

MEMORANDUM FOR THE UNITED STATES MEMBER  
FAR EASTERN COMMISSION

In accordance with paragraph of the Memorandum of April 8, 1947, forwarding to the U.S. Member of the Far Eastern Commission SWNCC 236/43, the negotiating instructions referred to in that paragraph are hereby transmitted.

The United States Member is requested to expedite the negotiation of this United States policy in the Far Eastern Commission as a matter of the utmost urgency. In view of the length of time which the Commission has already devoted to the Level of Industry and the detailed discussions thereon which have taken place, it is hoped that every effort will now be made to complete this matter by obtaining a policy decision on this paper within three weeks.

Three amendments to this paper have now been agreed to in SWNCC. You are requested to introduce these in the FEC as U.S. amendments to FEC 218. They are as follows:

1. Substitute for para. 1g of the enclosure to FEC 218 the following:

"Aluminum and Magnesium

(Definition: "Plants and establishments primarily engaged in the production of alumina, primary or secondary aluminum and magnesium and in the rolling, extruding, drawing, forging and casting of aluminum and magnesium and their alloys.")

(1) All facilities for the production of magnesium should be made available for claim.

(2) All facilities in excess of 25,000 metric tons per year aluminum reducing capacity should be made available for claim.

(3) All facilities primarily engaged in the rolling, extruding, drawing, forging, and casting of aluminum and magnesium and their alloys should be made available for claim."

2. a) At the end of the first sentence of para. b.(1) add the following words: "including the Ryukyus";

b) After the first sentence insert the following: "During the period of the occupation SCAP may also retain additional fertilizer capacity necessary to meet essential fertilizer imports for Southern Korea."

3. As a new paragraph 3. to the Enclosure of FEC 218, add the following:

"In addition to the facilities to remain in Japan, as provided in this paper, SCAP may retain temporarily any items deemed essential to the needs of the occupation."

*FEC 218.00119 Control Paper 15-1247*

In order to secure prompt agreement by the Commission, the U. S. Member is authorized to accept such limited and minor changes as would not materially affect the over-all level of retention as provided in the Conclusions of SWNCC 236/43.

Only two additional matters require immediate FEC action in connection with SWNCC 236/43 (FEC 218). These are the Selections paper, SC-041/7, and the Industrial Disarmament paper, FEC 084/11. Instructions on this latter document have been recently transmitted to you.

In order to clarify the procedures whereby Japanese facilities will be selected for reparations it is necessary that FEC approval be obtained to SC-041/7, "The Selection of Plants for Reparations Removals, Destruction or Retention in Japan". Existing instructions to you on this paper appear adequate for purposes of final negotiation.

JK:CLHodge:bg

5/13/47

Classification approved by:  
 Name: *J. O. Vincent*  
 Title: *Dir. Cont. NA*  
 DATE: *May 16, 1947*

Classification approved by:  
 Name: *J. O. Vincent*  
 Title: *Director, JE*  
 DATE: *May 19, 1947*

**TOP SECRET**  
 In reply refer to  
 NA

MAY 21 1947

740.00119 CONTROL (JAPAN) / 5-1247

**MEMORANDUM FOR THE SECRETARY, SWNCC**

**Subject: British Commonwealth Occupation Forces in Japan**

Reference is made to the memorandum of the Secretary for the State-War-Navy Coordinating Committee of May 12, 1947 quoting a communication from the Joint Chiefs of Staff with regard to the withdrawal of the Indian contingent and the reduction of the New Zealand contingent of the British Commonwealth Occupation Forces in Japan.

The SWNCC Secretariat is hereby informed that the Australian Ambassador has been notified of the agreement of the U.S. government to the requests made for the withdrawal and reduction of Indian and New Zealand forces, respectively.

J. H. Hilldring  
 Assistant Secretary



STATE WAR & NAVY COORDINATING COMMITTEE

TOP SECRET  
*mp*  
*class. sheet made*

NA: JKE: *HB3*  
 5-16-47

**TOP SECRET**

BC

MAY 18 1947 P.M.

1530

TOP SECRET FIVE

740.00119 Control (Japan)

**TOP SECRET**

**THE STATE-WAR-NAVY COORDINATING COMMITTEE  
WASHINGTON, D. C.**

*NA*  
*DGR*

SWN-5382 DIVISION OF  
12 May 1947 EAST ASIAN AFFAIRS

*Note drafted to*  
*MAY 2 1947*  
*Australian Emb.*  
*DEPARTMENT OF STATE*  
*and memo to*  
*SWNCC*  
*5/16/47*  
*file*

MEMORANDUM FOR THE SECRETARY OF STATE  
(Attention: Mr. John Carter Vincent - FE)

Subject: British Commonwealth Occupation Forces in Japan

Reference: SWNCC 70 Series

The following has been received from the Joint Chiefs of Staff:

"The Joint Chiefs of Staff request that the Secretary of State be informed substantially as follows:

"a. The Joint Chiefs of Staff have reviewed the communications of 10 April and 16 April from the Australian Ambassador to the Secretary of State which request agreement to early withdrawal of the Indian contingent and reduction between June and September 1947 of the New Zealand contingent of the British Commonwealth Occupation Forces in Japan in accordance with the provisions of paragraph 3 b of the MacArthur-Northcott Agreement.

"b. The Joint Chiefs of Staff have no objection to the withdrawal of Indian forces and reduction of New Zealand forces in Japan as soon as mutually satisfactory arrangements can be made between the Supreme Commander for Allied Powers and Headquarters, British Commonwealth Occupation Forces in Japan.

"c. The Joint Chiefs of Staff request that publicity in connection with these withdrawals be left to the discretion of the Supreme Commander for the Allied Powers.

"d. The Joint Chiefs of Staff request that the State-War-Navy Coordinating Committee notify the Secretary, Joint Chiefs of Staff, when agreement has been finalized on governmental level to above reductions in British Commonwealth Occupation Forces in Japan in order that General MacArthur may be so notified."

It is requested that the State-War-Navy Coordinating Committee Secretariat be informed when agreement has been finalized on a governmental level.

