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E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

740.00119 CONTROL (JAPAN)/10-147 -- 12-3147

SECRET
Classification approved by
[Signature]
Deputy Director
FE
9-30-47

OCT 31 1947

Secret

No. 575

To the
Acting United States Political Adviser for Japan,
Tokyo.

The Secretary of State encloses for the information
of the Acting Political Adviser copies of two approved
SWNCC documents as listed below.

- Enclosures:
- 1. SWNCC 227/23, copy no. 40.
 - 2. SWNCC 362, copy no. 40.

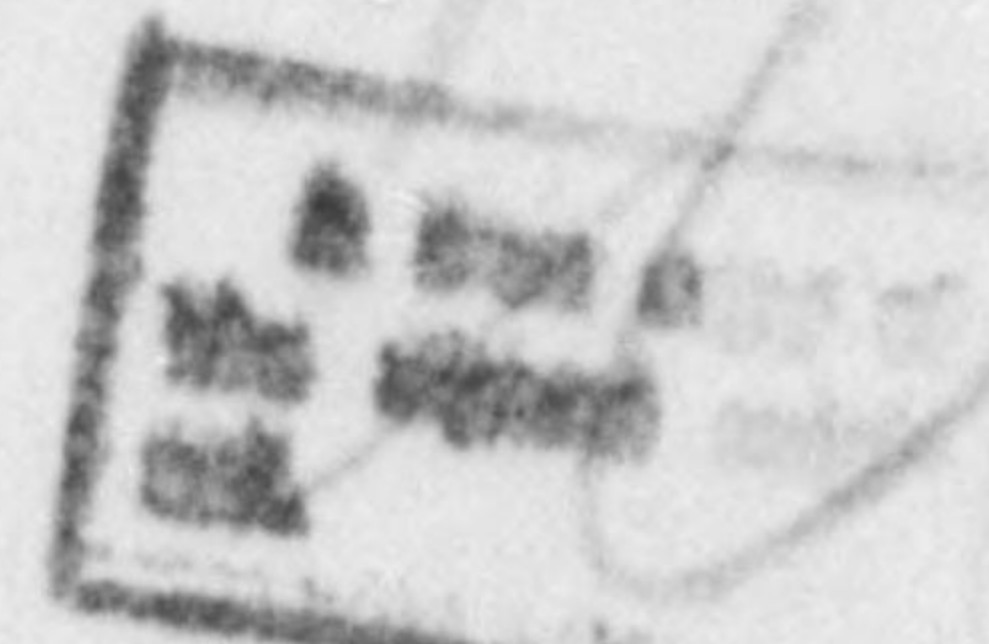
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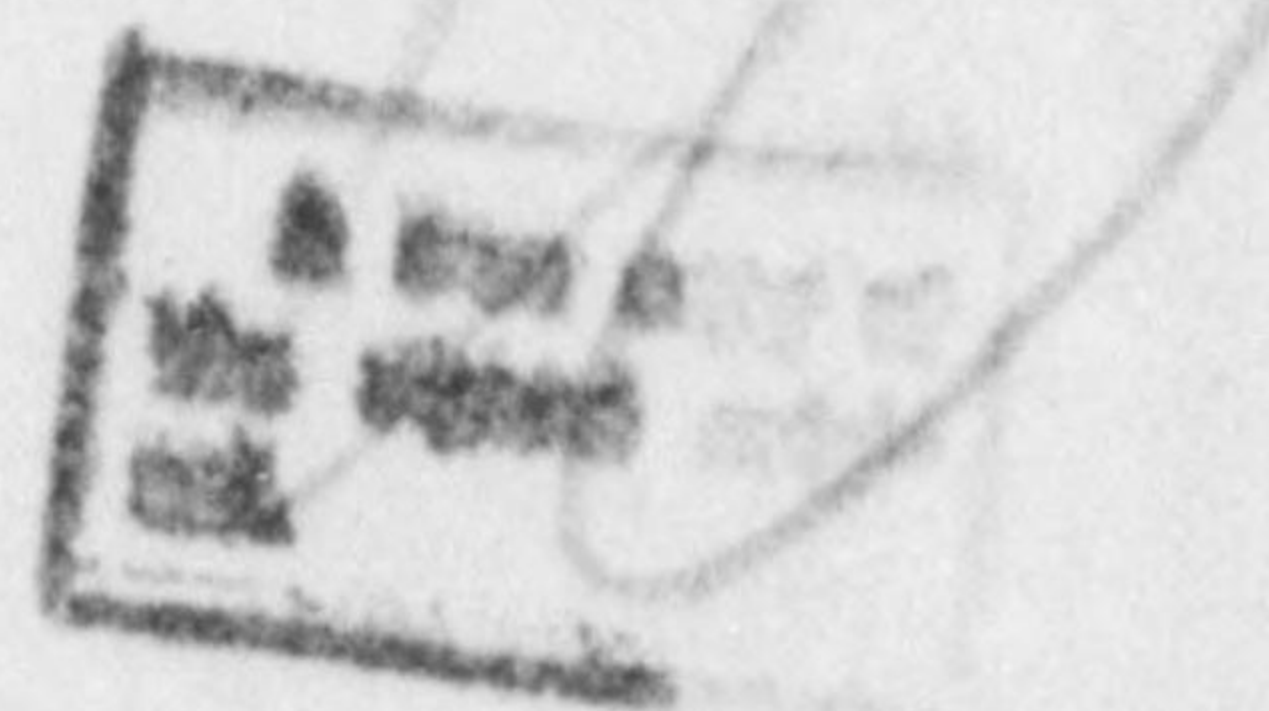
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STANDARD FORM NO. 64

TOP SECRET

Office Memorandum • UNITED STATES GOVERNMENT

TO : A-S Mr. Saltzman

FROM : A-S Mr. Rudlin

SUBJECT: United States Policy in Japan.

DATE: October 6, 1947

I submit the following comments on certain recommendations in the paper on United States policy towards a peace settlement with Japan.

The paper states that, "The Allies' desire to eradicate Japanese pre-war leadership operated to purge not only military and political figures responsible for the war but also to remove from public life most of the outstanding industrial and commercial personalities. This latter group is perhaps the strongest force in Japan for stability and moderation and one with the greatest interest in close ties with the United States".

The reference here is presumably not to the recent purge, which goes beyond outstanding industrial and commercial personalities but to the removal of the Zaibatsu leaders from their positions of control and to the dispersal of their economic resources. The assumption is unwarrantable that the industrial leaders can be absolved of war responsibilities or even that there is a significant distinction between the degree of their responsibility and that of the political and military leaders. If there is a distinction, it resembles that between Krupp and Speer on the one hand and Ribbentrop and Keitel on the other. The responsibility of the Zaibatsu system and, therefore, of those who controlled it, is an old and well documented story. It is summarized on pages 15 - 18 of the report of the Edward's Mission on Japanese Combines. I recommend that no suggestion be entertained for a reinstatement of the Zaibatsu that does not include a refutation of the argument presented in these pages (copy attached).

The paper further urges that "it should be United States policy to emphasize stability rather than reform. Recognizing that the former industrial and commercial leaders of Japan are the ablest group in that country, that they are the most stable element, that they have the strongest natural ties with the United States, it should be U.S. policy to remove obstacles to their finding of natural level in national leadership." I suggest that the statement about strong natural ties involves an assumption, namely, that the United States has forgotten its tradition of free enterprise, its democratic institutions and the morning of December 7, 1941.

If ~~it is desirable to~~ ^{we begin by} remove ^{ing} obstacles to this group finding its natural level in national leadership, we shall ~~extend~~ ^{and by} the policy to Germany, where our problem of containment of the Soviet Union is at least as great as in Japan. An equally good case can be made out for the reinstatement of Schacht, the directors of Farben and of the Ruhr on the ground that they are, compared with the SS at one extreme and the SED at the other, the strongest force in Germany for stability and moderation, the ablest group in the country and have the strongest natural ties with the United States. Virtually the only charge we can make against the natural German leaders that cannot be made against their Japanese counterparts is that they resorted to special political devices to achieve power and abolish democratic institutions, whereas such devices were largely unnecessary in an already undemocratic Japan.

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~~However, the situation has changed and~~ ^{present, as distinct from the wartime,} The position of the Zaibatsu now more closely resembles that of their German counterparts in the early thirties in that the achievement and retention of power by such groups requires the use of force. This the paper appears to recognize by recommending that steps be taken to organize a strong Japanese constabulary "for the purpose of maintaining public law and order in the event of mass disorders". It further recommends that "it should be U.S. policy to emphasize stability rather than reform and that in so far as is possible within the terms of the directive guiding General MacArthur should reinterpret these directives to shift emphasis from democratization to stability." This raises an acute question as to whether the withholding of democracy is the best way to avoid mass disorders and, if so, which elements of democracy should be de-emphasized. The democratic freedoms listed in the basic directives are freedom of religion, assembly and association, speech and the press. The paper does not indicate which of these is incompatible with law and order. This is a serious omission in that over the past hundred and fifty years only those countries which have established and maintained these freedoms have been free from mass disorders.

Stability is a neutral word and conveys nothing essentially attractive. A well run New England township has stability, so does a well run concentration camp. We shall not meet our problems in the Far East by making stability the aim of our policy; it can come only as the by-product of some other purpose. Up to now our purpose has been to foster a peaceful and democratic Japan. It is also our policy, in the world at large, to contain Soviet expansion. To seek the latter by abandoning the former is to argue that democracy must be abandoned in order to be defended. This will be a difficult formula for the Department to sell to the American people and a dangerous one to implement. The containment of the Soviet Union can not safely be entrusted to the directors of Mitsui and a strong constabulary for in the short run they, and we, may find that a country which is denied democracy will look elsewhere for it or for an imitation of it, as Metternich discovered. And in the long run, as the paper foresees and as Chamberlain discovered, "even an extreme right government might end up in the Soviet camp". It would be no service to Mr. Marshall to cast him in either role.

I recommend that every effort be made to emphasize the implications and dangers of any policy, such as that contemplated in this paper, to stave off Communism by substituting reaction for democracy as our chosen instrument.

TOP SECRET

740.00119 CONTROL (JAPAN) / 10-647

October 6, 1947

Dear Bill:

Referring to the discussion which was held in the SWNCC meeting of October 3rd, respecting a proposed paper on the subject of unilateral directives to SCAP in the event of delays in the FEC, I think you would be interested in reading the enclosed letter which General McCoy wrote on this subject last August to General Hilldring. As I recall it, Dr. Blakeslee referred to this letter in his remarks before SWNCC last Friday.

Although it may be desirable to provide some machinery along the lines of the proposed SWNCC paper, I think the considerations set forth in General McCoy's letter are well worth considering in this regard.

Yours sincerely,

Chas E Saltzman

Enclosure:

Copy of letter of August 11, 1947 from Gen. McCoy to Gen. Hilldring.

The Honorable William H. Draper, Jr., Under Secretary of the Army

A-S:CESaltzman;hjh

OCT 7 1947 P.M.

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COPY

August 11, 1947

Dear General Hilldring:

I have read with care the paper on Unilateral Action on Japanese Economic Problems (SWNCC 380), a memorandum, with enclosures, submitted to SWNCC by the War Member. The paper, as you know, states that U. S. policies, after adoption by SWNCC, "frequently encounter lengthy delay before adoption as policy by the Far Eastern Commission." The War Member is quoted as stating, "we must ... no longer be balked by the FECC." In his memorandum he says:

"I further believe it desirable for the United States to adopt the policy of exercising this power [of issuing Interim Directives to the Supreme Commander] whenever possible in the solution of economic problems presented by the occupation of Japan."

In the draft paper, it is concluded:

"c. In subsequent determinations of U.S. policy proposals, decisions and statements, there should be included a stipulation of a date by which time such proposal, decision, or statement shall be issued unilaterally by the U.S. Government to the SCAP for implementation should FEC approval thereof not be obtained by that date."

I wish to submit for your consideration the following comments on this paper:

1. The United States Government has frequently stated that it supports as a basic policy the principle of international cooperation; and that national action in accordance with this principle lays the foundation for international peace. In line with this policy the United States took the lead in establishing the Far Eastern Commission and in granting to it the authority to formulate the policies and principles in accordance with which Japan should fulfill its obligations under the Terms of Surrender. A clause in the Terms of Reference of the Far Eastern Commission states that the United States may issue interim directives, but only in cases of urgency and pending action by the Commission.

General John H. Hilldring,
Assistant Secretary of State,
Washington, D. C.

-2-

2. An international body, such as the Far Eastern Commission, normally reaches its conclusions more slowly than does a single state. The United States Government could make policy decisions much more quickly than the Far Eastern Commission. This delay, however, is the price which any state must pay for the recognized advantages of the policy of international cooperation.

3. The assumption in the paper by the War Member of SWNCC that the Far Eastern Commission is under an obligation to approve within a few days, such as 21 days, United States policies submitted to it, when the United States Government has often taken months to determine these policies, is obviously inconsistent with the basic requirements of international cooperation.

4. The Far Eastern Commission, despite delays, has passed some 45 policy decisions. The British acting representative on the FEC has commented that the Far Eastern Commission has accomplished more than any other international commission of which he has any knowledge. A number of these policy decisions have been approved within a relatively short period of time. Most of them have been based upon papers submitted by the United States and, in general, have been in accordance with them. The approval by eleven states of these U. S. policies is an asset for the United States of much importance in the Far East and helps to establish more firmly the principle of international cooperation.

5. An international commission normally needs considerable time before it reaches a final policy decision on an important subject. After a paper is introduced the members must consult their respective Governments; the resulting views of the Governments have to be discussed by the representatives of other states; probably renewed requests for instructions are made, and finally a commission decision is reached.

Even the United States Government has often taken several months for the preparation of initial policy proposals for submission to the FEC. After U. S. members had requested working committees to postpone consideration of various subjects pending the presentation of U. S. policy proposals then under preparation, the U. S. Government has needed the following number of months to complete the papers: Policy for the Revision of the Japanese Educational System, nearly five months; Zaibatsu Dissolution, six months; Interchange of Persons between Japan and other Countries, ten months. U. S. policy papers are overdue as follows: Agrarian Reform, seven months; Occupation Costs, nine months; Restitution of Looted Cultural Objects, nine months; and Japanese Patents, nine months.

6. Such delays as have occurred within the FEC have been due to a number of causes, one of the most important of which has been the length of time needed by the U. S. Government to determine or to reformulate its own position. A few instances may be cited as typical.

- (1) Delivery of Reparations Goods in Japan. This paper was held in the Steering Committee for eight weeks, from

-3-

August 13 to October 1, 1946, waiting for a U. S. amendment. It was stated that the delay was caused by the necessity of referring the subject first to General MacArthur, then to the Joint Civil Affairs Committee of the Joint Chiefs of Staff, then to the Joint Chiefs themselves, and finally to SWNCC.

(2) Interim Reparations Removals: Synthetic Oil and Synthetic Rubber Industries. This paper was held in the Steering Committee for three weeks, from July 30 to August 20, 1946, waiting for the approval of the Joint Chiefs.

(3) Short Period Controls over the Japanese Economy to Relieve World Shortages. This paper was delayed between five and six months, from August 13, 1946 to February 6, 1947, while the U. S. Government was reformulating its position on the question of setting a specific figure for Japanese textile consumption.

(4) Reduction of Japanese Industrial War Potential. This paper was held in the Steering Committee for four weeks, from April 8 to May 6, 1947, pending receipt of a U. S. amendment.

(5) Final Reparations Levels (Reparations Removals of Industrial facilities and merchant shipping from Japan.) The U. S. Government needed eight months to prepare a U. S. paper on this subject. On August 13, 1946, Committee No. 2 tabled a pending paper at the request of the U. S. member in order to await a U. S. proposal on final reparations levels. This U. S. proposal was not presented until April 9, 1947.

(6) Interim Import-Export Policies for Japan. Of the nine months required for the approval of this paper, six were due to the lack of a U. S. position on the disposition of stocks of gold.

7. Long delays have occasionally taken place in Japan in executing directives which have been sent to SCAP as matters of urgency. The only important U. S. Interim Directive under the Commission's Terms of Reference, on Advance Transfers of Japanese Reparations, was issued on April 4, 1947. It provided for immediate delivery of advance reparations to the states named in the directive. After four months no article has been delivered as reparations. The FEC policy decision on Assured Production Capacity Levels for Japan was passed on February 20, 1947. Although its adoption by the FEC was pressed as a matter of urgent importance, it has not yet been put into effect.

8. These instances of delay are cited in no spirit of criticism of my own Government. I am calling them to your attention to show that if the U. S., with its stores of information, its personnel in all important positions, and its earnest desire for speed in completing the occupation of Japan, needs, sometimes, months for the formulation, revision and execution of its policies in regard to Japan, the Far Eastern Commission, composed of eleven states, obviously needs much time too.

