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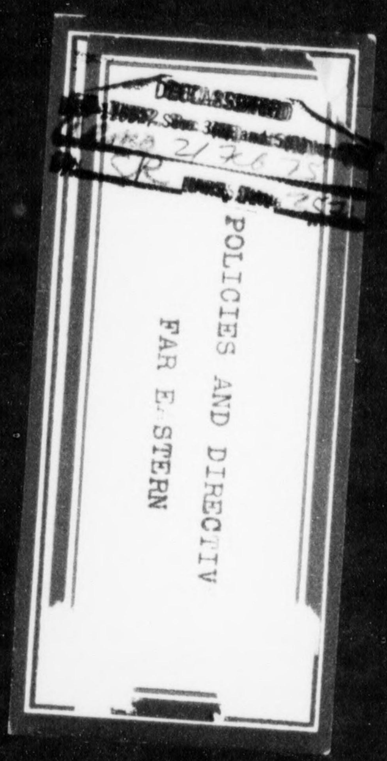

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POLICIES AND DIRECTIVES

FAR EASTERN

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27. SWNCC 212/1 STATUS OF FOREIGN GOVERNMENTS AND NATIONALS IN JAPAN

28. SWNCC 213/3 EXAMINATION OF FOREIGN BANKS IN JAPAN

29. SWNCC 214/1 RETURN OF FORMER INHABITANTS TO THE BONIN AND VOLCANO ISLANDS

30. SWNCC 223/2 REMOVAL OF JAPANESE BUOYS FROM SASEBO TO HONG KONG

30½. SWNCC 227/3 REQUEST FROM CHINESE FOR RETURN OF DREDGER CHIEN SHO AND LIGHT CRUISER YAT SEN: INTERIM PROCEDURES FOR RESTITUTION OF IDENTIFIABLE LOOTED PROPERTY.

31. SWNCC 228 REFORM OF THE JAPANESE GOVERNMENTAL SYSTEM

32. SWNCC 232/1 POLICE FORCE AND NATIONAL DEFENSE FORCES FOR KOREA

33. SWNCC 236/2/D
236/4 REPARATIONS FROM JAPAN--IMMEDIATE PROGRAM

34. SWNCC 256 ORGANIZATION OF THE ALLIED COUNCIL FOR JAPAN

35. SWNCC 259 INTERIM PROCEDURES FOR SUPPLYING YEN TO REPRESENTATIVES OF ALLIED GOVERNMENTS IN JAPAN.

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SWNCC 83/18	ESTABLISHMENT OF A U.S. MILITARY ADVISORY GROUP TO CHINA	
11½. SWNCC 92/1	TREATMENT OF JAPANESE WORKERS' ORGANIZATION	
12. SWNCC 98/1	CONTROL OF FOOD AND AGRICULTURE IN JAPAN	
13. SWNCC 99/3	POLICY WITH RESPECT TO FISHING AND AQUATIC INDUSTRIES IN JAPAN	
14. SWNCC 101/4	A TEMPORARY INTERNATIONAL AUTHORITY IN KOREA	
15. SWNCC 107/1	POLICY WITH RESPECT TO RELIEF IN JAPAN	
16. SWNCC 109/4	POLITICO-MILITARY PROBLEMS IN THE FAR EAST: UNITED STATES POLICY IN REGARD TO THAILAND	
17. SWNCC 149/1	IMMEDIATE DEMAND FOR THE UNCONDITIONAL SURRENDER OF JAPAN	
18. SWNCC 150/4/A	POLITICO-MILITARY PROBLEMS IN THE FAR EAST: UNITED STATES INITIAL POST-DEFEAT POLICY RELATING TO JAPAN	
19. SWNCC 162/2	REORIENTATION OF THE JAPANESE	
20. SWNCC 176/8	BASIC INITIAL DIRECTIVE FOR CIVIL AFFAIRS IN KOREA	
176/18	POLITICAL POLICY FOR KOREA	
21. SWNCC 181/1	CUSTODY OF JAPANESE ARCHIVES AND DIPLOMATIC PROPERTY	
22. SWNCC 186/6	DISPOSITION OF COMBATANT VESSELS OF THE JAPANESE NAVY	
23. SWNCC 192/3	EXERCISE OF CRIMINAL AND CIVIL JURISDICTION OVER UNITED NATIONS NATIONALS	
194/1		
24. SWNCC 196/1	DISPOSITION OF EQUIPMENT SURRENDERED TO ALLIED FORCES IN THE SOUTHEAST ASIA COMMAND	
25. SWNCC 205	DISPLACED PERSONS IN JAPAN	
207/2 207/3		
26. SWNCC 211/4	TRIAL OF JAPANESE WAR CRIMINALS IN INDIA AND CHINA BY UNITED STATES TRIBUNALS	

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POLICIES AND DIRECTIVES

FAR EASTERN

1. SWNCC 5/2 — BRITISH PROPOSALS WITH RESPECT TO THAILAND
   5/5 ✓ — UNITED STATES POLICY WITH RESPECT TO THAILAND ✓

2. SWNCC 21/6 ✓ — UNCONDITIONAL SURRENDER OF JAPAN —
   21/8 ✓ — " " —

3. SWNCC 22/2 — PARTICIPATION OF DUTCH MISSION IN PLANNING AND OPERATIONS OF SOUTHEAST ASIA COMMAND —

4. SWNCC 35/11 ✓ — POLICY WITH REGARD TO INDO-CHINA —

5. SWNCC 52/7 ✓ ✓ — BASIC DIRECTIVE FOR POST-SURRENDER MILITARY GOVERNMENT IN JAPAN PROPER —
   55/4

6. SWNCC 57/3 ✓ ✓ — THE APPREHENSION AND PUNISHMENT OF WAR CRIMINALS (JAPAN) —
   57/10 ✓ — " " —

7. SWNCC 58/9 ✓ ✓ — DISARMAMENT, DEMOBLIZATION AND DISPOSTION OF ENEMY ARMS, AMMUNITION AND IMPLEMENTS OF WAR (JAPAN) —

8. SWNCC 65/7 ✓ — ESTABLISHMENT OF A FAR EASTERN ADVISORY COMMISSION —
   14

9. SWNCC 70/5 ✓ ✓ — NATIONAL COMPOSITION OF FORCES TO OCCUPY JAPAN PROPER IN THE POST-DEFEAT PERIOD —
   70/13
   70/14

   SWNCC 79/1 ✓ — STRUCTURE AND COMPOSITION OF CIVIL AFFAIRS ADMINISTRATION IN KOREA —

11. SWNCC 83/1 ✓ — POST-WAR MILITARY POLICIES WITH RESPECT TO CHINA ✓
    83/6 ✓ — POLICY OF THE UNITED STATES TOWARD CHINA WITH SPECIAL REFERENCE TO U.S. MILITARY RESPONSIBILITY IN THE TRAINING AND EQUIPMENT OF CHINESE ARMED FORCES ✓
    83/15 — U.S. POLICY TOWARDS CHINA —
    83/17 — ESTABLISHMENT OF A U.S. MILITARY ADVISORY GROUP TO CHINA —

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S E C R E T

COPY NO. 49

14 February 1946

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION ON SWNCC 259

INTERIM PROCEDURES FOR SUPPLYING YEN TO REPRESENTATIVES OF ALLIED GOVERNMENTS IN JAPAN

Note by the Secretaries

By informal action on 13 February 1946 the State-War-Navy Coordinating Committee approved SWNCC 259.

ALEXANDER D. REID
B. L. AUSTIN
RAYMOND E. COX
Secretariat

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

S E C R E T

COPY NO. 49

SWNCC 259

6 February 1946

Pages 1 - 6, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

INTERIM PROCEDURES FOR SUPPLYING YEN TO REPRESENTATIVES OF ALLIED GOVERNMENTS IN JAPAN

Note by the Secretaries

The enclosure, a report on the above subject by the State-War-Navy Coordinating Subcommittee for the Far East on its own initiative, is circulated for consideration by the Committee.

ALEXANDER D. REID
B. L. AUSTIN
RAYMOND E. COX
Secretariat

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

SECRET

ENCLOSURE

INTERIM PROCEDURES FOR SUPPLYING YEN TO REPRESENTATIVES OF ALLIED GOVERNMENTS IN JAPAN

Report by the
State-War-Navy Coordinating Subcommittee for the Far East

THE PROBLEM

1. To establish a policy and advise SCAP thereof for supplying yen to representatives of Allied governments on official business in Japan.

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

CONCLUSIONS

4. It is concluded that:

a. SCAP is authorized to advance yen to meet expenses incurred in Japan by FEC or any other authorized Allied commission and national delegations comprising the commissions against receipt.

b. FEC or any other authorized Allied commission and their national delegations shall keep records showing in appropriate detail purposes for which yen received have been expended and shall provide SCAP with detailed monthly statements of their yen expenditures.

c. SCAP is authorized to advance yen funds for necessary official expenses to heads of missions assigned to his staff, against appropriate receipt supported in adequate detail.

d. SCAP is authorized to furnish yen currency to Allied governments for their occupation forces in Japan on the same basis as already provided for in WARX 72933 and WARX 82997.

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SECRET

e. In the event that yen amounts requested by any national delegation of FEC or any other authorized Allied commission, head of mission assigned to the staff of SCAP, or Allied government for its occupation forces in Japan appear excessive, SCAP shall refer the matter to JCS together with his recommendation.

f. SCAP shall maintain record of all yen advances and report monthly to JCS both total amount and breakdown of yen currency furnished by SCAP.

RECOMMENDATIONS

5. It is recommended that:

a. Upon approval by the SWNCC of the conclusions in paragraph 4 above, the JCS, if they have no objection from a military point of view, be requested to transmit the message in Appendix "C" to SCAP.

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APPENDIX "A"

FACTS BEARING ON THE PROBLEM

1. Moscow Conference communique issued by the American, Russian and British Foreign Ministers, 27 December 1945:

"II.

"A. vi. The Far Eastern Commission shall have its headquarters in Washington. It may meet at other places as occasion requires, including Tokyo, if and when it deems it desirable to do so . . . .

"B. 1. There shall be established an Allied Council with its seat in Tokyo . . . .

"3. Each member shall be entitled to have an appropriate staff consisting of military and civilian advisers."

2. WARX 72933 and WARX 82997:

British authorities given permission to draw yen against receipt for needs of British naval vessels and occupying forces.

3. WARX 86190:

SCAP authorized to furnish 100,000 yen to Chinese POW and Repatriation Commission against receipt. Australian authorities permitted to draw yen on the same basis as provided for British authorities in WARX 72933 and WARX 82997.

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APPENDIX "B"

DISCUSSION

1. As part of the occupation cost the Japanese Government has been directed to furnish to SCAP yen in such amounts as he may deem necessary. Such yen has been used for troop payment and for other expenses connected with the occupation.

2. Expenses incurred in Japan by FEC or any other authorized Allied commissions and national delegations comprising the commissions, missions assigned to SCAP, and occupation forces of Allied governments constitute expenditures properly chargeable to occupation costs.

3. It is necessary to maintain careful records of such transactions since the amount of yen supplied by the Japanese Government at this time will be taken into consideration in the final settlement of occupation cost.

4. Requests for yen in amounts considered by SCAP to be excessive should be referred to JCS with his recommendation for review and such consideration as may be necessary.

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SECRET

APPENDIX "C"

Advances of yen to Far Eastern Commission or any other authorized Allied commission, official missions, and Allied Governments for their occupation troops in Japan is subject.

1. You are authorized to advance yen to meet expenses incurred in Japan by FEC or any other authorized Allied commission and national delegations comprising the commissions. Such yen will be obtained by FEC or any other authorized Allied commission and their national delegations from appropriate section your command against receipt. FEC or any other authorized Allied commission and their national delegations ~~should~~ SHALL keep records showing in appropriate detail purposes for which yen expended and shall provide you with detailed monthly statements of their yen expenditures. FEC or any other authorized Allied commission should inform your headquarters monthly of general administrative expenditures of FEC or any other authorized Allied commission, together with allocation of expenditure among their national delegations.

2. It is anticipated that missions assigned to your staff, for example Textile Mission, will incur official expenses payable in yen which constitute expenditures properly chargeable to occupation cost. You are authorized advance yen funds for necessary official expenses to head each such mission, against appropriate receipt supported in adequate detail.

3. Re request by Allied governments for yen for their occupation forces in Japan, you are authorized to furnish yen currency on the same basis as outlined to you in WARX 72933 and WARX 82997.

4. You should maintain record of all yen advances and report monthly to JCS both total amount and breakdown of yen currency furnished by you under this authorization.

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5. In event yen amounts requested by any national delegations of FEC or any other authorized Allied commission, head of mission, or Allied government for its occupation forces in Japan should appear excessive, it is requested that you refer matters to JCS together with your recommendation.