For the State-War-Navy Coordinating Committee:

DOE NE Unit

*mf*

*H. W. Moseley*  
H. W. MOSELEY  
Secretary

**TOP SECRET**

740.00119 CONTROL (JAPAN) / 5-1247

JUN 2 1947

**TOP SECRET FILE**

*5/19/47 (Japan)*

TOP SECRET

SWN-5382  
12 May 1947

MEMORANDUM FOR THE SECRETARY OF STATE  
(Attention: Mr. John Carter Vincent - FE)

Subject: British Commonwealth Occupation Forces in Japan

Reference: SWNCC 70 Series

The following has been received from the Joint Chiefs of Staff:

"The Joint Chiefs of Staff request that the Secretary of State be informed substantially as follows:

"a. The Joint Chiefs of Staff have reviewed the communications of 10 April and 16 April from the Australian Ambassador to the Secretary of State which request agreement to early withdrawal of the Indian contingent and reduction between June and September 1947 of the New Zealand contingent of the British Commonwealth Occupation Forces in Japan in accordance with the provisions of paragraph 3 b of the MacArthur-Northcott Agreement.

"b. The Joint Chiefs of Staff have no objection to the withdrawal of Indian forces and reduction of New Zealand forces in Japan as soon as mutually satisfactory arrangements can be made between the Supreme Commander for Allied Powers and Headquarters, British Commonwealth Occupation Forces in Japan.

"c. The Joint Chiefs of Staff request that publicity in connection with these withdrawals be left to the discretion of the Supreme Commander for the Allied Powers.

"d. The Joint Chiefs of Staff request that the State-War-Navy Coordinating Committee notify the Secretary, Joint Chiefs of Staff, when agreement has been finalized on governmental level to above reductions in British Commonwealth Occupation Forces in Japan in order that General MacArthur may be so notified."

It is requested that the State-War-Navy Coordinating Committee Secretariat be informed when agreement has been finalized on a governmental level.

For the State-War-Navy Coordinating Committee:

H. W. MOSELEY  
Secretary

TOP SECRET

COPY TO ACCOMPANY ORIGINAL

Form DS-302  
(7-2-46)

DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE  
INCOMING TELEGRAM

T-225  
ACTION COPY

**CONFIDENTIAL**

Office of  
FAR EASTERN AFFAIRS  
MAY 13 1947  
A. Sam  
Department of State

1

Action:  
Info:  
EUR  
NEA  
OCD  
CIG  
DC/L  
IC  
VD  
FC  
DC/R

INTERNATIONAL RESOURCES DIVISION

MAY 22 1947

DEPARTMENT OF STATE

Control 3420

Rec'd May 12, 1947  
12:42 p.m.

Action	<input checked="" type="checkbox"/>
FE	<input checked="" type="checkbox"/>
Info	<input checked="" type="checkbox"/>
UN	<input checked="" type="checkbox"/>
CA	<input checked="" type="checkbox"/>
NA	<input checked="" type="checkbox"/>
PI	<input checked="" type="checkbox"/>
SEA	<input checked="" type="checkbox"/>

DIVISION OF CHINESE AFFAIRS  
MAY 13 1947  
9:00 am  
DEPARTMENT OF STATE

FROM: Tokyo  
TO: Secretary of State  
NO: 124, May 12.

DIVISION OF JAPANESE AND KOREAN  
ECONOMIC AFFAIRS  
DEPARTMENT OF STATE  
MAY 13 1947  
action  
RHW

PRIORITY

FROM SCAP TO WDCEA (PASS TO SECSTATE)

CITE C 52573.

REOURTEL 123, May 9.

One. Following dated May 10 received from  
Egekvisst SCAP representative en route FAO Conference:

"Local conditions in Hong Kong indicates that it would be ill-advised to let Dr. Morinaga, Agricultural Expert nominated for FAO Conference India, travel alone. There is considerable hatred of Japanese here and in Singapore and local people say Japanese might be attacked. If Morinaga goes directly to Trivandrum he would pass through Singapore. American Consul Hong Kong has urged me in strongest terms to suggest that if Dr. Morinaga proceeds India, he be accompanied by SCAP representative. Have informed Royal Air Force of Morinaga's pending travel and would suggest if you decide let Morinaga travel alone, proper authorities at each landing place be properly notified in advance his expected time arrival."

Two. Visa not yet obtained from local British authorities and further delay in Morinaga's departure from Japan is anticipated.

ATTACHESON

PERMANENT RECORD COPY:

THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

740.00119 CONTROL (JAPAN) /5-1247

FILED

JUN 2 1947

LRG

*Handwritten notes:*  
no record  
JUN - 4 1947

*Handwritten notes:*  
JK for  
RHW

*Handwritten initials:*  
AS

RECONSTRUCTION FINANCE CORPORATION  
OFFICE OF RUBBER RESERVE  
WASHINGTON 25, D. C.

*Richard Baybutt*  
*RM/R*

May 13, 1947

DIVISION OF JAPANESE AND KOREAN  
ECONOMIC AFFAIRS  
DEPARTMENT OF STATE

MAY 19 1947

Ref: JK

Mr. Roswell H. Whitman  
Associate Chief  
Division of Japanese and Korean  
Economic Affairs  
Department of State  
Washington, D. C.

My dear Mr. Whitman:

Reference is made to our letter of December 9, 1946 in which we stated that we would forward you a report relative to identification of rubber brought to the United States from Japan by the U. S. Commercial Company via the SS "SAN MATEO VICTORY". We are now in receipt of this information and are pleased to enclose the report herewith.

In addition to this we have received a report on the rubber received ex the SS "ABERDEEN VICTORY" and a supplementary report on the SS "VANDERBILT VICTORY" which we also enclose.

Yours very truly,

*Richard Baybutt*

RICHARD BAYBUTT  
Deputy Director  
Office of Rubber Reserve

enclosure

ICFB  
sent RB  
rec'd  
Date h E

811.20 DEPARTMENT OF STATE  
OC/R  
Central Files  
/5-1347  
CS/E  
JAPAN

*811.20 Reference (my) -*  
*Japan / 5-1347*

Countries of origin on rubber received from Japan.