-4-

9. In conclusion, I recognize that a situation may arise in which it may be advisable for the U. S. Government to issue an interim directive to SCAP as a matter of genuine urgency and as a last resort after protracted discussion in the Far Eastern Commission has made it apparent that no prospect exists of an agreement on a policy decision. However, I cannot agree with the recommendation of the War Member of SWNCC that the U. S. Government should issue interim directives as a normal procedure in economic matters and that it should give the Far Eastern Commission a specified and limited number of days in which to approve U. S. policy proposals under the threat of the issuance of a U. S. directive if the dead line is passed. The recommendation, if carried out, would antagonize the other states on the Far Eastern Commission; it would violate the spirit and probably the letter of the Terms of Reference of the Commission, to which the U. S. is a party; and above all it would be inconsistent with a basic policy of the United States and my own instructions: to support the principle of International Cooperation.

Sincerely yours,

Frank R. McCoy
U. S. Representative
Far Eastern Commission

DEPARTMENT OF STATE

Memorandum of Conversation
OFFICE OF FAR EASTERN AFFAIRS

Office of
FAR EASTERN AFFAIRS
OCT 7 1947
DIRECTOR
Department of State

DATE: October 6,
1947.

JCR

SUBJECT: Press Leak in Regard to the Withdrawal
Remaining British Forces in Japan

DIVISION OF
NORTH EAST ASIAN AFFAIRS

OCT 10 1947

JWS

DEPARTMENT OF STATE

PARTICIPANTS: Mr. H. A. Graves,
Counselor, British Embassy,
and
Mr. J. K. Penfield,
Deputy Director, FE.

COPIES TO: A-S
NA
POLAD, Tokyo

Transmitted to Field (Form DS-4)
To: Acting US Political
Adviser for Japan

For:
Div: By: FE:JKP Date: 10-7-47

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During the course of a call this afternoon Mr. Graves stated that he was instructed to explain the unfortunate press leak in regard to the withdrawal of the remaining British forces in Japan. He said that the British have been consulting with the Australians regarding their desire to withdraw the remaining British troops from Japan and that they intended, as soon as agreement with the Australians was achieved, to approach SCAP and the US Government in accordance with established procedures. The news apparently got into the press as a result of an entirely improper and unauthorized statement by the Australian War Minister. Mr. Graves expressed his regrets for this occurrence and stated that the necessary approaches in Tokyo and Washington would be expedited.

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OCT 13 1947

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In reply refer to
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Signed & Received
SIGNED & RECEIVED
IN SWNCC
10/13/47

RESTRICTED

MEMORANDUM FOR THE SECRETARY, SANACC

SUBJECT: Declassification of SWNCC 52/7,
"Basic Directive for Post-Surrender
Military Government in Japan Proper",
1 November 1945.

nc
The Australian Government has requested through its Embassy here that the subject document, now classified "Restricted", be declassified so as to permit unrestricted distribution of a printed booklet, "Japanese Peace Settlement Documents", which has been prepared by the Australian Government as background material for the peace conference and which includes this document. The Department of State perceives no reason why SWNCC 52/7 should be retained in a restricted status and accordingly recommends for the concurrence of the Army, Navy and Air Force Department Members that it be declassified.

Charles E. Saltzman
State Department Member
State-Army-Navy-Air Force Coordinating Committee

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STANDARD FORM NO. 64

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Office Memorandum • UNITED STATES GOVERNMENT

TO : A-S - Mr. Conger

DATE: October 6, 1947

FROM : NA - Mr. Fearey *RA*

SUBJECT: Declassification of SWNCC 52/7.

You may remember our efforts of some weeks ago to accomplish the declassification of SWNCC 52/7 (attached) to meet a request from the Australian Embassy. Unfortunately there was a misunderstanding somewhere and the request was pictured to SCAP as having come from the FEC. He replied, War states, that he has no objection to declassification "if the FEC strongly wants it declassified". We considered asking his opinion again on the basis of the true facts, that Australia alone has made the request, but members of the SANACC Secretariat believe the Army, Navy and Air Force will approve declassification without further ado. There is the further fact that SCAP seems to have told the Australian Mission in Tokyo (see attached letter from the Embassy) that he has no objection to declassification.

It is hoped that you will expedite approval of the attached draft memorandum as the Embassy is anxious to inform Canberra.

ASSISTANT SECRETARY
A-S
OCT 7 1947
MR. SALTZMAN
DEPARTMENT OF STATE

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Form 7-2-46

DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE

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INCOMING TELEGRAM

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Office of FAR EASTERN AFFAIRS
 OCT 7 1947
 DIRECTOR
 Department of State

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Rec'd October 6, 1947 3:40 p.m.

DIVISION OF NORTHEAST ASIAN AFFAIRS

OCT 7 - 1947

DEPARTMENT OF STATE

FROM: London
 TO: Secretary of State
 NO: 5372, October 6, 6 p.m.

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One. Various reports having appeared in week-end press regarding reported UK intention withdraw forces from Japan, we sought elucidation from Foreign Office today.

Two. We were told UK Government with concurrence UK military authorities had, in view manpower shortage and critical financial situation, reached decision withdraw UK contingent from Japan at earliest practicable moment.

Three. In pursuance this decision UK had notified Australia with view obtaining Australian and New Zealand concurrence, following which Australia was to effect necessary arrangements with General MacArthur. Unfortunately and contrary to UK wish, Australians had leaked UK proposal to press. Upon hearing of this development, Foreign Office had sent urgent instruction to Gascoigne in Tokyo to clarify situation to MacArthur. Foreign Office was relieved to learn MacArthur had received explanation in good spirit.

Four. Foreign Office says unless MacArthur interposes objection UK Government hopes to withdraw UK contingent within next four months. Foreign Office also says New Zealand may either reduce or wholly withdraw forces within next few months. Foreign Office says Australian position not entirely clear, but it thinks Australia will retain forces in Japan largely for "representation" purposes.

Five. Foreign Office explains after UK proposal cleared with

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SECRET

-2- #5372, October 6, 6 p.m., from London

cleared with Australia, New Zealand and other Commonwealth Governments details re UK withdrawal will be taken up formally with MacArthur.

Six. Foreign Office tells us while UK Government regrets necessity for withdrawal UK forces, UK Government feels this action will not substantially affect occupation program.

GALLMAN

DM:WR

SECRET

UNITED STATES POLITICAL ADVISER
FOR JAPAN

OFFICE OF
NORTH EAST ASIAN AFFAIRS

Tokyo, October 8, 1947

DEPARTMENT OF STATE

RESTRICTED

No. 1321

SUBJECT: Forty-second Meeting of the Allied Council for Japan,
October 1, 1947.

RECEIVED
DEPARTMENT OF STATE

The Honorable
The Secretary of State,
Washington.

I have the honor to refer to my despatch No. 1297, September 29, 1947, and previous correspondence in regard to the meetings of the Allied Council for Japan and to forward herewith five copies of the Agenda and Corrected Verbatim Minutes of the Forty-second Meeting of the Council held on October 1, 1947.

The only official matter on the Agenda was a "Report by the Chairman on Japan's Industrial Production" proposed by the Supreme Commander for the Allied Powers. The text of the report was forwarded to the Department with this Mission's despatch No. 1307 September 29, 1947. In the report (page 1 et seq. of the Corrected Verbatim Minutes), the success achieved by the Supreme Commander in meeting the difficult economic problems with which he has been faced since the beginning of the Occupation was stressed, and certain problems not yet completely solved and which are affected by external factors were enumerated. Among the problems mentioned are: the low coal production which affects the progress of recovery in all parts of the economy and the shortage of raw materials which has delayed recovery in textile and other industries. Although an improved flow of essential raw materials is expected, the critical world shortage of such materials does not permit imports sufficient to meet minimum essential needs.

The Chinese Member, expressing his interest in a regulated economic recovery for Japan, stated that the supply of raw materials from China could be increased by Japanese assistance in rehabilitating China's damaged industries.

In response to a question from the Acting Soviet Member concerning labor efficiency I submitted that, if labor efficiency is low, it might be explained by such factors as difficult living conditions and lack of food.

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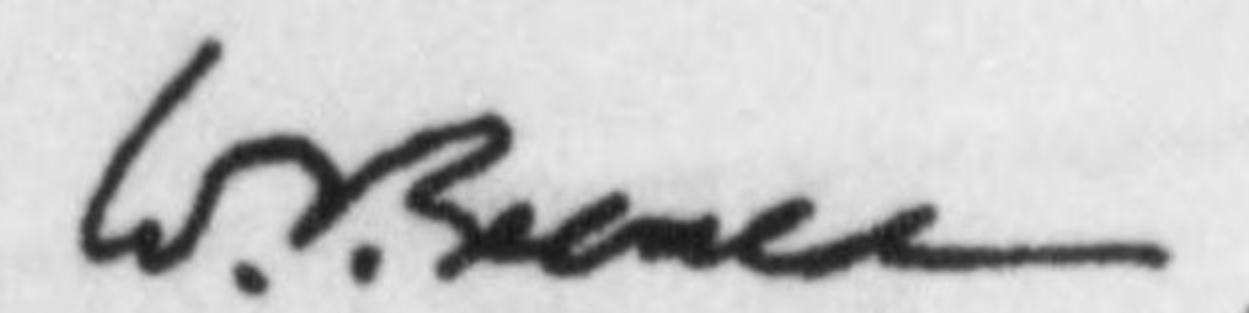
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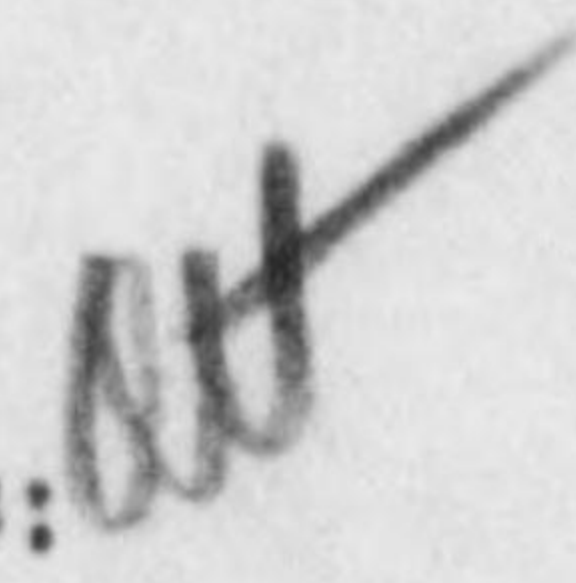
Tokyo's No. 1321,
October 8, 1947.

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The United Kingdom Member thought that security control which would become necessary as economic recovery progressed might be maintained by a few simple import controls. He re-emphasized the point made in the report that a relatively small increase in coal production would result in a correspondingly greater increase in general industrial production and mentioned his belief in government control as a means of increasing coal production. He implied that successful conclusion of negotiations concerning payment for Japanese trade with sterling-bloc countries would make possible an increased supply of raw materials for the textile industries and concluded by emphasizing Japan's responsibility for vigorous domestic economic controls.

Respectfully yours,


W. J. Sebald

Enclosures: 

1. Agenda, 42nd Meeting of the Allied Council, October 1, 1947 (5 copies)
2. Corrected verbatim minutes, 42nd Meeting of the Allied Council, (5 copies)

Original and ozalid to Department

Copies to: American Embassy, London
American Embassy, Nanking
American Embassy, Moscow
American Embassy, Canberra
American Embassy, New Delhi
American Legation, Wellington

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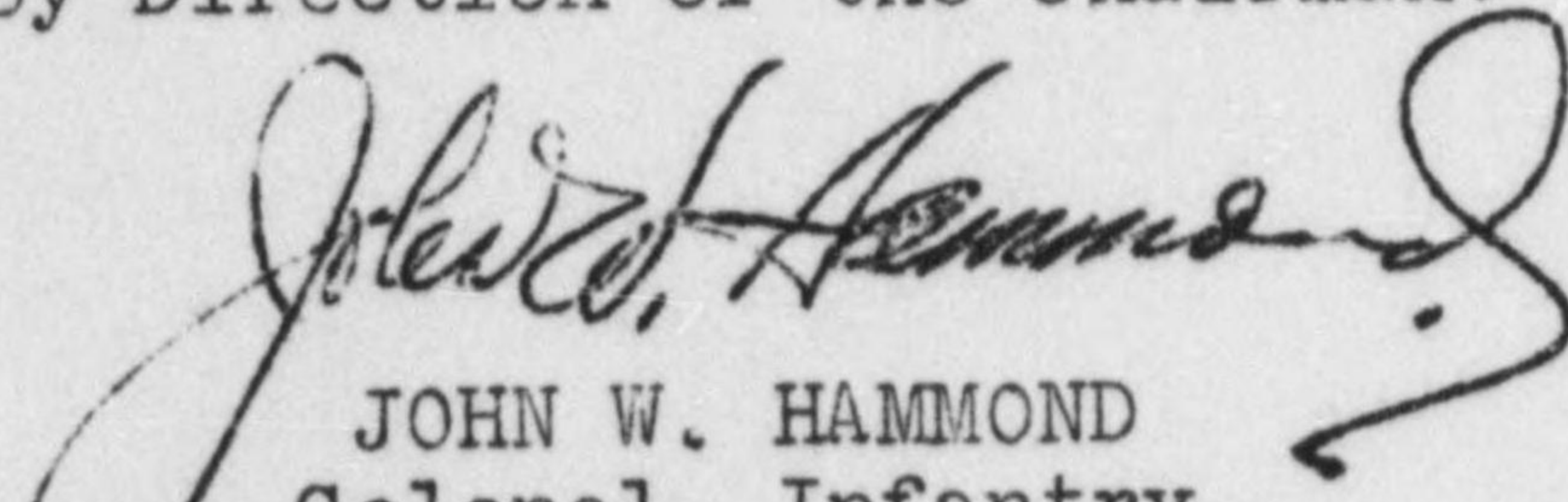
42-1001

AGENDA
for the
FORTY-SECOND MEETING
ALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo,
Wednesday, 1 October 1947, at 1000 Hours

- I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE
FORTY-FIRST MEETING (1 Session, Numbered 41-917).
- II PROCEDURAL MATTERS
- None held over or submitted as subjects for this Agenda.
- III OFFICIAL MATTERS
1. Report by the Chairman on Japanese Industrial
Production. (Inclosure #1).

By Direction of the Chairman:


JOHN W. HAMMOND
Colonel, Infantry
Acting Secretary-General

1 Incl. - Agenda Item 42-1001-1

26 September 1947

ALLIED COUNCIL FOR JAPAN
Proposed Discussion Agenda

- I AGENDA ITEM NO. 42-1001-1
- II PROPOSED BY: THE SUPREME COMMANDER FOR THE ALLIED POWERS.
- III SUBJECT PROPOSED FOR DISCUSSION: Report by the Chairman on Japanese Industrial Production.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 1 October 1947.

Inclosure #1

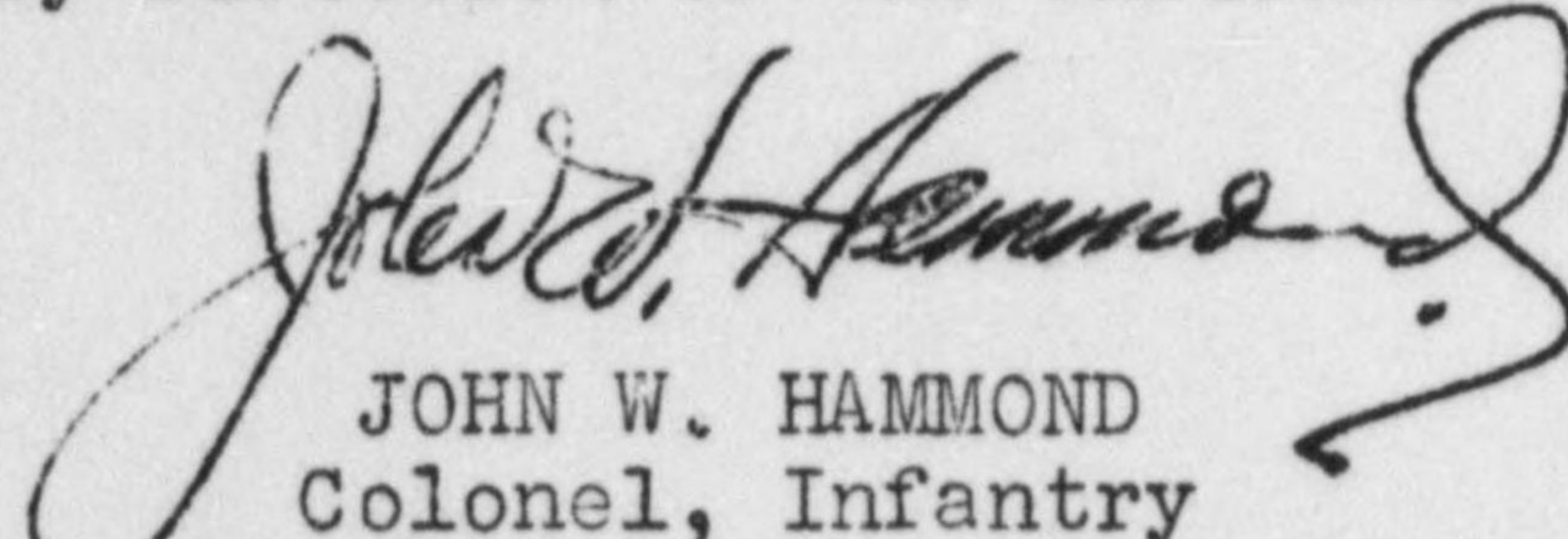
42-1001

AGENDA
for the
FORTY-SECOND MEETING
ALLIED COUNCIL FOR JAPAN

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- None held over or submitted as subjects for this Agenda.
- III OFFICIAL MATTERS
1. Report by the Chairman on Japanese Industrial
Production. (Inclosure #1).