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S E C R E T

COPY NO. 49

12 February 1946

STATE-WAR-NAVY COORDINATING COMMITTEE

CORRIGENDUM

TO

SWNCC 259

INTERIM PROCEDURES FOR SUPPLYING YEN TO REPRESENTATIVES OF ALLIED GOVERNMENTS IN JAPAN

Note by the Secretaries

Holders of SWNCC 259 are requested to delete the word "should" in line 10 of Appendix "C" (page 5) and substitute the word "shall" therefor.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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S E C R E T

1 February 1946

COPY NO. 33

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION AMENDING SWNCC 256

ORGANIZATION OF THE ALLIED COUNCIL FOR JAPAN

Note by the Secretaries

1. At its 34th meeting the State-War-Navy Coordinating Committee approved SWNCC 256 after amending the message in the Appendix.

2. Holders of SWNCC 256 are requested to substitute the attached revised page 2 for the one contained therein and destroy the latter by burning.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

341.

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SECRET

COPY NO. 33

SWNCC 256

30 January 1946

Pages 1 and 2, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

ORGANIZATION OF THE ALLIED COUNCIL FOR JAPAN

Note by the Secretaries

The enclosure, a memorandum by the Army member, State-War-Navy Coordinating Committee, is circulated for consideration by the Committee.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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SECRET

ENCLOSURE

Memorandum by the War Member,
State-War-Navy Coordinating Committee

1. Section II of the Moscow Communique (Far Eastern Commission and Allied Council for Japan) places upon the United States Government the responsibility for inviting the members of the Far Eastern Commission to meet in Washington.

2. In order to acquaint General MacArthur with the proposed mechanics for convoking the Allied Council for Japan, I recommend that a message along the lines of the enclosure (Appendix) be forwarded to the Joint Chiefs of Staff for transmission to General MacArthur subject to their comments from a military point of view, and that the State Department be informed of the contents of this message in order that they may take the necessary action.

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APPENDIX

MESSAGE TO SCAP

Subject is convocation of Allied Council for Japan. U.S. Government considers that it would be impracticable to organize Allied Council until Far Eastern Commission is functioning in Washington. Following is for your guidance:

1. The State Department will obtain from the governments concerned and will furnish to you the names of other representatives on the Allied Council for Japan.

2. When the Far Eastern Commission is functioning in Washington, you will be informed so that you, as chairman, may convene the first meeting of the Allied Council for Japan.

3. If the representatives designated by Russian, Chinese and British Commonwealth governments are in Tokyo, you should invite them by direct communication to participate in first meeting. If they have not yet arrived in Tokyo, your invitation should be forwarded to JCS in order that State Department may forward it to governments concerned.

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COPY NO. 49

14 January 1946

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION ON SWNCC 236/4

INTERIM REPARATIONS PROGRAM FOR JAPAN

References: a. SWNCC 236/4
b. SWNCC 236/5
c. SWNCC 203 Series

Note by the Secretaries

By informal action on 14 January 1946 the State-War-Navy Coordinating Committee approved SWNCC 236/4.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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S E C R E T

COPY NO. 64

SWNCC 236/4

8 January 1946

Pages 35 - 46, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

INTERIM REPARATIONS PROGRAM FOR JAPAN

References: a. SWNCC 203 Series
b. SWNCC 236 Series
c. SFE 137 Series

Note by the Secretaries

1. The enclosure, a report by the State-War-Navy Coordinating Subcommittee for the Far East, is circulated for consideration by the Committee.

2. Representatives of the Treasury Department and of Ambassador Pauley were consulted in the preparation of the enclosed report.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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SECRET

ENCLOSURE

INTERIM REPARATIONS PROGRAM FOR JAPAN

Report by the
State-War-Navy Coordinating Subcommittee for the Far East

THE PROBLEM

1. To state the policy of the U.S. government with regard to an interim reparations program for Japan and the initial steps to be taken in implementing the policy.

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

CONCLUSIONS

4. It is concluded that U.S. policy is:

a. To initiate and carry out an interim program for reparations removals from Japan as rapidly as necessary arrangements can be made;

b. To place responsibility for the policies to govern the interim and subsequent reparations programs in an Inter-Allied Reparations Commission, operating within the frame-work of the over-all policies established by the Far Eastern Commission and having a similar composition and voting procedure.

5. In order to set the above policies in motion, the State-War-Navy Coordinating Committee should as a matter of priority:

a. Request the Joint Chiefs of Staff to inform the Supreme Commander for the Allied Powers that the State-War-Navy Coordinating Committee is now preparing recommendations to implement the proposals submitted by Ambassador Pauley to and approved in general by the President for interim reparations removals, with such modifications as

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may be deemed advisable, and request the Supreme Commander

(1) to transmit his views with respect to any modifications of Ambassador Pauley's proposals as contained in SWNCC 236/2/D other than those adopted in paragraph 4 above which he believes to be essential to accomplish the objectives of the occupation;

(2) to undertake the tentative selection of particular plants and equipment to be removed if the Pauley proposals receive inter-Allied approval, and to take appropriate steps to facilitate the availability of such equipment;

(3) to forward his recommendations as to satisfactory procedures by which representatives of claimant governments may examine industrial facilities determined by the SCAP to be available for removal.

b. Prepare terms of reference for an Inter-Allied Reparations Commission for prompt submittal to the governments represented on the Far Eastern Commission.

c. Prepare for submittal to the proposed Inter-Allied Reparations Commission

(1) Recommendations with respect to the categories and amounts of industrial equipment to be subject to removal under an interim removal program, such recommendations to be based on Ambassador Pauley's proposals, the comments of the SCAP and other pertinent data;

(2) A proposal, based on the SCAP's reply to the request outlined in paragraph 5 a (3), indicating the procedures to be followed by claimant governments in making surveys to determine what equipment they wish to claim as interim reparations;

(3) Recommended standards to be used as a basis for reparations claims, covering countries eligible for submission of claims categories of damage and cost and criteria of evaluation;

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(4) Recommendations for a policy to be adopted by countries at war with Japan with respect to the treatment of Japanese assets located within their territories or within areas other than the four main islands of Japan occupied by their military forces, pending inter-Allied decision as to the disposition of such assets;

(5) A recommended decree of vesting Japanese assets in neutral countries, axis countries and such other countries as may be found appropriate.

6. In the event that any of the proposals and recommendations called for under paragraph 5 c are ready for transmittal in advance of the formation of an Inter-Allied Reparations Commission, they should be transmitted directly to the member governments of the Far Eastern Commission for consideration and approval pending establishment of the Reparations Commission.

RECOMMENDATIONS

7. It is recommended that:

a. The State-War-Navy Coordinating Committee approve the "Conclusions" in paragraphs 4, 5 and 6.

b. The Joint Chiefs of Staff be requested, if they agree with the above conclusions, to transmit to the Supreme Commander for the Allied Powers the attached message (Appendix "C"), based upon the "Conclusions" in paragraph 5 a.

c. This report be transmitted for information to the Joint Chiefs of Staff, State, War and Navy Departments, and the U.S. representative on the Far Eastern Commission for use at his discretion but not be made available to the public.

d. The program of proposals and recommendations outlined in paragraphs 5 b and 5 c be developed by the State Department for submittal to SWNCC as soon as possible.

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APPENDIX "A"

FACTS BEARING ON THE PROBLEM

1. The Potsdam Declaration, Paragraph 11:

"Japan shall be permitted to maintain such industries as will sustain her economy and permit the exaction of just reparations in kind, but not those which would enable her to rearm for war....."

2. U.S. Initial Post-Surrender Policy for Japan (SWNCC 150/4/A):

"Reparations

Reparations for Japanese aggression shall be made:

(a) Through the transfer--as may be determined by appropriate Allied authorities--of Japanese property located outside of the territories to be retained by Japan.

(b) Through the transfer of such goods or existing capital equipment and facilities as are not necessary for a peaceful Japanese economy or the supply of the occupying forces.....No form of reparation shall be exacted which will interfere with or prejudice the program for Japan's demilitarization."

3. Amendments to Post-Surrender Policy for Japan (FEC 2/3) proposed by the U.S. (FEC 2/7, SWNCC 150/8):

"4. Reparations and Restitution

Subparagraph (b) of the first paragraph should be amended to read as follows:

'(b) Through the transfer of such goods or capital equipment and facilities ~~as exist or may in future be produced in Japan and~~ should, ~~in the opinion of~~ under policies set by Allied authorities, be made available for this purpose. No form of reparation shall be exacted which will interfere with or prejudice the

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program for Japan's demilitarization, defraying the cost of the occupation and the maintenance of a minimum civilian standard of living.'

The second paragraph of this section reads:

'In the allocation and transfer of property abroad for reparations, special consideration shall be given to the needs of those Allied Powers which suffered heavily as a result of Japanese aggression.'

It is recommended that this paragraph be deleted for the reason that the entire issue raised by it will be the subject of exhaustive consideration by an Inter-Allied Reparations Commission and should be neither treated summarily, nor prejudged, prior to a consideration of all relevant facts."

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APPENDIX "B"

DISCUSSION

1. Under the Potsdam Declaration the United States and the other signatories are committed by implication to the exaction from Japan of just reparations in kind. For the U.S. this commitment is made explicit in United States Initial Post-Surrender Policy for Japan and receives further confirmation in U.S. proposals for amendments to the draft statement of Post-Surrender Policy for Japan referred by the Far Eastern Commission to its member governments for approval on 5 December 1945. These documents, however, state U.S. policy only in principle and in the most general terms.

2. With a view to implementing this policy for immediate action Ambassador Pauley on his return from Japan has submitted to the President a series of concrete proposals for an interim and partial reparations program. This program has been referred to the State-War-Navy Coordinating Committee for review and implementation, after receiving the general approval of the President. In addition to the utilization of Japanese external assets and gold in satisfaction of reparations claims, Ambassador Pauley proposes the seizure and removal from Japan of large amounts of industrial plant and equipment from Japan's war-expanded heavy industries. The industrial facilities itemized are believed to be surplus to Japan's peacetime needs, in fact to leave an ample cushion over and above such needs. Their removal is justified on the grounds both of the industrial disarmament of Japan and the needs of claimant countries which have incurred heavy damage and costs as a result of Japanese aggression. SWNCC therefore has before it in Ambassador Pauley's report a program of extensive reparations removals with far-reaching implications for the industrial disarmament of Japan, for her future peacetime economy, and for the economy of other Far Eastern countries.

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3. In giving effect to these proposals, with whatever modifications in detail may be deemed advisable, it is apparent that the U.S. cannot act unilaterally but must seek to secure inter-allied agreement and action. The whole subject of reparations involves major policy decisions which now fall within the terms of reference of the Far Eastern Commission as agreed upon at the Moscow Conference. Moreover, the execution of large-scale reparations, especially the weighing of claims, the disposition of Japanese external assets and the apportionment of industrial removals among claimant countries, calls for international deliberation and collaboration.

4. It is believed that the U.S. should therefore proceed at once to propose to the member governments of the Far Eastern Commission the formation of an Inter-Allied Reparations Commission. The first object of this Commission should be to act upon an interim program based on the Pauley proposals. This Commission would necessarily function within the broad framework of occupation policies laid down by the FEC. However, it would be desirable to constitute the Reparations Commission as a body separate from the FEC, for it would be concerned with specialized, technical matters which should not burden the latter policy-making body. While subordinate to the FEC in decisions affecting the fundamental objectives of the occupation--for example, the level of industrial capacity to be reserved to Japan in the interest of sustaining her economy--the Reparations Commission should deal independently with such issues as the evaluation of claims and apportionment of reparations items among claimants and the procedure for giving effect to the removal program.

5. Coordination of the FEC and the Reparations Commission could best be ensured by establishing the latter with a membership and voting procedure similar to that of the former. Several

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considerations favor this proposal. The FEC includes those member governments with the principal legitimate reparations claims; adoption of its voting procedure likewise would give the U.S., along with China, the U.K. and the U.S.S.R., veto power over its decisions. Terms of reference acceptable for the one body are likely to be acceptable for the other, thus facilitating prompt action in securing an inter-Allied reparations authority. Approval of these proposed terms of reference by SWNCC at this time is suggested in order to facilitate the drafting of additional and more detailed terms of reference for later consideration.

6. In transmitting his recommendations, Ambassador Pauley has cited cogent reasons for prompt action to effectuate an interim program of industrial removals as quickly as possible. Not only do such claimant countries as China and the Philippines need to know what they may expect to secure from Japan for post-war use, but in Japan as well there are advantages in proceeding promptly. The longer the delay the greater the likelihood that industrial equipment built for war purposes and now idle will be converted to peacetime uses, thus making it more difficult economically and politically to effect its subsequent removal. Also, both SCAP and the Japanese Government should know at the earliest possible date what industrial facilities are to be allowed to remain for employment in post-war production programs.

7. While final action on the proposed interim program must wait on the formation of an Inter-Allied Reparations Commission, a number of steps can be taken by SWNCC in the meantime to facilitate and accelerate the ultimate decisions. First is the formulation of U.S. proposals for the interim program for prompt submission to the Commission as the first order of business. To this end it would be appropriate for SWNCC to solicit the views of the SCAP on the Pauley proposals. It might then review them in the light of U.S. policy respecting the needs of the

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Japanese civilian economy and the requirements of industrial disarmament to ensure that reparations policy is consistent with the other objectives of the occupation. Ambassador Pauley has stated that he is more concerned with securing effective and prompt action for an interim program along the general lines which he has proposed than with insistence on specific details where reasonable grounds are offered for modification.

