35) that the United States position had not yet been formulated, there had been no indication as to the Soviet position. Since the paper was now under discussion he wondered whether the Commission might have the Soviet position.

ADMIRAL RAMISHVILI said that as had already been stated by the Soviet representative at the 122nd meeting, the Soviet views on FEC-242/32 would be expressed at the time the Commission should consider the paper. It was the Soviet point of view that the statement and resolution presented in FEC-320 would have to be considered and decided on before discussion of FEC-242/32 could proceed.



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ADMIRAL RAMISHVILI referred to the questions which had been asked at the previous meeting (pp. 2 & 3, Minutes, 122nd FEC Mtg.) regarding FEC-320. The United States representative had asked whether "those powers most interested in preventing a new Japanese aggression" referred to the powers presently members of the Commission or to fewer or more powers. He could now reply that the Soviet delegation considers the question in respect to the composition of countries exercising control over Japanese industry should be decided at a peace conference in accordance with the principles set forth in paragraph 2 of the policy proposal in FEC-320, which provided, "The revival and creation of Japanese war industries should be prohibited and there should be established, for a period of several years, a control over the fulfillment of this decision, to be exercised by the powers most interested in preventing a new Japanese aggression".

ADMIRAL RAMISHVILI referred also to the query of the Australian representative as to whether the reference to "war industries" in the Soviet statement extended only to facilities under paragraphs 2 and 3 of FEC-084/21 or whether it also extended to facilities under paragraph 5 of that policy. In reply to this query he said that, as it had already been stated at the meeting of 7 October (page 2, Minutes, 122nd FEC Mtg.) in ~~the~~ answers to questions of the representatives of Australia, New Zealand, and China in respect to the understanding of the terms "war industry" and "war-supporting industry", the Soviet delegation adheres to the definition of these categories of industry as set forth in the policy decision FEC-084/21.

ADMIRAL RAMISHVILI pointed out that FEC-320 had been before the Commission for several meetings. The Soviet delegation had replied to all questions which had been raised so far concerning clarification of the proposal and would, of course, be glad to answer any additional questions, should they arise during the discussion. However, he felt that it could now be assumed that the meaning and implications of FEC-320 were clear. He therefore felt that the time had come for the Commission to make its decision on this proposal. All were agreed, he felt, that FEC-320 involved a very important question in determining the future peaceful development of Japan. It could be also assumed from the remarks offered so far that no representative had any objections to the principles laid down in the Soviet proposal. He thought, therefore, that the Commission might appropriately begin discussions of its substance. He invited the opinions of representatives on the proposal and urged the adoption of the policy decision.

MR. BULLOCK said that he felt that all would agree that a clear understanding of the Soviet statement in FEC-320 was necessary before it could be discussed intelligently. It was in order to obtain such clarification that he had asked the question to which Admiral Ramishvili had just referred. Unfortunately, he could not regard Admiral Ramishvili's remarks as an adequate reply to the question since it did not further his understanding of the Soviet statement. FEC-320 used the terms "war industry" and "peaceful industry"; however, FEC-084/21 used a different terminology, consisting of "primary war facilities", "secondary war facilities", and "war-supporting industries". What he desired to learn was the meaning of the terms "war industry" and "peaceful industry" as used in the Soviet statement in relation to the terminology used by the Commission in FEC-084/21. He took it for granted that the Soviet delegation adhered to the definitions set forth in FEC-084/21 since the Soviet Government had agreed to the adoption of that policy. Since, however, the Soviet statement in FEC-320 used new terms "war industry" and "peaceful industry" it was necessary to ascertain the meaning of "war industry" in relation to primary war facilities, secondary war facilities, and war-supporting industries and the meaning of "peaceful industry" in relation to war-supporting industry. He felt that the clarity of his question as it had been presented at the previous meeting could not be improved and he repeated it in that form: "Does the reference in FEC-320 to war industries apply only to the facilities mentioned in paragraphs 2 and 3 of FEC-084/21 or does it apply also to those facilities mentioned in paragraph 5 of that policy?" It seemed to him that the question in this form was susceptible of a clear-cut "yes" or "no" answer.

MR. POWLES supported the query raised by Mr. Bullock. He felt that it clearly stated the misconceptions and doubts which he had himself felt



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since the presentation of FEC-320. He too would be very much interested to know how the terms "war industry" and "peaceful industry" as used in FEC-320 would be defined with reference to the terms used in FEC-084/21.

GENERAL McCOY said that it seemed to him that the query raised by Mr. Bullock would be susceptible of a clear-cut "yes" or "no" answer. He wondered, however, whether other representatives had any doubts as to the meaning of the query.

DR. KOO said that his delegation felt somewhat uncertain as to the precise meaning of the two terms used in FEC-320. The specific question to which his delegation desired an answer was whether the industries which were selected as being "war-supporting" industries in FEC-084/21 would be considered in the Soviet view as "war industries" or "peaceful industries". An answer to this question, he said, would be very helpful to the Chinese delegation in formulating its views.

MR. COLLINS said that he felt sure that all delegations were interested in the answers to the Australian and Chinese queries. These queries arose out of the fact that the first of the two Soviet proposals stated that no limitation should be imposed upon the restoration and development of peaceful Japanese industry; the second stated that the revival and creation of Japanese war industries should be prohibited. In view of the fact that FEC-084/21 made use of the category "war-supporting industries", to which the Soviet representative had not referred in his statement, it was essential to know whether war-supporting industries would come under the first or the second of the Soviet proposals and therefore whether they would be prohibited or be encouraged.

ADMIRAL RAMISHVILI said that he did not believe that a simple "yes" or "no" answer would be adequate to the questions which had been raised. It could have been assumed that the answers of the Soviet delegation were completely adequate. Since the Australian representative now states that the answer which the Soviet delegation had already given still did not appear to be satisfactory he would examine the minutes of discussions again and prepare specific answers to the questions which had been raised.

MR. GRAVES asked whether it could be assumed that the Soviet Government still supported paragraph 9 b of the policy decision in FEC-084/21, particularly the provision, "The capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries, after the completion of the industrial removals proposed in this paper and after the disposition of remaining 'excess' facilities as provided for under paragraph 6, should constitute the permissible maxima in these industries until the end of the present phase of the occupation of Japan or until 1 October 1949, whichever is the earlier, pending a decision as to the long-term disarmament controls. These maxima should be subject to review by the Far Eastern Commission, and, if the Commission expects still to be charged on 1 October 1949 with responsibility for post-surrender policies respecting Japan, the Commission should assess the situation before that date with a view to the adoption of an appropriate policy to be put into effect on 1 October 1949, on which date the provisions herein specified regarding productive capacity maxima in these industries will lapse".

ADMIRAL RAMISHVILI said that he would prepare a reply to Mr. Graves' question.

MR. GRAVES said that he would have difficulty in formulating an opinion on the Soviet proposal in FEC-320 until the Soviet views on the proposed policy in FEC-242/32 should be known. He observed that FEC-242/32 preceded FEC-320 on the Commission's agenda and it was for this reason that he had earlier in the meeting directed attention to the paper and inquired as to the Soviet views. He now wished to bring FEC-242/32 under discussion and to repeat his query as to the Soviet position on it. He did not feel that consideration of FEC-320 had priority over consideration of FEC-242/32; he preferred to take these papers in the order in which they appeared on the agenda.



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ADMIRAL RAMISHVILI said that as to priority of consideration, it was his opinion that FEC-320, a statement made in relation to FEC-242/32, should be considered and decided upon before consideration of FEC-242/32 proceeded. The Soviet delegation would of course be prepared to present its point of view on FEC-242/32 when the Commission should address itself to a formal consideration of that proposal.

GENERAL McCOY said that he would of course sooner or later have to make a ruling regarding the question of priority in the consideration of these two papers. He would not do so at this time, however, since requests for clarification of FEC-320 were still outstanding.

Without objection, further consideration of this subject was postponed.

ITEM 8 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5)

Without objection, further consideration of this subject was postponed.

ITEM 9 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3; FEC-014/9, FEC-045/5)

MR. DARIDAN presented the following formal statement (subsequently circulated as Enclosure "A" of FEC-318/5):

"The Soviet delegate in his statements and clarifications concerning the present labor policy in Japan has referred the Commission to Article 10 of the Potsdam Declaration and to the policy decision of the Commission, No. FEC-014/9 'Basic Post-Surrender Policy for Japan' of June 19, 1947.

"It is the view of the French Government that these two papers do not contain any positive evidence that could be called upon in order to request a reconsideration by SCAP of the latter's letter to the Japanese Premier dated July 22nd 1948.

"It seems clear, on the other hand, that the policy decision of the Commission, No. FEC-045/5 'Principles for Japanese Trade Unions' of December 6, 1946, in its provisions relevant to paragraph 4, does not apply to the official labor in Japan but only to trade union workers.

"Since, as shown by the above, the basic policy papers do not impose a solution to the problem now before the Commission, it would not be wise to cast any judgment in this matter in the light only of democratic principles when the case should be considered also in close relation to the duties of the occupation. From this angle the responsible authorities for this occupation may maintain that any strike of the official labor in Japan would endanger order and security in that country and, therefore, the very objectives of the occupation.

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

MR. ABELLO presented the following formal statement (subsequently circulated as Enclosure "B" of FEC-318/5):

"Reference is made in the Soviet statement to the violation of the terms of the Potsdam Declaration and the Commission's Basic Post-Surrender Policy for Japan providing for the removal of 'all obstacles to the revival and strengthening of democratic tendencies' and the encouragement of democratic and representative organizations. In considering this issue we must not lose sight of the ultimate



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objectives of the Allied occupation, namely, that Japan should not again become a menace to the peace and security of the world and that a democratic and peaceful government would be established with the freely expressed will of the Japanese people. We believe that the encouragement of a truly democratic labor group is a vital phase in the democratization of the Japanese people and once established, this labor group could assist in no small degree the attainment of the occupation objectives. However, we must recognize the complexity of promoting such a movement in Japan. It cannot be created overnight and, certainly, not without long struggles and determined efforts. A labor group which finds itself suddenly free to avail of opportunities hitherto unheard of but which has very little foundation of labor union experience is liable to indulge in excesses. Union members not yet too familiar with democratic processes and procedures become blindly susceptible to orders from men who may be inclined to abandon the legitimate goals of a free labor movement in favor of ulterior political motives. When this happens and apparently it has already happened in the transportation and communications unions, the labor movement no longer serves the interests of labor and a re-examination of existing labor relations policies becomes necessary.

"The Soviet statement also refers to the Commission's policy on trade unions on which there now appears some controversy over its applicability to government workers. The official records do not reveal any definite understanding on the matter among governments. This is a rather unfortunate situation, but we feel that this need not be resolved in deciding what position to take on the Soviet proposal for, even if it were assumed that the policy apply to such labor group, SCAP is empowered to take action under paragraph 5 of said policy which permits prohibition of strike or work stoppages when they 'directly prejudice the objectives or needs of the occupation'. We are convinced that the conditions created by the threatened strike scheduled for August 7th constituted a menace not only to Japan's well-being but to the occupation objectives as well.

"While we realize that the interim ordinance issued by the Cabinet, if perpetuated, would be open to justified criticisms, we believe that its revocation will serve very little purpose at this time when the whole question of labor policies relating to government workers is being studied and remedial measures soon will be acted upon by the Diet. We consider it more desirable for the Commission to concern itself in examining the measures being evolved by SCAP and the Japanese Government and to adopt, if deemed necessary, a policy embodying the Commission's wishes on the matter. Accordingly, Mr. Chairman, the Philippine delegation will vote against the Soviet proposal in FEC-318."

MR. POWLES referred to a statement by General McCoy made on 23 September (page 5, Minutes, 120th FEC Mtg.) to the effect that, "In the opinion of my Government the temporary character of the interim ordinance of the Japanese Government and the fact that permanent legislation is now in preparation for submission to the Diet and review by SCAP make it unprofitable for the Commission to engage at this time in extended consideration of this complex subject". He pointed out that this statement was made some weeks ago and that as time went on the temporary character of the interim ordinance became more and more permanent. It was understood that the interim ordinance was still in force in Japan and it seemed to him that the longer it remained in force the more necessary it became for the Commission to do what the United States representative had suggested that it not do, namely, to embark upon a consideration of this very complex subject.

MR. POWLES said that the New Zealand Government was intensely interested in what was happening in Japan in regard to labor policy. While New Zealand had been prepared to take the view that the interim ordinance was of a temporary and emergency nature and that consequently the Commission might address itself to the more important question of what was being done to replace it, the lapse of time might make it seem necessary that the Commission address itself to a consideration not only of the whole complex



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subject but also of the interim ordinance itself. He was not certain that, from the New Zealand point of view, this time had yet arrived, but it would be of great assistance to his delegation if the United States representative could make a statement at the next meeting indicating what developments in Japan had been since his statement of 23 September.

MR. POWLES said that while there were possibly certain difficulties in the way of the Diet passing any legislation at present, it was clear that permanent legislation must be in preparation. Nevertheless, the Commission had not been advised of the nature of that legislation and it was on this point that his delegation was particularly interested.

GENERAL McCOY said that he understood that no final draft revision had been agreed upon by the Japanese Cabinet and the Supreme Commander. Such a revision was still being considered and he felt that there was no doubt that there would be considerable delay in any action by the Japanese Diet. The Commission was quite properly evincing a concern and interest in the matter and he hoped to be able to supply definite information on developments in Japan.

ADMIRAL RAMISHVILI submitted the following proposed policy decision (subsequently circulated as FEC-318/4):

"Based upon Article A-2, Part II, of the Terms of Reference of the Far Eastern Commission which provides for the Commission the right 'to review. . .any action taken by the Supreme Commander involving policy decisions within the jurisdiction of the Commission', the Far Eastern Commission adopts the following policy decision:

'1. In accordance with Article III-2 of the Terms of Reference of the Far Eastern Commission, the Supreme Commander should be requested to revoke his directive of July 22 and the ordinance of the Japanese Government of July 31 concerning the prohibition of strikes and collective bargaining ~~by~~ the workers and employees of government enterprises and institutions, as being contrary to the decisions of the Far Eastern Commission FEC-014/9 and FEC-045/5 and as violating the principles for democratization of Japan.

'2. Repressive measures against the workers and employees of government enterprises and institutions should be discontinued'."

ADMIRAL RAMISHVILI said that he would like to reserve the right of his delegation to comment on the French and Philippine statements after his delegation has had sufficient time to study them. At this meeting, however, he said he would like to make some comments on the proposed policy decision presented to the Commission.

The general considerations justifying the necessity of adoption by the Far Eastern Commission of a policy decision, the draft of which had just been submitted by the Soviet delegation, were set forth in the statement of the Soviet representative on the Far Eastern Commission at the Commission's meeting on September 16, 1948, as well as in his statement at the Far Eastern Commission meeting on September 30 during the discussion of FEC-318.

At this meeting, ADMIRAL RAMISHVILI said, he would like to make only several remarks in respect to the paragraphs of the draft of the policy decision submitted by the Soviet delegation.

As it could be seen from paragraph 1, the proposal itself deals with the revocation of the illegal directive given by General MacArthur to the Japanese Government on July 22, 1948, and the ordinance of the Japanese Government of July 31 concerning the prohibition of strikes and collective bargaining by the workers and employees of government enterprises and institutions.

The necessity of the above-mentioned paragraph was based on the indisputable fact that General MacArthur's directive of July 22 and the actions of the Japanese Government which followed from it were, in their very



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bases, contradictory to the Potsdam Declaration, paragraph 10, the Far Eastern Commission policy decision FEC-014/9 and the Far Eastern Commission policy decision FEC-045/5.

In accordance with the documents just mentioned, ADMIRAL RAMISHVILI said, the Japanese workers and employees of government enterprises and institutions have undeniable right to organize themselves into trade unions, to conclude collective agreements with their employers, and to resort to strikes in order to protect their trade union interests. General MacArthur's directive and the measures of the Japanese Government which resulted from this directive, he said, constitute an attempt to deprive the Japanese trade unions of their legal rights, given to them by the Commission's decision FEC-045/5, and it is for this reason that the above-mentioned directive of General MacArthur and the ordinance of the Japanese Government should be revoked as being contrary to the policy of the Allies in respect to Japanese trade unions.

There was no necessity to repeat here once again that the United States point of view, that Far Eastern Commission decision FEC-045/5 allegedly does not apply to the workers and employees of government enterprises and institutions, is an unfounded one as the Soviet statement of September 16 had set forth absolutely clearly and convincingly. It was also worthwhile to note the fact that the United States Government's point of view in respect to the above-mentioned question had not found approval among the Commission's members, while certain members had expressed their disagreement with the American interpretation of FEC-045/5.

Paragraph 2 of the Soviet proposal, ADMIRAL RAMISHVILI said, deals with the discontinuance of repressive measures against the workers and employees of government enterprises and institutions. The use of force against the workers and employees of government enterprises and institutions on the part of the Japanese Government, he said, not only contradicts the policy of the Allies in Japan but constitutes a direct and rude violation of paragraph 13 of the Far Eastern Commission policy decision FEC-045/5, which says that, "No police or other government agencies should be employed in spying on workers, breaking strikes, or suppressing legitimate union activities". There had been reports in the press that units of the occupation forces participated in breaking strikes of Japanese workers and employees, and that in some cases they used tanks.

The United States representatives on the Allied Council for Japan and on the Far Eastern Commission had justified such an illegal interference of the occupation forces by the necessity of maintaining law and order, by the considerations of security for the occupation forces as well as by intention to attain, allegedly, the purposes of the occupation.

It was necessary to point out, ADMIRAL RAMISHVILI said, that the above-mentioned interpretation of law and order, as well as that of the security of the occupation forces and purposes of the occupation, contradicts the objectives of the Allied occupation of Japan and joint decisions of the Allies. Law and order cannot be established by suppression and arrests of the workers of Japanese labor organizations.

Neither is there any justification for military intervention of the occupation forces on the side of Japanese police in fighting democratic organizations for the sake of alleged security of the occupation forces. The real threat to the Allied policy in Japan are reactionary and militaristic forces, and it is they--not the labor organizations--which must be vigorously suppressed, should they attempt to organize resistance against the implementation of Allied policy in Japan agreed upon by the Far Eastern Commission. ADMIRAL RAMISHVILI said that the duty of the occupation forces is to assist the Japanese people in eliminating militaristic influence in Japan and in building up genuinely democratic labor organizations in Japan, and this duty is not to be performed by directing the Japanese Government to suppress these organizations by intervening on the side of the Japanese police in fighting the labor organizations and depriving them of the rights afforded them according to the decision of the Commission.



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As was said, ~~Mr. Chairman~~, in the Soviet statement of September 15, 1948, the Far Eastern Commission cannot bypass such a violation by the Supreme Commander of the Far Eastern Commission policy decisions FEC-014/9 and FEC-045/5.

*adm. Roninili*  
Proceeding from the afore-said, I ask the members of this Commission to consider the draft proposed by the Soviet delegation and adopt an appropriate policy decision.

GENERAL McCOY asked whether the Soviet proposal just submitted should be referred to a working committee for discussion or should be considered by the Commission itself.

MR. REUCHLIN said that he thought the matter should remain on the Commission's agenda. If any discussion of labor policy in Japan were involved he would favor reference to the appropriate committee, but since the proposed policy was in fact a criticism of action taken by the Supreme Commander he thought it should be dealt with by the Commission itself. The Netherlands view was similar to that stated by the French representative: the Supreme Commander in directing his letter to the Japanese Government did not intend either to formulate a new policy on the right to strike or the right of collective bargaining of Japanese workers nor did he intend to violate the existing policy of the Commission. Rather, it was true, as the French representative had said, that "certain political liberties can be denied the Japanese Government and the Japanese people should the higher objectives of the occupation be at stake". Only incidental action on the part of the Supreme Commander was involved therefore and not the violation of any policy decisions such as the Soviet representative had referred to. Certainly the ultimate objectives of the occupation had not been jeopardized by this incidental action which the Supreme Commander had deemed necessary. Since, therefore, there was no violation of Commission policy by the Supreme Commander the Netherlands vote would be cast against the Soviet proposal.

DR. KOO said that the Soviet proposal appeared to call for a review by the Far Eastern Commission of certain actions taken by the Supreme Commander. Nothing of a technical nature requiring detailed consideration by a working committee was involved. He thought that a proposal for review could more appropriately be considered and acted upon in the Commission. In any case, it would be advisable to have a general discussion in the Commission before considering the possibility of referring the matter to a working committee and he therefore favored retention of the subject on the agenda.