By Direction of the Chairman:


JOHN W. HAMMOND
Colonel, Infantry
Acting Secretary-General

1 Incl. - Agenda Item 42-1001-1

26 September 1947

ALLIED COUNCIL FOR JAPAN
Proposed Discussion Agenda

- I AGENDA ITEM NO. 42-1001-1
- II PROPOSED BY: THE SUPREME COMMANDER FOR THE ALLIED POWERS.
- III SUBJECT PROPOSED FOR DISCUSSION: Report by the Chairman on Japanese Industrial Production.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 1 October 1947.

Inclosure #1

42-1001

CORRECTED
VERBATIM MINUTES
of the
FORTY-SECOND MEETING
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 1 October 1947, at 1000 Hours

MEMBERS PRESENT

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

His Excellency, General Shang Chen, Member for China

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

Major General A. P. Kislenko, representing the Member for the
Union of Soviet Socialist Republics

ACTING
SECRETARY-GENERAL

Colonel John W. Hammond

Office of the Secretariat
Allied Council for Japan
2 October 1947

42-1001

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Office of the Secretariat
Allied Council for Japan
2 October 1947

THE CHAIRMAN: The meeting will please come to order.

The Corrected Verbatim Minutes of the Forty-first Meeting have been circulated. In the absence of objection (Pause) they will stand as approved.

Under official matters, we have a "Report by the Chairman on Japan's Industrial Production," proposed by the SUPREME COMMANDER FOR THE ALLIED POWERS.

One of SCAP's major objectives in Japan has been the realization of a sound and self-supporting economy in a reformed and democratized institutional framework. Of the infinitely varied and enormously complicated problems confronting the Occupation, the task of securing the rehabilitation of the Japanese industrial machine along peaceable lines has clearly been among the most difficult of attainment.

In appraising Japan's present position, it is of interest to recall that the remarkable expansion and alteration of the character of the Japanese industrial machine was the outcome of plans formulated and executed beginning in the early 1930's. With the invasion of Manchuria, Japan shifted her emphasis from the production of textiles and other light manufactures for export to the development of heavy machinery industries, including machine tools and the creation of a complete chemicals industry. The program was continued throughout the '30s and, for Japan's purposes, was successful. The machine tool industry, capable of turning out more than 60,000 units a year, and the heavy machinery industry, which produced the largest industrial units needed in her Empire, plus a chemicals industry, which in some phases included production of synthetic nitrates, were all developed during that period and were exceeded only by the industries of the United States and Germany. While Japan's peak industrial production level was achieved in 1941, her war production capacity

reached a plateau probably in 1943, after which all efforts were turned to the fabrication of end items. In 1944, her production reached such impressive totals as more than 1,500,000 gross tons of shipping and 25,000 aircraft.

Initially, the Occupation was confronted with an industrial establishment virtually at a standstill. The effect of the Allied blockade of Japan by sea and by air had throttled all supply lines from Asia and the island portions of her former Empire, while bombing raids had destroyed perhaps 30 per cent of her over-all plant capacity and had greatly disorganized all industrial effort through the burning of cities and disruption to essential services. With surrender and entrance of the occupying armies, industrial chaos became even more pronounced. The Munitions Ministry, somewhat comparable to the American War Production Board, has been dissolved with no governmental organization of adequate scope to replace it in directing industrial production. At the time of surrender, most war industries were shut down and workers discharged and paid off with large yen allowances. Much of the industrial labor force had already fled the urban areas, while shipping and other services had come almost to a complete stop. The textile and chemical industries were found almost at a standstill. Less than 30 per cent of the machinery and metal-working plants were in operation. Steel production fell likewise, and reached an all-time low of less than 5,000 tons of rolled products in October 1945.

Attendant upon the release of several hundred thousand Korean and Chinese impressed mine workers, who rioted throughout mining communities while awaiting repatriation, the coal mining industry had degenerated into chaos. SCAP, in this situation, in September 1945, issued Directive Number 3, calling upon the Japanese to maximize production of consumers' goods and other

essentials, and specified a list of some ten war industries in which production was prohibited. This was followed later by the designation of a large number of industrial plants for eventual reparations removals.

Since that time, the inability to import even the greatly reduced peacetime material requirements of such commodities as high-grade iron ore, high-grade coking coal, wood pulp, wool, soy beans, industrial salt, minerals, hides and skins, and tanning materials has obliged Japan to subsist on meager stockpiles and her own inadequate resources. Failure of the resumption of a flow of raw materials sufficient at least to meet Japan's minimum requirements has imposed an insuperable obstacle in the way of an emergence of a self-supporting economy and, further, has deprived Japan's neighbors of urgently required manufactured products--for Japan still represents the chief prospective source of fabricated products for the Asiatic area. Further factors complicating Japan's industrial recovery have been the critical shortages of food and consumers' goods and the inflationary price spiral.

Very substantial recovery has taken place. The index of industrial production has risen from a low point in the fall of 1945 to present levels of approximately 45 calculated upon a base period of the average for the years 1930-1934. This base period is used since it represents the Far Eastern Commission's appraisal as to what constitutes normal peacetime requirements. However, this five-year average in every case underestimates current peacetime requirements because of the 20 per cent population increase. The wartime peak production index was approximately twice the 1930-1934 average.

The major production handicap throughout the Occupation has been the coal shortage. By the war's end, Japanese mines were in an extremely debilitated condition requiring extensive repairs

and replacements as a result of destructive wartime stripping and grossly inadequate maintenance for many years. Machinery and tool shortages were, and are, a serious obstacle to recovery. Replacement of the large numbers of repatriated Korean and Chinese laborers who had been impressed into service in pits constituted a major initial problem. Although 130,000 Japanese were recruited as replacements by spring of 1946, through intensive SCAP and Japanese Government efforts, labor turnover has been high and miners relatively unskilled. The decrease in working hours from ten and twelve-hour shifts to eight hours resulted in a much greater loss in working time at the coal face. Output per worker has fallen from 17 tons per month for the period 1935-1938 to a present level of about 5.5 tons. Working conditions are the most hazardous of any major coal producing country in the world, creating serious difficulties in maintaining a stable labor force.

32% production

Coal output in November 1945 was only 500,000 tons, only one tenth of peak wartime production, or less than the requirements merely to run the railways for one month. In March 1947, SCAP embarked on a program of restoring the mines mechanically by greatly increasing deliveries of machinery and equipment. Output has now risen to the point where it has been averaging 2,200,000 tons in recent months. Minimum requirements for a balanced peacetime economy are well over 3,000,000 tons monthly. Present production is largely consumed by transportation, thermal electric power, gas and coke requirements and at the mines; industrial users have been obliged to sustain the bulk of the disparity from normal requirements. In part, the inadequate deliveries to industrial consumers results from the necessary use of domestic coal to replace unobtainable imports of high-grade coal normally consumed by the iron and steel and chemical industries. Under these conditions, it has been impossible to stockpile adequate reserves

for the critical winter months. It is also obvious that any appreciable rise in coal available for industrial consumption would have immediate salutary effects.

Recovery in iron and steel production has been critically handicapped by the coal shortage. Steel production has recovered from practically zero at the outset of the Occupation to a level of some 90,000 tons of ingot per month, or approximately one third of minimum requirements. Steel output per unit of coal used is substantially below normal because of the low quality of iron ore and coal; this has been further aggravated by the low level of operation and consequent inefficient use of fuel.

Production of chemicals has been confronted with the same short supplies as other basic industry, principally the lack of coal, salt, iron pyrites and, seasonally, electric power. Production of soda ash and caustic soda, basic to rayon and many other industries, remains so low as to constitute a major handicap to recovery. Fertilizer production has been maximized by SCAP action through concentration of production in and channeling of available materials to a small number of designated efficient plants. As a result, synthetic nitrogen fertilizer production has been quadrupled since early 1946. It is now running at more than 80 per cent of former peak production but, due to the loss of imports from Korea, present output meets only some 50 per cent of Japan's calculated requirements.

Shortage of fats and oils is particularly acute in Japan in view of her dependence on soy beans as a source and in view of the fact that soy bean imports have been abysmally low, averaging less than 200 tons a month in 1946 compared to more than 75,000 tons a month in the prewar period. As a result, the soap, paint, fatty acid, and similar industries are seriously prejudiced.

The textile industry is the very heart of the Japanese economy.

Japan in prewar years led the world in volume of raw silk production and manufactured cotton and rayon exports. Failure of these industries thus far to make a more substantial recovery has depressed the entire Japanese economy. Raw silk output, while more than doubling since early 1946, is currently operating at only one sixth of the 1930 level. The silk industry virtually disappeared during the war by reason of the inaccessibility of Japan's markets, and reeling establishments came to a virtual standstill. Most important however, this industry, which during its peak was able to sell annually over \$300,000,000 worth of raw silk to the United States, is in effect a casualty to technological change, namely, the development and widespread use of synthetics.

Shortages of raw wool have frustrated recovery in the woolen industry. Production in 1946 and 1947 has been undertaken on the basis of inventory stocks. However, substantial capacity is available and resumption of raw wool imports will permit a quick rise in productive activity.

Rayon yarn and fabric output, one of Japan's best prewar sources of foreign exchange, has been seriously handicapped because of deficiencies of caustic soda, rayon pulp, and coal.

The recovery in cotton textiles has been impressive even though levels are still depressed. Imports of cotton from the United States began in June 1946 and the industry now has some 2,200,000 spindles in operation of almost 3,000,000 on hand. This latter figure compares with a prewar high of 13,000,000 spindles available. Further anticipated cotton imports resulting from the removal of various financing obstacles should accelerate activity, although the large number of spindles scrapped during the war will impose a very low production ceiling. In order to alleviate Japan's need for dollar markets in a dollar-short world, substantial imports of non-American cotton have been arranged by recent agreements.

The production of machinery and mechanical equipment has been limited by scarce supply of fuel, power, and minerals. While Japan needs machinery and mechanical items of every type, production has been concentrated in accordance with priority programs for the rehabilitation of coal mines and fertilizer production. Generally, the machinery production index is about the same as that for industry as a whole. However, since machinery constitutes one of Japan's main hopes for replacement of probably reduced exports in textiles and raw silk, the production of machinery will necessarily have to be increased relatively more than most other categories.

Generation of electric energy by public utilities since the Occupation has been above the 1930-1934 annual average.

SOVIET INTERPRETER: Would you mind repeating the sentence, sir:

(The last sentence was repeated by THE CHAIRMAN.)

THE CHAIRMAN (Continuing): Since the cessation of hostilities, however, there has been an enormous increase in residential consumption, in part a consequence of the shortage of charcoal. During the first five months of 1947, thermal power plants produced an average of 107,000,000 kilowatt hours per month to supplement the monthly average of 2,428,000 kilowatt hours generated by hydro plants. Thermal-generated energy was only 4 per cent of total electric energy. Coal deliveries to the thermal power plants in the same period are reported to have been 720,000 tons (by contrast, coal deliveries to the iron and steel industry, the largest industrial consumer of coal, in this period were 790,000 tons). Consumption of electric energy by the primary metals, machinery and tools, and chemical industries has been disproportionate to the output of products.

The CHAIRMAN, in the last session of the Council, reported

on the reopening of private foreign trade in Japan. Details were submitted at that time concerning the efforts by the SUPREME COMMANDER to rejuvenate foreign trade as the indispensable prerequisite to the creation of a stable and self-supporting economy. It is anticipated that considerable progress towards securing a more adequate flow of essential industrial raw materials will be achieved during the coming year. However, continuing world shortages of those raw materials and the political and economic disruption prevailing in Asiatic sources of supply to Japan will not, for some time, permit the volume of imports required to meet minimum essential needs.

In conclusion, while it is obvious that industrial recovery in Japan, in the face of desperate shortages of materials, has been truly impressive, the desired recovery can be brought to fruition only with the re-emergence of normal foreign trade conditions as a result of the treaty of peace opening the broad avenues of peaceful trade with all countries.

GENERAL SHANG, would you care to make any comments on this subject?

GENERAL SHANG: MR. CHAIRMAN, your report on the Japanese industrial production is most informative and interesting. I think all of us agree that the subject discussed at today's Council Meeting is of extreme importance. For the present, I would like to avail myself of this opportunity to make a few casual remarks.

Postwar rehabilitation and reconstruction in the Western Pacific Area in general and in China and Japan in particular presents many difficult problems. Their solution can be of benefit to all only when persistent effort and reciprocal arrangements are being made.

As far as postwar economic relations between China and Japan are concerned, it should be regulated in such a way as to avoid

a repetition of the undesirable situation which existed in the past. Taking cognizance of the difficulties of existing conditions in Japan's industry, we are negotiating for the importation of raw materials to this country to boost her production. We hope that the volume of such imports from China will increase in the immediate future.

It is to be noted, however, that ever since the Sino-Japanese hostilities, mines, industrial equipment, transportation, et cetera, throughout China have been severely damaged. Due to a shortage of machinery and equipments, urgently needed rehabilitation has been greatly retarded and production has not reached a level to enable China to supply Japan with sufficient quantity of raw materials to meet her requirements.

It is as much to Japan's advantage if she could find her way to render assistance to China in the industrial field. Mines, factories and transportation in China must be rehabilitated before she can export raw materials vitally needed by Japan.

THE CHAIRMAN: Thank you, GENERAL SHANG, for your very helpful analysis of some of the difficulties confronting Chinese-Japanese trade. I feel sure that the Chinese Government, as well as the Chinese people, are most anxious to establish a mutually beneficial trade between the two countries.

GENERAL KISLENKO, would you like to make any comments?

MAJOR GENERAL KISLENKO: I would like to ask a question, sir. What is the cause of the low productivity of labor which, according to the Japanese press, amounts only to forty per cent in the Japanese industry if compared to the prewar level?

THE CHAIRMAN: You are speaking of industry as a whole?

MAJOR GENERAL KISLENKO: Yes.

THE CHAIRMAN: I have not made a careful analysis of that. I think the subject has been touched upon in previous meetings

of the Council. I would hazard a guess that there are many reasons for such low output, if that is a fact. I would suggest such matters as transportation, difficulties in obtaining food, rations, distribution, living conditions, etc., but I shall be very glad to make or have made a more careful analysis of the reason and submit it to GENERAL KISLENKO as well as the other Members.

MAJOR GENERAL KISLENKO: Thank you, sir. I would like to reserve the right to make comments on the report that has been made by MR. CHAIRMAN today after I have made careful study.

THE CHAIRMAN: Yes. MR. SHAW, would you care to make any comments?

MR. SHAW: MR. CHAIRMAN, I think, in dealing with the general question of the restoration of Japanese economy, we should keep in mind, first of all, the two criteria: firstly, the overriding security aspect; and secondly, the need for constructing a workable economy in Japan again.

In regard to the first point, we are not yet in a situation to have to consider the security aspect because the Japanese economy has not yet been restored to a sufficient stage. But I would like to make the comment now that we feel that a security check on economic development can be made through a few relatively simple import controls and not through a multiplicity of controls. One of the immediate requirements in restoring the economy of Japan is, of course, to relieve the Allied Powers of the need to subsidize and pay for, in effect, the maintenance of Japanese economy.

Another important point, I think, is the necessity to build up a framework within which the new democratic development which we look for in Japan can flourish.

Thirdly, I agree strongly with GENERAL SHANG's point that the re-emergence of a prosperous Japanese economy will have wide

effects not only within Japan herself but particularly in Asia and the people of the Pacific islands as a whole.

I think we were interested to hear the emphasis which you made, MR. CHAIRMAN, in your report on the importance of coal production in Japan, and I think one point may again be emphasized, and it is this: that even a relatively small increase in coal production will lead to an even greater increase in industrial production as a whole because certain basic requirements of coal have always to go to certain basic industries, and a large proportion of a greater production can go to consumer industries and exporting industries. For that reason a small increase in coal production would lead to a greater increase in industrial production than otherwise might have been thought.

Our view has been expressed before, that the question of nationalization of coal mining is one which need not be considered at this stage, but we do consider that government control should be able to lead most effectively to an increased production. This view is based simply on the practical background in which the government already controls the supply of such things as timber and steel wire and machinery equipment which are required not only for the working of present mines but for the opening of new coal seams.