8. Other immediate steps which can be taken to facilitate the interim program include (a) the tentative identification by the SCAP of particular plants and equipment to be removed if the Pauley program, or something approximating it, receives inter-Allies approval; and (b) the transmittal of U.S. proposals as to the procedure by which representatives of claimant governments can inspect the facilities certified by SCAP as available for removal. The determination of the specific plants to be removed, under policies laid down by the Reparations Commission, should be the function of SCAP. However, some method must be devised, satisfactory to the SCAP, for inspection of such properties in order to enable interested governments to determine their claims. Early action to identify such plants, even on a tentative basis, would facilitate such inspection. It would also serve notice on the Japanese government and business concerns that substantial reparations removals were definitely in prospect and that certain properties were not to be retained in Japan for conversion.

9. Effective operations on the part of the Reparations Commission will require uniform standards for defining and justifying reparations claims. This includes especially standards for determining the eligibility of claimants, the categories of damage and cost, and the legitimacy, evaluation and priority of claims. U.S. policy in this realm should be determined upon in the near future for submittal to the Commission when constituted.

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10. One aspect of reparations admittedly more difficult in the case of Japan than of Germany is the capacity of claimant countries, in this case notably Far Eastern countries, to absorb and utilize large aggregates of industrial equipment received on reparations account. Studies might well be undertaken both to assist in appraising claims in this respect and also to devise possible methods of international assistance to encourage more effective use of such equipment by receiving countries. As Ambassador Pauley intends to submit proposals to this end, action by SWNCC might well be deferred until receipt of his recommendations.

11. The disposition of Japanese external assets, as well as reparations removals from the four main islands of Japan, is a problem for final determination by the Reparations Commission. U.S. interests in the matter consist primarily in ensuring that such assets do not remain under hidden or indirect Japanese control to form a basis for future imperialist activity, that they are not treated as war booty by occupying military forces and that they are credited at full value against reparations claims. To further these objects U.S. policy with respect to the vesting, appraisal and disposition of such assets should be formulated for submittal to the Reparations Commission, with a recommendation that it be generally adopted. In like manner, concerted action with respect to the handling of Japanese assets in neutral countries might be furthered by submittal of a draft decree for vesting such assets. Japanese holdings in neutral countries, unlike those of Germany, are of small magnitude but their seizure and effective disposal is also desirable on security grounds.

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SECRET

APPENDIX "C"

PROPOSED CABLE TO THE SUPREME COMMANDER FOR THE ALLIED POWERS FROM THE JOINT CHIEFS OF STAFF

1. On this subject the President has written to the Secretary of State in part as follows:

> "I approve Ambassador Pauley's report and it should be implemented as soon as the necesssry details can be worked out."

2. SWNCC now preparing recommendations for implementation of Pauley program. Apart from principle of an interim program of industrial removals on reparations account, promptly executed and the establishment of an Inter-Allied Reparations Commission to determine the broad policies governing the entire reparations program, Pauley proposals considered subject to modification as to substance and timing if justification is adequate. Your recommendations desired as to modifications (other than in vesting arrangements on which your comments already received) considered by you essential to the accomplishment of purposes of occupation.

3. Recommendations of United States government for interim program of industrial facility removals will be transmitted to governments on FEC for approval, either individually or as members of an Inter-Allied Reparations Commission whose formation is now under discussion and whose proposed terms of reference will be transmitted to you for comment shortly. It is hoped that the U.S. proposals can go out about 15 February 1946.

4. To facilitate prompt execution of interim program when agreed upon, it is requested that you:

a. Undertake the tentative selection of the particular plants, machine tools, and other facilities which you would

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consider available for removal if the Pauley program were to receive Inter-Allied approval.

b. Take such steps as you consider appropriate to facilitate the availability of these facilities for shipment and to insure a minimum disruption of approved Japanese production programs if and when they are claimed.

c. Report your views as to the most satisfactory procedures by which representatives of the governments claiming reparations may examine facilities determined by you to be available for removal in order to select those they wish to claim.

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COPY NO. 43

SWNCC 236/2/D

21 December 1945

Pages 14 - 32, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

DIRECTIVE

REPARATIONS FROM JAPAN--IMMEDIATE PROGRAM

References: a. SWNCC 236/D
b. SWNCC 236/1/D

Note by the Secretaries

The enclosure, a memorandum from the State Member, SWNCC, transmitting a report by Ambassador Pauley on the above subject, is referred to the State-War-Navy Coordinating Subcommittee for the Far East for study and recommendation.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

33.

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ENCLOSURE

REPARATIONS FROM JAPAN-IMMEDIATE PROGRAM

Memorandum by the State Member, State-War-Navy Coordinating Committee

I enclose for consideration and action by the State-War-Navy Coordinating Committee as a matter of priority a report to the President from Edwin W. Pauley dated December 18, 1945, on "Reparations from Japan-Immediate Program", accompanied by a letter of transmittal from Mr. Pauley to the Acting Secretary of State in which action by the State-War-Navy Coordinating Committee is requested on behalf of the President.

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A P P E N D I X

THE WHITE HOUSE
Washington

December 18, 1945

Hon. Dean Acheson
Acting Secretary of State
Washington, D. C.

Dear Mr. Secretary:

At the suggestion of the President I am transmitting to you my interim report to him on Japanese Reparations, and conveying to you his request that my recommendations as thus stated be referred to the State-War-Navy Coordinating Committee for consideration and whatever action is called for by the Committee and by the Departments concerned.

As my report indicates, there is, in my judgment, need for immediate action by our Government to adopt an interim reparations program for Japan. This program should then be put forward by the State Department for international agreement, and the basis laid for dealing with the long-range reparations program.

Though the bulk of my technical staff is still in Tokyo completing their analysis of the Japanese economy as a basis for my final report on Japanese Reparations, I and the members of my staff who have returned to Washington with me are, of course, at your disposal to explain or supplement the material dealt with so briefly in my report to the President.

Sincerely yours,

/s/ Edwin W. Pauley

EDWIN W. PAULEY

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ANNEX TO APPENDIX

REPARATIONS FROM JAPAN

Immediate Program

Report to the President

from

Edwin W. Pauley

December 18, 1945

MEMORANDUM FOR THE PRESIDENT:

After several months study of the problem of reparations from Japan, including extensive personal observations by my staff and myself in Japan, China (excluding Manchuria), Southern Korea and the Philippines, I am prepared to make certain definitive recommendations for immediate action.

1. Basic Conclusions

My decisions fall within the following very simple framework:

a. In preparation for war against the United Nations, in aggression in China, and in war the United Nations, Japan built up the most diversified and over-expanded industrial economy in Asia.

b. In spite of extensive destruction, especially in the closing phases of the war, Japan has left within her four main islands more industrial capacity than she needs or has ever used for her civilian economy.

c. The removal of the surplus, especially to neighboring Asiatic countries and also to other countries whose war effort and sacrifice entitle them to reparations, will help to raise their industrial standards and living standards without depressing the standards of Japan, since only excess capacities are at the moment in question.

d. A program of interim removals should be announced to other claimant nations immediately, and the successive

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actions of seizure, inventory, packing and shipment should follow in the shortest possible time in order to make both the framework of policy and the course of action uncompromisingly clear. Interim removals will, in most cases, be below the total quantities that may eventually be allocated to reparations, but the sooner the interim removal program is made clear to the Japanese, the sooner they will see that they cannot rely definitely on certain things in order to build a peaceful, democratic Japan, and the better it will be for them as well as for us.

e. The immediate reparation program from Japan will deal only with capital goods, that is, with machinery and plants. At this stage it appears that any exportable current production will be required to meet costs of necessary imports and of occupation, which will be a first charge on exports ahead of reparations.

f. Japan should be deprived immediately of all industrial and financial interests outside her four main islands and such minor islands as may be left to Japan in accordance with the Potsdam declarations.

g. Japan's gold and precious metals should be shipped to the United States to be held in custody. It should be made clear to the Japanese as soon as possible that they cannot rely on the use of this gold for their own purposes.

h. As an aid in opening up the road for the development of democracy in Japan, the whole reparations program should be administered in the manner best designed to break up the influence of the big holding companies, known as the Zaibatsu, in the economic and political life of Japan.

2. Program for Immediate Action

Accordingly, I recommend the following program for immediate action:

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a. Interim Removals of Industrial Machinery from Japan Proper

Industrial plants and equipment in the following categories should be made available as soon as possible under a program of interim deliveries:

(1) Half of the capacity for the manufacture of machine tools. I believe that this could most conveniently be done by seizing the 27 most important machine-tool manufacturing plants, which produce almost exactly half of Japan's total. (A list of these plants is attached.) (See Tab "A" to Annex)

(2) All tools and equipment located as follows:

(a) In Army and Navy arsenals, except for equipment useful solely for making arms, ammunition and implements of war, which will be destroyed. It is estimated that these seizures should bring in not less than 70,000 machine tools, as well as other kinds of equipment.

(b) In the entire aircraft industry of Japan. It is estimated that this should bring in 220,000 machine tools.

(c) In all plants manufacturing ball and roller bearings.

(d) In all plants manufacturing aircraft engines.

(3) All equipment and accessories in 20 shipyards, to the extent that it is not needed for the repair of shipping essential to the occupation. (A list of 29 leading strategic shipyards is separately attached.) (See Tab "B" to Annex)

(4) All steel making capacity in excess of 2,500,000 tons per year. Japan's admitted present steel capacity is in excess of 11,000,000 tons, as compared with 1930, when Japan produced 2,300,000 tons of ingot and consumed only 1,700,000 tons of finished steel.

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(5) All capacity for the production of pig iron in excess of 500,000 tons per year.

(6) All facilities for the production of magnesium, for the preparation of alumina and reduction to aluminum, other than those required for processing scrap, and all machinery and equipment used exclusively for finishing magnesium and aluminum such as strip mills, rolling mills and extrusion presses.

(7) Half of the thermal (coal) electric generating plants of Japan. In selecting the half of the plants of this character which are to be left, I suggest that the thermal electric generating plants left to Japan should be selected primarily for their value as standby plants to supplement hydro-electric energy in areas of high consumption.

(8) All contact process sulfuric acid plants, except those necessary to recover waste gases from zinc, lead, copper and other heavy metal smelters.

(9) The most modern large Solvay process soda-ash plant in Japan. (According to the Japanese information made available by the Economic and Scientific Section of General MacArthur's staff, there are four of these from which to choose.)

(10) Twenty of the most modern large plants for the production of caustic soda and chlorine, either in diaphragm or mercury cells. (According to the Japanese information relayed to me by General MacArthur's Headquarters, there are 41 plants under this classification.)

b. Deprive Japan of All External Assets

All Japanese financial and economic penetration of other countries must be wiped out. All Japanese, including the Japanese Government, the Emperor and the Imperial Household, and the Zaibatsu, should be deprived of the

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ownership or control of any assets located outside Japan proper. I have already recommended a form of decree (attached) (See Annex to Appendix to SWNCC 236/D) to be issued by General MacArthur which would completely divest the Japanese of all such assets.

c. Ship Gold and Precious Metals to United States

The bulk of the gold and other precious metals now under the custody of the United States forces in Japan should be shipped to the United States Mint in San Francisco, to be held in custody pending decision as to its disposal. The shipment of this gold and other precious metals will not prejudice any later decision as to its use to pay for occupation costs, imports, reparations and restitutions.

d. Use Reparations Program to Help Destroy Zaibatsu

One concrete step in the direction of implementing the policy of breaking up the Zaibatsu will be our program designed to deprive the Zaibatsu, as well as others, of their holdings outside Japan. In this connection we should see to it that any program which the Japanese Government may adopt in the future for compensating holders of external assets shall not be designed to benefit the Zaibatsu, directly or indirectly.

In addition, I have recommended the following to General MacArthur:

(1) In implementing any program for interim deliveries of reparations which may be adopted, immediately select a few large plants which are owned by the Zaibatsu and which constitute war potential, and order that they be dismantled and made ready for shipment.

(2) Announce that in administering any program of reparations removals from Japan, priority will be given to properties owned or controlled by the Zaibatsu, in the sense that, other factors being

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equal, a plant owned or controlled by one of the Zaibatsu will be taken in preference to a non-Zaibatsu plant.

(3) Advise the Japanese Government that they have a definite period of time in which to break up the Zaibatsu; at the end of this period require them to submit a detailed statement describing the steps which have been taken, and advise them further that any property which we determine, at the end of this period, is directly or indirectly owned or controlled by any of the Zaibatsu will be subject to immediate removal from Japan under the reparations program.