Without objection, further consideration of this subject was postponed.

There was no other business.

The meeting adjourned at 1:00 P.M.



COPY NO. 190FEC-CONFIDENTIALMINUTES, 124th FEC Meeting21 October 1948FAR EASTERN COMMISSION

Provisional Minutes of the 124th Meeting of the Far Eastern Commission,  
Held in the Main Conference Room, 2516 Massachusetts Avenue, N. W.  
Washington, D. C.

21 October 1948, 10:30 A.M.REPRESENTATIVES PRESENT

Major General Frank R. McCoy (United States) (Chairman)

His Excellency Mr. N. J. O. Makin (Australia)

Mr. R. E. Collins (Canada)

His Excellency Dr. V. K. Wellington Koo (China)

Mr. J. Daridan (France)

Mr. R. Douteau

His Excellency Mr. B. Rama Rau (India)

Mr. S. N. Banerji

Mr. O. Reuchlin (Netherlands)

Mr. G. R. Powles (New Zealand)

Mr. Emilio Abello (Republic of the Philippines)

His Excellency Mr. A. S. Panyushkin (U.S.S.R.)

Mr. A. H. Graves (United Kingdom)

SECRETARY GENERAL

Mr. Nelson T. Johnson

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

Minutes, 124th FEC Meeting  
7 October 1948



SUMMARY

FEC-CONFIDENTIALSUMMARY, 124th FEC Meeting21 October 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 124TH MEETINGITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONS OF THE 123rd MEETING

Corrected and approved.

ITEM 2 - TRAVEL OUTSIDE JAPAN OF JAPANESE COMMERCIAL REPRESENTATIVES  
(FEC-293/11; FEC-293/8, FEC-293/9)

Approved as a policy decision.

ITEM 3 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

Soviet amendments defeated. Paragraph 3 amended.

ITEM 4 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, /17)

No discussion.

ITEM 5 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19; 273 series)

No discussion.

ITEM 6 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN  
(FEC-304/16; T-036, 304 series)

No discussion.

ITEM 7 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

No discussion.

ITEM 8 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN  
(FEC-320; FEC-084/21)

No discussion of substance. See item 12 below.

ITEM 9 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATE (FEC-299/5)

No discussion.

ITEM 10 - LABOR POLICY IN JAPAN (FEC-318, /1, /2, /3, /4, /5; FEC-014/9, FEC-045/5)

No discussion.

ITEM 11 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

No discussion.

ITEM 12 - OTHER BUSINESS

Discussion of relative priority of FEC-242/32 and FEC-320 (item 8 above). Soviet proposal submitted.

ITEM 13 - PRESS RELEASE

None

Summary, 124th FEC Meeting.



COPY NO. \_\_\_\_\_

3 November 1948

FEC-CONFIDENTIALRECORD OF APPROVAL OF THEMINUTES OF THE 124TH FEC MTG.FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 124TH MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 125th meeting, 28 October 1948, approved the provisional minutes of its 124th meeting with the corrections embodied in the attached revision of page 4 and with the following additional corrections:

Page 5, seventh line under Item 3 - correct the spelling of the word "representative".

Page 6, antepenultimate paragraph - between the sentence ending "religious purposes" and that beginning "He did not believe", insert the following sentence: "On the other hand, commercial technicians, for instance those competent to deal with looms and spindles, could not, in his opinion, be considered as falling within the scope of paragraph 1 of this paper."

2. Representatives are requested to insert the attached revision of page 4 and to incorporate the above corrections in their file copies of the provisional minutes of the 124th meeting of the Far Eastern Commission, and to attach this formal record of approval to these copies as corrected.

3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General

Record of Approval of the Minutes of the  
124th Meeting of the Far Eastern Commission



FEC--CONFIDENTIALITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 123rd MEETING

THE COMMISSION unanimously approved the minutes of its 123rd meeting with the following corrections:

Page 2, fifth line from bottom, change "gibe" to "give".

Page 5 - change first paragraph under Item 6 to read, "ADMIRAL RAMISHVILI requested the postponement of the subject until the next meeting".

Page 6, in the tenth and fifteenth lines, change the word "industries" to "industry"; in the nineteenth line change the word "our" to "the".

Page 10, in the paragraph numbered 1 in the middle of the page, change the phrase "bargaining for the workers" to "bargaining by the workers".

Page 12, first line - delete the words "Mr. Chairman";  
fifth line - change "I ask" to "ADMIRAL RAMISHVILI asked".

ITEM 2 - TRAVEL OUTSIDE JAPAN OF JAPANESE COMMERCIAL REPRESENTATIVES  
(FEC-293/11; FEC-293/8, FEC-293/9)

MR. PANYUSHKIN moved that paragraph 1 c of FEC-293/11 be amended as follows:

"The specific travel authorized herein should be only that essential to raise Japan's foreign trade to a level consistent with her peaceful needs as defined by the Far Eastern Commission, ~~and the number of Japanese commercial representatives permitted to travel abroad should be similarly restricted.~~"

MR. PANYUSHKIN said that he considered the proposed deletion to be necessary because in the Soviet view the reference to the number of commercial representatives to be permitted to travel abroad had the effect of nullifying the first part of the subparagraph. This first part, he said, was perfectly clear, and the addition of the second part only confused the meaning by introducing the question of numbers, which, he thought, should not be included.

GENERAL McCOY said that he hoped agreement could be reached on the proposed policy at the present meeting. It had proved to be a very difficult subject on which to get unanimous agreement, but now there seemed to be only a minor difference to be resolved. It seemed to him that paragraph 1 c would still be adequate if the proposed Soviet amendment were approved, and he hoped that representatives would be able to act favorably on the proposal at the present meeting.

DR. KOO said that the Chinese delegation along with certain other delegations had desired to insert the limiting clause in question in order to restrict the number of Japanese commercial representatives to be authorized to go abroad, thus lessening the possibility of travel by commercial representatives for propaganda purposes. China had originally favored the insertion of a specific figure as a limitation on commercial representatives to be permitted abroad. However, in view of the general feeling against the inclusion of a specific figure, he had not proposed formally such an amendment. He pointed out that FEC-293/11 represented a compromise proposal arrived at after long consideration at the working committee level and he emphasized that the Chinese delegation considered the second clause of paragraph 1 c to be just as important as the first clause.

DR. KOO said that the first clause was intended to specify the purpose of travel abroad. Travel had to be not merely for commercial purposes, but for commercial purposes which would qualify as essential to raise Japanese foreign trade to a level consistent with her peaceful needs as specified in the first clause. Conceivably, for instance, travel for



FEC--CONFIDENTIAL

the purpose of obtaining animals for Japanese zoos would be perfectly legitimate commercial travel, but it would not be essential to raise the level of Japanese foreign trade. Therefore, he felt that without some reference to the number of commercial representatives, as specified in the second clause in addition to the specification that their activities must be of a commercial nature, it might well be that more commercial representatives than those required to raise the level of foreign trade would be permitted abroad. He therefore urged the retention of the second clause of paragraph 1 c.

MR. RAMA RAU said that while he appreciated the point which had been raised by Dr. Koo, he was not sure that the desired objective would be achieved by the fixing of a number of the commercial representatives to be allowed abroad. For example, if the limited number were set at one hundred, those whose real purpose in going abroad was propaganda would undoubtedly be among the first hundred. The important safeguard against propaganda activities abroad, he felt, was the provision in paragraph 1 e that commercial representatives should be screened by the Supreme Commander before being allowed to leave.

GENERAL McCOY again expressed the hope that after the very lengthy consideration of this proposal which had occurred, representatives would now find it possible to reach agreement. He felt that the Commission had once again reached the point of deciding, with regard to this particular issue, whether international cooperation could be achieved.

DR. KOO said that the comment of the Indian representative would really apply only if the proposal was to insert a specific limiting number in the paper. However, it was not proposed to insert such a limiting number; it was intended rather to leave to the Supreme Commander the decision as to the limit whereby a minimum of commercial representatives should be allowed to leave Japan to achieve the objective in view. The SCAP would cease sending commercial representatives abroad as soon as, in his view, there was a sufficient number of commercial representatives already authorized to travel outside Japan to raise Japan's foreign trade to a level consistent with her peaceful needs as defined by the Far Eastern Commission. He did not suppose that the Supreme Commander would fix a limit in advance and therefore, he thought, the second clause of paragraph 1 c could be retained without involving the risk to which Mr. Rama Rau had referred.

MR. PANYUSHKIN said that he could see no necessity for retaining the provision regarding the number of commercial representatives to be permitted abroad. The question of choosing and controlling the number of commercial representatives to leave Japan was the responsibility of the Supreme Commander under paragraph 1 e. Furthermore, it was provided in paragraph 1 d that the activities of these individuals should be confined to trade, and in paragraph 1 c that the travel must be essential to raise Japan's foreign trade to the agreed level. Therefore, in effect, the number of representatives to be allowed abroad was restricted. With regard to the apprehensions expressed by Dr. Koo concerning the possibility that absence of a reference to numbers would increase the possibility of undesirable people going abroad, MR. PANYUSHKIN thought that this risk was one which could not be wholly obviated; if only one Japanese were allowed abroad it was always possible that he would engage in undesirable activities. In this connection he referred to the regrettable Suzuki interview which had been discussed at previous meetings as an example of a single individual who, while not a commercial representative, had been allowed to leave Japan for specifically described purposes but had managed to make serious trouble for the Allies. Therefore, MR. PANYUSHKIN said, he hoped that the Supreme Commander would set up effective controls, as he was authorized to do under paragraph 1 e, for the implementation of the present proposed policy, and if this were done, he pointed out, the second clause of paragraph 1 c would be unnecessary.

MR. GRAVES said that he could accept paragraph 1 c either as shown in FEC-293/11 or in the form proposed by the Soviet representative. He would consider it extremely regrettable if negotiations should, at this stage, when virtual agreement had been reached, reach an impasse on the point now



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at issue. He wondered whether the Chinese and Soviet representatives could find a basis for agreement on a version of paragraph 1 c in which the last clause would be deleted and the words "and the extent thereof" inserted after the word "herein" in the first clause.

MR. RAMA RAU said that he would support the change suggested by Mr. Graves. Although Dr. Koo had explained that under the present wording there was no intention to fix a specific number, he felt that there was an implication that a number be fixed. If a number were fixed, there might be a tendency to rely solely on that limitation as a safeguard, and to lose sight of the proper and more reliable safeguard, the screening, as provided in subparagraph 1 e.

GENERAL McCOY said in connection with Mr. Panyushkin's reference to the Suzuki incident that, as he had previously said (pp. 4 & 5, Minutes, 122nd FEC Mtg.) the United States Government was setting up safeguards against the repetition of such incidents. He could add, incidentally, that Mr. Suzuki was returning to Japan. However, he wished to point out that regardless of what might be done by the United States Government, there would be no Commission policy decision on this general subject until the present proposal or a similar one should be adopted. As far as the number of commercial representatives who would go abroad was concerned, it was pertinent to note that each country had its own safeguards in the way of visa provisions.

Following a brief recess for purposes of consultation, the proposed Soviet amendment to paragraph 1 c was put to vote and lost by 3 (Netherlands, U.S.S.R., United States) in favor, to 3 (Australia, China, Philippines) opposed, with 5 abstentions.

MR. GRAVES moved that the second clause in paragraph 1 c be deleted and that the first clause be amended to read as follows:

"The specific travel authorized herein and the extent thereof should be only that essential to raise Japan's foreign trade to a level consistent with her peaceful needs as defined by the Far Eastern Commission."

DR. KOO asked whether the words "and the extent thereof" were intended to mean the total number of commercial representatives to be allowed to leave Japan as well as the number of commercial missions to be authorized, the number of countries to be visited, and similar relevant factors.

GENERAL McCOY said that he would interpret the words to refer to the factors mentioned by Dr. Koo.

MR. GRAVES said that his personal interpretation of the phrase would be that it referred to the factors mentioned.

The proposed United Kingdom amendment to paragraph 1 c was put to vote and approved by 7 (Australia, France, India, Netherlands, New Zealand, United Kingdom, United States) in favor, with 4 abstentions.

MR. GRAVES moved that FEC-293/11 as amended be approved as a policy decision.

DR. KOO said that he could support the proposed policy as amended on the understanding that the words "to the extent thereof" in paragraph 1 c included the total number of commercial representatives, as well as the number of countries, the number of missions and similar factors, and with the further understanding that the phrase "as defined by the Far Eastern Commission" in paragraph 1 c referred to the definition laid down in FEC-106/1, Determination of Peaceful Needs of Japan, and to any other relevant policy decisions which had been adopted by the Commission.



FEC--CONFIDENTIAL

MR. ABELLO presented the following formal statement:

"Mr. Chairman, my Government has carefully considered the policy proposal contained in FEC-293/11 and has arrived at the conclusion that the general objectives are commendable. We do not want to see Japan's economy remain in such ruined and chaotic condition as to make her a burden to any Allied Power. We would like to see the Japanese thrive in an atmosphere of genuine democracy, political freedom, and economic security but, at the same time, we want to reassure ourselves that all efforts towards these ends are legitimate, timely and non-prejudicial to the larger interests of the members of the United Nations.

"The proposed resumption of Japanese travel abroad has caused grave concern to my Government. As one of the victims of Japanese aggression and brutality, we of the Philippines naturally feel reluctant to allowing the Japanese to travel outside Japan before the conclusion of a peace treaty. I need not enumerate the dangers attendant to such travels as these have been discussed fully in the working committees. However, I must make reference to a particular instance where a Japanese by the name of Suzuki made certain statements to the press which were definitely propaganda in nature. If Japanese nationals are to be allowed to travel abroad at this time, adequate safeguards should be instituted to avoid their making use of such trips not only to attempt to secure a soft peace treaty but also to foster dissension among the Allied Powers. Some such safeguards have been incorporated in an Australian paper, SC-309, which was recently withdrawn by the Australian delegation in view of certain assurances given by the United States that SCAP will exercise care and vigilance in the implementation of the paper now under consideration.

"We are now prepared, Mr. Chairman, to support the adoption of FEC-293/11 as a policy decision of the Commission with the clarifications just expressed by the Chinese Ambassador. In reaching this decision, we are influenced by the statements of the United States Government which have tended to allay somewhat our fears on the whole issue of Japanese travel abroad. In approving this document, however, my Government wants it recorded in the minutes of the Commission that the devastating effects of Japanese occupation upon cities and towns and defenseless civilians of our country are still very fresh in the memory of the Filipino people and that the strong anti-Japanese feeling still prevalent among the masses does not warrant the admission of Japanese nationals in the Philippines now or in the immediate future. Their presence may well constitute a very serious problem to us. Consequently, we now inform the Commission that notwithstanding the approval of this paper, the Philippines will not permit any Japanese allowed to leave Japan, under the program authorized in this paper, to enter the Philippines."

MR. MAKIN said that he could endorse the substance of Dr. Koo's understanding and of the Philippine statement. Australia had entertained serious apprehensions regarding the possibility of commercial representatives indulging in propaganda activities. He felt, however, that the present proposed policy covered the situation adequately and afforded appropriate safeguards. Nevertheless, Australia would continue to exert vigilance regarding the conduct abroad of those commercial representatives allowed to leave Japan.

MR. BANERJI said that, as Indian representative following the departure of Mr. Rama Rau, as he had stated at the Steering Committee level (p. 2, Minutes, 116th SC Mtg.) he could support the present proposal as a compromise, although his Government would have preferred a more liberal policy in this matter.

MR. GRAVES' motion that FEC-293/11 as amended be approved as a policy decision was put to a vote and carried by 10 in favor with 1 abstention (U.S.S.R.).



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"The proposed resumption of Japanese travel abroad has caused grave concern to my Government. As one of the victims of Japanese aggression and brutality, we of the Philippines naturally feel reluctant to allowing the Japanese to travel outside Japan before the conclusion of a peace treaty. I need not enumerate the dangers attendant to such travels as these have been discussed fully in the working committees. However, I must make reference to a particular instance where a Japanese by the name of Suzuki made certain statements to the press which were definitely propaganda in nature. If Japanese nationals are to be allowed to travel abroad at this time, adequate safeguards should be instituted to avoid their making use of such trips not only to attempt to secure a soft peace treaty but also to foster dissension among the Allied Powers. Some such safeguards have been incorporated in an Australian paper, SC-309, which was recently withdrawn by the Australian delegation in view of certain assurances given by the United States that SCAP will exercise care and vigilance in the implementation of the paper now under consideration.

"We are now prepared, Mr. Chairman, to support the adoption of FEC-293/11 as a policy decision of the Commission with the clarification just expressed by the Chinese Ambassador. In reaching this decision, we are influenced by the statements of the United States Government which have tended to allay somewhat our fears on the whole issue of Japanese travel abroad. In approving this document, however, my Government wants it recorded in the minutes of the Commission that the devastating effects of Japanese occupation upon cities and towns and defenseless civilians of our country are still very fresh in the memory of the Filipino people and that the strong anti-Japanese feeling still prevalent among the masses does not warrant the admission of Japanese nationals in the Philippines now or in the immediate future. Their presence may well constitute a very serious problem to us. Consequently, we now inform the Commission that notwithstanding the approval of this paper, the Philippines will not permit any Japanese allowed to leave Japan, under the program authorized in this paper, to enter the Philippines."

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MR. BANERJI, as Indian representative following the departure of Mr. Rama Rau, invited a reference to the remarks made by him in connection with this paper in the Steering Committee (page 2, minutes 116th SC Meeting). He felt that Japan should be assisted as far as possible to become a self-supporting and self-respecting member of the family of democratic nations and steps should be taken, subject to the overriding security consideration, to help the creation of conditions which might lead to the early economic rehabilitation of Japan. The travel of Japanese abroad will, it is believed, facilitate such recovery. In view of the urgency of the matter his Government is prepared to support the present proposal as a compromise although they would have preferred a more liberal policy in this matter.

MR. GRAVES' motion that FEC-293/11 as amended be approved as a policy decision was put to a vote and carried by 10 in favor with 1 abstention (U.S.S.R.).



FEC-CONFIDENTIALITEM 3 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

MR. PANYUSHKIN moved that paragraph 1 of FEC-240/16 be deleted and the following substituted therefor:

"All democratic organizations - trade-union, political, cultural and educational, scientific, religious and other organizations and societies - of member countries of the Far Eastern Commission may freely send their representatives to Japan. The occupation authorities in Japan should render appropriate assistance to the representatives of the above-mentioned organizations. Japanese democratic organizations - trade-unions, political, cultural and educational, scientific, and religious organizations and societies - also may send their representatives to the member countries of the Far Eastern Commission for the purposes of establishing business contacts and of studying the experience and work of various democratic institutions of such countries.

"Such interchange may include participation of Japanese citizens as well as citizens of member countries of the Far Eastern Commission in non-governmental international conferences and conventions in other countries or in Japan".

MR. PANYUSHKIN said that this and the other Soviet amendments as set forth in paragraph 4 of the cover page of FEC-240/16 had received rather full consideration at the working committee and Steering Committee levels, and that he had no further comments to make at the present time. It was noteworthy, he observed, that no opposition to the Soviet amendments had been expressed at the Commission level.

MR. POWLES said that the lack of comment in regard to the Soviet amendments at the Commission level was due neither to lack of courtesy nor indeed to lack of disagreement, but rather to the exhaustive discussion which had taken place at lower levels. At this time he wished to observe only that the principal New Zealand objection to the proposed amendment to paragraph 1 was that it was narrower than the wording of FEC-240/16. Such a list as was contained in the Soviet amendment would perhaps omit important types of organizations which should be included, and he was therefore in favor of the more general formulation of the paragraph as now worded. The proposed Soviet amendment to paragraph 1 was put to a vote and lost by 1 (U.S.S.R.) in favor to 9 opposed, with 1 abstention (France).

MR. PANYUSHKIN moved that the first sentence of paragraph 2 be deleted and the following substituted therefor:

"Each individual proceeding to Japan must be sponsored by an Allied national or organization which shall be responsible for his financial support";

and that the third sentence of paragraph 2 be deleted. The motion was lost by a vote of 1 (U.S.S.R.) in favor, to 9 opposed, with 1 abstention (France).

MR. PANYUSHKIN moved that paragraph 3 be deleted, that paragraphs 4 and 5 be renumbered accordingly, and that the paragraph numbers referred to in the text of paragraphs 4 and 5 be amended accordingly. The motion was lost by a vote of 1 (U.S.S.R.) in favor, to 9 opposed, with 1 abstention (France).