You remarked, MR. CHAIRMAN, on the importance of the textile industry in Japan and the necessity to import raw materials, and I think you acknowledged also that a great amount, perhaps a majority, of such raw materials would, in effect, have to come from sterling or at least non-dollar countries. I mentioned at the last meeting that negotiations were proceeding in Washington and in London to endeavor to come to some agreement concerning the question of payment for trade with sterling bloc countries. I hope that an agreement will shortly be concluded which will

enable that trade to proceed more vigorously, and there is every prospect, I think, that these basic raw materials will, in effect, be able to come from these sterling bloc countries to Japan.

In conclusion, MR. CHAIRMAN, might I make the remark that your report was full of most interesting details concerning the economy of Japan and full of details as to SCAP's assistance to Japan. And might I make the comment that the necessity should not be overlooked of the Japanese Government themselves, by their own efforts, by controlling inflation, putting down the black market, and so forth, also doing their utmost in restoring their own industrial production.

THE CHAIRMAN: Thank you, MR. SHAW, for your interesting, pertinent and constructive comments. I feel sure that everything which you have said at this meeting will be given very careful consideration and will be helpful to the SUPREME COMMANDER in his tasks in Japan.

As there is no further business, the meeting is adjourned.

(The meeting adjourned at 1107 hours.)

42-1001

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ACTING
SECRETARY-GENERAL

Colonel John W. Hammond

Office of the Secretariat
Allied Council for Japan
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Under official matters, we have a "Report by the Chairman on Japan's Industrial Production," proposed by the SUPREME COMMANDER FOR THE ALLIED POWERS.

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In appraising Japan's present position, it is of interest to recall that the remarkable expansion and alteration of the character of the Japanese industrial machine was the outcome of plans formulated and executed beginning in the early 1930's. With the invasion of Manchuria, Japan shifted her emphasis from the production of textiles and other light manufactures for export to the development of heavy machinery industries, including machine tools and the creation of a complete chemicals industry. The program was continued throughout the '30s and, for Japan's purposes, was successful. The machine tool industry, capable of turning out more than 60,000 units a year, and the heavy machinery industry, which produced the largest industrial units needed in her Empire, plus a chemicals industry, which in some phases included production of synthetic nitrates, were all developed during that period and were exceeded only by the industries of the United States and Germany. While Japan's peak industrial production level was achieved in 1941, her war production capacity

reached a plateau probably in 1943, after which all efforts were turned to the fabrication of end items. In 1944, her production reached such impressive totals as more than 1,500,000 gross tons of shipping and 25,000 aircraft.

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Attendant upon the release of several hundred thousand Korean and Chinese impressed mine workers, who rioted throughout mining communities while awaiting repatriation, the coal mining industry had degenerated into chaos. SCAP, in this situation, in September 1945, issued Directive Number 3, calling upon the Japanese to maximize production of consumers' goods and other

essentials, and specified a list of some ten war industries in which production was prohibited. This was followed later by the designation of a large number of industrial plants for eventual reparations removals.

Since that time, the inability to import even the greatly reduced peacetime material requirements of such commodities as high-grade iron ore, high-grade coking coal, wood pulp, wool, soy beans, industrial salt, minerals, hides and skins, and tanning materials has obliged Japan to subsist on meager stockpiles and her own inadequate resources. Failure of the resumption of a flow of raw materials sufficient at least to meet Japan's minimum requirements has imposed an insuperable obstacle in the way of an emergence of a self-supporting economy and, further, has deprived Japan's neighbors of urgently required manufactured products--for Japan still represents the chief prospective source of fabricated products for the Asiatic area. Further factors complicating Japan's industrial recovery have been the critical shortages of food and consumers' goods and the inflationary price spiral.

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for the critical winter months. It is also obvious that any appreciable rise in coal available for industrial consumption would have immediate salutary effects.

Recovery in iron and steel production has been critically handicapped by the coal shortage. Steel production has recovered from practically zero at the outset of the Occupation to a level of some 90,000 tons of ingot per month, or approximately one third of minimum requirements. Steel output per unit of coal used is substantially below normal because of the low quality of iron ore and coal; this has been further aggravated by the low level of operation and consequent inefficient use of fuel.

Production of chemicals has been confronted with the same short supplies as other basic industry, principally the lack of coal, salt, iron pyrites and, seasonally, electric power. Production of soda ash and caustic soda, basic to rayon and many other industries, remains so low as to constitute a major handicap to recovery. Fertilizer production has been maximized by SCAP action through concentration of production in and channeling of available materials to a small number of designated efficient plants. As a result, synthetic nitrogen fertilizer production has been quadrupled since early 1946. It is now running at more than 80 per cent of former peak production but, due to the loss of imports from Korea, present output meets only some 50 per cent of Japan's calculated requirements.

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Shortages of raw wool have frustrated recovery in the woolen industry. Production in 1946 and 1947 has been undertaken on the basis of inventory stocks. However, substantial capacity is available and resumption of raw wool imports will permit a quick rise in productive activity.

Rayon yarn and fabric output, one of Japan's best prewar sources of foreign exchange, has been seriously handicapped because of deficiencies of caustic soda, rayon pulp, and coal.

The recovery in cotton textiles has been impressive even though levels are still depressed. Imports of cotton from the United States began in June 1946 and the industry now has some 2,200,000 spindles in operation of almost 3,000,000 on hand. This latter figure compares with a prewar high of 13,000,000 spindles available. Further anticipated cotton imports resulting from the removal of various financing obstacles should accelerate activity, although the large number of spindles scrapped during the war will impose a very low production ceiling. In order to alleviate Japan's need for dollar markets in a dollar-short world, substantial imports of non-American cotton have been arranged by recent agreements.

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Generation of electric energy by public utilities since the Occupation has been above the 1930-1934 annual average.

SOVIET INTERPRETER: Would you mind repeating the sentence, sir:

(The last sentence was repeated by THE CHAIRMAN.)

THE CHAIRMAN (Continuing): Since the cessation of hostilities, however, there has been an enormous increase in residential consumption, in part a consequence of the shortage of charcoal. During the first five months of 1947, thermal power plants produced an average of 107,000,000 kilowatt hours per month to supplement the monthly average of 2,428,000 kilowatt hours generated by hydro plants. Thermal-generated energy was only 4 per cent of total electric energy. Coal deliveries to the thermal power plants in the same period are reported to have been 720,000 tons (by contrast, coal deliveries to the iron and steel industry, the largest industrial consumer of coal, in this period were 790,000 tons). Consumption of electric energy by the primary metals, machinery and tools, and chemical industries has been disproportionate to the output of products.

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As far as postwar economic relations between China and Japan are concerned, it should be regulated in such a way as to avoid

a repetition of the undesirable situation which existed in the past. Taking cognizance of the difficulties of existing conditions in Japan's industry, we are negotiating for the importation of raw materials to this country to boost her production. We hope that the volume of such imports from China will increase in the immediate future.

It is to be noted, however, that ever since the Sino-Japanese hostilities, mines, industrial equipment, transportation, et cetera throughout China have been severely damaged. Due to a shortage of machinery and equipments, urgently needed rehabilitation has been greatly retarded and production has not reached a level to enable China to supply Japan with sufficient quantity of raw materials to meet her requirements.

It is as much to Japan's advantage if she could find her way to render assistance to China in the industrial field. Mines, factories and transportation in China must be rehabilitated before she can export raw materials vitally needed by Japan.

THE CHAIRMAN: Thank you, GENERAL SHANG, for your very helpful analysis of some of the difficulties confronting Chinese-Japanese trade. I feel sure that the Chinese Government, as well as the Chinese people, are most anxious to establish a mutually beneficial trade between the two countries.

GENERAL KISLENKO, would you like to make any comments?

MAJOR GENERAL KISLENKO: I would like to ask a question, sir. What is the cause of the low productivity of labor which, according to the Japanese press, amounts only to forty per cent in the Japanese industry if compared to the prewar level?

THE CHAIRMAN: You are speaking of industry as a whole?

MAJOR GENERAL KISLENKO: Yes.

THE CHAIRMAN: I have not made a careful analysis of that. I think the subject has been touched upon in previous meetings

of the Council. I would hazard a guess that there are many reasons for such low output, if that is a fact. I would suggest such matters as transportation, difficulties in obtaining food, rations, distribution, living conditions, etc., but I shall be very glad to make or have made a more careful analysis of the reason and submit it to GENERAL KISLENKO as well as the other Members.

MAJOR GENERAL KISLENKO: Thank you, sir. I would like to reserve the right to make comments on the report that has been made by MR. CHAIRMAN today after I have made careful study.

THE CHAIRMAN: Yes. MR. SHAW, would you care to make any comments?

MR. SHAW: MR. CHAIRMAN, I think, in dealing with the general question of the restoration of Japanese economy, we should keep in mind, first of all, the two criteria: firstly, the overriding security aspect; and secondly, the need for constructing a workable economy in Japan again.

In regard to the first point, we are not yet in a situation to have to consider the security aspect because the Japanese economy has not yet been restored to a sufficient stage. But I would like to make the comment now that we feel that a security check on economic development can be made through a few relatively simple import controls and not through a multiplicity of controls. One of the immediate requirements in restoring the economy of Japan is, of course, to relieve the Allied Powers of the need to subsidize and pay for, in effect, the maintenance of Japanese economy.

Another important point, I think, is the necessity to build up a framework within which the new democratic development which we look for in Japan can flourish.

Thirdly, I agree strongly with GENERAL SHANG's point that the re-emergence of a prosperous Japanese economy will have wide

effects not only within Japan herself but particularly in Asia and the people of the Pacific islands as a whole.

I think we were interested to hear the emphasis which you made, MR. CHAIRMAN, in your report on the importance of coal production in Japan, and I think one point may again be emphasized, and it is this: that even a relatively small increase in coal production will lead to an even greater increase in industrial production as a whole because certain basic requirements of coal have always to go to certain basic industries, and a large proportion of a greater production can go to consumer industries and exporting industries. For that reason a small increase in coal production would lead to a greater increase in industrial production than otherwise might have been thought.

Our view has been expressed before, that the question of nationalization of coal mining is one which need not be considered at this stage, but we do consider that government control should be able to lead most effectively to an increased production. This view is based simply on the practical background in which the government already controls the supply of such things as timber and steel wire and machinery equipment which are required not only for the working of present mines but for the opening of new coal seams.

You remarked, MR. CHAIRMAN, on the importance of the textile industry in Japan and the necessity to import raw materials, and I think you acknowledged also that a great amount, perhaps a majority, of such raw materials would, in effect, have to come from sterling or at least non-dollar countries. I mentioned at the last meeting that negotiations were proceeding in Washington and in London to endeavor to come to some agreement concerning the question of payment for trade with sterling bloc countries. I hope that an agreement will shortly be concluded which will

enable that trade to proceed more vigorously, and there is every prospect, I think, that these basic raw materials will, in effect, be able to come from these sterling bloc countries to Japan.

In conclusion, MR. CHAIRMAN, might I make the remark that your report was full of most interesting details concerning the economy of Japan and full of details as to SCAP's assistance to Japan. And might I make the comment that the necessity should not be overlooked of the Japanese Government themselves, by their own efforts, by controlling inflation, putting down the black market, and so forth, also doing their utmost in restoring their own industrial production.

THE CHAIRMAN: Thank you, MR. SHAW, for your interesting, pertinent and constructive comments. I feel sure that everything which you have said at this meeting will be given very careful consideration and will be helpful to the SUPREME COMMANDER in his tasks in Japan.

As there is no further business, the meeting is adjourned.

(The meeting adjourned at 1107 hours.)



UNITED STATES POLITICAL ADVISER FOR JAPAN

Tokyo, October 16, 1947.

RESTRICTED

No. 1340

DIVISION OF NORTHEAST ASIAN AFFAIRS

DEC 17 1947

DEPARTMENT OF STATE

SUBJECT: Forty-third Meeting of the Allied Council for Japan, October 15, 1947.

RECEIVED DEPARTMENT OF STATE

The Honorable The Secretary of State, Washington.

Sir,

I have the honor to refer to my despatch No. 1321 of October 8, 1947 and previous correspondence in regard to the meetings of the Allied Council for Japan and to forward herewith five copies of the Agenda and Corrected Verbatim Minutes of the Forty-third Meeting of the Council held on October 15, 1947.

1/ 2/

The only official matter on the Agenda was a "Report by the Chairman on the Establishment of a Foreign Exchange Rate for Japan", proposed by the Supreme Commander for the Allied Powers. The report was designed to highlight the importance of determining an exchange rate as soon as possible, not only to facilitate the expansion of Japan's foreign trade but also to assist in the rehabilitation and stabilization of her economy. Emphasis was placed upon the difficulties and problems involved in an immediate determination of such a rate, as well as the serious consequences which would follow upon the establishment of a premature and unrealistic rate. It was nevertheless emphasized that the Supreme Commander intends to institute some form of an exchange rate, in connection with necessary auxiliary controls, at the earliest practicable date.

The other Members of the Council were in unanimous agreement as to the importance of determining a rate of exchange in the near future. The Chinese Member expressed the belief that extreme precautions should be taken to prevent an unfavorable effect upon the internal economy of Japan. The Acting Soviet Member emphasized the desirability of a thorough investigation before the establishment of an exchange rate. The British Commonwealth Member, after commenting upon the problems involved, agreed that a rate should be established, as soon as the economy of Japan is sufficiently stabilized, in order that she may reestablish normal commercial relations with the rest of the world. He recommended that the responsibility for proposing

740.00119 CONTROL (JAPAN) / 10-1647

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Tokyo's 1340,
October 16, 1947.

- 2 -

an exchange rate be placed upon the Japanese Government. At his request, and with the concurrence of all the Members, the subject was retained on the Agenda for discussion at the next meeting of the Council.

Respectfully yours,

W. J. Sebald

W. J. Sebald
Acting Political Adviser

Enclosures: *WJ*

1. Agenda, Forty-third Meeting of the Allied Council, October 15, 1947 (five copies).
2. Corrected Verbatim Minutes, Forty-third Meeting of the Allied Council, October 15, 1947 (five copies).

Original and ozalid to the Department.

Copies to: American Embassy, London
American Embassy, Nanking
American Embassy, Moscow
American Embassy, Canberra
American Embassy, New Delhi
American Legation, Wellington

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DESP. 1336 FROM TOKYO

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JUN 1 - 1960

FE

UNITED STATES POLITICAL ADVISER
FOR JAPAN

NOV 6 - 1947

Rec'd
Oct. 27, 1947

Tokyo, October 20, 1947

ACTION
FE-enc. UNCLASSIFIEDINFO No. 1336
OCD-enc.

DCR

EUR

AS-enc SUBJECT: Protection of Houses Occupied by Allied
CIG Personnel.

O-O-O

The Acting Political Adviser has the honor to enclose copy of a letter (in translation) dated September 19, 1947 from the Acting Soviet Member of the Allied Council for Japan complaining that the homes of the members of his staff have been robbed and requesting that the Japanese Government be instructed properly to guard against such depredations. There is also enclosed copy of a reply dated October 8, 1947 from this Headquarters to the Acting Soviet Member.

In addition there are enclosed five copies of a directive (SCAPIN 1796) of October 8, 1947 issued by this Headquarters instructing the Japanese Government to take adequate measures to protect houses assigned to Allied personnel.

Enclosures:

1. Copy of a letter (in translation) September 19, 1947 from the Acting Soviet Member, Allied Council for Japan, to this Headquarters.
2. Copy of a letter October 8, 1947, from this Headquarters to the Acting Soviet Member, Allied Council for Japan.
3. Five copies of SCAPIN 1796, October 8, 1947, subject "Robberies of Houses Occupied by Allied Personnel".

Original and ozalid to Department.

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740.00119 Contact (Japan) / 10-2047

Enclosure No. 1 to Despatch No. 1336 dated October 20, 1947 from the Political Adviser for Japan, Tokyo, on the subject "Protection of Houses Occupied by Allied Personnel".

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG 000.5 (8 Oct 47)PM

AP0 500
8 October 1947

MEMORANDUM FOR: Major General A. Kislenko, Acting Member
Allied Council for Japan from USSR

SUBJECT: Robbery of USSR Houses Reported in Communi-
cation of 19 September 1947

1. Reference is made to letter from the Soviet Member Allied Council for Japan, file 1348, dated 19 September 1947, concerning thefts from the homes of employees of the Soviet Section, Allied Council for Japan.

2. The Provost Marshal, Greater Tokyo Area, takes active measures to assist in the protection of homes of Allied personnel located in Tokyo. A prompt report of robberies made to his office will greatly aid him in solving such incidents. Inquiry of the office of the Provost Marshal has elicited the information that none of the robberies mentioned in your communication were reported. It is suggested that, in the future, personnel of the USSR who are subjected to illegal acts perpetrated by Japanese or other personnel make prompt report to the Provost Marshal, Greater Tokyo Area, Telephone 57-8434 or 26-6084, in order that action may be taken, with your assistance, to apprehend the guilty persons. You should also notify the local Japanese police. However, unless persons who are robbed cooperate by promptly reporting to the proper authorities, there is little hope that the criminals will be apprehended.