S/S SAN MATEO VICTORY  
(Arrived October 7, 1946)

	<u>British</u>	<u>Dutch</u>	<u>French</u>	<u>Un-identified</u>
Ribbed Smoked Sheets	2,944,455#	1,854,371#	62,653#	225,505#
Sprayed Latex	-	99,737	-	-
Latex Crepe	151,460	292,856	-	-
Brown Crepe	-	39,768	14,256	-
<b>Total</b>	<b>3,095,915</b>	<b>2,286,732</b>	<b>76,909</b>	<b>225,505</b>

S/S ABERDEEN VICTORY  
(Arrived September 9, 1946)

Ribbed Smoked Sheets	1,559,050	354,908		17,317
Sprayed Latex	-	149,662		-
Latex Crepe	-	129,980		-
	1,559,050	634,550		17,317

(SUPPLEMENTARY)

S/S VANDERBILT VICTORY

Ribbed Smoked Sheets	223			
Latex Crepe		353		

*FW 811. 20 Ryukyu (and) 5-1347*



Form DS-302  
(7-2-46)

DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE

INCOMING TELEGRAM

NA → 32/R DW  
NA  
DC IR

ACTION COPY

SECRET

Office of  
FAR EASTERN AFFAIRS  
MAY 14 1947  
Same  
Department of State

1

Action: FE  
Info:  
A-H  
A-H/R  
LE  
OCD  
CIG  
ESP  
SPD  
FC  
DC/R

Control 3968

Rec'd May 13, 1947  
4:33 p.m.

FROM: Nanking  
TO: Secretary of State  
NO: 1027, May 13, 8 a.m.

DIVISION OF CHINESE AFFAIRS  
MAY 14 1947  
9:10 am  
DEPARTMENT OF STATE

Reported NA/Mr. Long  
CO/CR

REDEPTEL 548, May 8, quoting Tokyo's 78, April 10,  
following receipt DEPTEL 480, April 24, Embassy  
addressed note to Foreign Office under date of  
April 30, setting forth substance latter message  
(which was fuller quotation Tokyo's 78) with  
request that Chinese Government facilitate repa-  
triation Japanese.

Sent Washington 1027, repeated Tokyo 23, May 13,  
8 a.m.

MESSAGE UNSIGNED

ECB:RJM

DIVISION OF  
NORTHEAST ASIAN AFFAIRS  
MAY 14 1947  
DEPARTMENT OF STATE

740.00119 CONTROL (JAPANESE) FILE  
/5-1347  
FILM

MAY 26 1947

SECRET

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH  
NOTATION OF ACTION TAKEN.

XR  
740.00119 P.W.

MAY 13 1947

**SECRET**

No. 338

To the  
Officer in Charge of the American Mission,  
Nanking.

The Secretary of State encloses for the Embassy's  
information copies of SWNCC documents as listed below.

740.00119 CONTROL (JAPAN)  
/5-1347

**Enclosures:**

- ✓ 1. SWNCC 186/25/D, copy no. 44.
- ✓ 2. SWNCC 186/26, copy no. 44.
- ✓ 3. SWNCC 302/2, copy no. 68.

OCR NE Unit

Anal \_\_\_\_\_

Rev \_\_\_\_\_

Cat \_\_\_\_\_

Dist \_\_\_\_\_

**SECRET**

A true copy of  
the signed orig-  
inal

CS/A  
SECRET FILE

740.00119 Control  
(Japan)/5-1347

*Handwritten initials*

CA *Handwritten signature*

MAY 9

HST  
FE:HSTumas  
5-9-47

Form DS-302 (7-2-48)

DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE INCOMING TELEGRAM

ACTION COPY



Action NA, FE, Info, UN, CA, NA, PI, SEA

PLAIN

CONTROL 4170

Rec'd May 14, 1947 7:48 a.m.

8

- Action: FE, Info: S/S, A-B, A-H, SA/M, EUR, OGD, CIG, FC, OIC, PA, DC/R

FROM: Moscow TO: Secretary of State NO: 1760, Fourteenth

DIVISION OF NORTHEAST ASIAN AFFAIRS

MAY 14 1947 File No action DEPARTMENT OF STATE

PRAVDA May 12 "American occupation authorities recruit Jap airmen" carries following report from special correspondent in south Sakhalin:

"It is being asserted in journalistic circles in Tokyo that American occupation authorities in Japan are recruiting former Jap airmen including so-called 'death flyers' (Kaikadze). Recruitment is going on in various parts of Japan (Hokkaido Island, Shikoku, prefectures of Saitama, Gunma and Tokyo). Airmen are being recruited who have not less than 100 hours flying practice, instruction of recruited men is going on at various aerodromes, it is said at aerodrome in prefecture of Saitama special air unit has been formed of Jap flyers. Flights as rule take place during night. Jap flyers receive from American occupation authorities 10,000 yen salary a month.

"It is also asserted Jap police on pretext of seeking out Jap war criminals is making register of former Jap servicemen. Reference to this is made in particular in article of AP correspondent in Tokyo, Brains, published in organ of HQ of American occupation troops in Japan, the paper STARS and STRIPES. Brains write register being made by Jap police is strengthening rumors concerning training of Jap flyers by Americans.

"Statement published in same paper of Commander of Air Force of US Far East Circuit, Lt General Whitehead, concerning increase of night training flights over Japan, is regarded in journalistic circles as confirmation of the reports that Jap flyers recruited by Americans are undergoing course of instruction in night time".

MAY 20 1947

FILED

740.00119 CONTROL (JAPAN)/5-1447 HH

PERMANENT RECORD COPY: PLAIN THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

PLAIN

2- 1760, Fourteenth, from Moscow

Dept repeat Tokyo.

DURBROW

Note: Passed to Tokyo 8:45 a.m. 5/14/47 CWO-N

BB:NEW

PLAIN

Form DS-302  
(7-2-46)

DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE

ACTION COPY

INCOMING TELEGRAM

9

Action: FE  
Info:  
S/S  
U-R  
A-H  
EUR  
OCD  
CIG  
DC/L  
ITP  
ESP  
FC  
EUR/X  
DC/R

ASIA	✓
AFRICA	✓
AMERICA	✓
EUROPE	✓
INDIA	✓
CHINA	✓
PAKISTAN	✓
SEA	✓

PLAIN

Office of  
FAR EASTERN AFFAIRS  
MAY 17 1947  
*9:00am*  
Department of State

Control 5145

Rec'd May 16, 1947  
4:05 p.m.

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

MAY 19 1947

*File No active*  
DEPARTMENT OF STATE

FROM: London  
TO: Secretary of State  
NO: 2786, Sixteenth

Further to EMBTEL 2776, May 16, Bevin in discussing Far East in Commons this afternoon repudiated suggestion British Government not taking sufficient interest that area. Pointing out Britain has set up "liaison commission for Japan" where Prime Minister also has personal representative and has representatives all over China, Bevin assured Commons "we are closely following situation".

Re S.E. Asia, Bevin said Britain has set up special commissioners organization which has performed valuable negotiations on food and other matters.

Wishing success to Dutch Prime Minister in trip to Indos Bevin said, "I feel both parties should recognize the very great importance Indonesia represents in the economic recovery of the world particularly in regard to food and other commodities".