3. Activities of Mission

My staff which accompanied me to Japan was composed of 21 men besides myself. In addition to the study of a vast amount of Japanese economic data made available through General MacArthur's staff, parts of my staff visited various places in Japan to familiarize themselves with the look of Japanese industry and agriculture as they emerged from war. Three members of my staff visited Southern Korea and consulted with the American Military Government authorities there under General Hodge. In addition, I consulted with General MacArthur, and inspected personally a large number of industrial installations in Japan. I also visited Shanghai and North China, after which I flew to Chungking to consult with President Chiang Kai Shek. Members of my staff and I also visited the Philippine Islands, where we consulted with High Commissioner McNutt and his staff, and officials of the Commonwealth Government. My primary purpose in visiting the Philippines was to ascertain what kinds of industrial equipment and plants the Philippines might obtain from Japan as interim reparations, and the best methods of working out these deliveries.

Seven members of my staff returned with me to the United States: Dr. Luther Gulick, Col. J. R. Gilchrist, Wm. G. Johnston,

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Josiah E. DuBois, Stanley Joiner, Lt. John G. Reifsnider, and 1st Sgt. John Matles. Fourteen members of my staff remain in Tokyo under the supervision of H. D. Maxwell, my Chief of Staff: Dr. Owen Lattimore, Dr. Arthur G. Coons, Adm. S. S. Kennedy, Martin T. Bennett, Judge Pierson M. Hall, Benjamin C. Haile, John P. Hurndall, David R. Jenkins, Lt. Col. Gail S. Carter, Lt. Paul Elicker, Charles A. Karl, Benjamin C. Olsen, and Lt. George B. Oujevolk.

4. Coordination of Reconversion and Reparations

The industries built up in Japan during the past generation have consisted of plants primarily for the purpose of waging wars of aggression. Japan ravaged her victims in two successive stages--first, in preparation for war came Japanese penetration and infiltration; local industrialization was paralyzed or slowed down. Raw materials were siphoned off to Japan. The industrial use of these materials was monopolized by Japan. In the second stage, a few industries were fostered in Japan's outer empire, and even these industries were tributary. Key phases of the industrial processes--usually the final phase--were reserved as a Japanese monopoly. Japan, by the time the end came, was a country largely deficient in raw materials of its own--especially raw materials for war industries --but was grotesquely studded with advanced war industries. Despite all the destruction to Japan's war plants, Japan still retains in workable condition more plants and equipment than its rulers ever allowed to be used for civilian supply and consumption even in peacetime years.

Observations by my staff and myself in various parts of Japan, confirmed by reports from General MacArthur's staff, indicate that not only conversion of these war plants, but the rebuilding of heavy industries is now going forward with an apparent expectation on the part of the Japanese that they will be given an opportunity to maintain a level of industrial capacity far beyond that which we and our allies will be willing to permit.

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Under a directive to the Japanese Imperial Government from General MacArthur's Headquarters, which directed the Japanese Imperial Government to "stimulate and encourage the immediate maximum production of all essential consumers commodities", the military authorities in the field (to whom responsibility had been delegated by General MacArthur's Headquarters) are permitting conversions of Japanese war industries to peacetime production on a large scale

This statement of fact is not presented as a criticism of our occupation policies in Japan, but as an indication of the impossibility of proceeding consistently in harmony with a reparations policy which has not been stated. Particularly in dealing with industrial conversion authorizations, GHQ in Tokyo must know not only the broad principles of the reparation program, but also the practical implications of these principles, industry by industry.

In passing my recommendations for interim removals on to General MacArthur for his information, I accordingly said, "I am sure that you will agree with me that, in the interest of disarming and demilitarizing Japan, as well as in order to avoid unnecessarily dislocating the Japanese economy when later removals become necessary--a situation which could easily be exploited to make Japanese workers feel that we are destroying peaceful industry--the sooner the reconversion program is geared into what may reasonably be anticipated as definite reparations policy, the better will be our chances of successfully attaining all our objectives."

5. Some Important Considerations in Long Range Program

a. Agricultural Situation in Japan

The studies which we have made to date of the food situation in Japan indicate that the Japanese propaganda that "the Japanese are starving" is without foundation. The Japanese people are better fed at present than the people of any of the nations against whom Japan committed

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aggression. Official studies by General MacArthur's Division of Health and Welfare present positive evidence that there is no serious or unusual malnutrition in Japan. It is interesting that not less than 4% of the rice crop, and possibly as much as 8%, is still permitted to go into the manufacture of alcoholic beverages.

The evidence indicates that:

(1) The estimates of the crop yields prepared by the Japanese government underestimate the amount of food raised in the past year.

(2) Hoards of food are being held on the farms and in the local storehouses as a hedge against further decline in the purchasing power of the yen.

(3) Black market (or "open market") channels, for which no statistical data are officially available, provide the bulk of the food for the urban people.

(4) Calorific estimates, based on government collections, and the associated clamor about immediate food shortage, are intended to stampede GHQ into providing food imports and should be carefully investigated.

b. Costs of Occupation

It should be borne in mind that it is estimated that the occupation of Japan will cost the United States 500 million dollars for the calendar year 1946, not including the cost of the pay of troops. Including the pay of troops, the occupation of Japan will undoubtedly cost the United States well over one billion dollars for the year 1946.

These costs of occupation, together with what is necessary to pay for essential imports, should have prior claim on any available Japanese foreign exchange (including gold) and on the proceeds of any exports from Japan from current production.

This will, in all likelihood, mean that there will not be anything available as recurring reparations from the

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current output of the Japanese economy.

c. Foreign Exchange

Aside from the gold held in Japan, there is practically no foreign exchange presently available to pay for costs of occupation or essential imports. Unlike Germany, Japan has practically no assets in neutral countries. It is anticipated that the extensive holdings of the Japanese in territories of the United Nations will in most, if not all, cases be turned over to such United Nations.

Japan's gold holdings will probably approximate 200 million dollars.

d. Korea

In Southern Korea Japanese assets have been seized by U.S. military government authorities. In Northern Korea the Russians have announced that they are "holding former Japanese properties in trust" for the Korean people.

We received reliable information that the Russians are also removing selected types of industrial equipment from Northern Korea. This included hydro-electric power units from the Ualu River in Northwest Korea. Apparently actual removals were not as extensive as the rumors widely circulated in Japan would indicate.

While Korea will be treated as a friendly state, it is not entitled to any special consideration as a recipient of reparations from Japan proper because Korea made no special contribution toward organizing the victory over the Japanese. However, it would be desirable to transfer to Korea certain Japanese industrial enterprises which were engaged in finishing raw materials received from Korea, as was suggested by my public statement of 8 December 1945 issued in Tokyo. The removal of such plants and processes from Japan would eliminate Japanese control of "key industries".

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If, in addition to the transfer of such industries from Japan to Korea, the Korean government, when established on a unified basis for all of Korea, were to be given control over the major Japanese-owned assets in Korea, it would seem that Korea will have received fully as much as she is entitled to.

e. Manchuria

It is rumored, although accurate information is unavailable, that the U.S.S.R. has removed certain machinery and equipment as "war booty". It is also reported that a number of the mines have been operating under their former Japanese managers, under orders from the Russians.

It is anticipated that it will be our policy that no plants or equipment should be moved out of Manchuria as reparations, but that such plants and equipment will be charged against the reparations claims of China.

f. U.S.S.R. as Claimant Nation

Although I do not believe that the U.S.S.R. should assert a substantial claim for reparations from Japan, nevertheless certain plants and machine tools may well be made available to the U.S.S.R. Preliminary observations by my staff and myself in China, Korea and the Philippines indicate that the low economic development of the Far Eastern nations generally may make it difficult for them to absorb the excess industrial capacity which we desire to eliminate from Japan by reparations removals.

g. Distribution Difficulties

Distribution of reparations is a major problem in the Far East because of the backward and unsettled condition of the recipient countries. It is with this in mind that we visited both China and the Philippines and encouraged the respective governments to think and act realistically about reparations from Japan. In neither

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case is the government ready either in its thinking or in its organization to take and use any considerable quantity of Japanese industrial equipment.

An important factor in this situation is the capitalist, rather than the socialist, nature of the two economics. Plants and machinery delivered to such a government, except possibly for power plants or naval ship-repair yards, will be sold or leased, so that they may immediately become part of the private-enterprise economy. However, no plans have been developed to bring this about, nor do there seem to be available the technicians competent to organize or direct such enterprises or developments. In view of the importance of this matter, I plan to submit a separate report on this subject in the near future.

6. Suggestions on International Action

Even the interim program here presented should not be undertaken by the U.S. Government on a unilateral basis. We need and desire the approval of the program by the nations most concerned, and we require the prompt and effective cooperation of the receiving countries.

As a means of securing this cooperation in the shortest possible time, I recommend that the interim program, as soon as it has the full endorsement of the U.S. Government, be submitted by the Government of the U.S. contemporaneously through diplomatic channels to the eleven countries represented in the FEAC for immediate approval by such governments.

The program submitted for approval would include or be followed by suggestions for the creation of an Allied Commission on Reparations from Japan to be the international reparation policy body, and a Reparations Agency, to be the technical and allocating body. Moreover, each state expecting to receive machine tools and plants might be offered suggestions as to the creation of its own reparations-receiving set-up.

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Each country could be asked to draw up a list of requirements immediately. Arrangements would be made, as soon as a majority of the states approve the program, to have them send technical staffs to Japan to examine plants and equipment declared to be "removals". It would also be necessary to expand the industrial and engineering staff of the Supreme Commander for the Allied Powers in Japan for this operation.

7. Plan of Action

The recommendations presented above may be summarized in the following plan of action:

a. Approval by the Government of the U.S. of the Interim Reparation Program presented above, with such amendments as prove desirable, and decision to press for immediate international concurrence in this program.

b. Submission of the Interim Reparations Program, through diplomatic channels, to each of the eleven members of the FEAC for immediate concurrence.

c. Issuance of a directive to the Supreme Commander for the Allied Powers in Tokyo by the Joint Chiefs of Staff to accomplish the following ends:

(1) Identify the specific war-potential plants and equipment which will be designated as "available for removal under the interim reparation program".

(2) Prohibit the conversion of such plants to peace-time production.

(3) Dismantle, package, and move such plants to dock-side for overseas shipment.

(4) Issue a decree, vesting all Japanese foreign assets.

(5) Ship to the U.S. all gold and precious metals in Japan.

(6) Make arrangements in Japan to receive teams of industrial experts from Allied Nations to examine and accept for shipment interim reparation deliveries.

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d. Ask each of the nations entitled to reparations to prepare:

(1) A statement of their reparation claims along the lines already used in Europe; and

(2) Specific lists of types and quantities of equipment desired under the interim removal program.

e. Develop plans for the creation of an Allied Commission on Reparations from Japan which will be the agency to negotiate international agreement on long-range reparation policies including the determination of the shares to be given to each claimant.

f. Take steps to help China and the Philippines organize special technical agencies to install and use plants and equipment received by them as reparations from Japan.

Respectfully submitted,

Edwin W. Pauley.

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TAB "A" TO ANNEX

PRINCIPAL MACHINE TOOL BUILDERS

I. Machine Tools

The following 27 manufacturers hold 50.5% of Japan's machine tool capacity. The balance of capacity, 49.5%, is in the hands of approximately 225 companies. Capacity is based on production during the 1943 fiscal year when 60,134 units valued at 602,913,000 yen were produced.

	NAME	MAIN OFFICE	% OF CAPACITY	FACTORY NAME	LOCATION
1.	Hitachi Seiko	Tokyo	7.21	Adachi Abiko Narashino	Tokyo Chibaken Chibaken
2.	Mitsubishi Jukogyo	Tokyo	3.92	Hiroshima Nagoya Tsurihara Mikumi	Hiroshima Nagoya Osaka Osaka
3.	Shibaura Koki	Tokyo	3.83	Tsurimi Niikura Numazu Aboshi	Yokohama Saitama Shizuoka Hyago
4.	Ikegai Iron Works	Tokyo	3.64	Tode Mizonokuchi Mita	Kawasaki Kawasaki Tokyo
5.	Dainihon Koki	Sakaishi	3.48	Shinodayama Imamiya Mitishima	Osaka Osaka Osaka
6.	Riken Industrial	Tokyo	2.86	Ojiya Miyauchi Kashiwazaki Maebashi	Niigata Niigata Niigata Gumma
7.	Osaka Kiko	Hyogo	2.42	Inagawa	Hyogo
8.	Okuma Iron Works	Nagoya	2.30	Hagino Kamo-iida Numike Osone Chiba	Nagoya Nagoya Nagoya Nagoya Aichi
9.	Tokyo Kikai	Tokyo	1.68	Tamagawa Mita Kamata	Kawasaki Tokyo Tokyo