3. The Japanese Government has been instructed to take positive measures to protect the houses occupied by Allied personnel from robbery.

4. Your cooperation in this and other police matters is requested.

FOR THE SUPREME COMMANDER:

R.M. LEVY,
Colonel, AGD,
Adjutant General.

Enclosure No. 2 to Despatch No. 1336 dated October 20, 1947 from the Political Adviser for Japan, Tokyo, on the subject "Protection of Houses Occupied by Allied Personnel".

COPY

ALLIED COUNCIL FOR JAPAN
TOKYO
OFFICE OF THE MEMBER
FOR
THE UNION OF SOVIET SOCIALIST REPUBLICS
GENERAL HEADQUARTERS, SUPREME COMMANDER FOR THE ALLIED POWERS
CHIEF OF STAFF, MAJOR GENERAL MUELLER

Dear General:

Recently, cases of plundering of homes occupied by employees of the Soviet Section, Allied Council for Japan have increased. For example:

1. During the night of 2/3 August, a theft occurred from the quarters of Lt. Gen. Derevyanko.
2. On the night of 31 August/1 September, in the home of Captain 1st Rank Panov.
3. On the night of 5/6 September, an attempted theft from the home occupied by Major Gerlenko.
4. On the night of 16/17 September, a theft occurred from the quarters of Major Gerlenko.

Previous cases of theft were noted from the homes of Varshavsky, Razin and others.

These conditions cannot be considered normal.

In connection with the fact that cases of theft are assuming a systematic character, request your instructions to the Japanese Government for the assumption of resolute measures to guard the employees of the Soviet Section, Allied Council from attacks of robbery.

Request information of your decision.

Respectfully yours,

For the Member, Allied Council
for Japan from the USSR.

/s/ N. BEZNOSEKOV
/t/ N. BEZNOSEKOV

No. 1348
19 September 1947
Rec'd 19 Sept 47, 1645 hrs.
Trans 20 Sept 47, 0930 hrs.
Disp ___ hrs ___ Sept 47.

Translated by: Capt. Senko,
G-2, G/L



UNITED STATES POLITICAL ADVISER FOR JAPAN

DIVISION OF NORTH ASIAN AFFAIRS
NOV 17 1947
DEPARTMENT OF STATE

Tokyo, October 27, 1947

RECEIVED DEPARTMENT OF STATE

UNCLASSIFIED
No. 1352
1947 OCT 31
DC/FACILITIES

DIVISION OF PROTECTIVE SERVICES
NOV 17 1947
DEPARTMENT OF STATE

SUBJECT: Transmission of Copy of Letter Addressed by The United States Political Adviser in Japan of Tokyo to the Uruguay Commercial Delegate.

740.00119 CONTROL (JAPAN) / 10-2747

The Counselor of Mission has the honor to transmit herewith to the Department for its information copy of a letter received from the Uruguayan Commercial Delegate in Tokyo and copy of the reply of this office to him.

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ACTION
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Enclosures:

- 1. Letter of the Commercial Delegate to the Mission of October 15, 1947.
- 2. Reply of Mission to the Commercial Delegate of Uruguay of October 24, 1947.

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CS/A (Japan) / 10-2747

Enclosure No. 1 to Despatch No. 1352 dated October 27, 1947 from the Political Adviser for Japan, Tokyo, on the subject "Transmission of Copy of Letter Addressed by The United States Political Adviser in Japan of Tokyo to the Uruguay Commercial Delegate."

COPY

DELEGACION COMERCIAL
DEL URUGUAY
EN JAPON.

Tokyo, October 15, 1947.-

Mr. W. J. Sebald, Chief,
Diplomatic Section,
G.H.Q., S.C.A.P.-

Dear Sir:

The undersigned, Commercial Delegate of the Government of Uruguay to the Supreme Commander of the Allied Powers, would be very much obliged to you if it would be possible for him to have full information about the diplomatic "status" of the foreign missions in this country, and about the possibilities for him to perform customary consular functions, and to represent the Uruguayan interests in Japan.-

Very truly yours,

(s) Carlos Hounie Fleurquin

Carlos Hounie Fleurquin

COPY

Enclosure No. 2 to Despatch No. 1352 dated October 27, 1947 from the Political Adviser for Japan, Tokyo, on the subject "Transmission of Copy of Letter Addressed by The United States Political Adviser in Japan of Tokyo to the Uruguay Commercial Delegate."

COPY

UNITED STATES POLITICAL ADVISER
FOR JAPAN

Tokyo, October 24, 1947

Carlos Hounie Fleurquin, Esquire,
Commercial Delegate of Uruguay,
Tokyo.

Sir:

Reference is made to your letter of October 15, 1947, requesting information as to the status of the foreign missions in Japan and the possibility of the performance by you of customary consular functions and the representation of Uruguayan interests in this country.

Foreign governments at present have no direct diplomatic relations with the Japanese Government. Diplomatic missions of various countries have been established and accredited near the Supreme Commander for the Allied Powers. Such Diplomatic Missions are not authorized to maintain direct relations with the Japanese government or its agencies, and all contacts with that government must be made through the General Headquarters of the Supreme Commander.

No consular offices have been established in Japan but limited consular functions are performed by consular sections of the diplomatic missions in Tokyo and by branches of such missions in other cities. The offices performing such consular functions are likewise prohibited direct official contact with the Japanese government or its agencies.

In your capacity as Commercial Delegate of Uruguay you are not, of course, empowered to perform consular functions. Such functions may only be performed by an accredited consular representative.

In the event that your government desires that you perform diplomatic or consular functions in Japan, it is suggested that the matter be taken up by the Uruguayan Embassy in Washington with the Department of State for reference to the Supreme Commander.

Very truly yours,

(s) W. J. Sebald

W. J. Sebald
Chief, Diplomatic Section

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Tokyo, October 27, 1947

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CIGSUBJECT: Transmission of Copy of Letter Addressed by
The United States Political Adviser in Japan
of Tokyo to the Uruguay Commercial Delegate.

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Enclosures:

1. Letter of the Commercial Delegate to the Mission of October 15, 1947.
2. Reply of Mission to the Commercial Delegate of Uruguay of October 24, 1947.

Original and valid to Department.

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Enclosure No. 1 to Despatch No. 1352 dated October 27, 1947
from the Political Adviser for Japan, Tokyo, on the subject
- "Transmission of Copy of Letter Addressed by The United
States Political Adviser in Japan of Tokyo to the Uruguay
Commercial Delegate."

COPY

DELEGACION COMERCIAL
DEL URUGUAY
EN JAPON.

Tokyo, October 15, 1947.-

Mr. W. J. Sebald, Chief,
Diplomatic Section,
G.H.Q., S.C.A.P.-

Dear Sir:

The undersigned, Commercial Delegate of the
Government of Uruguay to the Supreme Commander of the
Allied Powers, would be very much obliged to you if it
would be possible for him to have full information about
the diplomatic "status" of the foreign missions in this
country, and about the possibilities for him to perform
customary consular functions, and to represent the
Uruguayan interests in Japan.-

Very truly yours,

(s) Carlos Hounie Fleurquin

Carlos Hounie Fleurquin

COPY

Enclosure No. 2 to Despatch No. 1352 dated October 22, 1947 from the Political Adviser for Japan, Tokyo, on the subject "Transmission of Copy of Letter Addressed by The United States Political Adviser in Japan of Tokyo to the Uruguay Commercial Delegate."

COPY

UNITED STATES POLITICAL ADVISER
FOR JAPAN

Tokyo, October 24, 1947

Carlos Hounie Fleurquin, Esquire,
Commercial Delegate of Uruguay,
Tokyo.

Sir:

Reference is made to your letter of October 15, 1947, requesting information as to the status of the foreign missions in Japan and the possibility of the performance by you of customary consular functions and the representation of Uruguayan interests in this country.

Foreign governments at present have no direct diplomatic relations with the Japanese Government. Diplomatic missions of various countries have been established and accredited near the Supreme Commander for the Allied Powers. Such Diplomatic Missions are not authorized to maintain direct relations with the Japanese government or its agencies, and all contacts with that government must be made through the General Headquarters of the Supreme Commander.

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In the event that your government desires that you perform diplomatic or consular functions in Japan, it is suggested that the matter be taken up by the Uruguayan Embassy in Washington with the Department of State for reference to the Supreme Commander.

Very truly yours,

(s) W. J. Sebald

W. J. Sebald
Chief, Diplomatic Section

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A-S - Mr. Saltzman

October 29, 1947

A-S - W. A. Rudlin

Chief Aims of the Occupation of Japan as Contained in Basic Policy Directives.

The chief aims of the occupation are:

1. Limitation of Japanese sovereignty to the home islands.
2. Demilitarization and disarmament, military and economic.
3. Elimination of authority and influence of those responsible for Japanese militarism and aggression.
4. Punishment of War criminals.
5. Revival and strengthening of democratic tendencies and establishment of fundamental civil and human rights.
6. Democratization of Japanese economic institutions including removal of active exponents of militant nationalism and aggression. "In the absence of evidence, satisfactory to you, to the contrary, you will assume that any persons who have held key positions of high responsibility since 1937, in industry, finance, commerce or agriculture have been active exponents of militant nationalism and aggression." (SWNCC 52/7).
7. Destruction of excessive concentrations of economic power and prevention of future creation of new concentrations.
8. Supervise and guide the operation of Japanese economic arrangements..... and make possible the eventual readmission of Japan to the ranks of peaceful trading nations.

These aims are set forth in:

- The Potsdam Proclamation.
- SWNCC 52/7, Basic Directive for Post-Surrender Military Government in Japan proper.
- FEC 014/4, Basic Post-Surrender Policy for Japan.
- SWNCC 150/10, U. S. Initial Post-Defeat Policy relating to Japan.
- SWNCC 302/2, U. S. Policy with respect to excessive concentrations of economic power in Japan.
- FEC 230, Policy on Excessive Concentrations of Economic Power in Japan.

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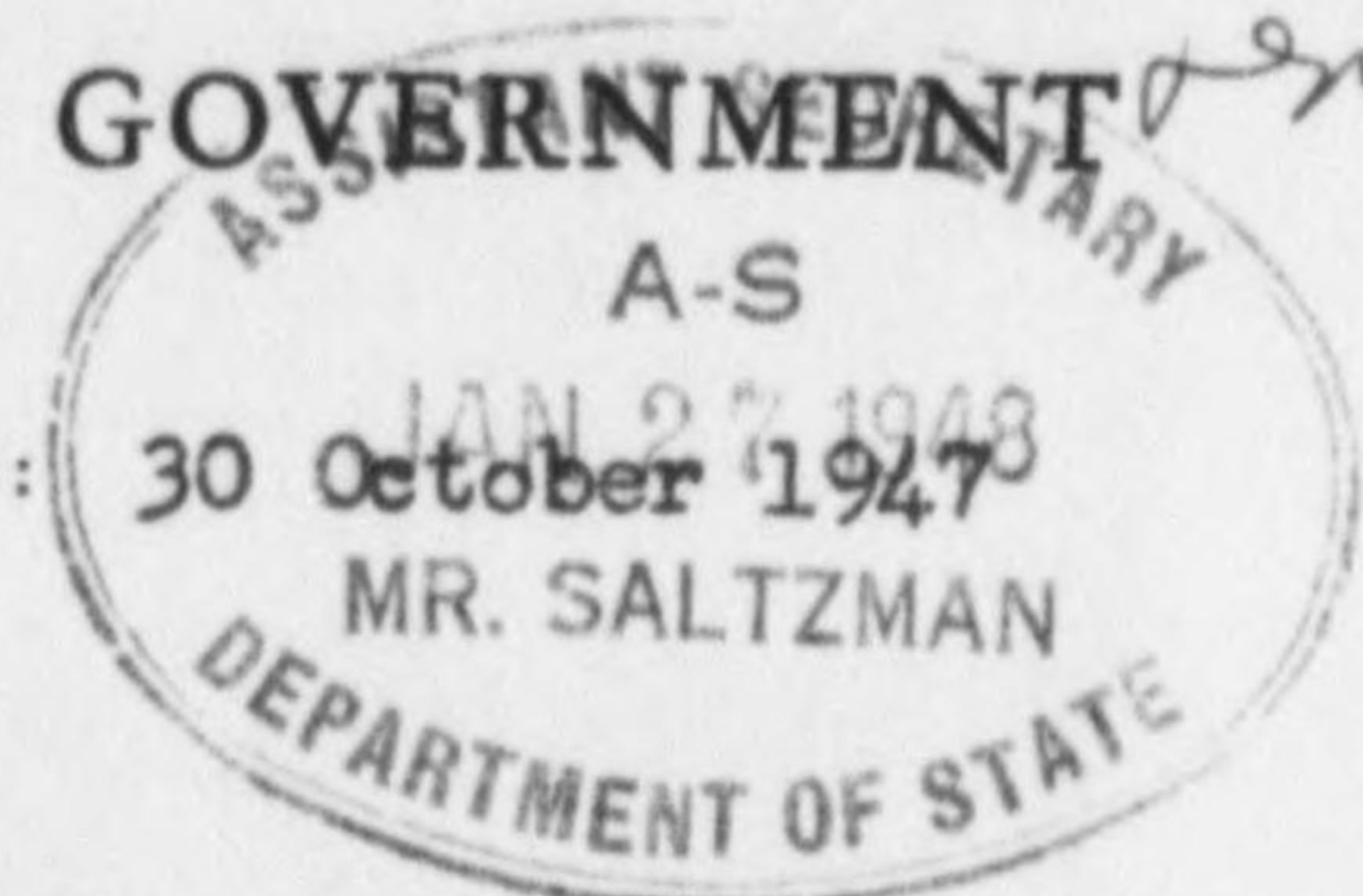
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TO : A-S - Mr. Charles E. Saltzman

DATE: 30 October 1947

FROM : OE - Edwin M. Martin

SUBJECT: Discussions with War Department re US Policy on reparations removals from Japan



In anticipation of further discussions with the War Department concerning U. S. policy towards reparations removals from Japan, I have prepared the following glossary of important terms which I believe may be helpful:

1. Interim Reparations Removals Recommendations are not interim directives, nor do they provide for any advance transfer of reparations. These recommendations are unanimously adopted Far Eastern Commission decisions, approved with the full concurrence of SCAP and the United States Government and issued to SCAP previous to October 1946. They provide for an immediate pool of industrial reparations facilities constituted from that part of Japanese capacity which has been unanimously agreed to be surplus and not requiring detailed investigation and research. These decisions constitute a firm international commitment of the United States Government.

2. Level of Industry Recommendations provided in SWNCC 236/43 do not constitute a permanent straightjacket on the industrial capacity of Japan. This United States proposal which has been formally submitted to the FEC for its agreement provides for an immediate cutback to stated levels with surplus being made available for reparations removals. In most cases no limitation is placed on Japan's ability immediately to build facilities in excess of stated amounts. In a few cases limitations are imposed for the brief period ending October 1, 1949.

Particular industrial levels contained in SWNCC 236/43 above which industrial facilities may be considered as available for reparations removals were determined so as to provide the Japanese people an assured productive capacity adequate to meet their peaceful requirements, including exports. In no case is industrial capacity usable for consumer production made available for reparations removal. It should be noted that available capacity for peaceful use established in this paper is in each case a) well in excess of productive levels, b) adequate to meet anticipated productive level requirements assumed in the most optimistic estimates of our "crank-up" program for Japan concerning the availability of raw materials, foreign markets and credits, and c) in most cases only a small proportion of the productive capacity in excess of the stated levels will actually be removed as reparations.

3. Selection of Plants for reparations removal has been covered in an approved FEC decision, giving SCAP full administrative authority to designate for retention particular facilities. Present U. S. policy in SWNCC 236/43 in every instance permits SCAP to retain in Japan actual capacity capable of producing the required volume of goods. SCAP is thus assured of complete

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A-S - Mr. Saltzman

- 2 -

30 October 1947

administrative authority to take into consideration such variable factors as damage, depreciation, changes in labor productivity, quality of fuel, etc., in assuring to Japan that the capacity designated for retention is real productive capacity.

4. Needs of the Occupation. As an additional safeguard to protect SCAP and the Japanese economy against temporary conditions, the FEC has given SCAP full authority to retain any additional capacity above established levels which is necessary to meet the needs of the occupation.

5. Pool of Reparations Facilities. The pool of industrial facilities available for reparations removals is made up of capacity in excess of that which SCAP designates as necessary for peaceful needs under the terms of SWNCC 236/43. Claims to the pool made in accordance with authorized percentage shares are, however, unlikely to result in the actual removal of more than a fraction of the pool. Unclaimed facilities in the pool, under the terms of FEC 084, an approved decision, will remain in Japan until a later decision as to its retention or destruction after a further review of economic and security considerations. This unclaimed capacity, therefore, will afford an additional safeguard of considerable magnitude against any possible error in the already liberal retention levels. The improbability of removal as reparations of more than a minor percentage of surplus Japanese industrial facilities must be stressed since in many instances misconceptions as to the potential effect of present U. S. policy are based on the erroneous assumption that all capacity above established levels will be removed.