Paying tribute to MacArthur, Bevin said everything might not be as British wanted in Japan but it wrong to say British did not make views known. "I hope", Bevin continued, "it will be possible to conclude an early peace treaty with Japan. The first step is to reach Allied agreement on the basis for the treaty. The Govt's effort will be directed toward that end and we shall keep in close touch with the Commonwealth Governments in this matter. Australia and Canada particularly are very keen in connection with the peace treaty for Japan".

Department please repeat to Tokyo.

DOUGLAS

Note: repeated to Tokyo, 5/16/47, 4:30 p.m. (JS)

LMS:CWD

MAY 23 1947

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

740.00119 CONTROL (JAPAN) /5-1647

L.L.

*Handwritten notes:*  
DC/L  
MAY 28 1947  
INITIAL

Form DS-302 (7-2-46)

DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

ACTION COPY

DEPARTMENT OF STATE INCOMING TELEGRAM

Action	NA
FE	
Info	
UN	
CA	
NA	
PI	
SEN	

CONFIDENTIAL

Office of FAR EASTERN AFFAIRS  
 MAY 17 1947  
 12:34 PM  
 Department of State

Control 5403

Rec'd May 17, 1947 7:35 a.m.

- Action: FE
- Info:
- EUR
- NEA
- OCD
- CIG
- DC/L
- IC
- FC
- DC/R

FROM: Tokyo  
 TO : Secretary of State  
 NO : 127, May 16, (?)

DIVISION OF NORTHEAST ASIAN AFFAIRS

MAY 19 1947  
 DEPARTMENT OF STATE

Reference our telegram 124, May 12.

Doctor Morinaga departed Japan by British plane May 15 traveling alone. Expected time arrival Calcutta May 22.

ATTACHMENT

REC: ABC

740.00119 CONTROL (JAPAN) /5-1647

*for Tokyo tel # 123 May 9*  
*740.00119 Control (Japan) /5-947*  
*x 740.00119 Control (P)*

DCR NE Unit

Ana	
Rev	
Cat	th
Dist	

CONFIDENTIAL

MAY 23 1947

FILED

CS/IA

*740.00119 Control (Japan) /5-1647*

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

Form DS-302 (7-2-46)

DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE INCOMING TELEGRAM

ACTION COPY

11 M

DIVISION OF NORTHEAST ASIAN AFFAIRS CONFIDENTIAL

A

Action: FE Info: S/S U-E A-H SA/M OCD CIG ESP FC DC/R

MAY 19 1947 DEPARTMENT OF STATE FROM: Tokyo May 22, 1947 TO: Secretary of State NO: 129, May 17, 1947

Control 5549

Rec'd May 17, 1947 7:58 p.m.

Office of FAR EASTERN AFFAIRS MAY 18 1947 10:10 DIRECTOR Department of State

Action NA FE Info UN CA NA PI SEA

One. We are considering advisability chiefly for local purposes of my making statement in my capacity as United States member before Allied Council 28 May, agenda deadline for which is 23 May. Subject would be "progress of occupation and the future". Contemplated text concurred in by General MacArthur and if Department perceives no objection to be as follows:

Two. "It may be productive at this time if we take stock of what has been accomplished in the 21 months of the occupation, especially with a view to looking broadly to the future.

We have witnessed, and are continuing to witness, momentous history in the making. I venture to say that none of us can assume, or would wish to assume, the role of prophet. But by now there should be no question that, with Allied guidance and assistance, the Japanese people as a whole are pressing forward toward the goal of their new found liberties. There should be no question, I believe, that Japan will strive for and achieve a new place in the family of nations and become a cooperative member of the world commonwealth.

The occupation of Japan has been the most beneficent military occupation in history. It has also been one of the greatest social experiments in all history. In addition to effecting Japan's total disarmament and demilitarization, the task in essence has been to guide a disillusioned people groping for stability and a new ideology into the paths and practices of democracy. General MacArthur began and has carried on this task in the spirit of high statesmanship which was reflected

in his

CONFIDENTIAL

PERMANENT RECORD COPY

THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

MAY 28 1947

SECRET FILE FILED

740.00119 CONTROL (JAPAN)/5-1747

HH

XR 894.00

## CONFIDENTIAL

-2-, #129, May 17, 1947, from Tokyo.

in his address at the surrender ceremony on September 2, 1945 in part as follows: 'Nor is it for us here to meet \* \* \* in a spirit of distrust, malice or hatred. But rather it is for us, both victors and vanquished, to rise to that higher dignity which alone befits the sacred purposes we are about to serve, committing all of our peoples unreservedly to faithful compliance with the undertakings they are here formally to assume. It is my earnest hope and indeed the hope of all mankind that from this solemn occasion a better world shall emerge out of the blood and carnage of the past -- a world founded upon faith and understanding -- a world dedicated to the dignity of man and the fulfillment of his most cherished wish -- for freedom, tolerance and justice \* \* \* I announce it my firm purpose, in the tradition of the countries I represent, to proceed in the discharge of my responsibilities with justice and tolerance \* \* \*'.

The major steps toward the democratization of Japan were undertaken during the first year. The Japanese people were given the fundamental human rights including freedom of speech, assembly and religion. Organization of labor unions was encouraged. Shinto was divorced from the state. Some 180,000 ultranationalistic officials were purged from office and at present far reaching purges are under way in economic and local political fields. Basic reforms in education were instituted and carried forward. An agrarian land program -- as liberal as exists in any country and more liberal than in most and which strikes at the very roots of feudalism -- has laid the basis for farmer-tenant ownership of land. A new constitution as democratic as any in the world and providing for the renunciation of war was formulated and has recently been brought into effect by the democratic method. Women were enfranchised. The tentacles of the huge system of cartels which for so long had enjoyed profitable partnership with aggressive militarism and bureaucracy have been broken of their hold on the Japanese economy.

These measures have altered the lives of every Japanese in Japan.

The Japanese

CONFIDENTIAL



## CONFIDENTIAL

-3-, #129, May 17, 1947, from Tokyo.

The Japanese people as a whole have given willing cooperation to the occupation authorities. In the earliest days of the occupation the Japanese realized that the past had betrayed them and they began looking toward a new kind of future for which western democracy became the example and mentor.

Now after 21 months of occupation, if the Japanese people take stock of themselves -- of the losses which they have suffered through the disastrous acts of their brutal and cynical leaders -- and of the gains and blessings which have come upon them consequent upon defeat, what do they find?