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	NAME	MAIN OFFICE	% OF CAPACITY	FACTORY NAME	LOCATION
10.	Niigata Iron Works	Tokyo	1.57	1st Machine Tool	Niigata
				2nd Machine Tool	Niigata
				Sajyo	Niigata
				Kakijaki	Niigata
				Zao	Niigata
11.	Dainippon Heiki	Tokyo	1.55	Shonankuki	Yokohama
				Isami	Ibaragi
12.	Tsugami Manuf.	Tokyo	1.55	Nagaoka	Niigata
				Shinshu	Nagano
13.	Karatsu Iron Works	Tokyo	1.47	Karatsu	Sagaken
14.	Toyoda Koki	Aichi	1.45	Kariya	Aichi
15.	Toyo Industrial Co.	Hiroshima	1.33	Hiroshima	Hiroshima
16.	Shinagawa Seiki	Tokyo	1.27	Kamata	Tokyo
				Kanagawa	Ishikawa
				Shinagawa	Tokyo
17.	Washino Seiko	Nagoya	1.17	Imamura	Aichi
				Nagoya	Nagoya
				Narumi	Aichi
18.	Eishu Kikai	Hamana	1.11	Takatsuka	Shizuoka
19.	Mitsui Seikai	Tokyo	0.92	Okigawa	Saitama
20.	Okamoto Kiko	Tokyo	0.92	Hiyoshi	Yokohama
				Yaguchi	Tokyo
				Shimomaruko	Tokyo
				Omori	Tokyo
21.	Nonwra Manuf.	Osaka	0.88	Osaka	Osaka
22.	Shoun Kosaku	Osaka	0.75	Osaka	Osaka
				Ofuna	Kanagawa
				Otsu	Shiga
23.	Shimamoto Iron Works	Tokyo	0.75	Niigata	Niigata
				Ushino	Niigata
24.	Osaka Seisazoki	Osaka	0.72	Ibaragi	Osaka
25.	Fuji Manuf.	Numazu	0.67	Numazu	Numazu
				Shinuzu	Shizuoka
26.	Ebara Manuf.	Tokyo	0.66	Kawasaki	Kawasaki
27.	Koa Industrial	Nara	0.42	Nara	Nara
				Owada	Osaka
				Urae	Osaka
		TOTAL	50.5		

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TAB "B" TO ANNEX

See Page 3, Paragraph 2.a.(3)
Memo. for the President
18 December 1945

LIST OF 29 SHIPYARDS IN JAPAN

(Leading Shipyards out of Total of 53)

1. Asano Dock K.K., Yokohama
2. Hakodate Dock, Muroran Works, Muroran
3. Harima Zosen K.K., Aioi, near Kobe
4. Hitachi Zosen, K.K., Chikko Works, Osaka
5. Hitachi Zosen, K.K., Inuoshima Works, Inusohima (Inland Sea)
6. Hitachi Zosen, K.K., Mukaijima Works, Mukaishima (Inland Sea)
7. Hitachi Zosen, K.K., Sakurajima Works, Osaka
8. Ishikawajima Zosen, K.K., Tokyo
9. Kasado Dock, K.K., Kudamatsu (Inland Sea)
10. Kawanami Zosen, K.K., Koyakijima Works, Koyakihima (off Nagasaki)
11. Kawasaki Jurogyo, K.K., Kobe
12. Mitsubishi, J.K.K., Hiroshima Works, Hiroshima
13. Mitsubishi, J.K.K., Kobe Works, Kobe
14. Mitsubishi, J.K.K., Nagasaki Works, Nagasaki
15. Mitsubishi, J.K.K., Shimonoseki Works, Shimonoseki
16. Mitsubishi, J.K.K., Wakamatsu Works, Wakamatsu
17. Mitsubishi, J.K.K., Yokohama Works, Yokohama
18. Mitsui Zosen, K.K., Tamano (Near Okayama)
19. Nagoya Zosen, K.K., Nagoya
20. Namura Zosen, K.K., Osaka
21. Nihonkai Dock, K.K., Toyama
22. Nihonkai Dock, K.K., Nishinomiya Works, Toyama
23. Sanko Zosen, K.K., Osaka Works, Osaka
24. Sanoyasu Zosen, K.K., Osaka
25. Tohoku Dock, K.K., Shiogama
26. Uraga Dock, K.K., Uraga
27. Hakodate Dock, Hakodate Works, Hakodate
28. Fujinagata Zosen, K.K., Osaka
29. Kyushu Zosen, K.K., Wakamatsu

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TOP SECRET

COPY NO. 59

7 January 1946

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION ON SWNCC 232/1

POLICE FORCE AND NATIONAL DEFENSE FORCES FOR KOREA

Note by the Secretaries

By informal action on 29 December 1945 the State-War-Navy Coordinating Committee approved SWNCC 232/1.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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TOP SECRET

COPY NO. 59

SWNCC 232/1

19 December 1945

Pages 4 - 11, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

POLICE FORCE AND NATIONAL DEFENSE FORCES FOR KOREA

References: a. SWNCC 197 Series
b. SWNCC 232/D

Note by the Secretaries

The enclosure, a report on the above subject by the State-War-Navy Coordinating Subcommittee for the Far East, is circulated for consideration by the Committee.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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TOP SECRET

ENCLOSURE

POLICE FORCE AND NATIONAL DEFENSE FORCES FOR KOREA

Report by the
State-War-Navy Coordinating Subcommittee for the Far East

THE PROBLEM

1. To consider:

a. Equipping a Korean Police Force with U.S. weapons.

b. Organizing a Korean National Defense Force (including land, sea and air forces).

FACTS BEARING ON THE PROBLEM

2. On 3 November 1945, WAR 80645 (see Appendix "A" for pertinent extract) directed General MacArthur to plan for the establishment of police type forces for Korea to be composed of Koreans under United States supervision.

3. On 28 November, CM-IN 9260 (CAX 55238, see Appendix "B") was received from General MacArthur to the effect that:

a. In accordance with WAR 80645, a Korean National Police Force is being organized, will reach a planned strength of 25,000 by 1 January 1946, and authority is requested to equip this police force with surplus U.S. weapons available in the theater;

b. The establishment of complete Korean National Defense Forces might be advisable.

4. On 3 December 1945, CM-IN 789 (CA 55527, see Appendix "C"), relating to the establishment and training of a Korean Coast Guard Organization, was received from General MacArthur.

DISCUSSION

5. The equipping of an Italian Civil Police, established by the Allied Military Government with U.S. (and British) equipment was authorized by the State-War-Navy Coordinating Committee on 9 October 1945 (SWNCC 197/2). This equipment was supplied on the same basis as tools furnished to indigenous civilians

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employed on projects for Allied forces and was to be returned on the completion of the mission of such police force. The precedent established by equipping an Italian Civil Police force appears applicable to Korea. The police force for Southern Korea is being organized by the U.S. Military Government, under U.S. supervision, for the purpose of relieving U.S. Forces of civil police functions in Korea. At the time of establishment of an international trusteeship over Korea, or the granting of complete Korean independence, the equipment would either be returned, or the necessary financial arrangements for transfer of the equipment to the Korean government should be negotiated.

6. It is believed that the United States should not act unilaterally at the present time in establishing a "Korean National Defense Forces", since U.S. armed forces occupy only half of Korea and present U.S. policy envisages eventual multipartite trusteeship over Korea as a whole under international commitment.

CONCLUSIONS

7. It is concluded that:

a. General MacArthur be authorized to equip a Korean National Civil Police Force with U.S. weapons. Further information should be obtained from General MacArthur as to the organization, equipment and functions now contemplated for such a police force, particularly as to the inclusion therein of a Coast Guard and police units with limited tactical organization and training.

b. General MacArthur be advised that the matter of establishing "Korean National Armed Forces" is closely allied to problems connected with international commitments for implementing Korean independence. Action at present should be deferred pending further consideration of the problem as a whole.

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RECOMMENDATIONS

8. It is recommended that a memorandum (see Appendix "D") be dispatched to the Joint Chiefs of Staff.

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APPENDIX "A"

31 October 1945

Number WAR 80645

* * * * *

"Request however that, with the view to reducing United States personnel to the absolute minimum, you continue your planning in this connection along the following lines:

"A. Establishment of police type forces for Korea and for Army areas of responsibility in the Ryukyus. Plans to be submitted to War Department upon completion, together with recommended date as to when these plans might feasibly be implemented. Police type forces for Korea to be composed of Koreans under United States supervision. United States combat forces not required to insure internal stability of Korea but whose presence is dictated solely by political situation vis a vis Russia should be listed separately."

* * * * *

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APPENDIX "B"

CAX 55238
(CM-IN 9260)

26 November 1945

"Part I

Since United States occupation, rehabilitation of lightly armed Korea National Civil Police Force within existing structure of government has been in progress under United States supervision, reur W 80645 of 3 November 1945 (Appendix "A"). Force is composed of Koreans and will reach planned strength of 25,000 by 1 January 1945. Believe that continued vigorous development of force and equipping it with United States arms and equipment will relieve United States forces of civil police functions in Korea other than supervision and reinforcements in emergency. However, in view of situation vis a vis Russia, two United States Divisions, two Air Groups, and supporting troops, comprise the minimum force that should be retained in Korea until final United States policy with respect to that country is determined.

Request authority to equip police force as outlined above with surplus United States weapons available here in stock and from Class 4 units.

"Part II

In this connection closely related question of long range policy concerning establishment of Korean Military Forces has necessarily received consideration. Following are views of Commanding General USAFIK on subject: 'Private armies of unarmed veterans nationally inspired are beginning to spring up in Korea and will undoubtedly make every effort to arm secretly or otherwise. Such forces will be a threat to the integrity of Korea upon the withdrawal of United States Forces. Best method of control is to capture Korean leadership and divert energies into national channel under United States control.

'Police type force does not offer satisfactory solution to problem due to the local nature of its primary mission of

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law enforcement and the size of the groups involved. A more ambitious but realistic program would be the establishment of complete Korean National Defense Forces (Army and Air, Navy and Coast Guard)'.

It is realized that such a program must necessarily be governed by policies established for the ultimate disposition of Korea. Consequently it is requested that this Hq be furnished early guidances to what if any national armed forces are contemplated for Korea during the period of the Allied trusteeship in order to determine whether or not further consideration of such a plan is warranted at this time."

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APPENDIX "C"

From: CINCAFPAC, Advanced, Tokyo, Japan

To: War Department

Nr. CA 55527 3 December 1945

Plans have been initiated by USAFIK for rehabilitation of Korean equivalent of Coast Guard. Approximately 52 Japanese vessels of suitable types are now under Korean control for Coast Guard, coastwise and harbor functions. Maritime schools for training crews and eventually officers now operating at Chinkai, former Japanese Naval Base. Scarcity of qualified personnel and professional assistance in planning Coast Guard development and overall maritime program plus increasing commitment to possibly ill advised programs already in effect make presence of United States Naval personnel urgent.

Request one Commodore or Captain, 2 Commanders or Lt. Commanders and 6 Navy enlisted men be made available to Commanding General, USAFIK, for sufficient period of time to enable them to study Coast Guard requirements, submit recommendations for meeting requirements and initiate and direct plans finally approved. Officers would work with Military Government agencies now concerned with these affairs.

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APPENDIX "D"

MEMORANDUM FOR THE SECRETARY, JOINT CHIEFS OF STAFF:

Subject: Police Force and National Defense Forces for Korea.

The State-War-Navy Coordinating Committee has considered CAX 55238, 26 November (CM-IN 9260), and recommends that a message along the following lines be dispatched to General MacArthur:

"Authority is granted to arm Korean National Civil Police with U.S. equipment as requested by you in CAX 55238. Equipment will be provided on the same basis as tools furnished to indigenous civilians employed on projects for U.S. forces and should be (1) returned on completion of mission of this police force or at the time U.S. forces evacuate Korea, whichever occurs first, or (2) sold or otherwise appropriately transferred to the Korean administration at the time of establishment of an international trusteeship or the establishment of a completely independent Korea.

"Further information is requested as to the organization, equipment, and functions contemplated by you for the Korean Civil Police Force. Do you contemplate the establishment of police units with limited tactical organization and training?

"The matter of establishing 'Korean National Armed Forces' is closely allied to unsettled problems connected with international commitments for implementing Korean independence. Action to establish such force will therefore be deferred. In this connection information is requested as to whether the proposed Coast Guard will be limited to customary inshore patrol and police functions rather than constituting a neucleus of a Korean naval force."

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TOP SECRET

COPY NO. 75

7 January 1946

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION AMENDING SWNCC 228

REFORM OF THE JAPANESE GOVERNMENTAL SYSTEM

Note by the Secretaries

1. At its 32nd meeting, the State-War-Navy Coordinating Committee approved SWNCC 228, after amending.

2. Holders of SWNCC 228 are requested to destroy page 3 by burning, renumber pages 4 through 13 to read 5 through 14 and insert the revised pages 3 and 4.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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SWNCC 228

27 November 1945

Pages 1 - 14, incl.

COPY NO. 75

STATE-WAR-NAVY COORDINATING COMMITTEE

REFORM OF THE JAPANESE GOVERNMENTAL SYSTEM

Reference: a. SWNCC 209/D.

Note by the Secretaries

1. The enclosure, a report by the State-War-Navy Coordinating Subcommittee for the Far East, is circulated for consideration by the Committee.