DR. KOO recalled the previous Chinese suggestion that the last three words of paragraph 3, "under this program" be deleted. This change seemed desirable in the interests of more accurate drafting, since retention of the words implied that while this specific policy would not permit propaganda activities, such activities would be permitted under other policies of the Commission.



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GENERAL McCOY said that although this change seemed to be a very simple one, it would, nevertheless, involve a broad reconsideration of the whole proposal. For his part, he would have to state that the change would be unacceptable to the United States.

DR. KOO said that the Chinese Delegation was concerned only with the possible implications of the retention of the words. If some change other than the deletion of the words could be made, which would preclude the undesirable implication, that would be acceptable to him. He could, for example, accept the change of "under this program" to "under the program".

MR. POWLES said that his delegation had been concerned by the implication of the phrase in question. It was always possible for even well-intentioned persons to misconstrue such a phrase and it was, of course, even more possible for persons not of the best intentions to tear the paragraph out of its context and to assert that the words in question implied that the Commission had no objections to propaganda activities under other programs than this specific one. He would prefer deletion of the phrase, but would be able to accept the change of the word "this" to "the".

GENERAL McCOY said that he would be able to accept the change of the phrase "under this program" to "under the program". If there were no further comment on this point he would assume that the amendment was generally acceptable.

Without objection, the words "under this program" of paragraph 3 were amended to read "under the program".

MR. BANERJI inquired as to whether under paragraph 1 of the present proposal, technicians would be permitted to go abroad. It was the Indian view that technicians should be considered to fall under paragraph 1 and if this were the general view, he would be able to vote for the proposal. If it were not, he would request postponement of a vote for one week.

MR. POWLES said that although the question of technicians had never been raised directly at the working committee or Steering Committee level, it was his personal view that they would be included under paragraph 1.

DR. KOO said that the view which had been expressed by the New Zealand colleague seemed to be pertinent. Cultural purposes might be interpreted, in certain circumstances, to include, or have a bearing on, technological considerations, in which event certain categories of technician would seem to be included in the paper. Conceivably there were other categories which might not be appropriately included or considered to be included.

MR. MAKIN said that he did not believe technicians were to be included in the present proposal on interchange for cultural purposes. He did not feel that technicians were properly included in any of the categories listed in paragraph 1.

MR. GRAVES said that he thought each case would have to be decided on its own merits. Technicians might well be concerned in any of the categories listed. Conceivably, for example, technicians could be sent abroad in connection with religious purposes. He did not believe that any broad ruling could be made on technicians as such.

DR. KOO said that since there was some divergency of views regarding the scope and meaning of the first paragraph, he wondered whether the Commission could not approve the present proposal and leave it open to any delegation to present a paper on interchange of technicians if it so desired. In this way the present proposal would not be delayed, nor would any new proposal which might be offered be in any way prejudiced.

MR. BANERJI said that, in view of the lack of general agreement, he would have to request postponement of a vote until the next meeting.

*On the other hand, commercial technicians, for instance those competent to deal with looms and spindles, could not, in his opinion, be considered as falling within the scope of paragraph 1 of this paper.*

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21 October 1948



FEC-CONFIDENTIAL

GENERAL McCOY said that he regretted not being able to call for a vote on this proposal at the present meeting. He would have thought it perfectly safe to adopt the paper and to consider the issue of technicians at a later time. He referred to the fact that any country so desiring could keep out specific individuals by refusing to grant visas. He would, however, in view of the Indian request, postpone further consideration of the proposed policy until the next meeting.

Without objection, further consideration of this subject was postponed.

Due to the lateness of the hour, GENERAL McCOY suggested that discussion of the remaining items on the agenda be postponed, and that "Other Business" be taken up next.

ITEM 12 - OTHER BUSINESS

MR. PANYUSHKIN said that he wished to submit a proposal in connection with the Soviet statement, FEC-320, on the Level of Economic Life in Japan, (item 8 b of the agenda).

MR. GRAVES said that if item 8, under which FEC-320 fell, were to be discussed at all, he wished to discuss the first paper under the item, that is FEC-242/32.

GENERAL McCOY said that he had, up to this point, considered FEC-242/32 and FEC-320 to be inter-related. He would now as chairman rule that they were separate proposals and that FEC-242/32 might be discussed prior to FEC-320. If members so desired, there could be a special meeting for the discussion of the papers under item 8, in the order of their priority. He saw no objection to receiving the Soviet proposal simply in order that it might be circulated to representatives for consideration.

MR. PANYUSHKIN said that in his opinion it was advisable to consider this question at the next regular meeting, even the more, since the Commission's Members, up to this moment, had confined themselves to questions directed to the Soviet Representative for clarification and had not expressed their own opinion on this subject.

He further said that he did not oppose the questions being directed to him, but as the Soviet Representative, he wanted to know the opinion of the Commission's Members on this very important paper. He felt that it was absolutely incorrect to put this question in such a manner, as had been done by the United Kingdom Representative, i.e. which paper was to receive prior consideration: FEC-242/32 or FEC-320. These two papers were inter-related with each other and, although, FEC-320 was submitted later than FEC-242/32, it should be considered prior to the consideration of FEC-242/32 since the Soviet statement dealt with general principles in respect to the level of economic life in Japan, while FEC-242/32 dealt with the details of this question.

MR. GRAVES said that he felt that the present trend of discussion was leading into the substance of item 8. He would again object to any discussion of the item unless the papers under that item were to be discussed in the order of priority conforming to the Chairman's ruling.

GENERAL McCOY suggested that the draft copies of the Soviet proposal be received for later consideration.

Without objection, further consideration of this subject was postponed.

(The Soviet proposal, typewritten copies of which were distributed to representatives, was subsequently circulated as FEC-320/1)

There was no other business.

The meeting adjourned at 12:50 P.M.



COPY NO. 82FEC-CONFIDENTIALMINUTES--125th FEC Mtg.28 October 1948FAR EASTERN COMMISSION

Provisional Minutes of the 125th Meeting of the Far Eastern Commission  
Held in the Main Conference Room, 2516 Massachusetts Avenue, N. W.  
Washington, D. C.  
28 October 1948, 10:30 A. M.

REPRESENTATIVES PRESENT

Major General Frank R. McCoy (United States) (Chairman)

*H.C. Wm. M.J.O. Madsen*  
1 Mr. H. W. Bullock (Australia)

Mr. R. E. Collins (Canada)

His Excellency Dr. V. K. Wellington Koo (China)

Mr. R. Douteau (France)

Mr. S. N. Banerji (India)

Mr. O. Reuchlin (Netherlands)

Mr. G. R. Powles (New Zealand)

Mr. J. U. Jovellanos (Republic of the Philippines)

His Excellency Mr. A. S. Panyushkin (U.S.S.R.)

Mr. H. A. Graves (United Kingdom)

SECRETARY GENERAL

Mr. Nelson T. Johnson

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

Minutes--125th FEC Mtg.  
28 October 1948



SUMMARY--FECCONFIDENTIALSUMMARY--125th FEC Mtg.28 October 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 125th MEETINGITEM 1 - CORRECTION AND APPROVAL OF PROVISIONAL MINUTES OF 124th MEETING

Corrected and approved.

ITEM 2 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

Voted on and lost by reason of non-concurrence of Soviet representative.

ITEM 3 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

Philippine representative prepared to discuss. Chinese and French representatives without final instructions. Postponed.

ITEM 4 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19; 273 series)

Discussion of retention or deletion of paragraph 1 b (2).

ITEM 5 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16, T-036, 304 series)

Postponed.

ITEM 6 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

Recommendation approved that consideration be suspended pending decision on reparations shares of non-FEC countries. Removed from agenda.

ITEM 7 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, FEC-320/1; FEC-084/21)

Chinese views on FEC-320 presented (FEC-320/2).

ITEM 8 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3, FEC-318/4, FEC-318/5; FEC-014/9, FEC-045/5)

Chinese and Canadian views presented (FEC-318/6).

ITEM 9 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5)

Chinese views presented (FEC-299/6). Netherlands substitute proposal presented (FEC-299/8).

ITEM 10- a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

No consideration.

ITEM 11- OTHER BUSINESS

Soviet statement regarding press reports of military conference in Japan (FEC-322).

ITEM 12- PRESS RELEASE

Secretary General announced that normal procedure would be followed regarding release of FEC-293/12, approved the previous week.

Summary--Minutes, 125th FEC Mtg.



COPY NO. 161FEC-COMPIDENTIALRECORD OF APPROVAL OF THE  
MINUTES OF THE 125TH FEC MTG.

DRF

FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 125TH MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 126th meeting, 4 November 1948, approved the provisional minutes of its 125th meeting with the following corrections:

Cover page - change representation for Australia to  
"His Excellency Mr. N. J. O. Makin and Mr. H. V. Bullock"

Page 6 - fourth paragraph, 6th line - change "FEC-084/32" to  
"FEC-084/21".

2. Representatives are requested to incorporate the above corrections in their file copies of the provisional minutes of the 125th meeting of the Far Eastern Commission, and to attach this formal record of approval to those copies as corrected.

3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General

Record of Approval of the Minutes of the  
125th Meeting of the Far Eastern Commission



FEC-CONFIDENTIALITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 124TH MEETING

THE COMMISSION unanimously approved the minutes of its 124th meeting with the following corrections:

Page 4, - amend penultimate paragraph to read:

"MR. BANERJI, as Indian representative following the departure of Mr. Rama Rau, invited a reference to the remarks made by him in connection with this paper in the Steering Committee (page 2, minutes 116th SC meeting). He felt that Japan should be assisted as far as possible to become a self-supporting and self-respecting member of the family of democratic nations and steps should be taken subject to the overriding security consideration, to help the economic rehabilitation of Japan. The travel of Japanese abroad will, it is believed, facilitate such recovery. In view of the urgency of the matter his Government is prepared to support the present proposal as a compromise although they would have preferred a more liberal policy in this matter."

Page 5, seventh line under Item 3 - correct the spelling of the word "representatives".

Page 6, antepenultimate paragraph - between the sentence ending "religious purposes" and that beginning "He did not believe", insert the following sentence: "On the other hand, commercial technicians, for instance those competent to deal with looms and spindles, could not, in his opinion, be considered as falling within the scope of paragraph 1 of this paper."

ITEM 2 - INTERCHANGE OF PERSONS BETWEEN JAPAN AND OTHER COUNTRIES FOR CULTURAL PURPOSES (FEC-240/16)

GENERAL McCOY recalled that at the last meeting final action on FEC-240/16 had been postponed at the request of the Indian representative.

MR. BANERJI said that he was now prepared to vote on FEC-240/16.

MR. JOVELLANOS said that the views of the Philippine Government regarding FEC-240/16 were similar to those which had been presented by the Philippine representative in connection with FEC-293/11, travel outside Japan of Japanese commercial representatives (page 4, minutes 124th FEC meeting). He could therefore vote for FEC-240/16 on the understanding that the Philippine Government would not permit Japanese to enter the Philippine Republic.

DR. KOO said that he was prepared to vote for FEC-240/16. However, before the vote was taken, he wished to present the following statement to record the understanding of the Chinese Delegation:

"I should like to take this opportunity to record the understanding of the Chinese Delegation on the question of travels of Japanese abroad as a whole.

"1. Before authorizing any Japanese to travel abroad for such purposes, the SCAP would carefully screen those Japanese who apply for permission to travel abroad and impress on them their status as nationals of a country still under Allied occupation and their obligation to limit their activities to those purposes sanctioned by the SCAP. In no case such Japanese should engage in any political or propaganda activities.

"2. The number of Japanese nationals authorized to go abroad would be limited to the minimum requirements of the specific purpose of the travel authorized by this policy decision.

"3. The SCAP would exercise continuous supervision over the activities



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of such Japanese nationals.

"4. The SCAP would furnish periodic reports to the FEC on the total number of Japanese abroad, together with particulars regarding the individuals concerned and purposes of their travel and such information as may be requested from time to time by any one of the countries represented on the FEC.

"5. I should like at the same time to express the hope of my delegation, on behalf of my Government, that the Governments of those countries which receive such Japanese nationals would take appropriate measures to assist the SCAP in implementing the policy decisions of the FEC on the subject.

"6. It is further hoped that these hopes and desiderata of my Government will be taken into consideration in regard to the authorization of commercial representatives under the policy decision approved by the FEC at the last meeting. "

MR. MAKIN said that he was prepared to support FEC-240/16 on the understanding, similar to that outlined at the last meeting in connection with the adoption of FEC-293/11 (page 4, minutes 124th FEC Mtg.), that Australia would continue to exert vigilance regarding the conduct of Japanese abroad.

FEC-240/16 was then put to the vote. The tally showed 10 in favor and 1 (U.S.S.R.) opposed. GENERAL McCOY declared the paper lost by reason of the non-concurrence of the U.S.S.R.

ITEM 3 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

GENERAL McCOY observed that the Chinese, French and Philippine positions had been reserved on FEC-277/16 and that the Soviet position was reserved pending action on FEC-277/17. If all representatives were now ready, he thought that the Soviet amendments might be considered.

DR. KOO said that both the paper and the proposed Soviet amendments were of very great importance since when adopted they would affect the welfare of the very large portion of the Japanese people who were farmers or peasants. Both the paper and the amendments had been referred to the Chinese Government but final instructions had not been received. This was the reason why his delegation had not made remarks in the Commission either on the paper or on the amendments. There was no wish on his part to delay the Commission's action, but he thought that in the face of the reservations of other representatives, as well as his, consideration might well be postponed, if it was agreeable to other Members of the Commission.

MR. DOUTEAU said that his position was similar to that of the Chinese representative. He had not received final instructions on the principal proposal nor on the Soviet amendment.

MR. JOVELLANOS said that he was now in a position to discuss both FEC-277/16 and FEC-277/17. He would, however, not object to postponement in accordance with the wishes of the Chinese and French representatives.

Without objection, further consideration of this subject was postponed.

ITEM 4 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19; 273 series)

GENERAL McCOY said that he understood that the Chinese member of the Steering Committee had stated that unless his Government should change its position, the Chinese Delegation would not be able to accept FEC-273/19 if paragraph 1 b (2) were retained. The Soviet member, on the other hand, had indicated that his delegation could not approve the paper without the inclusion of the paragraph in question.

GENERAL McCOY said that the United States Government could accept the proposal either with or without paragraph 1 b (2). He gathered that there had been a slight preference in the Steering Committee for retention of the paragraph and he hoped, therefore, that the Chinese Representative might find himself in a position to agree to its retention.



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DR. KOO said that his delegation had reported the situation in the Committees to his government. At the present time, in the absence of further instructions from his government, he was not prepared to change his position on this subject. He pointed out that numerous amendments which had been proposed by his delegation with the intention of meeting the views of other delegations in so far as possible had been defeated. The Chinese delegation was still disposed to support the deletion of paragraph 1 b (2) and the proposal of deletion, he thought, would have had a generally favorable response but for the Soviet insistence on retention of the paragraph. He thought that at the present time, further consideration might be deferred unless the Soviet Representative was in a position to qualify his position on the paragraph.

MR. PANYUSHKIN said that he could not, in the present situation, alter the Soviet position. The Soviet position on paragraph 1 b (2) had been stated at the Steering Committee and had received the support of the United States, United Kingdom, Netherlands and Indian delegations.

GENERAL McCOY said that in view of the fact that no agreement could be reached at the present time, he was in agreement with Dr. Koo's suggestion that consideration be postponed.

Without objection, further consideration was postponed.

ITEM 5 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN  
(FEC-304/16; T-036, 304 series)

GENERAL McCOY observed that the substance of FEC-304/16 had been incorporated in the proposal on conduct of trade, FEC-273/19, (the item just considered) and that, furthermore, the Supreme Commander had already agreed to the exemption of restitution cargoes from port charges. He recalled that in reply to previous queries regarding the desirability of retaining the present subject on the agenda, the Soviet Representative had expressed a preference for its retention. He wished, however, to inquire again whether this was still desired.

MR. PANYUSHKIN replied that he would prefer that FEC-304/16 be retained until the results of discussion of FEC-273/19 should indicate the proper disposition of the former paper.

Without objection, further consideration of this subject was postponed.

ITEM 6 - DANISH REPARATIONS CLAIM (FEC-319/2; SC-319/1, FEC-319)

GENERAL McCOY recalled that consideration of FEC-319/2 had been postponed at the request of the Soviet Representative. He asked whether Mr. Panyushkin had any comment at this time.

MR. PANYUSHKIN said that he had no objection to the Commission's approving the recommendation of Committee No. 1 that consideration of the Danish claim for reparations described in SC-319/1 be suspended until a decision were reached on the problem of reparations for non FEC countries.

GENERAL McCOY said that if there were no further comment on this subject he would consider that the Commission approved the recommendation of Committee No. 1. He pointed out that no further action was required, since the letter from the Danish Ambassador referring to the Danish claim had been acknowledged and the Danish Ambassador had been informed that he would be notified of any action which the Commission might take on this claim.

Without objection, the Commission's approval of the recommendation of Committee No. 1 was recorded and the subject was removed from the agenda.

ITEM 7 a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY  
(FEC-242/32; FEC-242/35)

GENERAL McCOY recalled that at the previous meeting (page 7, minutes 124th FEC meeting) he had ruled, as chairman, that FEC-242/32 and the Soviet proposal in FEC-320 were separate proposals, and that FEC-242/32 might be discussed prior to FEC-320.



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MR. GRAVES recalled that he had on previous occasions expressed a preference for discussion FEC-242/32 before considering FEC-320. He had done this for two reasons. First, he regarded FEC-242/32 as a very urgent proposal. It had been under consideration for two and one half years but had not been completed because the Commission was still without the views of one or two member governments. Until these views were obtained, further progress would not be possible. There was, in his opinion, great urgency in obtaining the views which were lacking. The second reason for his desiring prior consideration of FEC-242/32 was the fact that the Commission had recently received from the Soviet Representative a new and independent approach to the problem and it would be of great assistance in estimating the nature of this new proposal if the Soviet views on FEC-242/32 could be had. The Soviet Representative had stated (page 3, minutes 122nd FEC meeting) that whenever the Commission should discuss FEC-242/32 the Soviet Delegation would make known its position regarding it. He therefore wished to ask the Soviet Representative for a statement of his specific views on FEC-242/32.

DR. KOO said that the Chinese Delegation had participated extensively in the discussions of FEC-242/32 which had taken place at the working committee level and had repeatedly indicated the difficulties raised by the paper from the Chinese point of view. His delegation had no objection to discussion of the proposal in the Commission and it was the Chinese opinion that the Soviet proposals in FEC-320 were in the nature of a separate proposal although, of course, having a very important bearing on FEC-242/32. He said it might be preferable for the Commission to proceed by considering FEC-242/32, and the Soviet Representative would then be at liberty to present the substance of FEC-320 as his views on FEC-242/32.

He further observed that it might be desirable to draw a line between presenting observations on the Soviet statement which might help the Soviet Delegation to furnish further clarification to the Commission when the time was opportune for its discussions and giving consideration to the Soviet statement. After each delegation had had an opportunity to present its observations, consideration might be postponed until a later time when the main paper FEC-242/32 had been discussed and acted upon by the Commission.

MR. GRAVES said that his views coincided with those of Dr. Koo. He was desirous that the Soviet Representative be invited to give his views on FEC-242/32. Following presentation of these views and whatever other discussion might occur, the Commission could take up the independent approach submitted by the Soviet Representative in FEC-320.

GENERAL MCCOY said that he felt sure that all delegations would appreciate whatever remarks the Soviet Representative might be able to make at this time on his position in regard to FEC-242/32.

MR. PANYUSHKIN said that if the suggestion joined in by the the United Kingdom and Chinese Representatives were followed and prior discussion were had on FEC-242/32, the effect would be that a discussion of the details of the subject would take place prior to a discussion of the political principles which were submitted in FEC-320 and which would necessarily underlie any proposal consisting of details and secondary questions. It seemed to him that any such procedure would not be logical and would, in fact, be putting the cart before the horse. It was necessary, first of all, to determine the political principles upon which a detailed policy would have to be based.

MR. PANYUSHKIN said that the Soviet proposal in FEC-320 did not make reference to details for the very reason that it was concerned with the broad principles of the policy upon which these details should be based. FEC-320 would provide that peaceful industry should not be limited, that war industry should be prohibited, and that appropriate controls be set up to ensure the prevention of the revival of war industry. If the Soviet proposal were adopted, consideration of level of specific industries would be expedited since, once agreement on general principles were reached, agreement on details would follow rapidly.