These things among others the Japanese people have lost: the gigantic military machine of approximately 6-1/2 million armed men whose cost bound them to low standards of living. Thousands of military and civil aircraft, millions of weapons, vast quantities of ammunition -- produced at an untold cost in treasure and toil. The navy which exacted a huge toll from the taxpayer and every element of Japanese industry utilized for the unprofitable making of implements of war. The vast accumulation of wealth which was transferred to Manchuria and other parts of occupied China, North Korea, Sakhalin and the Kuriles -- principally in the formation of industrial plants and other institutions geared to war and aggression having an estimated value in the overall reparations accounting of approximately United States dollars 27 billion. The cost to the Japanese people of war making has never been compiled. In 1944-45 the budget for the military alone amounted to 83 percent of the government's expenditures; that almost unbearable burden on their lives has been lost to the Japanese people. With their feet set on paths of peace, the Japanese people have lost the spirit of aggression -- we hope forever. The policies of their leaders brought upon the Japanese people great economic destruction and endowed them only with hardship and suffering. Prosperity and comfort have been lost to them for the time being -- but not the prospect of a

peaceful

CONFIDENTIAL

## CONFIDENTIAL

-4-, #129, May 17, 1947, from Tokyo.

peaceful economic security whose benefits will be more widely distributed than before as they continue to erect a new structure of peacetime livelihood.

What have the Japanese people gained through defeat and liberation?

The masses are no longer regimented, the people are no longer enslaved. The common man no longer cringes in the presence of police or other public authority. His home has become his castle, free from unwarranted intrusion, observation or violence. He worships as he chooses and, as each day passes, more and more Japanese are turning to the Christian faith whose essential precept for the conduct of man is the golden rule. He freely registers his opinion on public issues. He enjoys the right of assembly and petition. He enjoys the right, individually or collectively, to demand correction of unjust labor practices and conditions. His children, 18 million of whom have been returned to school, enjoy the right to liberal and free education. Long and effective strides have been made in reshaping the Japanese Government to conform to the principles inherent in a democratic state so that the people may readjust their lives to compose a truly democratic society. Designed effectively to curb abuse of power by individual, class or government, the new constitution places sovereignty in the hands of the people upon whom it bestows a full measure of human freedom. Electoral discrimination has been removed and the basic franchise has been extended by the granting of suffrage to women and reducing the voting age. Reform has been instituted in every element and echelon of the governmental structure and in every phase of governmental administrative procedure, to root out the evils of entrenched bureaucracy which helped lead to totalitarian controls. Those who preached the doctrine of militarism, expansionism and intense nationalism, and shaped the policies responsible for Japan's unholy venture of aggression have been barred from governmental service to make way for new leadership. The restriction of free enterprise,

made possible

CONFIDENTIAL

## CONFIDENTIAL

-5-, #129, May 17, 1947, from Tokyo.

made possible by alliance between government and concentrated wealth, has been inexorably removed. Under the agrarian reform program, some 2 million tenant-farmers are being enabled to purchase the lands they now work.

Except for the dispossessed lords of war and wealth, there are few Japanese who will not say that the gains to Japan immeasurably outweigh the losses.

Most vital of all, the Japanese have acquired the essential framework for democracy. We have laid the foundations for its erection and there is little more direct action for us to take. It will be the task of the Japanese to complete and improve the structure and to keep it in repair. The political future of the Japanese rests largely upon themselves -- to retrogress into regimentation (of the right or left) or to make further progress in the development of western democracy and its integration into Japanese life.

Within two generations after the coming of Perry, an isolationist and peaceful Japan adopted western science, industry and the techniques and tools of modern war. It would be a no more amazing phenomenon for the Japanese to fashion a democracy -- a democracy suited to their needs at home and to their obligations as a member of the family of nations. Men and women who have once enjoyed freedom do not easily revert to slavery.

There has for some time been much speculation in regard to the question of an Allied peace treaty with Japan. Several months ago President Truman indicated that early conclusion of a peace settlement with Japan is desirable. I think that we may expect some developments in connection with this matter in the not too distant future. I cannot, of course, prophesy when negotiation of a treaty might begin or end. I have known of treaties between countries enjoying unimpaired friendship which have taken years to conclude. I have known of treaties being negotiated in a brief time. With eleven Allies concerned, this will be a matter calling for the highest category of

international

CONFIDENTIAL

Delete?

Japan treaty

## CONFIDENTIAL

-6-, #129, May 17, 1947, from Tokyo.

international cooperation if we are to achieve the highest purposes which only such cooperation can bring into fruition.

What provisions the ultimate treaty will contain are at this time impossible of delineation. It is reasonable to suppose that they will encompass a commitment by the Japanese to faithful observance and implementation of basic directives and of the principles of the Atlantic Charter. Certainly they will envisage the entry of Japan into the new commonwealth of peoples -- the United Nations -- on which so much of the hopes of free men everywhere are based. Certainly they will envisage mutually beneficial trade relations with other countries. They will envisage that Japan shall have equal commercial opportunity with other countries -- to purchase the necessities for peaceful living which she cannot produce and to sell to other countries those articles of commerce which they need and which she can and should produce to pay for necessary imports of food, raw materials and consumer goods. The road will be hard but Japan will have the opportunity and inherent right of all nations to be self-supporting. This much we know from the Potsdam declaration and, as far as the United States is concerned, from fundamental American principles for international political and commercial relations.

I hazard a guess that there will be a transition period between the end of the military occupation and the assumption by Japan of full responsibility, within the framework of the United Nations, for her national and international life. What form the future supervision and guidance will take, it is of course too early to say. But one may envisage that this supervision will be constructive in nature and on a basis providing for self-liquidation as the progress of democracy shall dictate.

It is set forth in the Potsdam declaration that the Japanese people shall not be enslaved. We Americans have neither intention nor desire to impose upon the

Japanese

CONFIDENTIAL

*and the accomplishment of the other objectives of the allies.*

*Delete*

*Body*

*Republic of China*

## CONFIDENTIAL

-7-, #129, May 17, 1947, from Tokyo.

Japanese people any form of political or economic serfdom. We do not desire to take from Japan what she requires for a reasonable peacetime economy which will enable her to develop democratically and to assume her full responsibilities in a world order under law. Japan must have opportunity both to contribute her portion and to receive due measure of the benefits which should accrue to a progressive and cooperative member of the family of nations. An unhappy, poverty stricken and mendicant Japan will not be a benefit to any Pacific area nation or to the world at large. Japan will need extensive assistance in the financing of raw materials to make into goods for, among other things, payment for imports. I venture to hope that the burden of such financing will not fall upon the United States alone.