2. A copy of this report has been forwarded to the Joint Chiefs of Staff for their comment from a military point of view. The comments of the Joint Chiefs of Staff will be circulated to the Committee upon receipt thereof from the Secretary, Joint Chiefs of Staff.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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E N C L O S U R E

REFORM OF THE JAPANESE GOVERNMENTAL SYSTEM

Report by the
State-War-Navy Coordinating Subcommittee for the Far East

THE PROBLEM

1. To determine the constitutional reforms which the occupation authorities should insist be carried out in Japan.

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

CONCLUSIONS

4. It is concluded that:

a. The Supreme Commander should indicate to the Japanese authorities that the Japanese governmental system should be reformed to accomplish the following general objectives:

(1) A government responsible to an electorate based upon wide representative suffrage;

(2) An executive branch of government deriving its authority from and responsible to the electorate or to a fully representative legislative body;

(3) A legislative body, fully representative of the electorate, with full power to reduce, increase or reject any items in the budget or to suggest new items;

(4) No budget shall become effective without the express approval of the legislative body;

(5) Guarantee of fundamental civil rights to Japanese subjects and to all persons within Japanese jurisdiction;

(6) The popular election or local appointment of as many of the prefectural officials as practicable;

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(7) The drafting and adoption of constitutional amendments or of a constitution in a manner which will express the free will of the Japanese people.

b. Though the ultimate form of government in Japan is to be established by the freely expressed will of the Japanese people, the retention of the Emperor institution in its present form is not considered consistent with the foregoing general objectives.

c. If the Japanese people decide that the Emperor institution is not to be retained, constitutional safeguards against the institution will obviously not be required but the Supreme Commander should indicate to the Japanese that the constitution should be amended to conform to the objectives listed in a above and to include specific provisions:

(1) That any other bodies shall possess only a temporary veto power over legislative measures, including constitutional amendments approved by the representative legislative body, and that such body shall have sole authority over financial measures;

(2) That the Ministers of State or the members of a Cabinet should in all cases be civilians;

(3) That the legislative body may meet at will.

d. The Japanese should be encouraged to abolish the Emperor institution or to reform it along more democratic lines. If the Japanese decide to retain the institution of the Emperor, however, the Supreme Commander should also indicate to the Japanese authorities that the following safeguards in addition to those enumerated in a and c above would be necessary:

(1) That the Ministers of State, chosen with the advice and consent of the representative legislative body, shall form a Cabinet collectively responsible to the legislative body;

(2) That when a Cabinet loses the confidence of the representative legislative body, it must either resign

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or appeal to the electorate;

(3) The Emperor shall act in all important matters only on the advice of the Cabinet;

(4) The Emperor shall be deprived of all military authority such as that provided in Articles XI, XII, XIII, and XIV of Chapter I of the Constitution;

(5) The Cabinet shall advise and assist the Emperor;

(6) The entire income of the Imperial Household shall be turned into the public treasury and the expenses of the Imperial Household shall be appropriated by the legislature in the annual budget.

5. Only as a last resort should the Supreme Commander order the Japanese Government to effect the above listed reforms, as the knowledge that they had been imposed by the Allies would materially reduce the possibility of their acceptance and support by the Japanese people for the future.

6. The effectiveness of governmental reforms in preventing the resurgence of military control in Japan will depend in a large measure upon the acceptance by the Japanese people of the entire program. In the implementation of allied policy on the reform of the Japanese Government, the Supreme Commander for the Allied Powers must take into account the problems of sequence and timing, as well as measures which might be adopted to prepare the Japanese people to accept the changes, in order to insure that the reforms are lasting in strengthening representative government in Japan.

7. This paper should not be released for publication. The eventual release of a statement of allied policy on the reform of the Japanese Government should be coordinated with the Supreme Commander for the Allied Powers in order not to impede the accomplishment of such reforms in Japan itself.

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RECOMMENDATIONS

8. It is recommended that:

a. Upon approval by the State-War-Navy Coordinating Committee of the conclusions in paragraph 4 above:

(1) The report be forwarded to the State, War and Navy Departments and the Joint Chiefs of Staff for information; and

(2) Forward SWNCC 228, as amended, to the American Representative on the Far Eastern Commission for his guidance in negotiations with other members of the Commission on the formulation of an Allied policy on the reform of the Japanese Government.

b. No part of this report be released to the press at present.

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APPENDIX "A"

FACTS BEARING ON THE PROBLEM

1. The Potsdam Declaration provides that:

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

****

"The occupying forces of the Allies shall be withdrawn from Japan as soon as these objectives /as set forth in the Potsdam Declaration/ have been accomplished and there has been established in accordance with the freely expressed will of the Japanese people a peacefully inclined and responsible government."

2. The Allied note of August 11 to the Japanese Government stated that:

"The ultimate form of government of Japan shall, in accordance with the Potsdam Declaration, be established by the freely expressed will of the Japanese people."

3. One of the ultimate objectives of the United States in regard to Japan is stated in SWNCC 150/4/A, "United States Initial Post-Defeat Policy Relating to Japan", to be:

"To bring about the eventual establishment of a peaceful and responsible government which will respect the rights of other states and will support the objectives of the United States as reflected in the ideals and principles of the Charter of the United Nations. The United States desires that this government should conform as closely as may be to principles of democratic self-government but it is not the responsibility of the Allied Powers to impose upon Japan any form of government not supported by the freely expressed will of the people."

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APPENDIX "B"

DISCUSSION

1. The Potsdam Declaration stipulates that the occupying forces shall not be withdrawn from Japan until a "peacefully inclined and responsible government" has been established. Past declarations of the United Nations, and the clear intention of the Allies permanently to eliminate Japanese practices and institutions which have made that country a danger to other nations, clearly indicate that that stipulation refers not merely to the particular Japanese Government which the Allies recognize prior to withdrawal, but also to the nature of Japan's governmental institutions. Although "the ultimate form of government of Japan" is to be determined by the "freely expressed will of the Japanese people", the Allies, in accordance with the above provision and as a part of their over-all program for the demilitarization of Japan, are fully empowered to insist that Japanese basic law be so altered as to provide that in practice the government is responsible to the people, and that the civil is supreme over the military branch of the government.

2. The existing Japanese governmental system, resting on the Consitution, the Imperial House Law, basic statutes and Imperial Ordinances supplementary to the Constitution, and customs and practices observed virtually as law, has shown itself unsuited to the development of peaceful practices and policies primarily by reason of the defects described in the following paragraphs.

3. The Absence of an Effective System of Responsibility of the Government to the People.

a. There are of course several ways in which this responsibility may be effected. In the United States the executive government is directly responsible to the President, who is himself elected by the people and is limited by the judicially enforced Constitution from encroaching

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upon the rights of the judiciary and the Congress. In Great Britain the executive government is nominally responsible to an hereditary monarch, but actually it is responsible to the House of Commons, which is elected by the people. While in theory the power of the Parliament is absolute, in practice it recognizes the independence of the courts and certain rights of the executive.

b. The present Japanese Constitution was drawn up with the dual purpose of, on the one hand, stilling popular clamor for representative institutions, and on the other, of fortifying and perpetuating the centralized and autocratic governmental structure which its framers, the Meiji leaders, believed necessary for Japan's continued existence and development in the modern world. Consistent with this latter purpose, power was retained in the hands of a small group of personal advisors around the Throne, and the people's elected representatives in the Diet were given only limited supervisory powers over legislation. When a Cabinet falls the new Prime Minister, who selects his own Cabinet, is appointed by the Emperor not automatically from the leadership of the majority party in the Lower House but on the recommendation of these advisors; originally the Genro and more recently a council of former prime ministers. The nature and composition of a new government, consequently, was determined by the balance of forces around the Throne rather than by the majority view in the Lower House.

c. This lack of responsibility of the Cabinet to the Lower House was also the result of the Diet's limited powers over the budget. The Constitution provides (Article 71) that if a budget is rejected by the Diet, the budget of the preceding year authomatically goes into effect. Consequently, even though the Prime Minister failed to win a vote of confidence in the Lower House he knew that he was assured of a budget equal at least to that of the current year.

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d. Although the passing of general laws pertaining to the internal affairs of the nation are within its province, in practice most bills are introduced by members of the Cabinet, in whose selection the Diet has no part. The power to declare war, make peace, and conclude treaties are Imperial prerogatives over which the Parliament can exert only the most indirect influence because of its inability to control the Cabinet and the Privy Council which, together with the Keeper of the Privy Seal, the Minister of the Imperial Household and others close to the Throne, advise the Emperor on these matters. The Diet has no power over dynastic affairs, it cannot initiate amendments to the Constitution, it cannot convene of its own accord, and it may be prorogued for a period up to fifteen days any number of times during a session by the Emperor on the advice of the Prime Minister.

e. Although the Diet possesses indirect means of impressing its views upon the government which have proven more effective in practice than the direct controls, budgetary or otherwise, at its disposal, even these indirect methods have been of limited value. Its power to address the Throne or make representations to the government has little practical significance, because neither is bound to respond to its representations. Its power to establish committees of inquiry on any matters of state is limited by its inability to compel the attendance of witnesses. Interpellations and questions from the floor can embarrass a Cabinet, and have been among the Diet's most effective weapons, but ministers are free to make evasive replies or to refuse to answer at all on the ground of "military security" or "diplomatic security" or as "contrary to public interest". Although both Houses are empowered by custom to pass resolutions on matters within their jurisdiction, and resolutions of no confidence by the Lower House prior to 1931 frequently

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led to the resignation of a cabinet or of the ministers thus censured, such resolutions have also frequently led to the dissolution of the House and a new election which, although it supported the House against the government, was not followed by the latter's resignation. Nevertheless, during the past fifteen years, criticism of the government from the floor or in address or representation resolutions have been virtually the only means by which members could hope to influence policy.

4. The Dual Nature of Japanese Government which Permits the Military to Act Independently of the Civil Government and of the Parliament.

a. The supreme command of the army and navy, and the power to determine their peacetime standing, are stated in the Constitution to be among the Emperor's prerogatives. This has been interpreted by the military services to mean that they are responsible solely to the Emperor and may act independently of the Cabinet and the Diet in matters of military concern. Only in matters of major importance have they felt obliged to seek the Emperor's approval, frequently interpreting and expanding that approval to suit their own ends. The right of direct access to the Emperor possessed by the Chiefs of Staff and the Ministers of the Army and Navy, a privilege enjoyed by the Prime Minister but by no other member of the Cabinet, has been an indispensable condition of the services' independence of action.

b. The ability of the military to affect government policy both within and without the area of their assigned responsibilities is further enhanced by the provision, based on an Imperial Ordinance of 1898, that the Minister of War and the Minister of the Navy must be a general or a lieutenant-general or an admiral or vice-admiral respectively on the active list. This provision has been repeatedly used by the military services to overthrow an existing cabinet by requiring the resignation of the Minister of War

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or the Minister of the Navy or to prevent the formation of a new Cabinet by the refusal to permit eligible officers to fill these posts. Divided responsibility between the military and civil authorities in the Japanese Government, beside giving the services undue weight in the determination of policy, has on numerous occasions prevented the civil government, which of its own accord might have acted in good faith, from fulfilling its international commitments.

5. The Excessive Power of the House of Peers and the Privy Council.

a. Except for the fact that financial bills must be initiated in the Lower House, and that the Lower House may be dissolved by the Emperor at any time whereas the Upper House can only be prorogued, the legislative powers of both Houses are the same. Inasmuch as the House of Peers is composed approximately one-half of the nobility, one-fourth of persons elected by and from the highest taxpayers, and one-fourth of Imperial appointees, its equal powers with the popularly elected Lower House gives representatives of the propertied and conservative classes in Japan an undue influence on legislation.

b. The Privy Council, composed of a president, a vice-president, twenty-four councilors appointed by the Emperor for life, and the members of the cabinet ex officio, serves as the supreme advisory body to the Emperor. The ordinance defining its powers, promulgated in 1890, stipulated that generally speaking its advice was to be solicited by the Emperor only on constitutional questions, international treaties and agreements, and prior to the issuance of emergency Imperial ordinances. Gradually, however, the Council has extended its activities and increased its power until in recent decades it has come to resemble a "third chamber", with broad supervisory powers over the executive in both foreign and domestic matters. It has frequently

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opposed the Cabinet on policy questions, and on several occasions has forced the downfall of Cabinets possessing the confidence of the Diet. Owing no political responsibility to the Diet or to the people for its activities, and yet exerting important influence over the entire affairs of the state, the Privy Council as presently constituted has proved an important barrier to the development of a sound parliamentary system.

6. Inadequate Provision for the Protection of Civil Rights.

a. The Japanese people have been deprived in practice, particularly during the past fifteen years, of many of the civil rights guaranteed them in the Constitution. Qualification of the constitutional guarantees by the phrase "except in the cases provided by law" or "unless according to law" has permitted the enactment of statutes involving wholesale infringement of these rights. At the same time Japanese courts have shown themselves subservient to social, even if not to direct governmental, pressures, and have failed signally to administer impartial justice.

b. To rectify this situation, General MacArthur, on October 4, 1945, ordered the Japanese Government to abolish all measures which restricted freedom of speech, of thought and of religion and to report to him by October 15, 1945, on all steps which had been taken to assure civil rights to the people.

c. In one other respect the Japanese Constitution falls short of other constitutions in its guarantee of fundamental rights. Instead of granting those rights to all persons it stipulates that they shall apply only to Japanese subjects, leaving other persons in Japan without their protection.