6. Shares of Reparations. The pool of industrial facilities available for reparations can not be distributed except in accordance with an approved FEC decision on reparations shares. On this point the FEC has as yet failed to reach any agreement. In April 1947 the United States Government unilaterally issued an advance transfer directive in an attempt to speed FEC decision. This directive in no way deals with the availability of facilities for reparations removals but simply awards limited percentages to four war-devastated Far Eastern countries. These percentages are to be applied to such facilities as have been declared available in order to provide immediate and urgently-needed relief. A final FEC determination of approved percentage shares will enable all claimant countries to request the allocation of plants as reparations which SCAP designates for removal.

*Encl att
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POLITICAL IMPLICATIONS OF PRESENT REPARATIONS POLICIES

In an attempt to prevent the removal as reparations of industrial facilities owned by them, Japanese industrialists have engaged in a program of spreading production in order to indicate the essentiality of their plants. As a result, many plants are now producing uneconomically at 10 per cent of capacity, whereas a few plants operating at efficient levels could turn out a greater product. As a consequence, Japanese industry is today wasting critically needed fuel, power, maintenance materials and labor, with consequent exacerbation of inflationary tendencies, in an effort to retain industrial facilities far in excess of their requirements. Reduction in the number of operating plants to levels recommended in U. S. policy could assist in the recovery of the Japanese economy and the reduction of U. S. dollar expenditures for the support of Japan.

While surplus facilities above the levels established in SWNCC 236/43 are now a barrier to Japan's economic recovery, these same facilities, insofar as they are usable, would assist in the economic recovery of other Far Eastern nations. Since the U. S. also has economic interest in assisting these countries and political concern in maintaining the stability of their governments, such surplus facilities as are removed as reparations will tend to reduce U. S. dollar requirements and buttress our political relations. Indirectly, the profitable utilization of such surplus facilities may also assist Japan's recovery by providing larger markets for her exports and increased supplies of raw materials as imports from nearby areas, thereby also reducing U. S. dollar requirements.

The U. S. is committed to the early conclusion of an internationally acceptable peace treaty with Japan. The U. S. has also accepted the policy that Japan will pay just reparations. Negotiations in the FEC for more than 18 months indicate conclusively that no peace treaty with Japan will be internationally acceptable unless there is an equitable settlement of the problem of reparations. The levels of industry proposed in SWNCC 236/43 represent the maximum on which U. S. representatives consider any international agreement possible. Any further liberalization of the terms of SWNCC 236/43, while producing no economic benefit to Japan, would make impossible international agreement on a Japanese reparations program and therefore jeopardize the conclusion of an internationally acceptable peace treaty.

Hesitancy of SCAP in implementing the Advanced Transfer Directive (issued unilaterally by the U. S. over six months ago to provide immediate relief to war-devastated Far Eastern nations) has engendered such doubt as to the good faith of U. S. administrators in the minds of other FEC countries as to make immeasurably more difficult the negotiation of final U. S. reparations and other economic policies of supreme concern to the U. S. program for Japan.

OE:RBSmith/gp
10/30/47

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UNITED STATES POLITICAL ADVISER FOR JAPAN

Tokyo, October 31, 1947. DCR

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No. 1363

DIVISION OF NORTHEAST ASIAN AFFAIRS

NOV 17 1947

DEPARTMENT OF STATE

SUBJECT: Forty-fourth Meeting of the Allied Council for Japan, October 29, 1947.

RECEIVED DEPARTMENT OF STATE 1947 NOV 5 11 31 AM

The Honorable The Secretary of State, Washington.

Sir:

I have the honor to refer to this Mission's despatch No. 1340 of October 16, 1947 and previous correspondence in regard to meetings of the Allied Council for Japan and to forward herewith five copies of the Agenda and Corrected Verbatim Minutes of the Forty-fourth Meeting of the Council held on October 29, 1947.

1/ 2/

Under official matters, the subject "Report by the Chairman on the Establishment of a Foreign Exchange Rate for Japan", had been held over from the previous meeting. The British Commonwealth Member, after stating that it was his Government's view that establishment of a uniform rate of exchange is a practicable proposition, recommended the establishment of a variable rate in conjunction with stringent controls in foreign exchange dealing and import licensing. The Chinese Member suggested that a committee be designated by the Council to prepare a report to the Council on the matter, in view of its highly technical nature. At the request of the Acting Soviet Member, the subject was retained on the Agenda for further discussion at the next meeting.

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The second subject on the Agenda was a "Report by the Chairman on the Problem of Repatriation", proposed by the Supreme Commander for the Allied Powers. In my statement (page 3 et seq.), I pointed out the importance of the problem of repatriation and stated that repatriation from all areas except Manchuria and Soviet-controlled areas has been practically completed.

An agreement relating to repatriation between this Headquarters and the Soviet Member, as well as subsequent correspondence based thereon, was described and made part of the record. In view of Soviet charges that the slow rate of repatriation was caused by the American authorities in Japan, I stated that the Supreme Commander was prepared, within forty-eight hours after the receipt of notice, to increase the number of Japanese repatriated from Soviet-controlled areas to 131,500 during the first month, and thereafter to increase the number to 160,000 per month. By such an increase, every Japanese now in Soviet-controlled areas could be repatriated within five months.

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740.00119 CONTROL (JAPAN) / 110-3147

RECEIVED DEPARTMENT OF STATE

NOV 30 1947

In

Tokyo's 1363,
October 31, 1947.

- 2 -

In reply, the Acting Soviet Member, after asserting that the question of repatriation of Japanese from Soviet areas does not lie within the purview of the Council, made the accusation that "definite political considerations" must have dictated the presentation of this subject for discussion. In an obvious effort to provide material for propaganda organs and apparently to divert attention from his Government's responsibility for delay in returning Japanese from Soviet-controlled areas, he alleged that "repatriates get no proper assistance from the Japanese Government and the Occupation authorities with regard to getting employment...", and quoted from press reports concerning the so-called "deplorable state" in which repatriates find themselves.

In rebuttal, I submitted that it was fully within the province of the Council to discuss repatriation problems since they affect the lives of so many Japanese. I pointed out that little cognizance can be taken of a few isolated complaints concerning treatment accorded repatriates, and took the opportunity to imply that only in a comparatively free press could such reports have been printed. In addition, I remarked that the Acting Soviet Member was actually pleading for preferential treatment of repatriates despite the fact that in a previous Council meeting it was the consensus that such treatment should be avoided. As a matter of course, a categorical denial was made that this Headquarters had ever sponsored Japanese meetings to accelerate repatriation.

The Chinese Member, after stating that certain Japanese technicians had volunteered to remain in China, agreed that prompt action should be taken to complete repatriation of all Japanese. The British Commonwealth Member set forth those parts of various governmental agreements from which the authority of the Council is derived for the discussion of repatriation and similar matters and urged acceleration of repatriation from Soviet-controlled areas for humanitarian reasons.

Respectfully yours,

W. J. Sebald
W. J. Sebald
Acting Political Adviser

Enclosures: *WJ*

1. Agenda, Forty-fourth Meeting of Allied Council, October 29, 1947 (five copies).
2. Corrected Verbatim Minutes, Forty-fourth Meeting of Allied Council, October 29, 1947 (five copies). *filed in Bulky*

Original and ozalid to Department
Copies to American Embassy, London
American Embassy, Nanking
American Embassy, Moscow
American Embassy, Canberra
American Embassy, New Delhi
American Legation, Wellington

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UNITED STATES POLITICAL ADVISER
FOR JAPAN

Tokyo, October 31, 1947.
DIVISION OF
NORTHEAST ASIAN AFFAIRS

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ACTION No. 1363
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DEPARTMENT OF STATE

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October 29, 1947.

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The Secretary of State,
Washington.

*1-W 740.00119 Control
(Japan) / 10-31-47*

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FW 740.00119 Control (Japan) / 10-31-47

Tokyo's 1363,
October 31, 1947.

- 2 -

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

Meiji Building, Tokyo, Wednesday, 29 October 1947, at 1000 Hours

MEMBERS PRESENT

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

His Excellency, General Shang Chen, Member for China

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

Major General A. P. Kislenko, representing the Member for the
Union of Soviet Socialist Republics

ACTING
SECRETARY-GENERAL

Colonel John W. Hammond

Office of the Secretariat
Allied Council for Japan
30 October 1947

*Handwritten signature**Sheet 70*

THE CHAIRMAN: The meeting will please come to order.

The Corrected Verbatim Minutes of the Forty-third Meeting have been circulated, and in the absence of objection (Pause) will stand approved.

Under official matters, "Report by the Chairman on the Establishment of a Foreign Exchange Rate for Japan," held over from the Forty-third Meeting--MR. SHAW, do you have any comments or recommendations that you would like to make?

MR. SHAW: MR. CHAIRMAN, I have only a few brief further comments to add to the remarks I made last week on the paper you read about the fixing of the foreign exchange rate. At our last meeting I mentioned briefly the advantages which would accrue to Japan's foreign trade from the establishment of a stable foreign exchange rate for yen. I pointed out that a link between Japanese and world prices was essential for the smooth conduct of the foreign trade, and as a yardstick by which the efficiency of Japan's industry could be measured.

In the meantime we have had an opportunity of studying your interesting paper which dealt with the background to the fixing of an exchange rate, and also with the difficulties standing in the way of an immediate fixing of such a rate.

Notwithstanding the difficulties which you have mentioned as standing in the way of fixing a rate soon, it is our view that the establishment of a uniform rate is perhaps a practicable proposition and should be attempted at an early date. If the fixing of a rate is to be left until budgetary equilibrium and general economic stability is achieved in Japan, it might be postponed needlessly.

I would suggest, then, that we consider the possibility of fixing a rate which could be varied in accordance with changing conditions in Japan. With such flexibility in the rate, coupled

with stringent control over dealings in foreign exchange and import licensing, it might be possible to avoid any aggravation of Japanese instability. In fact, a carefully controlled and adjusted uniform rate might materially assist in the administration of stability in the Japanese economy.

At the moment, I have no more detailed suggestions to put forward, but I submit these remarks as maybe a further contribution to study on this subject.

THE CHAIRMAN: I take it you are not prepared to make further recommendations as to how your suggestion could be carried out?

MR. SHAW: Not at this moment, but we might be prepared to have further discussions about it.

THE CHAIRMAN: Would you like to hold it over a second time, or would you prefer to leave it, in the meantime?

MR. SHAW: I prefer to leave it, in the meantime.

THE CHAIRMAN: GENERAL SHANG, do you care to make any comments or recommendations on this subject?

GENERAL SHANG: MR. CHAIRMAN, I have no further comment to make at this time. As I have stated at the last Council meeting, this subject is highly technical. I am inclined to think that it would be advisable to refer the matter to a committee of experts to be designated by Member nations present for detailed study.

If this idea is acceptable, I would then suggest that each Member nominate an expert to the committee with the American nominee serving as chairman. Upon the completion of its assignment, the committee is to submit a report to the Council for consideration and approval.

THE CHAIRMAN: Anything further, GENERAL?

Careful consideration will be given to your proposal,

AGREEMENT

Reached Concerning Repatriation of Japanese Prisoners of War and Japanese Nationals from Territory of the Union of Soviet Socialist Republics and from Territories under the Control of the U.S.S.R. to Japan, as well as Korean Nationals from Japan to Korea North of the 38° North Latitude.

All sections of this agreement have been concurred in by the Member of the Allied Council for Japan from the Union of Soviet Socialist Republics and the representative of the Supreme Commander for the Allied Powers in Japan, whose signatures appear at the end of this document.

Section I - Persons Subject to Repatriation

1. Following persons are subject to repatriation from Territory of the Union of Soviet Socialist Republics and territories under the control of the Union of Soviet Socialist Republics:

- a. Japanese prisoners of war.
- b. Japanese nationals (repatriation of Japanese nationals from territory of U. S. S. R. is made on voluntary basis).

2. Subject to repatriation from the territory of Japan are Koreans numbering 10,000 persons, who previously resided in Korea north of the 38° north latitude and who were born in the afore-mentioned part of Korea.

Section II - Ports and Rates of Movement

1. The following ports will be used for repatriation of Japanese from the territory of the U.S.S.R. and territories under the control of the U. S. S. R.: Nahodka, Macka, Genzan, Kanko and Dairen (Dalny) Repatriation of Koreans referred to in paragraph 2, Section I, from Japan will be made through the port of Sasebo.

2. The rate of movement of Japanese from the above-mentioned Soviet ports is established as 50,000 persons per month.

3. Repatriation of Koreans from Japan to northern Korea will be made simultaneously, by means of shuttle operations, and after 10,000 Japanese have been repatriated from northern Korea to Japan.

4. Both parties of this agreement respectively reserve the right, to change the ports designated for repatriation and the rates of movement or temporarily suspend the repatriation in case of unforeseen circumstances (climatic conditions, icing, difficulties encountered under winter conditions in transporting repatriates to ports of embarkation, etc.).

Section III - Embarkation Procedure and Transportation

1. Transportation facilities, for repatriation of persons indicated in Section I of this agreement from all ports designated for this purpose, will be provided by the Supreme Commander for the Allied Powers in Japan. No passengers, other than the persons of the above-mentioned categories, will be transported on ships assigned for repatriation.

2. The responsibility for assembling persons, subject to repatriation, in ports as well as the responsibility for their embarkation, rests with the authorities directing the repatriation from that particular port. These authorities are also charged with the responsibility over all the details concerning selection of repatriates to be placed on board each ship, planning of the order of embarkation and supervision of same.

3. When dispatching ships for repatriation of repatriates to the Soviet ports, indicated in paragraph 1, Section II, the Supreme Commander for the Allied Powers in Japan will select ships whose rated capacity will accommodate the number to be lifted as shown in the notification, as mentioned in paragraph 2, Appendix 1, below. Under these conditions ships will be loaded to their full capacity. Ships will arrive in Soviet ports indicated in paragraph 1 of Section II for repatriation of repatriates not later than fourteen days after the notification is submitted by the Soviet representatives to the Supreme Commander for the Allied Powers in Japan.

4. At the Soviet ports and ports which are under the control of the U. S. S. R., Japanese repatriates will be transferred by representatives of the Soviet authorities, according to rosters and acts written in the Russian language, to the masters of ships arriving from Japan for repatriates. Upon arrival of ships bearing Koreans from Japan at Genzan and Kanko (Northern Korea), the repatriates will be transferred by the master of the ships, according to rosters and acts written in the English language, to the Soviet authorities.

5. In the waters of the Soviet Union and in those under the control of the U. S. S. R., ships operating under the control of the Supreme Commander for the Allied Powers and used in repatriation will follow routes and regulations prescribed by the Union of Soviet Socialist Republics, as stated in Appendix I.

6. Regular navigation communications will be maintained in accordance with the regulations, stated in Appendix 2.

Section IV - Supply for Repatriates and Ships Assigned for Repatriation

1. It is the responsibility of the Supreme Commander for the Allied Powers in Japan to see that the following is provided by the Japanese Government:

a. All food supply necessary for the feeding of repatriates from the time of embarkation until their arrival to the port of destination.

b. Medical service and supply for repatriates for the entire length of trip aboard ship.

c. Ship stores, including fuel, etc. as well as fresh water supply for ships sailing for the port of Nahodka, for the entire round trip and the time while ships are docked or harbored at ports of embarkation.

2. All expenses connected with the repatriation of Japanese prisoners of war and Japanese nationals from the territory of the Union of Soviet-Socialist Republics and from territories under control of U.S.S.R., as well as the expenses covering repatriation of Koreans from Japan, will be charged against the account of the Japanese Government.

3. The Soviet party agrees to render in case of emergency (damaged ship), possible assistance and aid to the damaged ship which arrived for repatriates. On such cases, the masters of the ships must sign the bills presented for the rendered assistance, which shall be paid without any delay in United States dollars by the Supreme Commander for the Allied Powers.

Section V - Sanitation and Medical Measures

1. Both parties are bound to fulfill in their respective ports the following requirements for medical processing of all repatriates.

a. Small-pox vaccination to be given to all repatriates.

b. Typhoid vaccine to be given to all repatriates.

c. Cholera vaccine to be given to all repatriates (either in spring or fall).

d. Disinfestation of all repatriates and disinfestation of their baggage.

2. No repatriates with contagious diseases will be allowed to embark.

3. The fulfillment of all the above mentioned measures must be stated in a clause written into the act covering the transfer and acceptance of repatriates which is signed by the representative of the Union of Soviet Socialist Republics and the captain or master of the ship.