MR. PANYUSHKIN emphasized the importance of this subject and the necessity for early action by the Commission. He felt that the Japanese people and the member governments of the Far Eastern Commission were all interested in early action and for this reason it seemed to him that consideration of the Soviet proposal should take place so that general principles upon which detailed levels



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could be based might be agreed upon as soon as possible. There had been certain queries as to the meaning of "war industry" and "peaceful industry" in the Soviet proposal. The Soviet delegation would provide an interpretation of these terms, but it would also like to hear the interpretations of other delegations. He pointed out that although the Soviet proposal had been before the Commission for more than a month, no discussion of its substance had yet taken place and he urged that such discussion be hastened.

MR. GRAVES said that with respect to the analogy drawn by the Soviet Representative, of placing the cart before the horse, there was a difference of opinion as to which of the two papers in question was to be regarded as the horse. The United Kingdom delegation considered FEC-242/32 to be the principal proposal before the Commission and the one which indeed was under discussion at the moment. He therefore again drew attention to his request for the Soviet Representative's views on that paper.

MR. PANYUSHKIN reiterated his view that it hardly seemed feasible to discuss the details of the problem as contained in FEC-242/32, before taking a decision on the political and economic principles found in FEC-320.

MR. POWLES said that in his opinion, Mr. Graves had presented a very important point of view. He could agree, as he felt other representatives could, that FEC-242/32 was a proposal which should be considered independently of FEC-320. He felt that it was essential at this stage in the Commission's deliberations that all delegations' views with regard to the future of the Japanese economy be known accurately and in detail. It was noteworthy that after the extended consideration which had been given this proposal it was now delayed by reason of the absence of knowledge as to the detailed positions of three member governments. Therefore, he felt that Mr. Graves had performed a valuable service in insisting that the Commission keep before it the necessity of getting such a detailed presentation of delegations' views. It should not be forgotten that FEC-242/32 had been worked out in accordance with certain principles relating to the future of the Japanese economy which were stated in the Potsdam Declaration and in the Commission's own Basic Post-Surrender Policy (FEC-014/9). These principles had been accepted by all member governments and represented the common ground on which FEC-242/32 had been erected.

MR. POWLES said that the Soviet Representative perhaps considered that the time had come to restate some of the principles on which FEC-242/32 was based. He was entitled to present such a view, but it would still be clear that the two matters were completely separate and should be considered separately. He felt that in view of the tremendous amount of work done on this paper at the committee levels, the Commission would now be shirking its responsibility if it did not, at every meeting, consider the proposal and inquire as to the possibility of receiving some further presentation of views from the three governments who had not yet presented them. Once that were done, the Commission could give attention to a possible restatement of general principles on the invitation of the Soviet Representative.

MR. POWLES pointed out that the Soviet Representative's proposal invited the Commission's attention to a matter not previously considered in the Commission, that is, a consideration of what should or should not be provided in the peace treaty. There was some question, he felt, as to whether it was within the Commission's jurisdiction to consider the subject of the contents of the peace treaty. He therefore felt that the Soviet Representative should not regard the Commission's reluctance to consider FEC-320 in detail as in any way an attempt to brush it aside, but rather as a recognition of the extremely important matters which it raised and which ought to be considered separately and parallel with FEC-242/32, which was the culmination of the Commission's own work and which was delayed only by the lack of knowledge as to the positions of three governments.

MR. MAKIN said that he wished to supplement Mr. Powles' remarks by pointing out that the general principles upon which FEC-242/32 were based had been propounded and agreed to by all governments in two of the Commission's policy decisions, Determination of Peaceful Needs of Japan, (FEC-106/1) and Reduction of Japanese Industrial War Potential, (FEC-084/21). He wished to emphasize the point made by Mr. Powles that the present proposal had been under consideration for a long time and that the Commission should at this stage make every effort to find a way of reaching agreement on it.



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MR. PANYUSHKIN said that he was compelled to reply to Mr. Powles reference to an alleged Soviet suggestion that the principles of the Potsdam Declaration and the Basic Post-Surrender Policy be reconsidered. He was not proposing such reconsideration. On the contrary, he stood for the scrupulous fulfillment of both the Potsdam Declaration and the Basic Post-Surrender Policy. He quite agreed with Mr. Makin that the policies in FEC-084/21 and in FEC-106/1 had a direct connection with the present subject. They referred to the destruction of Japanese war potential, and the Soviet proposal dealt with the future of Japanese economic development. There was nothing in the Soviet proposal in contradiction with the Potsdam Declaration or with the Commission's policy decision which had been mentioned.

MR. PANYUSHKIN said that the New Zealand Representative had remarked that in the Soviet proposal there was a reference to the peace treaty with Japan. Properly speaking, there was a reference there to the control which should be provided for by the peace treaty. At the same time he felt that no one denied the need for the conclusion of a peace treaty with Japan. And such a need was not only not denied but, on the contrary, certain representatives here had spoken of the need for the conclusion of a peace treaty. As far as the Soviet Delegation was concerned, he said, it favored an early conclusion of the peace treaty.

In the light of the discussion so far, he saw no need for devoting more time to a discussion of which outstanding proposal should receive priority. He wondered whether there was objection to discussion of the Soviet proposal merely on formal grounds because of the fact that it had been submitted subsequently to FEC-242/32. If this were the case, he suggested that priority be established, not on the basis of formal motives but on the basis of logical motives, and that the political aspects of the matter be decided before its details were discussed.

DR. KOO said that he felt there was a very decided advantage in considering FEC-242/32 ahead of the Soviet proposal. The Soviet proposal recognized only two categories of industry, "war industry" and "peaceful industry". Several delegations, including the Chinese, had inquired as to what constituted peaceful industry and what constituted war industry since the Commission had heretofore designated industries in FEC-084/21, Reduction of Japanese War Potentials by classifying them as primary war facilities and war supporting industries on one hand and those industries not designated therein on the other hand. The Soviet reply to these queries which had been furnished had not been wholly satisfactory in clarifying the meaning of the categories used in the Soviet statement and he felt that if a discussion of FEC-320 were embarked on first, much confusion would result from the difficulty of understanding the two categories in connection with the terms already adopted by the Commission. If, however, FEC-242/32 was discussed first, the difference between peaceful industries and war industries could be illustrated concretely. For instance, in the very first paragraph of FEC-242/32 it was made clear that the iron and steel industry was a war supporting industry. He would appreciate an explanation by the Soviet Representatives as to whether the iron and steel industry, recognized as a war supporting industry by the Commission, was in the terminology of FEC-320 a war industry or a peaceful industry. If this was done throughout the discussion of FEC-242/32 he felt that real progress could be made, but if a general debate of FEC-320 was commenced, prior to the consideration of FEC-242/32, he doubted the possibility of making fruitful progress.

DR. KOO said that further reason for discussion FEC-242/32 first was the fact that the Soviet proposal provided that no limitation should be imposed upon the development of peaceful Japanese industry. It would therefore be very important to know whether the iron and steel industry, for example, was in the Soviet view a peaceful industry or a war industry. Similar points would, of course, apply throughout the categories of industry enumerated in FEC-242/32.

GENERAL McCOY said that in his opinion the foregoing discussion had been beneficial in that the problems involved in the further consideration of FEC-242/32 had been clarified and the issues somewhat narrowed. If there were no further discussion desired at this time, he would suggest that the Commission now turn its attention to the Soviet proposal, FEC-320.

Without objection, further consideration of this subject was postponed.



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ITEM 7 b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN  
(FEC-320, FEC-320/1; FEC-084/21)

GENERAL McCOY said that various queries had been directed to the Soviet Representative with respect to the clarification of FEC-320. There appeared to be five queries outstanding and he enumerated them as follows:

1. Australia - Does the reference in FEC-320 to war industries apply only to the facilities mentioned in paragraph 2 and 3 of FEC-084/21 or does it apply also to those facilities mentioned in paragraph 5 of that policy?

2. China - Would "war supporting industries" as defined in FEC-084/21 be considered in the Soviet view to be war industries or peaceful industries?

3. Canada - Would "war supporting industries" as defined in FEC-084/21 come under the first or the second of the Soviet proposals, i.e., would they be prohibited or encouraged?

4. United Kingdom - Could it be assumed that the Soviet Government still supports paragraph 9 b of FEC-084/21?

5. United Kingdom - What is the Soviet position on FEC-242/32?

GENERAL McCOY asked whether the Soviet Representative was prepared to reply to these inquiries at the present time.

MR. PENYUSHKIN said that he would answer these questions at the next meeting. In his opinion the only outstanding consideration had to do with the clarification of war industry and peaceful industry and he would like to hear the views of other representatives.

DR. KOO presented the following formal statement in connection with FEC-320.

"The statement submitted by the Soviet Ambassador at the 120th meeting of the Commission on the level of economic life in Japan touched upon several points of far-reaching importance. At the subsequent meeting I asked a few questions for clarification concerning certain phrases in the statement which did not seem clear. He was good enough to give his answers to them for which I expressed my appreciation.

"Today I wish to make a few observations on the Soviet statement, especially in the light of the clarification which was given. It is noteworthy that the Soviet statement has unequivocally stressed the importance and necessity of prohibiting 'war industries' in order to prevent the rise of militarism in Japan. This is a point with which my delegation agrees fully. We take particular note of the Soviet proposal to establish industrial control in order to prevent the revival of Japanese 'war industries', and we endorse the principle underlying it.

"But we are still not clear in our mind as to the precise meaning and scope of the term 'war industries' and the term 'peaceful industries' used in the Soviet statement. The uncertainty arises from the fact that the Soviet terminology is different from that adopted in the FEC policy decision on Reduction of Japanese Industrial War Potential (FEC-084/21) in which only such terms as 'primary war facilities', 'secondary war facilities', and 'war-supporting industries' were used.

"A precise definition is especially desirable and necessary in this connection because a different treatment is assigned to each of the two categories of industries. We earnestly hope that further clarification will be given to the Commission as to whether the industries which were designated as war supporting industries in FEC-084/32 are considered in the Soviet view as 'war industries' or 'peaceful industries'. A clear answer to this question would be of great value and assistance in evaluating the Soviet proposal.



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"The Chinese Delegation's understanding of what constitutes the industrial war potential of Japan as distinguished from the peaceful needs is based on paragraph 11 of the Potsdam Proclamation, on relevant paragraphs of the policy decision on the Reduction of Japanese Industrial War Potential (FEC-084/21), and on another policy decision entitled Determination of Peaceful Needs of Japan (FEC-106/1). In fact all three categories of industries mentioned in FEC-084/21, namely, primary and secondary war facilities and the selected war supporting industries, generally speaking, are all war industries. However, the Allied Powers have no intention of prohibiting outright and generally the war supporting industries and thereby making difficult the attainment of Japanese peaceful needs as defined by the FEC. Certain portions of the war supporting industries deemed essential for the achievement of this objective would be allowed to be retained. But the mere fact of retaining certain portions of such capacities does not change their character of being war potential. Consequently, under any scheme of long-term control of Japanese industries, it is essential that primary and secondary war facilities should be prohibited. It is equally imperative that not only the war supporting industries should not be permitted to exceed the productive capacity maxima as may be determined by the FEC but also the output therefrom within the permitted level should not be diverted to uses other than meeting the peaceful needs of Japan.

"We could understand the desire of the Japanese people to improve their physical well-being through their own efforts and exertions. But we should not at the same time lose sight of Japan's obligations to the Allies which are expressly provided for in the Potsdam Declaration, the decisions of the FEC on the Basic Post-Surrender Policy for Japan, and the Division of Reparations Shares. We therefore welcome and attach importance to the following sentence in the 3rd paragraph of the Soviet statement:

'Besides, it should be remembered that Japan will have to satisfy legitimate claims for reparations on the part of those States which suffered from Japanese aggression.'

"We infer, and I hope our inference is correct, that the Soviet proposal, coupled with the clarifications on the points given by the Soviet Representative, does not preclude the exaction of just reparations from 'peaceful industries', including reparations out of current production, as is expressly provided for in the Potsdam Proclamation.

"I wish to make our position clear that we have no intention of imposing conditions on Japan which would prevent the attainment of her peaceful needs. But at the same time we do not see how Japan could be allowed to achieve a living standard higher than that prevailing in the period 1930-34 without first requiring her to discharge obligations to the Allies and particularly to countries and territories which suffered grievously under Japanese military occupation. This is a fundamental obligation which Japan should be required to assume. Furthermore the standard of living of the Japanese people should be considered against the background of the living standard and economic conditions of other Far Eastern nations. It is our view that, in justice to these other nations and in the light of a number of vital economic factors involved, it would be premature and impractical to set, as a goal to be attained in the next few years, any standard of living higher than that of 1930-34.

"The term 'peaceful needs of Japan' has already been defined in FEC-106/1. Although there are several papers having a bearing on the subject, yet FEC-106/1 is the only policy paper adopted by the Commission which defines the term 'peaceful needs'. It follows that any reference to industrial level or peaceful needs in the Soviet statement must mean that policy decision of the Commission.

"With regard to the matter of control of Japanese war industries, the reply of the Soviet Ambassador to my query has made it clear that the establishment of such controls should be discussed in the peace conference and included as an integral part of the peace treaty, and that at the present time, the task of the Allies is to ensure that the policy decision of



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FEC-084/21 and FEC-059/3 are completely fulfilled and the responsibility for the fulfillment should be borne by SCAP. However, I would like to draw the attention of the Soviet Ambassador to paragraph 9 b of FEC-084/21 which provides that the

'capacity levels remaining in the iron and steel, light metals, metal-working machinery, shipbuilding, oil refining and storage, synthetic oil and synthetic rubber industries, after the completion of the industrial removals proposed in this paper and after the disposition of the remaining "excess" facilities as provided for under paragraph 6, should constitute the permissible maxima in these industries until the end of the present phase of the occupation in Japan or until October 1, 1949, whichever is the earlier, pending a decision as to the long-term disarmament controls.'

"It is further provided therein that:

'if the Commission expects still to be charged on October 1, 1949, with responsibility for post-surrender policies respecting Japan, the Commission should assess the situation before that date with a view to the adoption of an appropriate policy to be put into effect on October 1, 1949.'

"In the light of this decision of the Commission and in the interest of continuity between the present regulation of Japanese industries and the long-range policy, I presume that the reply of the Soviet delegation I have just referred to above is not intended to intimate that the Soviet delegation is not interested in the maintenance of some sort of control during the interim period between October 1, 1949, and the conclusion of the peace treaty, assuming that such a treaty has not been concluded by that date.

"In conclusion, I wish to emphasize that my remarks on the first Soviet proposal, namely, the suggested classification of Japanese industries into two categories and their separate treatment are still preliminary, and I reserve my right to make further comments at a later date.

"As regards the second Soviet proposal of setting up a control machinery to be incorporated as an integral part of the peace treaty, my delegation feels it unnecessary to comment now inasmuch as it is, according to the clarification given by the Soviet representative, intended only to be discussed at the eventual peace conference on Japan."

Without objection, further consideration of this subject was postponed.

ITEM 8 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3, FEC-318/4, FEC-318/5; FEC-014/9, FEC-045/5)

MR. COLLINS presented the following formal statement:

"When FEC-318 is put to a vote, I shall be obliged to oppose it. My Government is prepared to accept your statement, Mr. Chairman, that the Supreme Commander was confronted with the threat of a strike which would have endangered the safety of the occupation to the extent that it would have been impossible for him to discharge his responsibilities not only to his own Government but to all governments represented on the Far Eastern Commission. Since the Supreme Commander has the executive responsibility in Japan, we are not prepared to query his estimate of the gravity of the situation.

"On the other hand, Mr. Chairman, while we are ready to accept the Supreme Commander's appreciation of the situation, we should wish it clearly understood that in our view the action taken by the Japanese Government in issuing the interim ordinance is only justified as a temporary measure to meet an emergency, and we trust that this is the understanding of the Japanese Government. We are not



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prepared to accept as a basis for permanent legislation the principle embodied in the interim ordinance that the right to strike and to bargain collectively should be denied without distinction both to civil servants proper and to employees in government enterprises. Should this principle be incorporated in permanent legislation we are inclined to think that such legislation would not be in harmony with Far Eastern Commission policy on the Principles for Japanese Trade Unions.

"My Government has maintained and is maintaining an active interest in Japanese labor policy, because it is our view that a free and responsible trade union movement is essential to the development of a democratic Japan and that the development of a democratic Japan in turn is essential from the standpoint both of security and of the broad objectives of the occupation. In addition, Mr. Chairman, we consider that much of what was objectionable in pre-war Japan, such as unfair trade practices resulting in part from the sweating of labor and the unhealthy expansion of the Japanese merchant marine, can be attributed to the absence of such a trade union movement in the past. The enactment into regular law of the principles in the interim ordinance mentioned above would, in our opinion, be certain to have an adverse effect upon the whole labor movement in Japan and might consequently imperil the achievement of the objectives of the occupation as we understand them.

"We therefore welcome and attach considerable importance to the statement of Secretary Royall to the effect that the proposed Japanese legislation will be closely scrutinized to ensure that it does not impair the development and operation of democratic trade unions. At the same time, my Government thinks it desirable that the Far Eastern Commission should be kept fully informed on the developments relative to the new legislation which has been drafted to replace the interim ordinance of July 31."

MR. COLLINS said that it was the Canadian assumption that the Commission would in due course give consideration to the new legislation being discussed in Japan. It was further assumed that the various member governments would at that time probably wish to submit information as to relevant labor practices. Certainly the Canadian Government would be happy to present whatever information would be useful.

GENERAL McCOY said that such information would of course be welcomed.

GENERAL McCOY said that the United States Government would be able to make available shortly copies of the draft of the amended National Public Service Law in the form now under consideration. He emphasized that in the form presented the draft was not to be regarded as final; substantial amendments might well be made and perhaps had already been made in the draft.

DR. KOO presented the following formal statement:

"The question raised by the Soviet statement in the paper FEC-318 is one which should be considered in connection with the broad objectives of Allied occupation of Japan. It has, on the one hand, an undeniable bearing on the objective of democratization, while on the other it must be weighed against a serious threat to the state of order and security without which no objective of the occupation can be achieved. As between these two considerations we can see which prevailed with the Supreme Commander in July when he was confronted by an emergency that arose over an imminent strike of nation-wide proportions. The choice was undoubtedly a difficult one and I think it would be unsound for us, viewing the circumstances at a distance and unaware of the sense of urgency on the spot, to hold that the prompt and effective action of the Supreme Commander in meeting a rapidly deteriorating situation with its potential threat to the peace and order for which the occupation is responsible, was in any way contrary to the letter or the spirit of the Potsdam Proclamation and the Basic Post-Surrender Policy for Japan. Even the specific



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policy paper on labor, namely, Principles for Japanese Trade Unions, which was passed by the Far Eastern Commission on December 6, 1946, does not preclude action by the Supreme Commander in an emergency; Article 5 of the paper bears witness to the correctness of this view.

"Now that the acute emergency is over, it is the opinion of the Chinese delegation that care should be taken by the Japanese Government in framing the new legislation on labor, so that labor unrest may diminish in the future. Specifically, in dealing with the labor situation, the Japanese Government should not always rely on force, whether real or potential, in dealing with legitimate claims of workers and employees. This is because hasty use of force or threat of force may in the end serve to stir up discontent and unrest on the part of labor and thereby open the way for extreme elements to exploit and control labor for ulterior purposes.

"So far as long-term labor peace in Japan is concerned, much depends in our opinion on the manner in which the Japanese Government is going to approach the task, which we understand it is now contemplating, of piloting a revision of the Public Service Law through the Diet. Any such legislation, to be sound and workable, must obviously conform to the spirit of the policy decisions on labor already made by the Commission and must continue to protect the basic rights of trade unions in Japan.

"While refraining from going into details, it seems to my delegation that the SCAP could usefully remind the Japanese Government, in its new legislative effort, of a few points which are directly relevant to the issues that brought the labor dispute to a head in July. In the first place, it is in our opinion necessary to draw a distinction between employees in government institutions and workers in government enterprises with a view to securing for the latter group the commonly accepted right of collective bargaining. Secondly, it will be unwise for the Japanese Government to carry out the intention, with which it has been credited by current reports, of swelling the ranks of its civil servants with employees of state transport and communication services. Where, however, this change of status absolutely cannot be avoided, the Japanese Government should see to it that those affected by the change will in fact be given the rights as well as the duties of their new status. In other words, while they are expected to forego the practice of collective bargaining, they must be assured of permanency of employment, pension and other rights enjoyed by civil servants. And finally, in order that disputes between the Government and the workers in the government enterprises may be dealt with more effectively in future, it is imperative to strengthen the mediation machinery provided by existing laws and emphasize its neutral, independent character.