7. To have lasting value and hence to be most effective, the constitutional and administrative reforms necessary to correct the defects in Japan's governmental system should be initiated

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and carried into effect by the Japanese Government out of a desire to eliminate elements of the national structure which have brought Japan to its present pass and to comply with the provisions of the Potsdam Declaration. Failing such spontaneous action by the Japanese, the Supreme Commander should indicate the reforms which this Government considers necessary before it can consider a "peacefully inclined and responsible government" to have been established in Japan, a condition of the occupation forces' withdrawal. Only as a last resort should a formal instruction be issued to the Japanese Government specifying in detail the reforms to be effected.

8. The combination of new provisions in the Constitution that (1) the government shall be responsible to an electorate based upon wide representative suffrage, (2) that the executive branch of government shall derive its authority from and be responsible to the electorate or to a fully representative legislative body and (3) when a Cabinet loses the confidence of the representative legislative body it must resign or appeal to the electorate would ensure the development of a truly representative government responsible to the people. This direct responsibility of the government to the people would be further strengthened by conferring full budgetary powers on the representative legislative body. If the government lost the confidence of the representative legislative body, it would be forced to resign at the end of the fiscal year because of the lack of funds.

9. Explicit provision in the Constitution for the guarantee of fundamental civil rights both to Japanese subjects and to all persons within Japanese jurisdiction would create a healthy condition for the development of democratic ideas and would provide foreigners in Japan with a degree of protection which they have not heretofore enjoyed. The position of a representative legislative body would be further strengthened by granting

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to the Diet the right to meet at will and allowing any other organ of the government only a temporary veto over legislative measures approved by the legislative body, including amendments to the constitution. The popular election or local appointment of as many of the prefectural officials as practicable would lessen the political power formerly possessed by the Home Minister as a result of his appointment of governors of prefectures. At the same time it would further encourage the development of genuinely representative local government.

10. Although the authority and influence of the military in Japan's governmental structure will presumably disappear with the abolition of the Japanese armed forces, formal action permanently subordinating the military services to the civil government by requiring that the ministers of state or the members of a Cabinet must, in all cases, be civilians would be advisable.

11. While this Government is anxious to encourage the Japanese either to abolish the Imperial Institution or to reform it along more democratic lines, the question of the retention of the Imperial Institution will have to be left to the Japanese to decide for themselves. If the Imperial Institution is retained, many of the changes recommended above, such as the provisions for the direct responsibility of the government to the people through granting full budgetary powers to the representative legislative body and the requirement that only civilians serve as ministers of state or the members of a Cabinet in all cases, will go far towards reducing the power and influence of the Imperial Institution. Further safeguards must be established to prevent the resurgence of "dual government" in Japan and the use of the Emperor by nationalistic and militaristic groups to threaten the future peace in the Pacific. Those safeguards should include provisions that (1) the Emperor act in all important matters only on the advice of the Cabinet,

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(2) the Emperor be deprived of all military authority such as that provided in Articles XI, XII, XIII and XIV of Chapter I of the Constitution, (3) the Cabinet shall advise and assist the Emperor, (4) the entire income of the Imperial Household shall be turned into the public treasury and the expense of the Imperial Household shall be appropriated by the legislature in the annual budget. The position of the Imperial Institution in the Japanese political structure is to be treated more fully in a subsequent paper, pursuant to directive contained in SWNCC 209/D.

12. There are a number of desirable reforms in the Japanese governmental system which have not been specified in the conclusions, such as strengthening of the prefectural and municipal assemblies, and revision of the election laws to eliminate dishonest election practices. It is further believed that measures to strengthen the local assemblies and effect a thoroughgoing reform of the election system can be safely left, and would be better left, to be initiated by a genuinely representative national government at Tokyo, whose establishment the reforms specified in this paper should ensure. Elections during the occupation period will, presumably, be adequately supervised by the occupation forces.

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TOP SECRET

COPY NO. 43

21 February 1946

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION AMENDING SWNCC 227/3

REQUEST FROM CHINESE FOR RETURN OF DREDGER CHIEN SHO AND LIGHT CRUISER YAT SEN: INTERIM PROCEDURES FOR RESTITUTION OF IDENTIFIABLE LOOTED PROPERTY

Note by the Secretaries

1. By informal action on 21 February 1946 the State-War-Navy Coordinating Committee approved SWNCC 227/3 as amended by SWNCC 227/6.

2. Holders of SWNCC 227/3 are requested to substitute the attached revised Appendix "C" (pages 16 and 17) for the one contained therein and destroy the latter by burning.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

TOP SECRET COPY NO. 43

8 February 1946

STATE-WAR-NAVY COORDINATING COMMITTEE

MEMORANDUM FOR HOLDERS OF SWNCC 227/3

REQUEST FROM CHINESE FOR RETURN OF DREDGER CHIEN SHO AND LIGHT CRUISER YAT SEN: INTERIM PROCEDURES FOR RESTITUTION OF IDENTIFIABLE LOOTED PROPERTY

Note by the Secretaries

At the request of the originator, the classification of SWNCC 227/3 is raised from CONFIDENTIAL to TOP SECRET. Holders of this paper are requested to change the classification accordingly.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 740132

~~CONFIDENTIAL~~ SECRET

COPY NO. 43

SWNCC 227/3

29 December 1945

Pages 7 - 17, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

REQUEST FROM CHINESE FOR RETURN OF DREDGER CHIEN SHO AND LIGHT CRUISER YAT SEN: INTERIM PROCEDURES FOR RESTITUTION OF IDENTIFIABLE LOOTED PROPERTY

References: a. SWNCC 227/D
b. SWNCC 227/1/D

Note by the Secretaries

1. The enclosure, a report by the State-War-Navy Coordinating Subcommittee for the Far East in response to references a and b, is circulated for consideration by the Committee.

2. A copy of this paper has been forwarded to the Joint Chiefs of Staff for comment from a military point of view. The comments of the Joint Chiefs of Staff will be circulated to the Committee upon receipt thereof from the Secretary, Joint Chiefs of Staff.

ALEXANDER D. REID
B. L. AUSTIN
RAYMOND E. COX
Secretariat

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ENCLOSURE

Report by the
State-War-Navy Coordinating Subcommittee for the Far East

REQUEST FROM CHINESE FOR RETURN OF DREDGER CHIEN SHO AND LIGHT CRUISER YAT SEN: INTERIM PROCEDURES FOR RESTITUTION OF IDENTIFIABLE LOOTED PROPERTY

THE PROBLEM

1. To advise SCAP concerning request of Chinese for location and return of Chinese vessels, Chien Sho and Yat Sen, and

2. To establish interim procedures for restitution of identifiable looted property (with the exception of gold and other precious metals, tin, precious gems, foreign exchange and other securities, and ships and waterborne craft of all kinds) found within Japan.

FACTS BEARING ON THE PROBLEM

3. See Appendix "A".

DISCUSSION

4. See Appendix "B".

CONCLUSIONS

5. It is concluded that:

a. For the time being the government of any of the United Nations at war with Japan should be permitted to take delivery, at a point in Japan designated by the SCAP, of property (with the exception of gold and other precious metals tin, precious gems, foreign exchange and other securities, and ships and waterborne craft of all kinds) looted from it or from any of its nationals by the Japanese Government, Japanese armed forces or Japanese nationals, provided that:

(1) Request for such restitution, accompanied by available evidences of ownership, has been presented by such government to the United States Government for transmission to SCAP.

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(2) The SCAP is satisfied (a) as to the identification of such property; and (b) that such claimed items come under the following definition of looted property restitutable from Japan, i.e., that they were removed from areas under occupation by Japanese armed forces subsequent to the date of such occupation (but not earlier than July 7, 1937), and that they were owned by the government or nationals of the claimant nation at the time when the Japanese Government, armed forces, or nationals took possession thereof. The question of payment, if any, by the Japanese at the time of acquisition should be disregarded.

(3) The SCAP does not deem the employment of such property within Japan necessary for the requirements of the occupying forces or for the accomplishment of the objectives of the occupation.

(4) Proper receipt has been furnished to SCAP upon delivery, together with an undertaking on the part of the claimant government to make appropriate equitable adjustment and abide by final inter-Allied decision in respect of any conflicting claims to such property that may be made by other nations or their nationals.

b. In cases where the SCAP is not satisfied that the conditions set forth in subparagraph a (2) above have been met, he should be authorized in his discretion to withhold disposition of the claimed property pending consideration of the matter by an appropriate inter-Allied agency or by the interested governments.

c. The SCAP should be requested to recommend appropriate arrangements to permit representatives of nations occupied by the Japanese to engage in investigations within Japan directed towards location or identification of looted property

d. The SCAP should report to JCS for transmission to the State, War and Navy Departments his action on all requests for restitution.

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e. As an exception to the foregoing procedure and as a matter of expediency the Chinese Government should be permitted to take possession of looted vessels, Chien Sho and Yat Sen upon the conditions stated in the message to SCAP attached as Appendix "C".

RECOMMENDATIONS

6. It is recommended that:

a. This report be forwarded to the JCS for comment from the military point of view, and,

b. Upon approval by the SWNCC of the conclusions in paragraph 5 above,

(1) the report be forwarded to the State, War and Navy Departments for guidance and implementation where appropriate;

(2) the JCS be requested to transmit the message at Appendix "C" to SCAP; and

(3) the State Department transmit the substance of the conclusions in paragraph 5 above to the Governments of Australia, Canada, China, France, Great Britain, India, Netherlands, New Zealand, Philippines and Russia.

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APPENDIX "A"

FACTS BEARING ON THE PROBLEM

1. United States Initial Post-Defeat Policy Relating to Japan, (SWNCC 150/4/A) states in Part IV - Economic:

"Restitution

"Full and prompt restitution will be required of all identifiable looted property."

2. The Basic Directive for Post-Surrender Military Government in Japan Proper (SWNCC 52/4) states in Part III - A. Economic:

"28. You will assure the execution of programs of reparations in kind and of restitution of identifiable looted property in accordance with decisions of the appropriate Allied authorities transmitted to you by the Joint Chiefs of Staff."

****

"All requests received by you, for reparations or restitution from the United Nations which have been victims of Japanese aggression will be reported with your recommendations to the Joint Chiefs of Staff."

3. On 10 November 1945 SCAP advised that the Director General of the Chinese Customs Administration had requested that the dredger Chien Sho formerly owned by the Wangpoo Conservancy Board be located and turned over to the Chinese Government. He stated that this vessel had been captured by the Japanese Navy and taken to Japan to be used as a tug in the Inland Sea. It is at present under repair. Completion of the repair was expected about 1 December 1945. SCAP further stated that the vessel is not suitable for repatriation, minesweeping or cargo service and that he has no objections to turning it over to the Chinese Government subject to whatever legal and policy considerations are involved. He requests instructions as to its disposition.

4. On 15 November 1945 SCAP advised that he had received a request from the Chinese Government for the return of the Chinese

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light cruiser Yat Sen, which was reported to have been captured by the Japanese and renamed the Atada. SCAP stated that this vessel was then at Kure undergoing minor engine repairs, and requested instructions.

5. Although as a matter of expediency and to afford a reply to the foregoing requests for instructions, specific directions are included in this paper covering the Chien Sho and the Yat Sen; ships and waterborne craft of all kinds, gold and other precious metals, tin, precious gems and foreign exchange and other securities are excluded from other consideration in this paper. Such exclusion is necessary, since these items present special problems and will accordingly be dealt with separately in other forthcoming policy papers.

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APPENDIX "B"

DISCUSSION

1. The full and prompt restitution of identifiable looted property is called for in the President's statement governing United States Post-Defeat Policy Relating to Japan (SWNCC 150/4, IV, 4).

2. Since no accredited diplomatic representatives of the United Nations at war with Japan are now attached to General MacArthur's own headquarters, it is considered that in the interest of regularity and uniformity of procedure all claims for looted property should be addressed by the governments of the other United Nations at war with Japan to the United States Government, which will transmit such requests to the Supreme Commander through the Joint Chiefs of Staff. Requests for such restitution should be accompanied by all available evidences of ownership. When the Supreme Commander can make delivery to an agent of a claimant government, he should be furnished by that agent with proper receipt, together with an undertaking on the part of the claimant government to make appropriate adjustment and abide by final inter-Allied decision in respect to any conflicting claims to such property that may be made by other nations or their nationals. It is not considered practical for the Supreme Commander to carry out the elaborate investigations required to determine finally title to the property which he may be handling. There may be concealed and complicated legal aspects of transfers in restitution which should not constitute reason for denying restitution of otherwise clearly identifiable looted property but for which the Supreme Commander should not be made to accept final responsibility.

3. At the present time the Supreme Commander for the Allied Powers is the only authority in a position to know whether property claimed for restitution can be properly located and identified and whether, even though it could be located and identified, its continued employment in Japan would be necessary for the requirements

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of the occupying forces or for the accomplishment of the objectives of the occupation.

4. The definition of looted property should include determination that claimed items were removed from areas occupied by Japanese armed forces subsequent to the date of such occupation (but not earlier than 7 July 1937) and that at the time they were taken over by the Japanese they were in fact owned by the government or nationals of the claimant nation. No question as to whether or not payment was made for such property should be entertained by the Supreme Commander. It is considered that all property otherwise restitutable should be restored regardless of the amount or character of any payment made for it by the Japanese, whether in currency or in kind.