4. Ships assigned for repatriation will be cleansed and disinfested in Japan.

Section VI - Possessions of Repatriates

1. Japanese prisoners being repatriated are permitted to take with them such personal belongings, in hand baggage, as are allowed for exportation by customs regulations.

2. Japanese nationals subject to repatriation, will be permitted to bring with them their personal belongings not exceeding 100 kilograms per persons, with the exception of such items as are not allowed for exportation by customs regulations.

3. Japanese prisoners of war and Japanese nationals will be permitted to bring with them their personal papers as well as Japanese yen not exceeding the following amounts per person: 500 yen for officers; 200 yen for soldiers; and 1,000 yen for nationals. All repatriates will be permitted to bring with them their personal postal savings pass books, bank pass books and other personal documents, issued by Japanese financial institutions, which are payable in Japan.

4. Koreans being repatriated from Japan will be permitted to bring with them, unimpeded and duty-free, their personal things and household belongings not exceeding 200 kilograms per person, as well as some light machinery and handicraft equipment belonging to them, in excess of not more than 1,000 kilograms per person.

5. Korean repatriates returning to northern Korea will also be permitted to bring with them the following:

- a. 1,000 yen per person.
- b. Postal savings pass books and bank pass books issued by financial institutions in Japan and Korea.
- c. Insurance policies issued in Japan and Korea.
- d. Checks, drafts and certificates of deposit drawn on and issued by financial institutions in Japan, payable in Japan.

Section VII

This agreement is made or written in the English and the Russian language. In interpreting this agreement, both texts are considered being identical and authentic.

K. N. Derevyanko, Lt. Gen.
Member of the Allied Council
for Japan from the Union of
Soviet Socialist Republics

19 December 1946
Tokyo, Japan

Paul J. Mueller, Maj. Gen. GSC
Representative for the Supreme
Commander for the Allied Powers

19 December 1946
Tokyo, Japan

Appendices.

- Appendix 1 - Procedure Covering Harboring of Ships in Soviet Ports
and in Ports Under Control of U. S. S. R.
- Appendix 2 - Navigation Communications

Appendix 1 - Procedure Covering Harboring of Ships in Soviet Ports and
in Ports under Control of U. S. S. R.

1. Harboring facilities at the ports.

a. Port of Nahodka can harbor ships of any tonnage with draught up to 7 meters. The daily harboring capacity is 1 - 2 ships simultaneously.

b. Port of Maoka can harbor ships with draught up to 6 meters. Daily harbor capacity is 2 - 3 ships simultaneously.

c. Ports of Genzan and Kanko (Northern Korea) can harbor ships up to 10,000 tons. Daily harbor capacity of each of these ports is 2 ships simultaneously.

d. Port of Dairen can harbor ships up to 10,000 tons. Daily harbor capacity is 3 ships simultaneously.

2. The notification that a contingent is ready for repatriation and the ships may be dispatched from Japan for their transportation, will be given to the Supreme Commander for the Allied Powers each time in advance through the Member of the Allied Council for Japan from the U. S. S. R., indicating name of the port from which repatriates are to be repatriated, the number to be repatriated, the approximate time of repatriation, and the exact location of the point (with indication of latitude and longitude) where ships enroute to ports of embarkation will be met by Soviet craft and will proceed further under their escort into the ports.

3. Taking into account the statements in paragraph 2 above, the Supreme Commander for the Allied Powers will notify the Member of the Allied Council for Japan from U. S. S. R. in advance of each ship leaving Japan on a repatriation trip, giving the estimated date of departure, name of the ship, type, estimated time of arrival in the port of destination and the shipmaster's last name.

Appendix 2 - Navigation Communications

1. Navigation messages may be received by means of establishing communications with the following radio stations:

a. Maritime agency of foreign navies in Vladivostok via radio station in Nahodka Bay. This radio station maintains observation of the sea from 0100 to 0500 hours, from 0600 to 1000 hours, from 1100 to 1300 hours and from 1500 to 1700 hours (Moscow time). Call sign is UKI. Frequency 500 KC.

b. Maritime agency at the port of Maoka. Call sign is UFO; frequency 500 KC. Observation of the sea maintained 24 hours per day.

c. (1) Port of Kenko - radio station will maintain observation of the sea 24 hours a day. Call sign - UFG - 2; frequency 500 KC.

(2) Port of Genzan - radio station will maintain observation of the sea 24 hours a day. Call sign - UWU - 2; frequency 500 KC.

d. Port of Dairen - radio station maintains observation of the sea (Moscow time) from 0100 to 0200; from 0230 to 0300; from 0330 to 0500; from 0530 to 0900; from 0930 to 1600; from 1630 to 1900 and from 2000 to 2400. Call sign - UWC; frequency - 500 KC.

2. Russian language will be used in all navigation messages issued by Soviet ports and ports controlled by U. S. S. R.

3. English language will be used in all navigation messages issued from aboard ships, arriving at repatriation ports in Soviet or Soviet-controlled areas.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
24 October 1947

SUBJECT: Status of Repatriation

1. The following tabulations for the periods indicated, show the status of repatriation of Japanese and other nationals:

a. Status of repatriation of Japanese nationals for the period from 17 October through 23 October 1947:

| Area | Original Strength (Approx) | Evacuated This Period | Evacuated To Date | To be Evacuated (Approx) |
|---------------------|----------------------------|-----------------------|-------------------|--------------------------|
| Australian Areas | 138,983 | | 138,644 | 339 |
| China | 1,500,668 | 1,859 | 1,495,159 | 5,509 |
| Dairen | 221,179 | | 218,179 | 3,000 |
| Formosa | 478,300 | | 478,161 | 639 |
| Hawaii | 3,411 | | 3,411 | 0 |
| Hong Kong | 19,197 | | 19,197 | 0 |
| Karafuto & Kuriles | 372,016 | 4,265 | 157,237 | 214,779 |
| Korea | | | | |
| North of 38° | 321,752 | | 320,710* | 1,042 |
| South of 38° | 593,026 | | 593,026 | 0 |
| Manchuria | 1,105,837 | 1,900 | 1,038,358 | 67,479 |
| Nearby Islands | 62,389 | | 62,389 | 0 |
| NEI | 14,841 | | 14,841 | 0 |
| New Zealand | 797 | | 797 | 0 |
| North Indo-China | 31,583 | | 31,583 | 0 |
| Pacific Ocean Areas | 130,915 | 5 | 130,880 | 35 |
| Philippine Islands | 132,958 | | 132,732 | 226 |
| Ryukyus | 67,760 | | 67,760 | 0 |
| Siberia | 700,000 | 4,046 | 154,261 | 545,739 |
| SEA Areas | 710,658 | 5,000 | 707,919 | 2,739 |
| TOTAL | 6,606,770 | 17,075 | 5,765,244 | 841,526 |

*Includes 293,944 repatriated via S. Korea.

Breakdown of Japanese nationals repatriated 17 October through 23 October 1947:

| Area | Army | Navy | Civilian | Total |
|--------------------|-------|------|----------|--------|
| China | | | 1,859 | 1,859 |
| Karafuto & Kuriles | 63 | 0 | 4,202 | 4,265 |
| Manchuria | | | 1,900 | 1,900 |
| POA | | | 5 | 5 |
| Siberia | 3,914 | 30 | 102 | 4,046 |
| SEA | 4,778 | 215 | 7 | 5,000 |
| TOTAL | 8,755 | 245 | 8,075 | 17,075 |

b. Status of Repatriation Between Areas Outside of Japan.

| From | Repatriates | Original Strength | Repatriated 17-23 Oct 47 | Repatriated To Date | To Be Repat'd |
|-------------------------|----------------|-------------------|--------------------------|---------------------|---------------|
| Australian Areas | Formosans | 6,584 | | 6,584 | 0 |
| | Koreans | 3,051 | | 3,051 | 0 |
| China | Koreans | 58,579 | | 58,579 | 0 |
| Dairen-Port Arthur | Chinese | 2 | | 2 | 0 |
| | Koreans | 1 | | 1 | 0 |
| Formosa | Koreans | 3,449 | | 3,449 | 0 |
| | Ryukyans | 17,048 | | 17,048 | 0 |
| Hawaii | Chinese | 11 | | 11 | 0 |
| | Formosans | 25 | | 25 | 0 |
| | Koreans | 2,646 | | 2,646 | 0 |
| | Ryukyans | 2,322 | | 2,322 | 0 |
| Hong Kong | Formosans | 2,800 | | 2,800 | 0 |
| | Koreans | 302 | | 302 | 0 |
| Korea (No. of 38°) | Formosans | 12 | | 12 | 0 |
| | Ryukyans | 42 | | 42 | 0 |
| (So. of 38°) | Chinese | 1,559 | | 1,559 | 0 |
| | Formosans | 91 | | 91 | 0 |
| | Ryukyans | 274 | | 274 | 0 |
| | Koreans | 3,157 | | 3,157 | 0 |
| Manchuria | Formosans | 82 | | 82 | 0 |
| Netherlands East Indies | Koreans | 386 | | 386 | 0 |
| | Natives of POA | 6 | | 6 | 0 |
| | Formosans | 15 | | 15 | 0 |
| North Indo-China | Koreans | 118 | | 118 | 0 |
| | Chinese | 146 | | 146 | 0 |
| Pacific Ocean Areas | Formosans | 578 | | 578 | 0 |
| | Koreans | 14,010 | | 14,010 | 0 |
| | Ryukyans | 26,004 | | 26,004 | 0 |
| | Chinese | 5,993 | | 5,993 | 0 |
| Philippine Islands | Formosans | 11,996 | | 11,996 | 0 |
| | Koreans | 1,406 | | 1,406 | 0 |
| Ryukyu Islands | Formosans | 21 | | 21 | 0 |
| | Koreans | 1,755 | | 1,755 | 0 |
| Southeast Asia Areas | Formosans | 17,980 | | 17,980 | 0 |
| | Koreans | 7,362 | | 7,362 | 0 |
| | Ryukyans | 122 | | 122 | 0 |
| TOTAL | | 189,935 | 0 | 189,935 | 0 |

c. Status of repatriation from Japan:

| Repatriates | Original Strength | Evacuated 17 Oct - 23 Oct | Evacuated To Date | To be Evacuated |
|----------------|----------------------|------------------------------|----------------------|--------------------|
| Chinese | 31,700 | | 31,700 | 0 |
| Formosans | 33,435 | | 33,435 | 0 |
| Koreans | | | | |
| North of 38° | 351 | | 351 | 0 |
| South of 38° | 937,323 | | 937,323 | 0 |
| Natives of POA | 161 | | 161 | 0 |
| Ryukyuan | 169,149 | | 169,149 | 0 |
| TOTAL | 1,172,119 | 0 | 1,172,119 | 0 |

d. Status of Koreans who have attempted illegal entry into Japan for the period 17 October through 23 October 1947:

| Total Number Apprehended | No. returned to S. Korea 17-23 Oct | No. returned to S. Korea to date | No. to be Returned |
|-----------------------------|---------------------------------------|-------------------------------------|-----------------------|
| 20,975 | 0 | 20,863 | 112 |

e. Recapitulation of repatriation from Soviet and Soviet-controlled areas.

| (1) | (2) | (3) | (4) | (5) | (6) |
|---|-------------|-----------------------------------|--------------------------|------------------------------|---|
| No. Shipping spaces requested by U.S.S.R. | Period | Shipping spaces furnished by SCAP | No. Japanese repatriated | % which Col 3 exceeded Col 1 | Comparison Col 4 with 50,000 monthly rate |
| 25,500 | 3-15 Dec 46 | 33,200 | 28,421 | 30% | -- |
| 86,000 | 1-31 Jan 47 | 86,700 | 83,438 | 1% | 33,438 |
| 60,000 | 1-28 Feb 47 | 67,100 | 63,693 | 12% | 13,693 |
| 90,700 | 1-31 Mar 47 | 104,700 | 90,606 | 15% | 40,606 |
| 50,000 | 1-30 Apr 47 | 62,700 | 58,083 | 25% | 8,083 |
| 50,400 | 1-31 May 47 | 51,920 | 51,920 | 3% | 1,920 |
| 52,200 | 1-30 Jun 47 | 53,400 | 49,125 | 2% | - 875 |
| 52,300 | 1-31 Jul 47 | 59,000 | 46,564 | 15% | - 3,436 |
| 30,000 | 1-31 Aug 47 | 35,900 | 30,418 | 20% | - 19,582 |
| 35,000 | 1-30 Sep 47 | 41,400 | 36,181 | 18% | - 13,819 |
| 17,000 | 1-20 Oct 47 | 20,300 | 17,994 | - | -- |
| 549,100 | | 618,800 | 556,443 | 12.7% | -- |

f. Status of repatriation from SEA for ships arriving Japan subsequent to 17 October 1947:

| Area | Ship | Scheduled | ATD/ETD | ATA/ETA | Lift | Total enroute or repat'd |
|-----------|-------------|-----------|---------|---------|---------|--------------------------|
| | | Lift | SEA | Japan | Enroute | |
| Singapore | Choran Maru | 5,000 | 25 Sep | 19 Oct | 5,000 | 7,739 |
| | Kizan Maru | 4,000 | 26 Oct | 5 Nov | | |

Total to be evacuated from SEA - 2,739
Capacity of ship departing SEA 26 Oct 47 - 4,000
Approximate number to be repatriated after 26 Oct - 0

23 October 1947

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERSAPO 500
30 August 1947

AG 014.33 (30 Aug 47)GC-0

SUBJECT: Repatriation from Karafuto

TO: Major General A. Kislenko, Acting Member for U.S.S.R.,
Allied Council for Japan.

1. Reference is made to:

a. Letter from the Acting Member for U.S.S.R., Allied Council for Japan, No. 1317, dated 21 August 1947.

b. Paragraph 2, Section II of Agreement Reached Concerning Repatriation of Japanese Prisoners of War and Japanese Nationals from Territory of the Union of Soviet Socialist Republics and from Territories Under the Control of the U.S.S.R. to Japan, as well as Korean Nationals from Japan to Korea North of the 38^o North Latitude, dated 19 December 1946.

2. To aid in repatriation and to alleviate rail transportation difficulties in Karafuto, the Supreme Commander for the Allied Powers is willing to dispatch repatriation ships to Otomari, Esutoru, Shikuka or any other ports (including the Kurile Islands) designated in addition to Maoka, which can harbor ships with draught of at least 6 meters, so that the rate established as 50,000 per month in the agreement, reference paragraph 1 b above, will be maintained.

3. In the event the proposal contained in paragraph 2 above is given favorable consideration, it is requested that the following information be furnished concerning each port selected; depth of channels and berths; daily harbor capacity; rendezvous point; radio call sign and frequency of the maritime agency at the port, and hours that radio observation of the sea is maintained.

FOR THE SUPREME COMMANDER:

R. M. LEVY,
Colonel, AGD,
Adjutant General.

COPY

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

AG C14.33 (19 Sep 47)GC-0

APO 500
19 September 1947

SUBJECT: Repatriation from Soviet and Soviet-Controlled Areas.

TO: Major General A. Kislenko, Acting Member for U.S.S.R.,
Allied Council for Japan.

1. Reference is made to:

a. Letter from the Supreme Commander for the Allied Powers, file AG C14.33 (30 Aug 47)GC-0, dated 30 August 1947, subject:

b. Agreement Reached Concerning Repatriation of Japanese Prisoners of War and Japanese Nationals from Territory of the Union of Soviet Socialist Republics and from Territories Under the Control of the U.S.S.R. to Japan, as well as Korean Nationals from Japan to Korea North of the 38° North Latitude, dated 19 December 1946.

c. Letter from the Member for U.S.S.R., Allied Council for Japan, No. 1317, dated 21 August 1947.

2. Since May 1947 the number of Japanese repatriated in accordance with the Agreement, reference paragraph 1 b above, has fallen increasingly below the rate specified in subject agreement.

3. During the period, June 1947 to the present, the Supreme Commander for the Allied Powers has held in idle readiness shipping to lift the difference between the 50,000 agreed upon and the numbers actually made available at the ports of Nahodka and Maoka. For this reason, information is requested as to when a reply to the letter from the Supreme Commander for the Allied Powers, reference paragraph 1 a above, can be expected.

FOR THE SUPREME COMMANDER:

R. M. LEVY,
Colonel, AGD,
Adjutant General.

COPY
TRANSLATION

ALLIED COUNCIL FOR JAPAN
TOKYO
OFFICE OF THE MEMBER
FOR
THE UNION OF SOVIET SOCIALIST REPUBLICS

GENERAL HEADQUARTERS, SUPREME COMMANDER FOR THE ALLIED POWERS
CHIEF OF STAFF, MAJOR GENERAL PAUL MUELLER

Dear General:

Pertaining to the questions in Memorandum, GHQ, SCAP to the Member, Allied Council for Japan from the U.S.S.R., AG 014.33, 20 September 1947 GC-0, dated 20 September 1947, and in Memorandum, AG 014.33 (30 Aug 47)GC-0, dated 30 August 1947, I have the honor to inform you of the following:

1. According to our information for the period, January to September of this year, the Soviet authorities have repatriated to Japan over 492,000 Japanese.