"In the view of the Chinese delegation, the immediate issue raised by the Soviet statement is of less importance than the broader aspects of the labor situation in Japan which should be stressed in any new legislation to regulate it. What situation has arisen out of the interim ordinance of the Japanese Cabinet based upon the Supreme Commander's letter of July 22 can only be of a transient character. The long-term issues involved are vital both to the highest interests of Japanese labor and to the democratization of Japan. For while it is true that democratization of Japanese life in general and promotion of the trade union movement in particular cannot proceed without order and security, it is equally true to say that order and security will lack a sound and lasting basis unless labor difficulties and social tension are resolved by democratic means and in a democratic spirit so as to discourage and prevent their recurrence. For the same reason my delegation ventures to call the attention of the Commission to the above-mentioned points of labor policy which it considers to have a vital bearing on the whole question."



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GENERAL McCOY said that the United States Government had been considering previous statements which representatives had presented on this subject and it would of course give consideration to the Canadian and Chinese statements which had been presented at the present meeting.

MR. POWLES said that the views of the New Zealand Government were adequately set forth in the statement made by her representative at the 67th meeting of the Allied Council for Japan. He wished at this time only to draw attention to the concern which had there been expressed, and which he had himself expressed in the Commission as well, with regard to the necessity for the construction of a proper legal framework regarding labor relations of government employees. He welcomed General McCoy's assurance that copies of the draft National Public Service Law would be circulated to the Commission. Until the New Zealand delegation had had opportunity to consider this law he would not be in a position to vote on FEC-318.

Without objection, further consideration of this subject was postponed.

ITEM 9 - REPARATIONS REMOVALS: ACCESSORY FACILITIES, BUILDINGS, TECHNICAL DATA (FEC-299/5)

MR. REUHLIN said that FEC-299/5 had been before the Commission for a considerable length of time and that since it was delayed only because of inability to reach agreement on paragraph 2 he would propose, in an effort to expedite agreement on at least part of the proposal, that paragraph 2 be deleted and referred to an appropriate committee for the purpose of considering whether it should be made the subject of a separate policy proposal. Such a deletion would of course necessitate deletion of all reference to "buildings" in the title and throughout the paper and the appropriate renumbering of the remaining paragraphs.

GENERAL McCOY said that he would be agreeable to referring the whole paper to the appropriate committee for consideration including consideration of whether or not paragraph 2 should be deleted.

DR. KOO said that the Chinese delegation would find it very difficult to agree to the deletion of paragraph 2. However, if the whole paper were referred to a working committee the question of deletion could of course be discussed at that level.

DR. KOO presented the following formal statement:

"The proposed policy on Reparations Removal: Accessory Facilities, Buildings, Technical Data has a rather long history. The earlier version of this proposed policy was submitted by the Chinese delegation as far back as September 1946. Its consideration was postponed with the understanding that the matter could be raised in the committee by any member at any time should there be a need for such a policy.

"In the 17th meeting of the Reparations Technical Advisory Committee in Tokyo on January 6, 1948, the question of whether the arsenal buildings and accessory facilities should be made available for claims was raised. In the view of the representative of the SCAP, the Interim Removals Program provided reparations removals of machinery and equipment only, and that as there was no indication as to the disposition of such buildings, they would revert to the Japanese Government for sale or use for various purposes.

"Accordingly, a proposed policy on the subject was resubmitted by the Chinese delegation on February 26, 1948, and was approved by the majority of Committee No. 1: Reparations, and subsequently by the Steering Committee. I understand that certain delegations have maintained their reservations on the paper because they consider paragraph 2, as it stands, is subject to objection, although the rest of the paper is quite acceptable to them.



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"I do not wish to indulge in discussing the details of the paper, such as the question whether the buildings had been intended to be included in the definition of primary and secondary war facilities so that the proposal to make buildings available for removals would be a clarification of the intent of FEC-084/21. I was informed that Committee No. 1 had had a debate on this point.

"What I propose to do today is to give some further clarification as to the position of my delegation on the question, so that members who have entertained doubt about the soundness and desirability of paragraph 2 may be disposed to support it.

"My Government's interest is limited only to the so-called buildings which are really special-purpose constructions or structures or installations, such as aircraft hangars or shelters for engines. According to the opinion of our technical experts in Japan, some of the equipment declared available under the Advance Transfers Program, such as heavy loading cranes, coal conveyers, and furnace frames, etc., cannot be separated from the constructions or structures which shelter them. They and similar facilities are closely integrated with the constructions or shelters which are specifically designed for their respective purposes. In the case of gas producing plants, our technicians are decidedly of the opinion that the constructions which house them are actually part of the equipment as a whole. If these shelters could be removed to house the equipment, the time of re-installation of the equipment in the recipient country would be greatly shortened.

"It is clear that all such plant constructions and aircraft hangars are limited in number, and they are so specialized in nature or situated at such a location that they could hardly be converted to other legitimate purposes without entailing much cost for such conversion. Furthermore, as regards aircraft hangars, since the development, manufacture and assembly of civil aircraft has been expressly prohibited by the Far Eastern Commission decision on Reduction of Japanese Industrial War Potential (FEC-084/21), their removal would not only be justified but could not adversely affect the Japanese economy.

"The Chinese Mission in Japan has sent us some pictures of the constructions and structures in question which may be of interest to all the members. We shall ask the Secretariat to distribute these pictures together with brief explanations (subsequently circulated as FEC-299/7). With the clarification afforded by these pictures, the Chinese delegation hopes that the original Chinese proposal may be approved or at least a generally acceptable formula may be worked out. If necessary, an ad hoc subcommittee may be designated and charged with the responsibility of working out such a formula and report back to the Commission, if possible, at the next meeting for consideration and approval."

MR. GRAVES said that he would support the Netherlands proposal that paragraph 2 of FEC-299/5, to which the United Kingdom delegation had strongly objected, be deleted and referred to the appropriate committee for further consideration. In view of the foregoing statement of the Chinese representative, it was clear that the subject merited further consideration.

DR. KOO said that he wished to understand the position very clearly. He had stated he would have no objection to consideration of the question of deleting paragraph 2 at a committee level with the understanding that his statement would be referred, together with FEC-299/5, to the committee. However, if it was a question for the Commission to act upon the proposal of the deletion of paragraph 2, his delegation was not in a position to support it. In his opinion, after the lapse of considerable time during which this subject had been discussed, the only issue upon which difference still existed had to do with paragraph 2, and it was his hope that a generally acceptable formula for adopting the whole paper, including paragraph 2, could be worked out.



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GENERAL McCOY said that in view of the position outlined by the Chinese representative the subject should be retained on the Commission agenda for the time being.

Without objection, further consideration of this subject was postponed.

(Netherlands proposal subsequently circulated as FEC-299/8).

ITEM 11 - OTHER BUSINESS

MR. PANYUSHKIN presented the following formal statement:

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

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

GENERAL McCOY said that he would undertake to secure the information requested by the Soviet representative.

ITEM 12 - PRESS RELEASE

MR. JOHNSON pointed out that the Commission had not discussed the question of releasing to the press the substance of its policy decision adopted at the last meeting (FEC-293/12), Travel outside Japan of Japanese Commercial Representatives. He said that the Secretariat intended to follow the customary procedure in releasing the policy to the press after it had been received in Japan.

MR. REUHLIN asked what action would be taken regarding an announcement to the press concerning the proposed policy decision (Item 2 above) which had failed of adoption at the present meeting.

GENERAL McCOY replied that the Commission had always regarded proposals which had failed of adoption as part of its confidential proceedings and had not released press announcements concerning them.

There was no further business.

The meeting adjourned at 1:00 P.M.



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COPY NO. \_\_\_\_\_

FEC-CONFIDENTIALMINUTES, 126th FEC Mtg.4 November 1948FAR EASTERN COMMISSION

Provisional Minutes of the 126th Meeting of the Far Eastern Commission  
Held in the Main Conference Room, 2516 Massachusetts Avenue, N. W.  
Washington, D. C.  
4 November 1948, 10:30 A.M.

REPRESENTATIVES PRESENT

Major General Frank R. McCoy (United States) (Chairman)

His Excellency Mr. N. J. O. Lakin (Australia)  
Mr. H. I. Bullock

Mr. R. E. Collins (Canada)

His Excellency Dr. V. K. Wellington Koo (China)

Mr. J. Daridan (France)

Mr. S. N. Banerji (India)

Mr. O. Reuchlin (Netherlands)  
Mr. G. J. Jobsis

Mr. G. R. Powles (New Zealand)

Mr. Emilio Abello (Republic of the Philippines)

His Excellency Mr. A. S. Panyushkin (U.S.S.R.)

Mr. H. A. Graves (United Kingdom)

SECRETARIAT

Mr. D. K. Eichler

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

Minutes, 126th FEC Meeting  
4 November 1948



SUMMARY--FECFEC--CONFIDENTIALSUMMARY--126th FEC Mtg.4 November 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 126th MEETINGITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF 125th MEETING

Corrected and approved.

ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19; 273 series)Discussion of paragraphs 1 b (2) and 1 c.ITEM 3 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

No discussion.

ITEM 4 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

No discussion.

ITEM 5 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/33)

No discussion.

b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, FEC-320/1, FEC-320/2; FEC-084/21)

Soviet and New Zealand statements submitted.

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

No discussion.

ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, /1, /2, /3, /4, /5, /6; FEC-014/9, FEC-045/5)

No discussion.

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

No discussion.

ITEM 8 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

No discussion.

ITEM 9 - SOVIET STATEMENT REGARDING PRESS REPORTS OF MILITARY CONFERENCE IN JAPAN (FEC-322)

No discussion.

ITEM 10- OTHER BUSINESS

Departure of Mr. Powles.

ITEM 11- PRESS RELEASE

None



COPY NO. 132

16 November 1948

FEC-CONFIDENTIALRECORD OF APPROVAL OF THEMINUTES OF THE 126th FEC MTG.FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 126th MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 127th meeting, 11 November 1948, approved the provisional minutes of its 126th meeting with the following corrections:

Page 4, third full paragraph - delete the phrase "<sup>reference</sup>relating to" in the second line and <sup>in the</sup> ~~third and fourth~~ lines.

Page 4, sixth full paragraph, first line - insert the phrase "<sup>relating to</sup>as he had stated previously" after the words "said that". <sup>Y 5th</sup>

2. Representatives are requested to incorporate the above corrections in their file copies of the provisional minutes of the 126th meeting of the Far Eastern Commission, and to attach this formal record of approval to those copies as corrected.

3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General

Record of Approval of the Minutes of the  
126th Meeting of the Far Eastern Commission



FEC--CONFIDENTIALITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 125th MEETING

THE COMMISSION unanimously approved the minutes of its 125th meeting with the following corrections:

Cover page - change representation for Australia to "His Excellency Mr. N. J. O. Makin, and Mr. H. W. Bullock."

Page 6 - fourth paragraph, sixth line, change "FEC-084/32" to "FEC-084/21".

ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19; 273 series)

GENERAL McCOY recalled that at the last meeting (pages 2-3, Minutes, 125th FEC Mtg.) discussion of FEC-273/19 had centered on paragraph 1 b (2) with the Chinese representative favoring deletion of the paragraph and the Soviet representative supporting its retention. Most other representatives were prepared to accept either retention or deletion of the paragraph, and he hoped that a satisfactory compromise which would afford a basis for agreement would be reached.

DR. KOO said that in accordance with instructions from his Government he would have to insist upon the deletion of paragraph 1 b (2) unless some revision of the wording of the paragraph could be worked out which would eliminate the principle contained in the paragraph, a principle which was unacceptable to his Government and to the people of China. He was not opposed to the paper in general, with the possible exception of paragraph 9 which he would discuss later.

DR. KOO said that as a practical matter, paragraph 1 b (2) did not seem to be necessary, since it was in the nature of a statement of the purposes which the proposal was intended to achieve. It was clear that Japan, in the present state of her economic affairs, was far from being in a position to contribute to world recovery. In DR. KOO's opinion, if the objectives of the proposal, other than the one expressed in paragraph 1 b (2), could be achieved, a worthwhile contribution to the Japanese economy would be made. By including the paragraph in question, however, the Commission would seem to be overlooking the sufferings of people subjected to years of Japanese aggression, which was first started in the form of economic exploitation and economic aggression. It was for this reason that repeated spontaneous movements had started among the Chinese people to boycott Japanese goods, even when those goods were needed in China. The Chinese people, once aware that Japanese economic aggression was the prelude to military aggression, had preferred to deprive themselves of Japanese goods and thereby to have a surer sense of security and protect themselves as far as possible against Japanese military aggression. He was aware that it might be argued that fear of Japanese military aggression was unfounded since Japan was now demilitarized; the fact remained, however, that the popular feeling in China was such as to make the paragraph in question unacceptable to the Chinese Government.

For the above reasons, DR. KOO said, he had urged that paragraph 1 b (2) be either revised or deleted. Since various proposed revisions which his delegation had submitted had failed of adoption, the reasonable course in his opinion would be to delete the paragraph.

MR. ABELLO expressed support for the Chinese proposal that paragraph 1 b (2) be deleted. Reasons for this support, he said, were similar to those which had been outlined by the Chinese representative.

MR. PANYUSHKIN said that the Commission had recently begun considering a number of questions dealing with the economy of Japan. He had in mind the various proposals on the level of economic life in Japan as well as the present subject of conduct of trade. In the Soviet view, the present proposal was extremely important. It was clear that even a well-developed



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nation could not dispense with international trade, and certainly, in the Soviet view, Japan did not enjoy a well-developed economy. Japanese militarists had given to the Japanese economy a very one-sided development, directing it almost exclusively to the purposes of waging war. This disproportionate development was still the chief characteristic of Japan's economy. In order therefore to enable the Japanese economy to satisfy Japan's peaceful needs, Japan should be allowed to have normal trade contacts in order to carry on imports and exports. MR. PANYUSHKIN said that in his opinion paragraph 1 b (2) was designed to achieve just this purpose.

MR. PANYUSHKIN said that it was of course true, as Dr. Koo had stated, that Japan was not at present able to participate in any important degree in the world market. However, the Commission's policy decision would look to the future, and not merely to the present transient situation, and it should therefore provide an opportunity for Japan to develop normal trade relations with all countries. For these reasons the Soviet delegation would insist on retention of paragraph 1 b (2) in the present proposal and considered that deletion of the paragraph would result in a policy decision which would fail to allow Japan to develop the desired normal trade relations.

DR. KOO said that if agreement to delete paragraph 1 b (2) could not be reached, he would suggest, in a spirit of conciliation, that it be amended to read as follows:

"in order that Japan may provide goods to meet such purchase orders or contracts as may be placed with Japan".

DR. KOO said that he assumed that those who favored retention of the paragraph did so because they were anxious to carry on as much trade with Japan as possible and felt that deletion of the paragraph would limit the opportunity to trade with Japan. If this assumption were correct, he pointed out, his proposed amendment should serve to meet their objections and would at the same time eliminate the implication of the paragraph to which the Chinese Government objected. His amendment would, he thought, leave full freedom and opportunity to those countries desiring to increase their trade with Japan and would at the same time do away with the present wording of the paragraph which appeared to cast Japan in an unrealistic economic role of providing goods throughout the world, including areas which had suffered during the Japanese aggression.

MR. PANYUSHKIN said that the amendment just proposed by Dr. Koo would not be acceptable to the Soviet delegation. Such an amendment would limit the extent of Japanese exports to the volume of orders or contracts which would be placed within Japan. While the amendment would appear to permit Japan to have foreign trade, in reality it would not allow conditions for normal trade operations. The sale of Japanese goods would be permitted only on condition that orders were placed by other countries within Japan. There was no guarantee that orders would be placed in Japan and therefore the Chinese proposed amendment would not foster normal conditions for such trade.

DR. KOO said that his proposal provided that orders and contracts be placed "with" Japan and not "in" Japan. Orders could be placed by prospective purchasers anywhere in the world with representatives of Japanese firms. This trade involved not only the sellers, but the buyers, and if there were no buyers an exporting country could not dispose of its goods regardless of how much it might produce. Therefore his proposed amendment would place no limitation on Japanese trade other than the unavoidable limitation that countries which did not care to purchase Japanese goods should not be forced to do so. His amendment would serve the further purpose of relieving countries not desiring to purchase Japanese goods of accepting the principle that Japan was called upon to provide goods for the world, a principle which, as he had already stated, was morally and sentimentally unacceptable to the Chinese people and would undoubtedly remain so for a number of years. He emphasized the fact that the Commission was still dealing with the problem of how to meet Japanese peaceful needs as defined by the Far Eastern Commission, an objective agreed to by all member governments. It was a far cry, he thought, from the present state of Japanese economy to the objective aimed at, of providing goods required



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throughout the world. The paragraph therefore seemed unnecessary, but in view of the Soviet objections, he felt that his proposed amendment should provide a suitable compromise.

The Chinese proposed amendment to paragraph 1 b (2) of FEC-273/19 was put to a vote and lost by 3 (China, Philippine Republic, United States) in favor, to 2 (New Zealand, U.S.S.R.) opposed, with 6 abstentions.

MR. PANYUSHKIN moved that paragraph 1 c of FEC-273/19 be amended as follows:

"insure competitive conditions in trade free of contracts ~~or~~ and arrangements which ~~restrict-competition~~, limit access to markets or foster monopolistic controls, ~~and-prevent~~ oppose excessive concentration of economic power in Japan and oppose encouragement and revival of Japanese monopolies in Japanese foreign trade, whether with the participation of Japanese or foreign capital."

GENERAL McCOY said that this proposed Soviet amendment was substantially the same as one which had been considered and defeated by a vote of 4 to 1 in the Steering Committee on 28 September. He had thought that the present paragraph which had been discussed so exhaustively by the working committee and by the Steering Committee represented a basis for agreement.

MR. PANYUSHKIN said that he would like to have his proposed amendment put to a vote. First, however, he wished to explain the purpose of his proposed amendment.

MR. PANYUSHKIN said that since the paragraph opened with the words "insure competitive conditions in trade" the wording would be improved by the deletion of the repetitious phrase "restrict competition". These latter words, he said, actually weakened the opening phrase "insure competitive conditions in trade" and also weakened the subsequent references to contracts or arrangements which limit access to markets or foster monopolistic controls.

Following a brief recess for purposes of consultation, GENERAL McCOY said that the United States delegation could accept the elimination of the words "restrict competition" in paragraph 1 c, with the other language of the paragraph retained in the form shown in FEC-273/19.

MR. GRAVES agreed that in view of the opening phrase of the paragraph, the additional words "restrict competition" were undoubtedly redundant and might be deleted.

DR. KOO asked whether such practices as cartels, price-fixing and division of the market among a group of companies, which obviously would curtail competition, would still be adequately covered by the opening phrase "insure competitive conditions", in spite of the proposed deletion. Any enumeration, he pointed out, should be as exhaustive as possible since, if any factor were omitted, the assumption would be that such omission was intentional. He therefore wondered whether, with the omission of the words "restrict competition" the insuring of competitive conditions in trade would be taken to mean a prohibition of those arrangements



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only which limited access to markets, fostered monopolistic control, or lead to excessive concentration of economic power.

GENERAL McCOY said that in his opinion the initial phrase "insure competitive conditions", taken together with the context of the whole paragraph, would afford an adequate safeguard against the practices mentioned by Dr. Koo.

MR. PANYUSHKIN asked in what way Dr. Koo thought that the elimination of the words "restrict competition" would weaken the paragraph, and said that he was of the opposite opinion namely, that it was the retention of these words that would weaken the wording of the paragraph.

DR. KOO replied that the elimination of these words would perhaps have the unfortunate effect of excluding ~~reference to~~ contracts or arrangements which would restrict competition and would limit the prohibitions in the paragraph to those ~~relating to~~ contracts and arrangements which would limit access to markets, or foster monopolistic controls, or lead to excessive concentration of economic power. It was for this reason that he had asked whether the opening phrase of the paragraph would cover the intention of the deleted words "restrict competition".

GENERAL McCOY repeated that in his opinion the intention of these words would be covered by the opening phrase, and he would have no objections to making this understanding a part of the record.

DR. KOO said that with this understanding recorded, he could accept the deletion in question.

DR. KOO said that <sup>as he had stated previously</sup> he would have to oppose the adoption of FEC-273/19 in view of the loss of his amendment to paragraph 1 b (2), submitted in the further effort to facilitate the attainment of general agreement, and the consequent retention of the paragraph in its present form. He wondered whether, in view of this position, it would be opportune to raise for discussion paragraph 9 to which he had referred earlier.