5. In all cases where there are excessive difficulties in determining the validity of restitution claims, the Supreme Commander should be authorized to withhold disposition pending consideration by appropriate inter-Allied agencies when they are established. The distinction between property subject to restitution and subject to reparations apportionment may be in some cases difficult to draw. Where such is the case, action should be delayed until inter-governmental decisions have been reached concerning these subjects.

6. Since the entrance into Japan of representatives of claimant governments or their nationals for the purpose of searching for, locating or identifying looted property would be inconsistent with the established general policy of concentrating all responsibility for the occupation of Japan in the Supreme Commander, the Supreme Commander should be made solely responsible for such searches and investigations. For the same reason when looted property is restored to agents of claimant governments, that transfer should take place at such points of delivery as the Supreme Commander will himself designate. Receiving agents should not be permitted to engage in activity beyond that required to take delivery.

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7. For the time being gold and other precious metals, tin, precious gems, and foreign exchange and other securities should not be considered available for restitution due to the special difficulties of clearly identifying them and clearly establishing their original ownership. Their disposition will fall within inter-Allied reparations arrangements rather than in restitution transfers.

8. Ships and waterborne craft of all kinds are also excluded from the procedures established in this paper for restitution transfers. In general they form an essential part of the equipment needed by the Supreme Commander to accomplish the objectives of the occupation, particularly in effecting repatriation of Japanese armed forces and civilians overseas. It is considered that vessels already converted to Japanese use are uniquely suitable for effectuating the objectives of the occupation, that exchange of such vessels for surplus American shipping would be uneconomic and slow, that the legal aspects of transfer of merchant vessels are complicated and that the proceedings necessary to adjust conflicting claims will require separate consideration in a further paper now in course of preparation.

9. It is reported that the stocks of tin found in Japan are in the form of ingots on which date and place of production are stamped. For the most part these have probably been removed from southern Asia since the outbreak of war. Thus, they fall within the definition of "identifiable looted property". However, it is recommended that they be excluded from this category on the grounds that it is pure chance that has governed the selection of some of the ingots shipped from the southern areas during the war for consumption and left others to be captured. To return those which remain to the countries of origin would be, in fact, discriminatory against countries whose tin had been consumed. It is, therefore, proposed that this tin be used to procure foreign exchange needed to meet occupation cost, including essential Japanese imports, and if surplus foreign exchange is available, to the payment of repar-

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ations. In this way the value of the tin will be distributed to the various interested countries in proportion to the priority and the amount of their claims on Japanese assets in general.

10. At the present time the United Nations at war with Japan have not been informed concerning interim procedures to be followed in making claims for looted property. The requests made by the Chinese Government were forwarded through irregular channels of communication. In order to avoid such irregularities in the future, the substance of interim United States policy and procedures for restitution of identifiable looted property found within Japan should be communicated by the State Department to the other interested United Nations.

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TOP SECRET

APPENDIX "C"

MESSAGE TO THE SUPREME COMMANDER FOR THE ALLIED POWERS

Reference CAX 54591 of 10 November 1945 and CAX 54793 of 15 November 1945. Chinese requests for return of dredger CHIEN SHO and light cruiser YAT SEN are approved. However, return of cruiser is subject to decision by you that it is not required for accomplis' ment of essential objectives of your mission. You may permit authorized agent of Chinese Government to man and take possession of these two vessels at points designated by you, upon proper receipt and undertaking on the part of the Government of China to make appropriate equitable adjustment or abide by final inter-Allied decision in respect of any conflicting claims to these vessels that may be made by other nations or their nationals.

The following directive approved by the State, War and Navy Departments will supplement paragraph 28 of J.C.S. 1380/15 and will apply for the time being pending inter-governmental concurrence in policies and procedures as to restitution.

You will require the Japanese Government to effect prompt restitution of identifiable looted property of the United Nations at war with Japan providing:

a. That request for restitution, accompanied by all available evidences of ownership, has been presented to U.S. Government through normal diplomatic channels by a United Nations Government at war with Japan representing claimant individuals corporations, or official agencies, and has been transmitted to you by the Joint Chiefs of Staff; except that Allied powers having in Japan representatives authorized to act for their government in matters relating to restitution will submit such request directly to you through such representatives.

b. That you are satisfied (1) that you have located and identified the items claimed, (2) that such claimed items were removed from areas occupied by Japanese armed forces subsequen to the date of such occupation (but not earlier than 7 July 1937) and (3) that such claimed items were owned by the government or nationals of the claimant nation at the time when the

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Japanese Government, armed forces or nationals took possession of them;

c. That you do not deem the employment of such property within Japan to be necessary for the requirements of your force or for the accomplishment of the objectives of the occupation;

d. That the claimant government accepts delivery of such property at such point as is designated by you;

e. That proper receipt is furnished to you upon delivery, together with an undertaking on the part of the claimant government to make appropriate equitable adjustment and abide by final inter-Allied decision in respect of any conflicting claims to such property that may be made by other nations or their nationals.

When you are not satisfied that foregoing conditions have been met, you are authorized to withhold disposition of the claimed property in your discretion pending consideration of the matter by an appropriate inter-Allied agency or by the interested governments.

Ships and waterborne craft, gold and other precious metals, tin, precious gems and foreign exchange and other securities are excluded from the foregoing directive, and will be covered by separate directives now being prepared.

Desired that you recommend appropriate arrangements to permit representatives of nations occupied by the Japanese to engage in investigations within Japan directed towards location or identification of looted property.

The substance of this directive is being transmitted through diplomatic channels to the Governments of Australia, Canada, China, France, Great Britain, India, Netherlands, New Zealand, Philippines and Russia.

Desired that you report to the Joint Chiefs of Staff for transmission to the State, War and Navy Departments your action on all requests for restitution, including disposition of Chinese vessels CHIEN SHO and YAT SEN.

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CONFIDENTIAL

COPY NO. 58

19 January 1946

STATE-WAR-NAVY COORDINATING COMMITTEE

DECISION ON SWNCC 223/2

REMOVAL OF JAPANESE BUOYS FROM SASEBO TO HONG KONG

Note by the Secretaries

By informal action on 19 January 1946 the State-War-Navy Coordinating Committee approved SWNCC 223/2.

ALEXANDER D. REID

B. L. AUSTIN

RAYMOND E. COX

Secretariat

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CONFIDENTIAL

COPY NO. 58

SWNCC 223/2

11 January 1946

Pages 3 - 6, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

REMOVAL OF JAPANESE BUOYS FROM SASEBO TO HONG KONG

References: a. SWNCC 223/D
b. SWNCC 223/1/D

Note by the Secretaries

The enclosure, a report on the above subject by the State-War-Navy Coordinating Subcommittee for the Far East, is circulated for consideration by the Committee.

ALEXANDER D. REID
B. L. AUSTIN
RAYMOND E. COX
Secretariat

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CONFIDENTIAL

ENCLOSURE

REMOVAL OF JAPANESE BUOYS FROM SASEBO TO HONG KONG

Report by the
State-War-Navy Coordinating Subcommittee for the
Far East

THE PROBLEM

1. To prepare the basis for a reply by the Joint Chiefs of Staff to a radio from SCAP requesting instructions regarding a request from the British for the transfer of 12 naval buoys from the Japanese naval base at Sasebo for use in Hong Kong harbor.

FACTS BEARING ON THE PROBLEM

2. SWNCC 58/9, approved by SWNCC, 5 September 1945 states in Section IV, paragraph 15 that:

"15. Enemy equipment, which is not essentially or exclusively for use in war or warlike exercises and which is suitable for peacetime civilian uses will be retained. This equipment may be drawn upon for;

"a. The maintenance and subsistence of the occupational forces, prisoners of war, and displaced persons of the United Nations;

"b. The relief of the local civil population to the extent necessary to prevent or alleviate epidemic or serious disease and serious unrest or disorder which would endanger the occupying forces and the objectives of occupation."

3. The Supreme Commander signed the instrument of surrender on behalf of the Allied Powers, accepting its surrender for the United States, Republic of China, United Kingdom and the Union of Soviet Socialist Republics, and in the interests of the other United Nations at war with Japan.

4. By the terms of General Order No. 1, the Supreme Commander accepted the surrender of the Japanese forces in Japan on behalf of the Allied Powers.

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5. The radio from the Supreme Commander quoted in SWNCC 223/D states that "United States forces in Japan have no operational requirements" for these buoys.

DISCUSSION

6. Since Japanese military equipment captured as the result of the surrender of Japan was captured by the Supreme Commander for the Allied Powers and not by the Commander in Chief, U.S. Armed Forces Pacific, its disposition is subject to such rules as may be determined by the U.S., acting in accord with the procedure set forth in SWNCC 150/4/A and 52/6, rather than in accordance with the U.S. statutes governing disposal of surplus equipment to which the War or Navy Departments hold title.

7. Whether equipment of this character should be delivered as reparations cannot be finally determined until appropriate inter-Allied authorities have been established with responsibility for making decisions with respect to categories of goods eligible for transfer on reparations account. One factor in particular to which consideration must be given before shipments of industrial products of this type on reparations account can be approved is the necessity initially of using Japanese exportable surpluses for payment of the costs of occupation including the cost of essential imports. Yet with respect to captured equipment of this character there seems to be no reason to delay putting it to good use pending inter-Allied decisions on these points.

8. In view of the delay of more than a month in replying to General MacArthur, while awaiting establishment of policy for reparations, and in view of General MacArthur's second request for expeditious reply (SWNCC 223/1/D), the War Department, with appropriate concurrences from the State and Navy Departments approved the British request by radio to General MacArthur on 19 December, in WARX 89508. The War Department message, reproduced in the Appendix, is in accordance with the "Discussion" above.

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CONCLUSIONS

9. It is concluded that it is in accord with U.S. Policy that:

a. The twelve naval buoys be delivered to the British for use in Hong Kong harbor in return for a receipt which states clearly that appropriate inter-Allied authorities will decide at a future date whether the buoys shall be considered to be advance deliveries of equipment on reparations account or whether SCAP shall be reimbursed for their fair value.

b. The War Department message, reproduced in the Appendix, is adequate action on the problem presented.

c. A policy paper is still required in accordance with the last sentence of the Appendix.

RECOMMENDATION

10. It is recommended that this paper be approved by the State-War-Navy Coordinating Committee and transmitted to the Joint Chiefs of Staff for their information.

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A P P E N D I X

WAR DEPARTMENT MESSAGE TO GENERAL MacARTHUR

19 December 1945

WARX 89508

The 12 naval buoys may be delivered to the British for use in Hong Kong Harbor in return for a receipt which states clearly that appropriate inter-Allied authorities will decide at a future date whether the buoys shall be considered to be advance deliveries of equipment on reparations account or whether SCAP shall be reimbursed for their fair value. For your information, State, War, and Navy Departments have under consideration a statement of policy which will authorize decision by SCAP in similar cases in accordance with stipulation stated above and in accordance with the principles of Paragraphs 15 A and 15 B of SWNCC 58/9.

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CONFIDENTIAL

COPY NO. 58

SWNCC 214/1

13 November 1945

Pages 2 - 3, Incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

RETURN OF FORMER INHABITANTS TO THE BONIN AND VOLCANO ISLANDS

Reference: a. SWNCC 214/D

Note by the Secretaries

The enclosure, a report by the State-War-Navy Coordinating Subcommittee for the Far East on reference a, is circulated for consideration by the Committee.

ALEXANDER D. REID

B. L AUSTIN

RAYMOND E. COX

Secretariat

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ENCLOSURE

RETURN OF FORMER INHABITANTS TO THE BONIN AND VOLCANO ISLANDS

Report by the
State-War-Navy Coordinating Subcommittee for the Far East

THE PROBLEM

1. To consider and report upon SWNCC 214/D and the recommendation of the Commander in Chief, U.S. Pacific Fleet, referred to therein, that civilians formerly residing in the Bonin and Volcano Islands not be allowed to return and that their property be compensated for as part of the final settlement with Japan.

FACTS BEARING ON THE PROBLEM

2. Prior to United States occupation of the Bonin and Volcano Islands, the Japanese had evacuated the entire civilian population, consisting, according to latest reports, of about 7300 persons.

3. Paragraph 8 of the Potsdam Declaration provides that Japanese sovereignty "shall be limited to the islands of Honshu, Hokkaideo, Kyushu, Shikoku and such minor islands as we determine". No decision has been made as to the minor islands which will remain under Japanese sovereignty, or as to the future status of the Bonin and Volcano Islands.

4. The Joint Chiefs of Staff have stated (SWNCC 214/D) that they consider it desirable from a military point of view to prohibit the return of the former inhabitants to the Bonin and Volcano Islands.

DISCUSSION

5. Since the future status of the Bonin and Volcano Islands has not been determined, it is considered that no permanent decision should be made at present as to whether former inhabitants should be allowed to return to these islands. However, Japan by her surrender has consented to a termination of her sovereignty