Therefore, we do not consider appropriate the emphasis by General Headquarters on paragraph 2 of section II of the repatriation agreement as the above-mentioned number of repatriates certifies that the monthly average was above the quota agreed to in the mentioned paragraph of the agreement.

2. Requested measures concerning paragraph 2, Memorandum GHQ, 30 August 1947, which is mentioned above, cannot be realized due to transportation and technical reasons.

Respectfully yours,

/s/ Kislenko
/t/ Kislenko
Major General

Acting Member, Allied Council
for Japan from the U.S.S.R.

11 October 1947
No. 1377

COPY

TRANSLATION

ALLIED COUNCIL FOR JAPAN
TOKYO
OFFICE OF THE MEMBER
FOR
THE UNION OF SOVIET SOCIALIST REPUBLICS

GENERAL HEADQUARTERS, SUPREME COMMANDER FOR THE ALLIED POWERS
CHIEF OF STAFF, MAJOR GENERAL MUELLER

Dear General:

I request that you send ships (each with a capacity of 2000 persons) to transport Japanese prisoners of war from the port of Nahodka, so scheduled that one ship will arrive at Nahodka on each of the following days of November: 1,3,5,7,9,11,13,15,17,19,21, 23,25,27,29 and 30. I request that you inform us: names of the ships, radio call signs, departure and arrival dates, and names of the captains of the ships.

Respectfully yours,

For the Member, Allied Council
for Japan from U.S.S.R.

/s/ N. Beznosikov
/t/ N. Beznosikov
Lt. Colonel

13 October 1947
No. 1379

COPY

TRANSLATION

ALLIED COUNCIL FOR JAPAN
TOKYO
OFFICE OF THE MEMBER
FOR
THE UNION OF SOVIET SOCIALIST REPUBLICS

GENERAL HEADQUARTERS, SUPREME COMMANDER FOR THE ALLIED POWERS
CHIEF OF STAFF, MAJOR GENERAL LUELLER

Dear General:

I request that, in addition to the ships we requested to be sent to the port of Nahodka by our letter No. 1340, of 10 October, you send five additional repatriation ships, each having a capacity of 2000 persons, so scheduled that one ship will arrive at Nahodka on each of the following dates: 23, 25, 26, 28 and 29 October.

This letter confirms the statement made by telephone by Captain First Rank Ohrimenko to Captain Senko at 1100 hours on 18 October.

I request you to confirm this agreement to fulfill this declaration and to furnish me the necessary data concerning the ships to be dispatched to Nahodka.

Respectfully yours,

For the Member, Allied Council
for Japan from the U.S.S.R.

/s/ N. Beznosikov
/t/ N. Beznosikov
Lt. Colonel.

18 October 1947
No. 1388

COPY

TRANSLATION

ALLIED COUNCIL FOR JAPAN
TOKYO
OFFICE OF THE MEMBER
FOR
THE UNION OF SOVIET SOCIALIST REPUBLICS

GENERAL HEADQUARTERS, SUPREME COMMANDER ALLIED POWERS
CHIEF OF STAFF, MAJOR GENERAL MUELLER

Dear General:

Request that one vessel with a passenger capacity of 1,500 persons be dispatched to arrive at the port of Mooka on 26 October 1947 for the purpose of transporting repatriates.

Respectfully yours,

for the Member, Allied Council
for Japan from U.S.S.R.

Lt. Colonel /s/ N. Beznosikov

/t/ N. Beznosikov

20 October 1947
No. 1389

GENERAL SHANG, and the Members informed in due course.

GENERAL KISLENKO, do you have any comments or recommendations?

MAJOR GENERAL KISLENKO: I will continue to study this subject and I hope that I will be able to make a statement at the next meeting of the Council.

THE CHAIRMAN: Do I understand that the ACTING SOVIET MEMBER wishes to hold over the subject?

MAJOR GENERAL KISLENKO: Yes, sir.

THE CHAIRMAN: At the request of the ACTING SOVIET MEMBER, the subject will therefore be hold over for further discussion at the next meeting.

Under official matters the second item on the Agenda is the "Report by The CHAIRMAN on the problem of Repatriation," proposed for discussion by the SUPREME COMMANDER FOR THE ALLIED POWERS.

It will be recalled that the question of repatriation of Japanese from abroad was touched upon at the Eighth Meeting of the Council on June 26, 1946 in the discussion relating to the subject, "Integration of Repatriates into the National Life of Japan." At that time, reference was made to the provision in the Potsdam Declaration which provides that:

"The Japanese military forces, after being completely disarmed, shall be permitted to return to their homes with the opportunity to lead peaceful and productive lives."

It was also stated at that meeting that the SUPREME COMMANDER, at the outset of the Occupation, instituted the repatriation program for Japanese abroad, including civilians, and that excellent progress, as of the time of the meeting, had been made. Furthermore, the progress made indicated that the Allied

authorities of Australia, China, France, The Netherlands, New Zealand, the Philippine Republic, the United Kingdom, and the United States offered prompt and full cooperation to the SUPREME COMMANDER in the implementation of the repatriation program.

Since that time, the repatriation program has continued and, with the exception of those Japanese in Soviet-controlled areas, is practically completed. As of October 23, 1947, a total of 5,765,244 Japanese have been repatriated from all areas. As of that date, there remained some 8,500 Japanese to be returned from China, including Dairen; 2,739 from Southeast Asia areas; and a few hundred from Formosa. From Manchuria, it is estimated that some 67,000 remained unrepatriated. Finally, from Soviet-controlled areas, it is estimated that more than 761,000 still remained to be repatriated.

In addition, as part of the repatriation program which has already been accomplished by SCAP, more than 1,170,000 Chinese, Koreans, and Ryukyans were repatriated from Japan, none remain for return to their respective areas.

I will table for inclusion in the minutes a complete tabulation of all repatriation accomplished as of October 23, 1947.

~~(See insert following page 12).~~

The discussion today must of necessity be largely limited to the repatriation problem as it relates to Japanese presently awaiting repatriation in Soviet-controlled areas. Repatriation from Southeast Asia is, for practical purposes, completed; repatriation from China and its northern provinces, Manchuria, is largely subject to the special considerations of difficulties of transportation due to disturbed political conditions and the fact that the Chinese Government is unable, for reasons beyond its control, adequately to bring repatriates from outlying areas to ports of embarkation.

As of December 1, 1946, no Japanese had been repatriated from Soviet-controlled areas. Pursuant to an agreement dated December 19, 1946 and signed by MAJOR GENERAL PAUL J. MUELLER, as Representative for SCAP, and LIEUTENANT GENERAL K. N. DEREVYANKO as Member of the Allied Council for Japan from the USSR, repatriation of Japanese from specified Soviet ports was begun at an established rate of 50,000 persons per month--copy of this agreement has been tabled. Actual repatriation from Soviet-controlled areas was begun during the period December 3 to 15, 1946, when some 28,000 Japanese were returned. It should be noted that the conservative figure of 50,000 per month was established partly as a result of the limitations imposed by confining the flow of repatriates to smaller Soviet ports and the necessity for using coal-burning ships exclusively. Had the use of oil-burning ships been feasible, a much greater rate of repatriation would have been possible, but the Soviet authorities were unwilling to furnish fuel oil from Soviet sources for this purpose. All coal which is used in the coal-burning vessels presently employed in the repatriation program consequent upon the agreement of December 19, 1946 is furnished by the Japanese Government.

Between December 3, 1946 and November 1, 1947, including requests for lifts not yet completed, due largely to early mass evacuation from Dairen, the average monthly rate of repatriation from all Soviet-controlled areas is 49,454. However, from June 1, 1947 to September 30, 1947, that is, for four consecutive months, the number of Japanese repatriated from Soviet-controlled areas was below 50,000 per month, with a low of 30,418 for August 1947. This has caused SCAP to hold in idle readiness shipping of sufficient capacity to accommodate an additional 15,000 to 20,000 repatriates per month, shipping which could otherwise have been utilized for cargo service. Furthermore, since May 1947, SCAP

has consistently provided shipping space ten per cent in excess of the request made by the Soviet authorities in the hope of accelerating the flow of Japanese repatriates through Soviet ports to Japan. These repatriation ships, however, have been regularly returned to Japan with an average of more than ten per cent of their passenger space unused.

With a view to overcoming certain reported transportation difficulties on Karafuto, and to restore the monthly rate of 50,000, General Headquarters, SCAP, by letter dated August 30, 1947--copy has been tabled--addressed to the ACTING SOVIET MEMBER, offered to provide repatriation shipping at any other port in Karafuto, or the Kurile Islands, which the Soviet authorities might choose. No reply had been received to this offer by September 19, 1947, and a follow-up letter dated September 19, 1947--copy has been tabled--was therefore dispatched. By a letter dated October 11, 1947--copy has been tabled--the ACTING SOVIET MEMBER replied in effect that the Soviet authorities do not consider appropriate the emphasis placed by General Headquarters on that portion of the agreement which provides for the repatriation of 50,000 persons per month and that the monthly average since the beginning of repatriation has been above this figure. It was further stated that the measures suggested in the letter of August 30, 1947 from General Headquarters cannot be undertaken for transportation and technical reasons.

It should be noted that the ACTING SOVIET MEMBER's reply indicates that the rate of 50,000 repatriates per month is to be an over-all average monthly rate and not the minimum per month. Even at the latter rate, it would have required some 32 months to repatriate all Japanese who were in Soviet-controlled areas at the time of the surrender. As more than 218,000 were evacuated from Dairen and more than 293,000 from north of the 38 degree parallel in Korea who fled to South Korea, it is estimated that

more than 15 months will elapse before all those remaining are returned. By letter dated October 18, 1947, the ACTING SOVIET MEMBER requested five additional ships each having a capacity of 2,000 persons for arrival at Nahodka between October 23 and 29--copy has been tabled. A similar letter dated October 20, 1947, requests one vessel with capacity for 1,500 persons, to arrive at Maoka on October 25, 1947--copy has been tabled. A letter dated October 13, 1947--copy has been tabled--from the ACTING SOVIET MEMBER lists shipping requirements at Nahodka for the month of November 1947 at 16 lifts of 2,000 each, totaling 32,000 repatriates for the month, whereas formerly only 10 lifts of 2,000 were requested for Nahodka; this suggests a contemplated increase of 12,000 per month, although at this time the intention of the relevant Soviet authorities in this respect is not clear.

~~SOVIET INTERPRETER: Would you mind repeating that sentence, sir?~~

~~(The last sentence was repeated by the CHAIRMAN.)~~

~~THE CHAIRMAN (Continuing):~~ In any event, shipping schedules suggest that the current monthly rate may not reach 50,000.

The above background has been presented to the Members with a view to clarifying certain aspects of this problem which have been the cause of considerable apprehension and uneasiness among the Japanese people. It has come to the attention of General Headquarters that certain propaganda organs of the USSR have attempted to place direct blame for the slow rate of repatriation from Soviet-controlled areas upon the Occupation authorities, specifically, "high officials of the Anglo-American Occupational Headquarters." The editorial in which this statement appears was headlined, "The Displaced Persons Problem Exposed; Why do the United States and Great Britain Obstruct the Repatriation Program?" Another comment emanating from a Soviet-controlled area repeated

this theme under the headline, "Who is Causing the Repatriation Delay?" by stating: "All the camps are now overcrowded and everyone is eagerly awaiting the arrival of his repatriation ship from Japan." A third article alleges, among other provocative and mendacious statements which are unworthy of repetition, that "because the ability to receive returnees in Japan is very much limited, it is difficult to repatriate large groups immediately." A recent broadcast from Moscow stated: "Former officers and men of the Japanese Army detained in Soviet camps have been repatriated to Japan whenever transportation has been available." No useful purpose could be served here by citing numerous further examples of similar statements from Soviet media of information.

The real fact is, that at the time of negotiation of the agreement of December 19, 1946, this Headquarters offered to furnish sufficient shipping, including oil burners, to return 360,000 repatriates from Soviet-controlled areas each month. This offer was declined by the Soviet authorities. I am now authorized to state that SCAP, as of this moment, can and will, upon agreement by the Soviet authorities, carry out the following repatriation schedule from Soviet-controlled areas:

~~SOVIET INTERPRETER: Please repeat that statement, sir.~~

~~(The last statement was repeated by the CHAIRMAN.)~~

~~THE CHAIRMAN (Continuing):~~

(a) Within forty-eight hours after receipt of notice, SCAP is prepared to accelerate the rate of lift from Soviet-controlled areas to assure the return of 131,500 repatriates during the first month;

(b) In thirty days, sufficient additional shipping can be provided to increase this rate of flow to 160,000 per month, the entire lift being in coal-burning ships;

(c) Within five months, SCAP is prepared to return to

Japan every Japanese now in Soviet-controlled areas. No further negotiations are necessary, no additional arrangements are required. All that is needed is Soviet agreement and assurance that the repatriates in the numbers stated are available at the ports and that the ports are operable.

In the interest of clarification and for the purpose of demonstrating how deeply this problem is interwoven in the over-all task of carrying out Allied objectives in Japan, the following comments are made for the information of the Council:

1. Between July 1, 1946 and September 30, 1947, 85 major petitions have been received by General Headquarters from federations, mass meetings, and large groups of next-of-kin of unrepatriated Japanese. Many of these petitions are accompanied by signatures of interested persons, such signatures aggregating an estimated 960,000 names. During the same period, an estimated additional 420,000 petitions were received by General Headquarters from interested individuals specifically requesting repatriation of next-of-kin presumed to be in Soviet-controlled territory. In addition, numerous delegations of all kinds, from widespread localities in Japan, have called upon General Headquarters in an endeavor to accelerate repatriation from Soviet-controlled areas.

2. Reference has already been made to shipping which is idle as a result of failure on the part of the Soviet authorities to carry out their agreement to repatriate Japanese at the rate of 50,000 persons each month. These ships and their crews are a dead loss to the Japanese economy.

3. In view of the continued repatriation problem, it is necessary to keep operating repatriation centers at

Hakodate, Maizuru, and Sasebo. In addition, large numbers of personnel are required in the central offices of the bureaus handling administrative work in connection with repatriation.

4. Local Assistance Offices under the Welfare Departments of the Prefectural Governments must maintain large staffs to handle final pay adjustments of ex-servicemen, payment of dependent allotments to unrepatriated servicemen's families, and similar matters. As of October 1, 1947, these personnel aggregated 7,623.

5. Considerable uneasiness is prevalent throughout Japan concerning the fate of ex-servicemen who have not been repatriated. To date, the Soviet authorities have not supplied the SUPREME COMMANDER with any statistics whatsoever concerning the numbers, names, condition, or location of Japanese ex-servicemen. To date, not one single notice of death of former servicemen originally captured by Soviet forces has been received by General Headquarters, although rumors estimate a death rate of 20 per cent to 30 per cent.

6. In the absence of information furnished by the Soviet authorities, it is impossible to anticipate when or how any individual Japanese will be repatriated. Information available to General Headquarters suggests that Japanese are repatriated by the Soviet authorities in the following order:

Destitute persons, unemployed, poverty-stricken city dwellers, poor laborers, other city dwellers, farmers, those uncooperative toward the Soviet repatriation effort, and so-called "obstructionists and reactionary elements."

7. Statistics concerning repatriation by the Soviet authorities of former Army officers reveal that as of September

30, 1947, only 2,005 former commissioned officers have been repatriated. During August 1947, only three officers were returned as against 19,659 enlisted men.

~~SOVIET INTERPRETER:~~ Will you please repeat that statement, sir?
no para

(The last sentence was repeated by the CHAIRMAN.)

~~THE CHAIRMAN (Continuing):~~ Except for one former Rear Admiral and one former Lieutenant General, both of whom enjoyed diplomatic status, no former general officers have yet been repatriated. It is known that several hundred Japanese general officers and some tens of thousands of commissioned officers were captured by Soviet forces in Manchuria when the Kwantung Army surrendered.

8. Considerable information is available to indicate that the Soviet authorities are carrying out intense efforts to indoctrinate selected Japanese prisoners in anti-American and anti-Occupation feelings. Ample evidence also indicates that priority in repatriation is premised to some degree on the extent to which the Japanese in question have responded to this indoctrination.

These facts have been related, not with a view of engaging in controversy before this Council, but rather in the hope that the ACTING SOVIET MEMBER will immediately take up this entire question with his Government in an effort to bring to an end a problem which, in its larger aspects, is directly opposed to Allied promises and aims in the Occupation of Japan. The problem, though simple of solution, is far-reaching in its effect. It is one which reaches into almost every hamlet of Japan; it is one which cannot but help breed apprehension, suspicion, hatred, and misunderstanding. To reiterate, it is the hope of the SUPREME COMMANDER that the ACTING SOVIET MEMBER will do what he can,

immediately, to urge upon his Government the necessity for promptness in completing the commitment for repatriation as enunciated in the Potsdam Declaration.

* * * * *