GENERAL McCOY said that in view of the importance of the proposed policy and the apparent narrowness of the area of disagreement, he would declare a recess and invite the Chinese and Soviet representatives to confer with him in an effort to reach a satisfactory compromise.

Following this recess for purposes of consultation, GENERAL McCOY said that the Chinese and Soviet representatives had reached agreement on a proposed wording for paragraph 1 b (2), but that differences concerning paragraph 9 would require postponement for further consideration. The proposed wording of paragraph 1 b (2) was as follows (subsequently circulated as FEC-273/20):

"in order that Japan may participate in providing goods for international trade".

Without objection, further consideration of this subject was postponed.



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Due to the lateness of the hour, GENERAL McCOY inquired as to what items on the agenda most urgently required immediate consideration. MR. POWLES and MR. PANYUSHKIN indicated that they wished to present statements in connection with Item 5 b, and accordingly the following discussion took place:

ITEM 5 b - SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN  
(FEC-320, FEC-320/1, FEC-320/2; FEC-084/21)

MR. PANYUSHKIN presented the following formal statement (subsequently circulated as Enclosure "A" of FEC-320/3):

"At the previous meetings of the Commission the delegations of China, Australia and New Zealand made queries in respect to the terminology used in the Soviet statement on the question of the level of Japan's industrial development. In connection with this the Soviet delegation considers it necessary to draw the attention of the Members of the Far Eastern Commission to the following part in its statement of September 23, 1948, namely, that 'a high level of industrial development of Japan will not in itself be dangerous if Japan is not permitted to revive her war industry and militarism. Japanese industry in the past served as an economic basis for Japanese aggression, not because it had reached a comparatively high level of development, but because of the fact that its development had been subordinated to the needs of war. Japanese militaristic circles, acting contrary to the vital interests of the Japanese people, directed the development of the country's industry as well as of the economy as a whole in such a way that it was adapted to meet the needs of the army and navy, i.e., it worked for the preparation of war'.

"It was further said in the statement of the Soviet delegation that such a situation suited the interests of aggressive Japanese circles. However, this situation should not be repeated, since militaristic Japan was defeated and there is an opportunity to direct the development of Japan along democratic and peace-loving lines, the necessity of which was recognized in the Cairo and Potsdam Declarations of the Allies.

"This statement of the Soviet delegation is fully sufficient to enable one to understand clearly the Soviet Union's position in respect to the question of the character of Japan's industrial development. In determining policy in respect to the level of economic life in Japan, the basic question is: what character will be given to Japan's industrial development, and, also, whether the liquidation of Japanese war industry will be fully accomplished. As has already been stated above, Japanese industry in the past served as an economic basis for Japanese aggression, not because it had reached a comparatively high level of development, but because of the fact that its development had been subordinated to the needs of war.

"On the question of what should be considered 'war industry' and what should be considered 'peaceful industry' the Soviet delegation proposes to proceed from the Far Eastern Commission decision of August 18, 1947: 'Reduction of Japanese Industrial War Potential'.

"Thus, war industry ought to include that group of facilities which was defined in that paper as 'primary war facilities' as well as that defined as 'secondary war facilities'. The industries enumerated in the category of 'war-supporting industries' should be permitted to the extent necessary for the satisfaction of peaceful, (non-military) needs of Japan. The remaining facilities and industries may be included in the category of 'peaceful industry'.

"Naturally, the Soviet delegation is ready to discuss other proposals, as well, on the question of dividing Japanese industry into peaceful and war industries.

"Having made this statement, the Soviet delegation invites the



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Members of the Far Eastern Commission to express their opinions as to the two proposals submitted by the Soviet delegation on September 23.

"As is known, the Soviet delegation proposed that:

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

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

"These proposals were included in the draft policy decision of the Far Eastern Commission, which was submitted by the Soviet delegation."

MR. PANYUSHKIN said that the foregoing statement was intended to constitute a reply to the queries of various representatives at previous meetings and summarized by the Chairman at the last meeting (page 7, Minutes, 125th FEC Mtg.).

MR. GRAVES said that the statement did not appear to contain a reply to the question which he had raised as to whether the Soviet Government still supported paragraph 9 b of FEC-084/21. MR. PANYUSHKIN replied that the Soviet Government continued to support the whole of FEC-084/21.

MR. POWLES presented the following formal statement (subsequently circulated as Enclosure "B" of FEC-320/3):

"In view of the important statement made by the Ambassador of the U.S.S.R. and recorded in document FEC-320, and the specific policy proposal put forward by him in document FEC-320/1, it seems advisable to re-state in clear terms the policy with reference to Japanese industry which the New Zealand Government has in the past consistently followed and still holds.

"The New Zealand Government naturally supports and considers itself bound by the provisions of the Potsdam Declaration and of the Far Eastern Commission's Basic Surrender Policy. In particular, the New Zealand Government attaches the greatest importance to FEC-084/21, which provides the general framework for the industrial disarmament of Japan. It should be specifically noted with reference to this particular policy that:

- (a) it is intended to apply during the period of the occupation;
- (b) it refers to three types of industry--primary war facilities, secondary war facilities, and war-supporting industries, and
- (c) with reference to war-supporting industries, it requires the Far Eastern Commission to fix a series of specific levels which are to constitute the permissible maxima only until the end of the present phase of the occupation or until 1st October 1949, whichever is the earlier.

"It is therefore of great importance to note:

- (a) that unless and until the Far Eastern Commission fixes the specific levels referred to its task of carrying out the industrial disarmament of Japan has not been completed. The fixing of these levels is therefore regarded by the New Zealand Government as a matter of great urgency.
- (b) That there is no suggestion in any of these policies that any limitation on the development of Japan's peaceful industries should be imposed.



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"Insofar therefore as the statements of the Soviet Ambassador can be understood as being a suggestion that it may be the objective of the Allied Powers to limit the development of Japan's peaceful industry, the statement is not, in the view of the New Zealand Government, correct. It would therefore seem unnecessary for the Far Eastern Commission to decide as a matter of policy that no limitation should be imposed upon the restoration and development of Japan's peaceful industry as is suggested in paragraph 1 of the policy proposal suggested by the Soviet Ambassador. Such a proposition follows directly from existing Far Eastern Commission policies.

"As to paragraph 2 of the Soviet Ambassador's policy proposal, with reference to the prohibition of the revival and creation of Japanese war industry, it is necessary to determine what is meant by 'war industry'.

"The remaining portion of this paragraph deals with the establishment of a control which, during the discussions on his proposal, the Soviet Ambassador has indicated to be contemplated as a peace treaty measure.

"It may or may not be within the province of the Far Eastern Commission to discuss prospective peace treaty provisions -- a matter which I expressly desire to leave open -- but it would seem desirable to re-state my Government's position in this respect.

"The New Zealand Government believes that a large proportion of Japan's industry was never used for peaceful production and has consistently supported the policy that this excess productive capacity in Japanese industry should be removed from Japan as a security measure and distributed as reparations. This program is, in effect, the program of Far Eastern Commission policies 084/21 and the 242 series. If the demilitarization of Japan is to be effective, provision will have to be made in the peace treaty for the retention of controls over certain war-supporting industries. No restrictions are considered practical or desirable on the production level of peaceful industries; that is to say, industries which are neither primary war facilities, secondary war facilities, nor key war-supporting industries. The controls referred to should be selective and elastic, and bear only upon certain key war-supporting industries, since their effectiveness will depend upon the ease with which they can be enforced. The production of certain goods, such as light metals, synthetic oil, and synthetic rubber, which have strategic importance, might have to be entirely forbidden. Such industries are in any case uneconomic in Japan, and were developed solely as war potential. Production and productive capacity in other key industries such as iron and steel, and possibly oil refining and storage, should be limited to defined levels determined after consideration of Japan's legitimate peaceful needs. Special security restrictions may be required on Japan's shipbuilding and on civil aviation.

"This broad outline of the New Zealand Government's position indicates the absolute necessity for an agreed definition of terms. Not until the term 'war industry' in the Soviet proposal is accurately and specifically defined with reference to existing definitions in Far Eastern Commission policy decisions will it be possible to make any concrete observations upon it.

"Nevertheless, subject to the New Zealand Government's view of the proper definition of this and associated terms, it would appear that paragraph 2 of the Soviet proposal is in principle in accord with the policy long held by the New Zealand Government.

"However, as far as concerns the action now to be taken by the Far Eastern Commission on the proposals of the U.S.S.R., the New Zealand Government believes, as has already been stated, that it is unnecessary to enact paragraph 1 as a policy decision, although, subject to an acceptable definition of terms, it is in full accord with the principle of that paragraph.



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"Paragraph 2 involves matters relating to the peace treaty, consideration of which, if to be undertaken by the Far Eastern Commission at all, must be regarded as a task of secondary urgency to the Far Eastern Commission's primary duty of laying down policies for the period of the occupation. Such consideration should not in any way be allowed to interfere with the prompt and urgent disposal by the Far Eastern Commission of the vital paper FEC-242/32, without which the whole scheme of the industrial disarmament of Japan remains incomplete and unfinished, and the responsibilities of the Far Eastern Commission unfulfilled."

Without objection, further consideration of this subject was postponed.

ITEM 10- OTHER BUSINESS

a Departure of Mr. Powles

GENERAL McCOY said that he had learned with regret that Mr. Powles was attending for the last time as New Zealand representative. He appreciated, as he knew other representatives did, the interest Mr. Powles had manifested and, even more important, the immense amount of valuable work he had accomplished, particularly in the working committees, throughout his association with the Commission. On behalf of the whole Commission GENERAL McCOY congratulated Mr. Powles on his appointment as High Commissioner of Western Samoa, and wished him every success in the discharge of his new duties.

There was no other business.

The meeting adjourned at 1:05 P.M.



COPY NO. 62FEC-CONFIDENTIALMINUTES, 127th FEC Meeting11 November 1948FAR EASTERN COMMISSION

Provisional Minutes of the 127th Meeting of the Far Eastern Commission,  
Held in the Main Conference Room, 2516 Massachusetts Avenue, N.W.,  
Washington, D. C.  
11 November 1948, 10:30 A. M.

REPRESENTATIVES PRESENT

Major General Frank R. McCoy (United States) (Chairman)  
His Excellency Mr. N. J. O. Makin (Australia)  
Mr. R. E. Collins (Canada)  
Dr. S. H. Tan (China)  
Mr. R. Douteau (France)  
Mr. S. N. Banerji (India)  
Mr. O. Reuchlin (Netherlands)  
His Excellency Sir Carl Berendsen (New Zealand)  
Mr. Emilio Abello (Republic of the Philippines)  
His Excellency Mr. A. S. Panyushkin (U.S.S.R.)  
Mr. H. A. Graves (United Kingdom)

SECRETARY GENERAL

Mr. Nelson T. Johnson

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

Minutes--127th FEC Mtg.  
11 November 1948



SUMMARY--FECFEC--CONFIDENTIALSUMMARY--127th FEC Mtg.11 November 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 127th MEETINGITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 126th MEETING

Corrected and approved.

ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19, FEC-273/20; 273 series)

Postponed.

ITEM 3 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

Postponed.

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

Postponed.

- b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, FEC-320/1, FEC-320/2, FEC-320/3; FEC-084/21)

U. S. and U. K. views presented; concurred in by Netherlands and Philippine representatives. Australian, Canadian, Indian representatives still awaiting instructions.

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

No consideration.

ITEM 5 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

Chinese representative prepared to vote. French representative without instructions. Postponed.

ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, -/1, -/2, -/3, -/4, -/5, -/6; FEC-014/9, FEC-045/5)

Soviet remarks regarding French and Philippine statements shown in FEC-318/5.

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

Chinese amendment to paragraph 2 proposed.

ITEM 8 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

No consideration.

ITEM 9 - SOVIET STATEMENT REGARDING PRESS REPORTS OF MILITARY CONFERENCE IN JAPAN (FEC-322)

U. S. statement presented as reply to FEC-322.

ITEM 10- OTHER BUSINESS

None.

ITEM 11- PRESS RELEASE

None.



COPY NO. 181FEC-CONFIDENTIALRECORD OF APPROVAL OF THEMINUTES OF THE 127TH FEC MTG.FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 127TH MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 128th meeting, 18 November 1948, approved the provisional minutes of its 127th meeting with the following corrections:

Page 1 - add the following sentence under item 1 - "Page 5, *Item 5*  
*del.* paragraph 5, line 6, place the word 'non-military'  
in parentheses."

Page 3, fourteenth line - insert after the word "proposal"  
the words "and in the context of the introductory  
portion of FEC-320/1".

Page 6, item 7, second line of quoted portion - delete the  
word "or" in the phrase "or including".

Page 6, fourth line from bottom of page - insert after the  
word "design" the words "were useful to the claimant  
countries and".

2. Representatives are requested to incorporate the above corrections in their copies of the provisional minutes of the 127th meeting of the Far Eastern Commission, and to attach this formal record of approval to those copies as corrected.

3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General



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ITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 126th MEETING

THE COMMISSION unanimously approved the minutes of its 126th meeting with the following corrections:

Page 4, third full paragraph - delete the phrase "relating to" in the second line and in the third and fourth lines.

Page 4, sixth full paragraph, first line - insert the phrase "as he had stated previously" after the words "said that".

ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19, FEC-273/20; 273 series)  
*Page 5, Item 5, Sub para 5, line 6, please read 'minutes' in parentheses.*

GENERAL McCOY recalled that at the last meeting of the Commission (page 4, Minutes, 126th Mtg.) the Soviet and Chinese representatives had agreed on a revised wording of paragraph 1 b (2) of FEC-273/19 which read "in order that Japan may participate in providing goods for international trade", a wording which he hoped would be acceptable to all delegations. Final action on the paper had been postponed, however, due to inability of the Chinese representative to agree to the present formulation of paragraph 9.

DR. TAN said that the Chinese delegation was still awaiting instructions on paragraph 9, and he would therefore appreciate further postponement of the subject.

GENERAL McCOY expressed regret that further delay would be necessary on this important subject upon which virtual agreement had been reached, but agreed that postponement should take place under the circumstances.

Without objection, further consideration of this subject was postponed.

ITEM 3 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

GENERAL McCOY noted that FEC-304/16, the substance of which was included in the proposal on conduct of trade (FEC-273/19), was retained on the agenda pending action on the latter paper. He recalled, in connection with this subject, that the Supreme Commander had concurred in a request, initiated by the Chinese and Netherlands representatives, that restitution cargoes be exempted from port charges.

Without objection, further consideration of this subject was postponed.

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

MR. GRAVES asked whether any delegation which had not yet expressed its position on this subject (i.e., China, U.S.S.R., United States) was in a position to make any statement at this time.

GENERAL McCOY said that he was not prepared to express the United States view on FEC-242/32.

DR. TAN said that the Chinese delegation was very desirous of learning the United States and the Soviet views on FEC-242/32. Although he had no statement to make on behalf of China at the present time, Chinese views had been expressed during past discussions, particularly in relation to various amendments which the Chinese delegation had proposed. The Chinese delegation maintained an open mind on this subject and was anxious to learn the views of those delegations which had not yet expressed their respective positions, especially the views of the Soviet delegation. It would also be desirable,



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he added, to learn the Soviet views on FEC-297/10, the proposal on Japanese shipbuilding and shipping (Item 4 c on the present agenda).

MR. PANYUSHKIN said that the Soviet delegation had expressed its views on the over-all subject and had, furthermore, replied to queries concerning those views. It would now be desirable, he thought, to hear the opinions of other delegations and, in particular, the United Kingdom opinion with regard to the Soviet position. As for Mr. Graves' specific query regarding the Soviet views on FEC-242/32, MR. PANYUSHKIN said that he would make known the Soviet views on this paper at the appropriate time.

GENERAL McCOY asked whether any representative had any further comment on Item 4 a. There was no further comment, and he suggested that the subject be postponed and that Item 4 b, involving the 320 series of papers, be taken up.

Without objection, further consideration of Item 4 a was postponed.

ITEM 4 - b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, FEC-320/1, FEC-320/2, FEC-320/3; FEC-084/21)

GENERAL McCOY presented the following formal statement (subsequently circulated as FEC-320/4):

"I have noted the various statements on the subject of FEC-320 made by the Soviet Ambassador before the Far Eastern Commission. I have also noted his statements released to the press. In the light of the resolution by the Soviet representative and the ensuing discussions in the Commission, it appears to me desirable at this juncture to state the views of my Government on this matter.

"As will be recalled, the Allies and the Far Eastern Commission have on several occasions announced policies dealing with primary and secondary war facilities and, in principle, war-supporting industries. In so far as the peaceful economy of Japan is concerned, the United States, you will recall, has never expressed the view that restrictions should be placed on peaceful Japanese production. On the contrary, the United States has repeatedly advocated measures which would have the effect of stimulating the early revival of the peaceful Japanese economy. For example, it will be recalled that the basic position of my Government on this matter was summarized as far back as January 21 of this year when I said to this Commission:

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

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

"Accordingly, we welcome that part of the statement of the Soviet representative which draws attention to the need for an early Japanese revival and which indicates support for the policies of the United States Government.

"The second Soviet proposal, as explained by the Soviet representative, calls for the establishment and exercise of international controls over war industries in Japan after the treaty of peace comes into effect. Determination of post-treaty arrangements, as the Commission is aware, falls outside its Terms of Reference. I am certain that you are fully aware how thoroughly the demilitarization of Japan



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has been carried out. It should be unnecessary to reiterate that the United States is determined that Japan shall not again be able to undertake aggression.

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

MR. GRAVES said that the United Kingdom delegation had considered the Soviet proposal on the basis of available information and that, in the United Kingdom view, the first part of the proposal consisted of what might be described as a set of generalities which, at this stage in the work of the Commission, would be insufficiently helpful in a policy statement. With regard to the second part of the proposal it was the United Kingdom view that it treated of matters outside the competence of the Commission. He would therefore be obliged to vote against the Soviet proposal if a vote were called for.

*And in the context of the introductory portion of FEC 320/1*

GENERAL McCOY said that various delegations had presented statements in regard to the Soviet proposal. If there were no other statements to be presented at this time he wished to inquire whether those delegations which had not yet expressed themselves on the Soviet proposal were awaiting instructions and intended to submit statements later.

MR. MAKIN, MR. COLLINS and MR. BANERJI said that they were still awaiting instructions from their respective Governments with regard to the Soviet proposal.

MR. REUCHLIN said that he was prepared to vote on the Soviet proposal. The Netherlands view was similar to that expressed by the United States and by the United Kingdom representatives. He regarded the first part of the Soviet proposal as a statement of generalities which would not be susceptible of practical application by the Supreme Commander. Such applicability was a criterion, he felt, which should be applied to any proposed policy. Although he could agree in general terms to the contents of the first part of the Soviet proposal, he would have to vote against it since it would serve no useful purpose. With regard to the second part of the Soviet proposal, he too thought that the question of post-treaty arrangements was involved, a matter outside the jurisdiction of the Commission. For these reasons, he would have to vote against both parts of the Soviet proposal.

MR. ABELLO said that he too was in agreement with the United States and United Kingdom views, that the first part of the Soviet proposal was in general covered by existent Commission policy decisions, and that it contained provisions which would serve no useful purpose. As for the second part of the proposal, he agreed that it involved matters which were beyond the Commission's competence. He would therefore be prepared to vote against the proposal.

Without objection, further consideration of Item 4 b was postponed.

ITEM 4 - c LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE SHIP-BUILDING AND SHIPPING (FEC-297/10)

GENERAL McCOY inquired whether any discussion of FEC-297/10 was desired at this time.

There was no discussion and without objection, further consideration of Item 4 c was postponed.

ITEM 5 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

DR. TAN said that the Chinese delegation had now received instructions on this subject and was prepared to vote on it.

MR. DOUTEAU said that the French delegation had not yet received final instructions on this subject.



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MR. PANYUSHKIN said that although he was ready to introduce the Soviet amendments and to give the reasons for the adoption of the amendments shown in FEC-277/17, nevertheless, since not all delegations had received final instructions and since the proposed policy was of such great importance in connection with the democratization of Japan, he thought that further consideration should be postponed until all delegations had received instructions.

Without objection, further consideration of this subject was postponed.

ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3, FEC-318/4, FEC-318/5, FEC-318/6; FEC-014/9, FEC-045/5)

GENERAL McCOY referred to the request which had been made originally by the New Zealand representative (page 10, Minutes, 123rd FEC Mtg.) for copies of the proposed amendments to the National Public Service Law. He regretted the delay which had occurred in connection with supplying this draft, and explained that in the course of preparation of copies by the Secretariat additional changes had been received. These would be incorporated and the Secretariat expected to distribute the proposed amendments the following day. With this draft legislation available to the representatives they would be more fully informed and thereby in a better position to discuss the subject by the next meeting.

SIR CARL BERENDSEN thanked General McCoy for his efforts in making available to the Commission the draft of the amended National Public Service Law.

MR. MAKIN asked what was to be understood as to the status of the draft being made available to the Commission.

GENERAL McCOY replied that the draft law circulated to the Commission would be in the form in which it would be presented to the Japanese Diet.

MR. PANYUSHKIN referred to the French and Philippine statements (FEC-318/5) which had been submitted on 14 October. He said that he felt obliged to reply to these statements.

MR. PANYUSHKIN stated that the subject which had been raised by the Soviet delegation in FEC-318 and the Soviet proposal shown in FEC-318/4 had to do with an extremely important subject affecting the interests of millions of workers and employees in Japan and bearing on the Japanese political situation. He said that as a result of what he considered the illegal directive from the Supreme Commander to the Japanese Government and the subsequent actions of the Japanese Government disorders had occurred in Japan. For this reason, the question of labor policy was of outstanding importance and should be considered by the Commission. Indeed, so important was the subject that the other business before the Commission which remained unfinished was by comparison of secondary importance.

MR. PANYUSHKIN observed that in both the French and Philippine statements to which he had referred it had been asserted that the action of the Supreme Commander and the resulting actions of the Japanese Government did not contradict Article 10 of the Potsdam Declaration nor the relevant policy decisions of the Commission, FEC-014/9 and FEC-045/5. However, this absence of contradiction was merely asserted, and a close study of Article 10 would, he thought, make the contradiction clear. The article in question read in part as follows:

"The Japanese Government shall remove all obstacles to the revival and strengthening of democratic tendencies among the Japanese people. Freedom of speech, of religion, and of thought, as well as respect for the fundamental human rights shall be established."

However, as a result of the Supreme Commander's directive to the Japanese Government, workers and employees of government enterprises and institutions had been deprived of their fundamental democratic right to organize themselves into trade unions for the purposes of collective bargaining to protect their economic interests.



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MR. PANYUSHKIN drew attention to paragraph 2 c of Part I of the Commission's Basic Post-Surrender Policy for Japan (FEC-014/9) which provided that the Japanese people "...should be encouraged to form democratic and representative organizations." Nevertheless, as a result of General MacArthur's illegal directive to the Japanese Prime Minister, and the subsequent actions of the Japanese Government, some three and a half million workers and employees of government enterprises and institutions, constituting more than fifty percent of all trade union members in Japan, had been virtually deprived of the fundamental democratic rights provided for them by the Potsdam Declaration and relevant decisions of the Commission. These three and a half million workers, MR. PANYUSHKIN added, together with their families, constituted from ten to fifteen million people, and the evil effects of the steps taken by the Supreme Commander and by the Japanese Government had therefore been extremely widespread. Therefore, the attempt of the French and the Philippine representatives to manipulate so freely with the documents, in particular with the Potsdam Declaration, and their attempt to interpret so freely the decisions of the Far Eastern Commission constituted at least, an ignorance of the decisions of the Far Eastern Commission.

MR. PANYUSHKIN then referred to paragraph 1 of the Commission's policy decision on Principles for Japanese Trade Unions (FEC-045/5) which provided:

"Japanese workers should be encouraged to form themselves into trade unions for the purpose of preserving and improving conditions of work participating in industrial negotiations to this end, and otherwise assisting the legitimate trade union interests of workers, including organized participation in building up a peaceful and democratic Japan."

It was further provided in paragraph 4 that:

"Trade unions should be encouraged to negotiate with the employers on behalf of their members regarding terms and conditions of employment."

and in paragraph 13 that:

"No police or other government agencies should be employed in spying on workers, breaking strikes, or suppressing legitimate union activities."

In the face of these provisions, it was clear that the demand which the workers had made was no more than a demand for normal conditions of work. Nevertheless, the Supreme Commander had provided no legal means for the settling or even the arbitration of such demands.

In the face of all this it was absolutely incorrect, in MR. PANYUSHKIN's opinion, to say that the steps taken by the Supreme Commander and by the Japanese Government had not been in contradiction with the Potsdam Declaration and with the Commission's policy decisions. He emphasized the grave importance of what had transpired in connection with this matter in Japan. Hundreds of Japanese workers and employees had been arrested and turned over to the police simply because they were striving to obtain the rights provided for them by the Allies. Such events, he said, had created a very grave situation in Japan, since living people were involved, and not merely commodities or industrial facilities. Therefore, the statements of the French and the Philippine representatives to the effect that such actions of General MacArthur did not contradict the Potsdam Declaration and relevant decisions of the Far Eastern Commission showed that certain representatives were trying to justify clearly illegal actions of General MacArthur.

The Soviet delegation, MR. PANYUSHKIN continued, considered that the Commission could not permit such distortion of its policy decisions as had occurred in this instance, but should defend the integrity of these decisions.

The wording of paragraphs 1 and 4 of FEC-045/5 left no doubt that they were concerned with the rights of all Japanese workers and that no division was recognized between government workers and workers in private enterprises. Therefore no one, including General MacArthur, had the right to deprive any of these workers of their rights.



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MR. PANYUSHKIN referred to the point raised in the statement of the French representative to the effect that the matter should be considered not only in the light of democratic principles but also from the point of view of the tasks of the occupation, since the strikes were alleged to threaten the order and security of the occupation. He said that agreement with this assertion of the French representative would mean that the way toward democracy would lie through the suppression of democracy in Japan. It should be clear to everyone, however, that the primary objective of the occupation was the strengthening of democratic tendencies in Japan, and that this could only be done by a consistent carrying out of specific democratic measures.

MR. PANYUSHKIN referred to the point in the statement of the Philippine representative to the effect that the democratic rights of Japanese trade unions would have to be limited since Japanese trade unions were not ready for democratic reforms because of a lack of labor union experience and a consequent susceptibility to the influence of leaders who sought to use their power for ulterior political purposes. Such a statement was without foundation. It was the correct reaction on the part of the workers towards illegal actions of General MacArthur and the Government that testified to the fact that the workers were ready to participate in trade unions, and in order to defend their rights the workers used absolutely legal means and methods of action.

In conclusion, MR. PANYUSHKIN said, the Soviet delegation considered the French and Philippine statements to constitute attempts to justify illegal actions taken by the Supreme Commander, and the Soviet delegation could not agree to the statements of these representatives.

Without objection, further consideration of this subject was postponed.

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

GENERAL McCOY said that the various statements and proposals on this subject were being considered by the United States Government. He had not yet been informed of the results of his Government's consideration and therefore was not prepared to express any United States views at the present time.

DR. TAN moved that paragraph 2 of FEC-299/5 be amended as follows:

"Those ~~buildings~~ structures or portions of ~~the-buildings~~ such plants or establishments ~~or~~ including equipment accessory thereto which by virtue of initial design or construction can ~~in-the-opinion of-the-claimant-country~~ be economically dismantled and usefully re-erected and which, in the opinion of the SCAP, are not required for purposes of the occupation or for Japan's peaceful needs as defined by the Far Eastern Commission should be made available for reparations. ~~together-with-all-building-equipment-attached-thereto.~~"

DR. TAN said that the Chinese delegation, in proposing the above amendment had attempted to meet the objections which had been raised to the word "buildings" by rewriting the paragraph in a manner which, while carrying out its real intention, would nevertheless cast it in more appropriate language. That rewriting also constituted an attempt to introduce qualifications which would be adequate to meet the objections of various delegations. These qualifications had been incorporated in the light of the views of various delegations and also in the light of the views of the technical staff of SCAP.

DR. TAN said that his proposed amendment consisted of four specific features. First, the word "buildings" had been removed and reference was made instead to structures or portions of plants which by virtue of initial design could be practically dismantled. Second, the reference to dismantling, which had been contained in an earlier version of the paper, had been restored. Third, the paragraph was qualified by providing that the structures or portions of plants in question could be removed as reparations only when

*Were useful to the Claimant Countries and*



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they were not needed for the purposes of the occupation, with the decision on this point left to the Supreme Commander; also that removals would take place only if, in the opinion of the Supreme Commander, the facilities in question were not necessary for Japan's peaceful needs as defined by the Commission.

DR. TAN emphasized that the present proposed amendment represented a conscientious effort on the part of the Chinese delegation to supply a basis for agreement. The Chinese mission in Tokyo had discussed the matter with technical experts on the Supreme Commander's staff and it seemed to him that the present proposal was a practical one for implementation by the Supreme Commander. Although the Chinese delegation had previously proposed various amendments at the working committee level, the present amendment constituted a new attempt to reach agreement.

Without objection, further consideration of this subject was postponed.

ITEM 9 - SOVIET STATEMENT REGARDING PRESS REPORTS OF MILITARY CONFERENCE IN JAPAN (FEC-322)

GENERAL McCOY said that since the submission of the Soviet statement in FEC-322, that statement had appeared in the press and a reply to it by the United States Government had also appeared in the press. He would, however, for the benefit of any representatives who had not noticed the United States reply in the press submit the substance of it. He therefore read the following formal statement:

"With regard to the statement by the Soviet Ambassador before the Far Eastern Commission on October 28 and given to the press, it should be pointed out that General MacArthur, as a top United States commander, holds conferences in Tokyo with United States military officers from time to time and these are purely routine matters of sole concern to this Government.

"With respect to the allegation that the former Japanese naval base at Yokosuka is being converted into a modern naval base, it may be stated categorically that this is not true. This base has been used from the beginning of the occupation by the United States naval forces supporting the Supreme Commander for the Allied Powers in carrying out the objectives of the occupation--which it is both necessary and proper for them to do.

"Accordingly, the implication that the Far Eastern Commission decision on the Basic Post-Surrender Policy for Japan is being violated is wholly without foundation."

GENERAL McCOY inquired as to whether this reply was satisfactory to the Soviet representative.

MR. PANYUSHKIN said that he regarded the United States reply as completely unsatisfactory. He referred to an article which had appeared in the New York Times of 30 October in which it was reported that "Military men here point out that both Alaska and Honolulu, the latter being where Admiral McCrea has his headquarters, definitely are part of the Pacific picture and actually represent General MacArthur's flank and rear". MR. PANYUSHKIN remarked that when the flanks and rear were known it was not difficult to surmise the location of the front. Therefore he wanted to hear a clear answer from General McCoy in respect to his statement.

GENERAL McCOY said that from his own military experience he would be inclined to discount the importance of newspaper speculation regarding military affairs. The articles which had appeared had not been disturbing to him, and he was sorry that they had disturbed the Soviet representative. Furthermore, again drawing on his military experience, he was not inclined to be disturbed at this kind of newspaper speculation, since military staffs normally laid plans for every conceivable eventuality.

GENERAL McCOY pointed out that since both the Soviet statement and the



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United States reply to it had been issued to the press he considered that they were outside the Commission and were not suitable subjects for the Commission's concern. He urged that the Commission direct its attention to its proper field of policy for Japan and continue its efforts toward cooperation rather than concern itself with any exchanges between governments which did not signify a cooperative attitude.

Again referring to his personal experience, GENERAL McCOY observed that he had been in the Japanese port of Yokosuka and that he could assure the Soviet representative that it was not adequate to serve as an important modern naval base. It was the original Japanese naval base, started in the days of much smaller ships than those now used, and it had been used for the purposes of the occupation. It had suffered a high degree of destruction during the war and the occupation forces had of course found it necessary to rehabilitate it in order to make it useful.

MR. PANYUSHKIN said that he would take the United States statement into consideration and would reserve his right to make a further statement if that seemed necessary. He was grateful for General McCoy's personal views with regard to Yokosuka.

There was no further business.

The meeting adjourned at 12:10 P.M.



COPY NO. 193FEC-CONFIDENTIALMINUTES--128TH FEC Mtg.18 November 1948FAR EASTERN COMMISSION

Provisional Minutes of the 128th Meeting of the Far Eastern Commission  
Held in the Main Conference Room, 2516 Massachusetts Avenue, N. W.  
Washington, D. C.  
18 November 1948, 10:30 A. M.

REPRESENTATIVES PRESENT

Major General Frank R. McCoy (United States) (Chairman)  
Mr. H. W. Bullock (Australia)  
Mr. R. E. Collins (Canada)  
His excellency Dr. V. K. Wellington Koo (China)  
His Excellency Mr. P. E. Naggiar (France)  
Mr. S. N. Banerji (India)  
Mr. O. Reuchlin (Netherlands)  
His Excellency Sir Carl Berendsen (New Zealand)  
Mr. Emilio Abello (Republic of the Philippines)  
His Excellency Mr. A. S. Fanyushkin (U.S.S.R.)  
Mr. H. A. Graves (United Kingdom)

SECRETARY GENERAL

Mr. Nelson T. Johnson

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

Minutes--128th FEC Mtg.  
18 November 1948



SUMMARY--FECFEC--CONFIDENTIALSUMMARY--128th FEC Mtg.18 November 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 128th MEETINGITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 127th MEETING

Corrected and approved.

ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19, FEC-273/20, 273 series)

Adopted as policy decision.

ITEM 3 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

Removed from agenda.

ITEM 4 - SECOND PUBLIC REPORT ON COMMISSION ACTIVITIES (FEC-316/10)

Postponed.

ITEM 5 - TRIAL OF JAPANESE WAR CRIMINALS (FEC-314/4)

Postponed.

ITEM 6 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)

No discussion.

ITEM 6 - b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, FEC-320/1, FEC-320/2, FEC-320/3, FEC-320/4; FEC-084/21)

Australian and Canadian views expressed.

ITEM 6 - c LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE SHIP-BUILDING AND SHIPPING (FEC-297/10)

No discussion.

ITEM 7 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

Postponed.

ITEM 8 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3, FEC-318/4, FEC-318/5; FEC-267/1, FEC-267/2, FEC-045/5)

Postponed.

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

Postponed.

ITEM 10- a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

No discussion.

ITEM 11- OTHER BUSINESS

Soviet statement on military conference.

ITEM 12- PRESS RELEASE

Policy (Item 2 above) on conduct of trade to be released in normal course.



COPY NO. 181

24 November 1948

FEC-CONFIDENTIALRECORD OF APPROVAL OF THEMINUTES OF THE 128TH FEC MTG.FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 128TH MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 129th meeting, 24 November 1948, approved the provisional minutes of its 128th meeting with no corrections.
2. Representatives are requested to attach this formal record of approval to their file copies of the provisional minutes of the 128th meeting of the Far Eastern Commission.
3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General

Record of Approval of the Minutes of the  
128th Meeting of the Far Eastern Commission



FEC--CONFIDENTIALITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 127th MEETING

THE COMMISSION unanimously approved the minutes of its 127th meeting with the following changes:

Page 1 - add the following sentence under Item 1 - "Page 5, paragraph 5, line 6, place the word 'non-military' in parentheses".

Page 3, fourteenth line - insert after the word "proposal" the words "and in the context of the introductory portion of FEC-320/1".

Page 6, Item 7, second line of quoted portion - delete the word "or" in the phrase "or including".

Page 6, fourth line from bottom of page - insert after the word "design" the words "were useful to the claimant countries and".

ITEM 2 - CONDUCT OF TRADE WITH JAPAN (FEC-273/19, FEC-273/21; 273 series)

GENERAL McCOY recalled that on 4 November the Chinese and Soviet representatives had agreed, in consultation with the Chairman, to a wording for paragraph 1 b (2) of FEC-273/19 (circulated as FEC-273/21), and agreement had been reached among the Chinese, Soviet and United States representatives to amend paragraph 1 c by the deletion of the words "restrict competition". Further consideration had been postponed to afford the Chinese representative additional time to consider paragraph 9.

DR. KOO then made the following statement:

"We consider article 9 regarding the early establishment of an exchange rate as unnecessary and premature. Its language is vague and needs clarification as to the authority which should be called upon to establish an exchange yen rate, and as to the time element in the phrase 'as soon as practicable'. But we do not wish to insist upon its deletion, since that might affect the passage of the whole paper--a paper to which we, the Chinese delegation, like other delegations, attach great value and importance. For this reason, we shall vote for this paper with the understanding that when the time is considered as mature for establishing an exchange yen rate, the Far Eastern Commission will be informed of this development and an opportunity given to the members of the Far Eastern Commission to express their views on the subject."

MR. NAGGIAR said, with reference to paragraph 9 of FEC-273/19, that the French delegation could vote for the proposed policy on the understanding that paragraph 9 referred only to the establishment of an exchange rate for foreign trade transactions and on the further understanding that the Far Eastern Commission was the authority for establishing such an exchange rate.

GENERAL McCOY said that he understood that the Chinese and French statements had to do simply with the respective understandings of these two Governments in regard to the present proposed policy, and did not represent the view of the Commission as a whole. These statements of understanding would, however, be communicated to the United States Government with the request that they be forwarded to the Supreme Commander. The Commission was, of course, not directly concerned with attempts to fix an exchange rate for the yen. This complex and technical matter concerned the Commission only in its relation to broad policy and had therefore been discussed in the most general way with a wise avoidance of any attempt to establish a procedure for fixing an exchange rate.

GENERAL McCOY referred again to the amendments to paragraph 1 b (2) and 1 c which had been agreed on by the Chinese, Soviet and United States



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representatives at the meeting of 4 November. If there were no objections, he would assume that these amendments were acceptable to all representatives and would consider them incorporated in the proposed policy decision.

There was no objection to the amendments in question and accordingly FEC-273/19 was voted on and approved unanimously as a policy decision.

ITEM 3 - PORT AND SERVICE CHARGES ON FOREIGN VESSELS IN JAPAN (FEC-304/16; T-036, 304 series)

GENERAL McCOY said that since the substance of FEC-304/16 was included in the policy decision which had just been adopted on the subject of conduct of trade with Japan, the item would be removed from the agenda if there were no objection.

There was no objection to the removal of FEC-304/16 from the agenda, and the subject was accordingly removed.

ITEM 4 - SECOND PUBLIC REPORT ON COMMISSION ACTIVITIES (FEC-316/10)

DR. KOO said that the Secretary General was to be congratulated on the text of the proposed second public report, which was, on the whole, an adequate and objective summary of the activities of the Commission between 10 July 1947 and 1 November 1948. Several Chinese amendments to the proposal had been offered in the Steering Committee with a view to improving the language and presentation of the report. Some of these amendments had received unanimous approval and had been incorporated in the report, while some had failed of adoption. Since, as in the case of the first public report, the Commission was called on simply to authorize the Secretary General to publish a report, it went without saying, and it was the assumption of the Chinese delegation, that by approving the motion of authorization, representatives on the Commission did not necessarily commit themselves to complete endorsement of all or any part of the language of the Secretary General's report. With regard to the substance of the report, DR. KOO said, the policy decisions of the Commission were, naturally, the governing documents.

MR. PANYUSHKIN said that the final text of the proposed public report as shown in FEC-316/10 had been translated into Russian only the previous day and he had therefore not had sufficient time to get acquainted with it. He asked that action be postponed until the next meeting.

GENERAL McCOY said that he would agree that action should be postponed. Furthermore, since action was to be postponed, it would be desirable to revise the report to include reference to the policy decision on conduct of trade which had just been adopted. He suggested that an appropriate comment on the policy be drafted by the Secretary General for inclusion in the public report (subsequently circulated as FEC-316/11).

Without objection, further consideration of this subject was postponed.

ITEM 5 - TRIAL OF JAPANESE WAR CRIMINALS (FEC-314/4)

SIR CARL BERENDSEN said that although the cover page of FEC-314/4 recorded reservations of all members of the Steering Committee who had abstained from voting, his own abstention should not be taken to imply any reservation on the proposal; he had abstained simply because he did not customarily vote on proposals when he was in the chair.

MR. PANYUSHKIN said that although he realized that the time had arrived for voting on FEC-314/4, he would request postponement of final action in order to afford an opportunity for study of those changes in the document which had been incorporated in the Steering Committee.

Without objection, further consideration of this subject was postponed.



FEC--CONFIDENTIALITEM 6 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)

Without objection, further consideration of this subject was postponed.