I believe that, with the settlement and effectuation of reparations (from existing assets), the punitive phases of the occupation should now be considered as over and past.

We shall not, of course, forget the past. We cannot.

But it is the future which now most vitally concerns the Allied powers having homeland and dominions in the areas of the Far East. It is indeed the fateful future more than the past which concerns all the world.

As far as the United States is concerned, I may safely say that we shall proceed in connection with plans for the future along lines which will sustain the fundamental principles of democracy, freedom and human liberty to the Japanese -- we are expounding the principles of the Atlantic Charter -- and it is our purpose to implement these principles in our future relationships with the Japanese as well as with all peoples.

We shall expect of the Japanese, for their part, that they will do their utmost to put their economic house in order. This will require the fullest cooperation of every Japanese citizen as well as stern and unrelenting effort by the Japanese authorities.

We shall

CONFIDENTIAL

CONFIDENTIAL

-8-, #129, May 17, 1947, from Tokyo.

We shall expect them to uphold and further to the fullest extent the principles enunciated in their new constitution which is the Magna Carta of democracy for Japan. We shall expect them to guard their new-found liberties with utmost zeal. We shall expect them to dedicate themselves to insuring that the fires of freedom which now burn in the humblest Japanese home are never extinguished and that the darkness of totalitarianism -- either of the right or left -- shall not again fall upon the land.

We shall expect them to temper nationalism with internationalism and to build a bridge of good neighborliness with other nations.

To refashion the world into a shelter for peace and cooperation will tax the exertions of freedom-loving peoples everywhere. We expect Japan to put forth unstinted effort and contribute her full share."

ATCHESON

DES:ROW:PPM

CONFIDENTIAL

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

To → Gen. Hilldring

TO : The Secretary  
FROM : A-H - General Hilldring

DATE: May 20, 1947  
*[Signature]*

SUBJECT: Proposed Reply to Tokyo Concerning Proposed Statement by Mr. Acheson Before Allied Council on May 28.

SECRET

The attached telegram from Tokyo (Tab A) is the text of a proposed statement, concurred in by General MacArthur, to be made by Mr. Acheson before the Allied Council on May 28. In view of the fact that Allied Council meetings are open to the press, it is believed that if Mr. Acheson made the statement as proposed in the attached, it would again raise public discussion on the whole question of the appropriate time for negotiating a peace treaty with Japan.

You will notice that Mr. Acheson expects some developments in connection with the treaty in the not too distant future (see last paragraph, page 5, Tab A). He also refers to eleven Allies participating and to the probable methods of control during a transition period (see third paragraph, page 6, Tab A). Consequently, it is recommended that you transmit the attached message to General MacArthur which suggests elimination of those paragraphs referring to the treaty (Tab B).

Tab C, a proposed telegram from General Hilldring to Mr. Acheson proposes a few changes in other parts of the proposed speech to make them more consistent with present thinking in the Department.

OFFICE  
THE SECRETARY  
DEPARTMENT OF STATE

FW 740.00119 CONTROL (JAPAN) / 5-1747

*Secretary approved  
the two telegrams +  
they have been dispatched*  
*[Signature]*

Dist. *[initials]*  
Cat  
Rev  
Ena  
NA: *[initials]* Horton: mls

FE  
*[initials]*  
SECRET

FW 740.00119 Control (Japan)  
SECRET  
5-1947  
1564

FORM DS-322  
7-18-46

OUTGOING TELEGRAM

CLASSIFICATION

INDICATE

Collect

Charge Department:

Charge to

Department of State

Washington

SECRET

Classification approved

VERBATIM TEXT

5557

SECRET

SUPREME COMMANDER FOR THE ALLIED POWERS

TOKYO

INFO: WAR DEPT CHIEF OF STAFF

[FOR POLITICAL ADVISER]

For MacArthur.

Ref proposed statement by Ambassador Acheson before Allied Council May 28 (Tokyo's 129, May 17), with which you have concurred, I note main body of statement deals with occupation problems. As regards section of statement beginning QUOTE There has for some time been much speculation in regard to the question of an Allied peace treaty UNQUOTE and concluding with QUOTE...as the progress of democracy shall dictate UNQUOTE which refers to the question of a peace treaty, I would appreciate its deletion at the present time for possible use in some subsequent statement when our position on this whole question becomes firmer.

MAY 22 1947

6 pm

cont / 5-19

740.00119 CONTROL (JAPAN) / 5-1747

DISTRIBUTION DESIRED (OFFICES ONLY)

Dist  
Dist  
Init  
Sew

Marshall

S/S cut

CS/A

740.00119 Control (Japan) / 5-1747

CR CLEARANCE

NA:HBorton:mls

FE  
SECRET

JHH/eng  
A-H

ESP  
(via phone)



Form DS-302  
(7-2-46)

DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE  
INCOMING TELEGRAM

ACTION COPY



DIVISION OF  
NORTHEAST ASIAN AFFAIRS  
PLAIN

MAY 19 1947

DEPARTMENT OF STATE

Control 5966

Rec'd. May 19, 1947  
6 p.m.

Action	NAI
FE	
Inf	
UN	
GA	
FI	
SEA	

B-X

- Action: FE
- Info:
- S/S
- A-B
- A-H
- SA/M
- EUR
- CCD
- CIG
- ESP
- FC
- DC/R

FROM: Moscow  
 TO: Secretary of State  
 NO: 1824, Nineteenth

All Soviet papers May 17 carry Tass Tokyo report of 32nd session ACC in Japan stressing statement of Soviet representative Derevyanko.

Department repeat Tokyo.

DURBRCW

Note: Repeated to Tokyo 5/19/47, 11 p.m. (CWO-PEP)

DES:MES

PLAIN

MAY 23 1947

FILED

LRC

740.00119 CONTROL (JAPAN) /5-1947

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

STANDARD FORM NO. 64

*Office Memorandum* • UNITED STATES GOVERNMENT

DATE: 6/12/47

TO : HB

FROM : RAF

SUBJECT: Allied Council Meeting of May 14.

Meeting hit a new low in constructive accomplishment, in recurrent unpleasant atmosphere. General Derevyanko exaggerated in contending that SCAP had failed completely to carry out an effective economic reform program, while Mr. Acheson exaggerated in implying that SCAP, and the U.S. Government, had done everything possible for the solution of Japanese economic problems. (General Derevyanko will have difficulty in the light of his Council statements on the need for reviving Japanese economy in disputing the principle of the cranking up program.) The unchanged attitudes of all concerned can be appreciated by glancing through the covering despatch.