ITEM 6 - b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, FEC-320/1, FEC-320/2, FEC-320/3, FEC-320/4; FEC-084/21)

MR. COLLINS said that he had received instructions from his Government with regard to the Soviet proposals (FEC-320 and FEC-320/1). Although Canada had no particular objections to the general principles set forth in the Soviet proposals, the Canadian position was nevertheless in agreement with statements previously made by other representatives to the effect that the Soviet proposals were either insufficiently precise to justify a Commission policy decision at this stage, or fell outside the present jurisdiction of the Commission as understood by Canada. For these reasons he would vote against the Soviet proposals.

MR. BULLOCK presented the following formal statement (subsequently circulated as FEC-320/5):

"The Soviet proposal draws attention to certain very important questions concerning the economic demilitarization of Japan. This proposal and the subsequent explanations which have been given by the Soviet Ambassador have been studied with great interest.

"It may be useful to restate in clear terms the general position on the economic disarmament of Japan which Australia has consistently held. The Potsdam Declaration states that 'Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind but not those which would enable her to rearm for war'. The Far Eastern Commission has been endeavouring for almost three years to formulate detailed policies which would translate this principle into effect. The underlying assumption of the Far Eastern Commission's work in this respect has always been that a large part of Japan's industry was never used to satisfy the peaceful needs of the Japanese people. Much of it was, in fact, deliberately built up for war purposes in the period immediately prior to Japanese aggression. The Australian Government has consistently supported the principle that this excess capacity should be removed from Japan as a security measure and distributed as reparations. In this connection certain important policy decisions of the Far Eastern Commission have already been passed. In particular I refer to the Basic Post-Surrender Policy (FEC-014/9), 'Determination of Japan's Peaceful Needs' (FEC-106/1) and 'Reduction of Japan's Industrial War Potential' (FEC-084/21).

"FEC-084/21 was passed by the Far Eastern Commission more than a year ago. We would agree entirely with the statement of the Soviet Ambassador at the 122nd meeting of the Commission that at the present time the task of the Allies is to ensure that FEC-084/21 is completely fulfilled. That part of FEC-084/21, however, which relates to war-supporting industries cannot be implemented by the Supreme Commander until a further decision has been made by the Far Eastern Commission which will state specifically the amount of capacity in certain war-supporting industries which is essential to satisfy Japan's peaceful needs and may therefore remain in Japan. An earnest and painstaking attempt has been made to do this in document FEC-242/32. Some decision on this document is long overdue.

"We note from the explanation of the Soviet Ambassador that he understands the term peaceful industries to mean all facilities and industries other than those defined in FEC-084/21 as primary war facilities, and secondary war facilities or enumerated in the category of war-supporting industries. On this understanding we fully endorse the principle that there should be no limitations imposed upon the development of peaceful industries. This is of course a view which the Australian Government has long held. It would be a great mistake through motives of vindictiveness to depress the standards of the



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Japanese people unnecessarily. Mass unemployment, low standards of living, malnutrition, economic instability and social unrest cannot be confined to any one country; they tend to spread to others. In the circumstances, however, it would seem superfluous to make the question of Japan's peaceful industries the subject of a specific policy decision. The principle advanced by the Soviet delegation regarding peaceful industry follows directly from our existing policy decisions and there is no proposal in the Far Eastern Commission to the contrary. It would be unfortunate in any case to give priority to consideration of this question over attempts to reach decisions on those industries which we have all agreed in principle in FEC-084/21 form part of Japan's industrial war potential. Until the Far Eastern Commission has reached some decision on FEC-242/32 the Far Eastern Commission will not have discharged its most important responsibility. Regarding the first part of the Soviet proposal in paragraph 2 we endorse the broad principle that the revival and creation of Japanese war industry should be prohibited. However, in order for a policy to be implemented by the Supreme Commander the term 'war industry' requires a process of very precise definition. It is this very problem which has engaged the attention of the Far Eastern Commission almost from its inception. The terms have been precisely defined and agreed to by the Far Eastern Commission in policy decision FEC-084/21. In view of the latest explanation by the Soviet Ambassador we understand that no change in the principles agreed to in FEC-084/21 is intended. We are naturally prepared to give full consideration to any reasons which the Soviet Ambassador may wish to advance. But without a fuller explanation as to why it is necessary it would seem to be a retrograde step to restate in vague terms our existing precise policy decisions.

"Regarding the second part of the Soviet proposal in paragraph 2 the Australian Government is also of the opinion that provision should be made in the peace treaty with Japan for control over key imports and comprehensive powers of inspection by Allied officials to provide against future Japanese aggression. This, however, is a matter for decision by the peace conference. We note from various explanations which have been given by the Soviet Ambassador that he too considers that this part of his proposal relates to the peace treaty. In view of the fact that the Far Eastern Commission is charged at present only with the responsibility for formulating policies for the period of the occupation it is not clear to our delegation what would be the reason for or the effect of the Far Eastern Commission passing such a policy decision at this time."

MR. BANERJI said that he had not yet received instructions which would enable him to state the Indian position on this subject.

In reply to a question from General McCoy, MR. PANYUSHKIN said that he did not wish action taken on the Soviet proposal until views had been expressed by all delegations.

Without objection, further consideration of this subject was postponed.

ITEM 6 - c LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE SHIP-BUILDING AND SHIPPING (FEC-297/10)

Without objection, further consideration of this subject was postponed.

ITEM 7 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

MR. NAGGIAR said that the French delegation had not yet received instructions on FEC-277/16.

Without objection, further consideration of this subject was postponed.



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ITEM 8 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3, FEC-318/4, FEC-318/5; FEC-267/1, FEC-267/2, FEC-045/5)

GENERAL McCOY invited attention to the Japanese cabinet draft of a proposed revision of the National Public Service Law (FEC-267/1 and FEC-267/2). He asked whether there was any comment on this draft legislation at present.

MR. GRAVES inquired as to the status of the proposed legislation at present. He said that the press had contained various references to amendments which had been suggested.

GENERAL McCOY said that he understood that drafts of three additional bills had been introduced in the Diet. These bills were described as "Japanese National Railway Corporation", "Non-Stock Public Corporation for Tobacco and Other Monopolies", and "National Negotiations Law for Public Corporations". Drafts of these proposed bills had not yet been received but would be distributed as soon as possible.

Without objection, further consideration of this subject was postponed.

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

GENERAL McCOY said that he had not yet received instructions with regard to the United States position on this subject.

Without objection, further consideration of this subject was postponed.

ITEM 10 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)

- b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

Without objection, further consideration of this subject was postponed.

ITEM 11 - OTHER BUSINESS

MR. PANYUSHKIN presented the following formal statement (subsequently circulated as FEC-322/2):

"At the Commission meeting of November 11 the United States representative, in his answer to the Soviet statement of October 28 (FEC-322) concerning the secret military conference in Tokyo, confined himself to the reading of the text of a State Department press release on this subject.

"The Soviet delegation considers the statement of the State Department unsatisfactory and continues to maintain its opinion as stated on October 28."

GENERAL McCOY said that he had no further comment on this matter. The statement just offered by the Soviet representative would be communicated to the United States Government.

ITEM 12 - PRESS RELEASE

GENERAL McCOY said that unless there were objection the policy decision on conduct of trade (Item 2 above) would be released to the press in the normal course.

There was no other business.

The meeting adjourned at 11:35 A.M.



COPY NO.

202FEC-CONFIDENTIALMINUTES, 129th FEC Meeting24 November 1948FAR EASTERN COMMISSION

Provisional Minutes of the 129th Meeting of the Far Eastern Commission,  
Held in the Main Conference Room, 2516 Massachusetts Avenue, N.W.  
Washington, D. C.

24 November 1948, 10:30 A. M.

REPRESENTATIVES PRESENT

Major General Frank R. McCoy (United States) (Chairman)

His Excellency Mr. N. J. O. Pakin (Australia)

Mr. R. E. Collins (Canada)

His Excellency Dr. V. K. Wellington Koo (China)  
Dr. S. H. Tan

Mr. J. Daridan (France)

Mr. S. N. Banerji (India)

Mr. O. Reuchlin (Netherlands)

His Excellency Sir Carl Berendsen (New Zealand)

Mr. Emilio Abello (Republic of the Philippines)

His Excellency Mr. A. S. Panyushkin (U.S.S.R.)

Mr. H. A. Graves (United Kingdom)

SECRETARY GENERAL

Mr. Nelson T. Johnson

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

Minutes--129th FEC Mtg.  
24 November 1948



SUMMARY--FECFEC--CONFIDENTIALSUMMARY--129th FEC Mtg.24 November 1948FAR EASTERN COMMISSIONSUMMARY OF MINUTES OF 129th MEETINGITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 128th MEETING

Approved.

ITEM 2 - SECOND PUBLIC REPORT ON COMMISSION ACTIVITIES (FEC-316/10, FEC-316/11)

Postponed.

ITEM 3 - TRIAL OF JAPANESE WAR CRIMINALS (FEC-314/4)

Netherlands position stated. Postponed.

ITEM 4 - a LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE INDUSTRY (FEC-242/32; FEC-242/35)b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, /1, /2, /3, /4, /5; FEC-084/21)c LEVEL OF ECONOMIC LIFE IN JAPAN: POLICY TOWARDS JAPANESE SHIPBUILDING AND SHIPPING (FEC-297/10)

French statement (FEC-242/36) on general subject of level of economic life in Japan.

ITEM 5 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, /17)

French representative prepared to act. Postponed until all representatives have received instructions.

ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, /1, /2, /3, /4, /5, /6; FEC-267/1, FEC-267/2, FEC-014/9, FEC-045/5)

United Kingdom statement (FEC-324). Chinese and Soviet queries directed to United States representative.

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

Postponed.

ITEM 8 - a STATEMENT BY THE UNITED STATES REPRESENTATIVE OF THE FAR EASTERN COMMISSION ON REPARATIONS SHARES (FEC-278)b REPORT OF COMMITTEE NO. 1 TO THE FAR EASTERN COMMISSION REGARDING DIVISION OF REPARATIONS SHARES (FEC-219/25, 219 series)

No discussion.

ITEM 9 - OTHER BUSINESS

None.

ITEM 10 - PRESS RELEASE

None.

Summary--Minutes, 129th FEC Mtg.



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COPY NO. \_\_\_\_\_

7 December 1948

FEC-CONFIDENTIALRECORD OF APPROVAL OF THEMINUTES OF THE 129TH FEC MTG.FAR EASTERN COMMISSIONRECORD OF APPROVALMINUTES OF THE 129TH MEETING OF THE FAR EASTERN COMMISSIONNote by the Secretary General

1. The Far Eastern Commission, at its 130th meeting, 2 December 1948, approved the provisional minutes of its 129th meeting with the corrections embodied in the attached revision of page 3.

2. Representatives are requested to insert the attached revision of page 3 in their file copies of the provisional minutes of the 129th meeting of the Far Eastern Commission, and to attach this formal record of approval to those copies as corrected.

3. The attention of all concerned is invited to the classification of this document which prohibits the dissemination of any information contained therein to unauthorized persons or to the press.

NELSON T. JOHNSON  
Secretary General

Record of Approval of the Minutes of the  
129th Meeting of the Far Eastern Commission



FEC-CONFIDENTIALITEM 1 - CORRECTION AND APPROVAL OF THE PROVISIONAL MINUTES OF THE 128th MEETING

THE COMMISSION unanimously approved the minutes of its 128th meeting without correction.

ITEM 2 - SECOND PUBLIC REPORT ON COMMISSION ACTIVITIES (FEC-316/10, FEC-316/11)

GENERAL McCOY asked whether representatives were prepared to act on the proposed second public report. He pointed out that the Commission was not called upon to approve the report but simply to authorize the Secretary General to issue it in the same way he had issued the previous public report (Department of State Publication 2888)

MR. PANYUSHKIN requested that final action on the proposed second public report be postponed until the next meeting.

Without objection, further consideration of this subject was postponed.

ITEM 3 - TRIAL OF JAPANESE WAR CRIMINALS (FEC-314/4)

THE COMMISSION noted the following typographical corrections in FEC-314/4:

In the eighth and fifteenth lines, the date "3 April 1948" to be changed to read "3 April 1946".

MR. REUHLIN said that he was now prepared to state the Netherlands position on FEC-314/4. The Netherlands Government considered the underlying principle of the proposal to be sound, and did agree that trials of war criminals should be terminated as soon as possible and attention turned to matters of a more positive nature. With regard to that portion of the proposal which was cast in the form of a recommendation, MR. REUHLIN said that while of course a recommendation was understood not to be binding upon the governments it was addressed to, the Netherlands Government felt obliged to point out that while it could agree to the recommendation, it might well be that the authorities in Indonesia would find it necessary to investigate, prosecute, and judge minor war criminals after the termination dates recommended. MR. REUHLIN explained that a number of Japanese were still at large in the territory of the Republic of Djocja and that only after they were captured could it be known for certain whether Indonesian authorities could observe the recommendation in question. While the qualifying words "if possible" furnished the latitude desired, the Netherlands Government still considered it fair to the Commission to state, before agreeing to a recommendation addressed to all member governments, that it might not itself be able strictly to observe the recommendation.

GENERAL McCOY asked whether, in view of the reservations still pending, it was considered desirable to take action on FEC-314/4 at the present meeting.

MR. ABELLO said that since, in the absence of instructions, the Philippine position was still reserved, he would request postponement of action on the proposal.

Without objection, further consideration of this subject was postponed.

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

b SOVIET PROPOSAL REGARDING LEVEL OF ECONOMIC LIFE IN JAPAN (FEC-320, FEC-320/1, FEC-320/2, FEC-320/3, FEC-320/4, FEC-320/5; FEC-084/21)

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

GENERAL McCOY invited attention to the subheads of this subject in the order enumerated and inquired, first, whether there was any comment on FEC-242/32.



FEC--CONFIDENTIAL

MR. DARIDAN said that he wished to present a statement on behalf of his Government. He explained that the statement should be considered as bearing on the broad subject of level of economic life in Japan rather than on one of the specific subheads. Accordingly, he presented the following formal statement (subsequently circulated as FEC-242/36):

"The Soviet delegation has, in several instances, given to the Commission, together with pertinent comments and answers to questions put forward by various delegations, the reasons for which the Government of the U.S.S.R. considers that:

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

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

"It is the feeling of the French delegation that the Soviet proposal is in line with measures which are capable of restoring a Japanese peaceful economy. From this angle, the Soviet proposal is in conformity with the Far Eastern Commission's stand on this subject. In fact, this proposal does not cast any light on the matter which had not already been afforded by the Commission by the adoption of the Basic Post-Surrender Policy for Japan, and the policy on Reduction of Japanese Industrial War Potential.

"It will be recalled that the French delegation has taken a very deep interest in the discussion of the levels of certain industries as they appear in document FEC-242/32. The French view on this last document is that it is a logical consequence of the principles governing the Commission's action in that field. It follows that a mere repetition of these principles appears to be quite unnecessary, for the reason that it does not bring any new help to the problem of the economic rehabilitation of Japan.

"As to the implication by the Soviet delegation that a control over war industries in Japan should be established and exercised by the Powers most interested in preventing a new Japanese aggression, the French view is that a control of this nature can be envisaged by the Far Eastern Commission only within the Terms of Reference of that body. Consequently such a control cannot be defined by the Far Eastern Commission for any period of time which would follow the signature of a peace treaty with Japan. It is, however, the duty of the Commission, as it has already been found necessary, to provide for such a control during the occupation.

"For the reasons mentioned above, the French delegation will have to vote against the Soviet proposal referred to in the present paper."

MR. BANERJI said that he was still without instructions regarding the Soviet proposals in the 320 series.

Without objection, further consideration of the subject was postponed.

ITEM 5 - PRINCIPLES FOR JAPANESE FARMERS' ORGANIZATIONS (FEC-277/16, FEC-277/17)

MR. ABELLO said that although he would have no objection to a discussion of this subject, he had not yet received final instructions from his Government.

MR. DARIDAN said that he had received instructions on this subject and was prepared to take action on the proposed policy FEC-277/16 and on the proposed Soviet amendments FEC-277/17.



FEC--CONFIDENTIAL

MR. PANYUSHKIN said that he thought it advisable to postpone consideration until all representatives had received final instructions.

Without objection, further consideration of this subject was postponed.

ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, FEC-318/1, FEC-318/2, FEC-318/3, FEC-318/4, FEC-318/5, FEC-318/6; FEC-267/1, FEC-267/2, FEC-014/9, FEC-045/5)

GENERAL McCOY said that the Secretariat had, on the previous day, received a revision of the proposed amended National Public Service Law. This revision represented the form in which the draft law had been submitted to the Diet. The Secretariat was preparing this revision for distribution as early as possible. In addition to this revision of the National Public Service Law, the Secretariat had also received texts of the Japanese National Railway Law, Bill for the Japanese Monopoly Public Corporation, and the Public Corporations Labor Relations Act. These were also in preparation for distribution as soon as possible.

MR. GRAVES said that he wished to present a comment on the proposed revision of the National Public Service Law as shown in FEC-267/1 and FEC-267/2. Although, as General McCoy had just stated, there would soon be available a revised text, his remarks would refer to a point of principle, and therefore, he thought, would be relevant whatever the revision might be. Accordingly, MR. GRAVES presented the following formal statement (subsequently circulated as FEC-324):

"I should like to make a short comment on FEC-267/1 and FEC-267/2-- that is the paper dealing with the proposed revision of the National Public Service Law.

"My Government have examined the revised draft and have paid particular attention to Article 98. On the information available it does not appear to us that there is any provision in the draft whereby Japanese civil servants, who might have grievances regarding conditions of their employment, would have access, in the last resort, to independent arbitration machinery.

"Our understanding of the regulations governing the submission of grievances is that the National Personnel Authority would itself determine questions of compensation and other matters affecting civil servants, and that appeals would be decided by that Authority instead of by an independent body.

"His Majesty's Government in the United Kingdom would regret the enactment of any permanent legislation which failed to provide for independent arbitration machinery.

"I do not propose, Mr. Chairman, to comment on the proposed legislation relative to other workers in government enterprises, but my Government will no doubt instruct me to make observations when there is a little more information available as to the underlying intentions of the relevant legislation."

DR. KOO asked whether the three specific laws, as well as the revised National Public Service Law, had been submitted to the Japanese Diet for consideration.

GENERAL McCOY replied that they had been submitted to the Diet.

DR. KOO asked whether the four laws, consisting of the National Public Service Law and the three specific laws to which General McCoy had referred, would be considered in such a way that their passage would be practically simultaneous. He pointed out that if they were not passed and put into effect at approximately the same time, there would result a discrepancy between the treatment accorded the regular civil service employees and that accorded the employees of government enterprises.



FEC-CONFIDENTIAL

MR. PANYUSHKIN said that he thought it advisable to postpone consideration until all representatives had received final instructions.

Without objection, further consideration of this subject was postponed.

ITEM 6 - LABOR POLICY IN JAPAN (FEC-318, /1, /2, /3, /4, /5, /6; FEC-267/1, FEC-267/2, FEC-014/9, FEC-245/5)

GENERAL McCOY said that the Secretariat had, on the previous day, received a revision of the proposed amended National Public Service Law. This revision represented the form in which the draft law had been submitted to the Diet. The Secretariat was preparing this revision for distribution as early as possible. In addition to this revision of the National Public Service Law, the Secretariat had also received texts of the Japanese National Railway Law, Bill for the Japanese Monopoly Public Corporation, and the Public Corporations Labor Relations Act. These were also in preparation for distribution as soon as possible.

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"Our understanding of the regulations governing the submission of grievances is that the National Personnel Authority would itself determine questions of compensation and other matters affecting civil servants, and that appeals would be decided by that Authority instead of by an independent body

"His Majesty's Government in the United Kingdom would regret the enactment of any permanent legislation which failed to provide for independent arbitration machinery.

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DR. KOO asked whether the three specific laws, as well as the revised National Public Service Law, had been submitted to the Japanese Diet for consideration.

GENERAL McCOY replied that they had been submitted to the Diet.

DR. KOO asked whether the four laws, consisting of the National Public Service Law and the three specific laws to which General McCoy had referred would be considered and acted upon in such a way that their enforcement would be practically simultaneous. He understood that the National Public Service Law referred to employees of government institutions, whereas the other laws regulated the rights and obligations of the workers of government enterprises. If the latter three laws were not passed and put into effect at approximately the same time as the Public Service Law, there would result a gap in regard to the treatment to be accorded to the workers of government enterprises. In such case, he apprehended the Cabinet Ordinance, which had been understood as of transient character, would still be applicable. He wondered whether there had been any indication that the four laws would be passed one after another and put into effect at approximately the same time in order to obviate the state of uncertainty to which he had just referred.