NA:RAF:pm

DC/4  
AA FE  
DC/1A

UNITED STATES POLITICAL ADVISER OF  
FOR JAPAN NORTHEAST ASIAN AFFAIRS

JUN 10 1947

DEPARTMENT OF STATE

Tokyo, May 20, 1947

RESTRICTED

No. 1054

SUBJECT: Thirty-second Meeting of the Allied Council for Japan, May 14, 1947.

740.00119 CONTROL (JAPAN) / 5-2047

1/2/

The United States Political Adviser has the honor to refer to this Mission's despatch No. 1027, May 7, 1947, and to previous correspondence in regard to meetings of the Allied Council for Japan, and to forward as enclosures five copies each of the Agenda and Corrected Verbatim Minutes of the Thirty-second Meeting of the Council held on May 14, 1947.

The first subject on the Agenda, "Stabilization of Wage-Price Relationships," was proposed by the Supreme Commander and held over from previous meetings at the request of the Soviet Member. The Soviet Member took occasion to deliver a long statement, page 1 et seq. of the Minutes, not germane to the specific subject, charging that no serious measures were being taken to rehabilitate Japanese economy, break up the Zaibatsu, carry out rural land reform, curb inflation, et cetera. So groundless were these charges that there seems no question that they were made for propaganda purposes.

The Chairman asked Dr. Sherwood Fine, Economic Adviser, Economic and Scientific Section of this Headquarters, for comment and Dr. Fine ably refuted many of the Soviet Member's allegations and offered to submit a point to point report. His remarks appear on page 5 et seq. of the Minutes.

The Member for China made several suggestions. The British Commonwealth Member reverted to his custom of agreeing with the Member for China and giving indirect support to the Soviet Member.

The second subject on the Agenda, "The State of Public Health in Japan," was again held over at the request of the Soviet Member.

- Enclosures:
1. Five Copies of Agenda, Thirty-second Meeting
  2. Five Copies of Corrected Verbatim Minutes, Thirty-second Meeting

Original and ozalid to Department 500

GAAbbey:wdh

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

ACTION  
FE  
COPIES  
TO:  
BC  
EE  
NEA  
ED  
CP  
FN  
ILH  
OCD-100 and  
DC/1A  
FR  
EUR  
OFD  
ITP

Com-100 and  
CID

DC/1A  
NCH  
DC/1A  
NCH

DC/L  
LIAISON

RECEIVED  
DEPARTMENT OF STATE  
JUN 6 1947  
PM 2 04

FILED  
JUL 1 1947

740.00119 Control  
CS/V  
Japan/5-2047  
W

WB

Enclosure #1 to  
Tokyo's No. 1054  
May 20, 1947

32-514

AGENDA

for the

THIRTY-SECOND MEETINGALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo  
Wednesday, 14 May 1947, at 1000 Hours

I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE  
THIRTY-FIRST MEETING (1 Session, Numbered 31-430).

## II PROCEDURAL MATTERS

None held over or submitted as subjects for this Agenda.

## III OFFICIAL MATTERS

1. Stabilization of Wage-Price Relationships.  
(Inclosure #1).
2. The State of Public Health in Japan.  
(Inclosure #2).

By Direction of the Chairman:

*Glenn Abbey*  
GLENN ABBEY  
Secretary-General

2 Incls:

- 1 - Agenda Item 29-402-1
- 2 - Agenda Item 29-402-3

9 May 1947

ALLIED COUNCIL FOR JAPAN  
Proposed Discussion Agenda

- I AGENDA ITEM NO. 29-402-1 (Third Revision 9 May 1947).
- II PROPOSED BY: THE SUPREME COMMANDER FOR THE ALLIED POWERS.
- III SUBJECT FOR DISCUSSION: Stabilization of Wage-Price Relationships.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 14 May 1947.  
(Held over from Thirty-first Meeting at the request of the Soviet Member).
- V SCOPE OF INFORMATION DESIRED: Comments and Recommendations of the Members of the Council.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:  
None requested.
- VII REFERENCES:
1. Inclosure #2, Agenda 29-402.
  2. Corrected Verbatim Minutes 29-402, Pages 4 to 21.
  3. Corrected Verbatim Minutes 30-416, Pages 8 to 17.
  4. Corrected Verbatim Minutes 31-430, Page 1.

ALLIED COUNCIL FOR JAPANProposed Discussion Agenda

- I AGENDA ITEM NO. 29-402-3 (Third Revision 9 May 1947).
- II PROPOSED BY: LIEUTENANT GENERAL KUZMA N. DEREVYANKO,  
Member for the Union of Soviet Socialist Republics.
- III SUBJECT FOR DISCUSSION: The State of Public Health in  
Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 14 May 1947.  
(Held over from the Thirty-first Meeting at the request  
of the Soviet Member).
- V SCOPE OF INFORMATION DESIRED: None requested.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE: None.
- VII REFERENCES:
1. Inclosure #4, Agenda 29-402.
  2. Corrected Verbatim Minutes 30-416, Pages 48 to 51.
  3. Corrected Verbatim Minutes 31-430, Pages 5 through 21.

Inclosure #2

Enclosure #1 to  
Tokyo's No. 1054  
May 20, 1947

32-514

AGENDA  
for the  
THIRTY-SECOND MEETING  
ALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo  
Wednesday, 14 May 1947, at 1000 Hours

I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE  
THIRTY-FIRST MEETING (1 Session, Numbered 31-430).

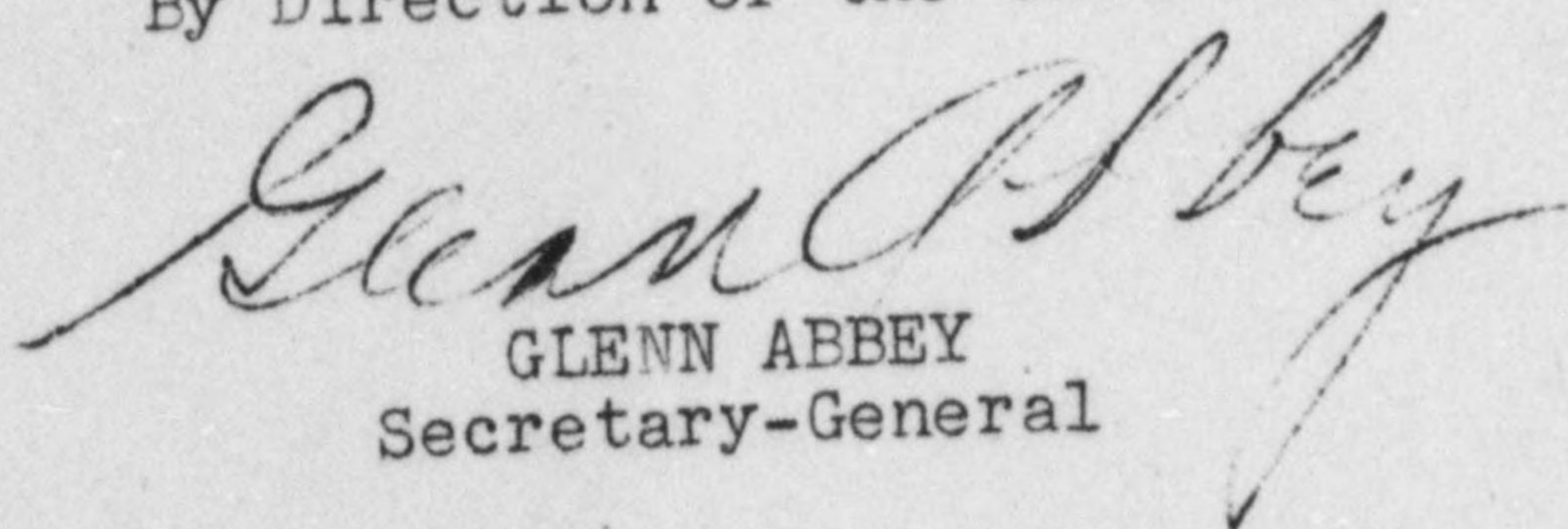
II PROCEDURAL MATTERS

None held over or submitted as subjects for this Agenda.

III OFFICIAL MATTERS

1. Stabilization of Wage-Price Relationships.  
(Inclosure #1).
2. The State of Public Health in Japan.  
(Inclosure #2).

By Direction of the Chairman:

  
GLENN ABBEY  
Secretary-General

2 Incls:  
1 - Agenda Item 29-402-1  
2 - Agenda Item 29-402-3

9 May 1947

ALLIED COUNCIL FOR JAPAN  
Proposed Discussion Agenda

- I AGENDA ITEM NO. 29-402-1 (Third Revision 9 May 1947).
- II PROPOSED BY: THE SUPREME COMMANDER FOR THE ALLIED POWERS.
- III SUBJECT FOR DISCUSSION: Stabilization of Wage-Price Relationships.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 14 May 1947.  
(Held over from Thirty-first Meeting at the request of the Soviet Member).
- V SCOPE OF INFORMATION DESIRED: Comments and Recommendations of the Members of the Council.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:  
None requested.
- VII REFERENCES:
1. Inclosure #2, Agenda 29-402.
  2. Corrected Verbatim Minutes 29-402, Pages 4 to 21.
  3. Corrected Verbatim Minutes 30-416, Pages 8 to 17.
  4. Corrected Verbatim Minutes 31-430, Page 1.

Inclosure #1



ALLIED COUNCIL FOR JAPANProposed Discussion Agenda

- I AGENDA ITEM NO. 29-402-3 (Third Revision 9 May 1947).
- II PROPOSED BY: LIEUTENANT GENERAL KUZMA N. DEREVYANKO,  
Member for the Union of Soviet Socialist Republics.
- III SUBJECT FOR DISCUSSION: The State of Public Health in  
Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 14 May 1947.  
(Held over from the Thirty-first Meeting at the request  
of the Soviet Member).
- V SCOPE OF INFORMATION DESIRED: None requested.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE: None.
- VII REFERENCES:
1. Inclosure #4, Agenda 29-402.
  2. Corrected Verbatim Minutes 30-416, Pages 48 to 51.
  3. Corrected Verbatim Minutes 31-430, Pages 5 through 21.

Enclosure #2 to  
Tokyo's No. 1054  
May 20, 1947

32-514

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

Meiji Building, Tokyo, Wednesday, 14 May 1947, at 1000 Hours

MEMBERS PRESENT

The Honorable George Atcheson, Jr., Deputy for the Supreme  
Commander, Chairman, and Member for the United States

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

The Honorable W. Macmahon Ball, Member representing jointly  
the United Kingdom, Australia, New Zealand and India

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

SECRETARY-GENERAL

Mr. Glenn Abbey

Office of the Secretariat  
Allied Council for Japan  
15 May 1947

32-514

TABLE OF CONTENTS  
 for the  
CORRECTED  
VERBATIM MINUTES  
 of the  
THIRTY-SECOND MEETING  
ALLIED COUNCIL FOR JAPAN

<u>SUBJECT OR TITLE</u>	<u>PAGE</u>
I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE THIRTY-FIRST MEETING	1
II PROCEDURAL MATTERS	
None	
III OFFICIAL MATTERS	
1. Stabilization of Wage-Price Relationships	1 to 10
Remarks and observations by Lieutenant General Deveryanko	1 to 4, 6
Comments by the Chairman	4, 6
Comments by Dr. Fine	5 to 6
Remarks and comments by Mr. Shen	7 to 8
Remarks, comments and questions by Mr. Ball	8 to 9, 10
The Chairman answers Mr. Ball	9, 10
Lieutenant General Derevyanko answers Mr. Ball	10
2. The State of Public Health in Japan	10 to 11
Lieutenant General Derevyanko requested this subject be retained on the Agenda for the <b>next</b> meeting	10
IV SUMMARY OF RECOMMENDATIONS AND SUGGESTIONS FOR SCAP	
None	

THE CHAIRMAN: The meeting will please come to order. (Pause).

The minutes of the Thirty-first Meeting have been circulated among the Members for correction before being mimeographed. In the absence of objection, (Pause) they will be recorded as approved.

Are there any procedural matters? (Pause).

The first item under official matters is "Stabilization of Wage-Price Relationships." This subject was proposed for discussion two meetings ago by the SUPREME COMMANDER and was held over from the last meeting at the suggestion of the Soviet Member.

LIEUTENANT GENERAL DEREVYANKO: MR. CHAIRMAN, GENTLEMEN:

The question of the "Stabilization of Wage-Price Relationships" placed on the agenda of the Allied Council cannot be considered apart from a more general question of a state of present economy of Japan and the reasons for the economic blind alley in which we see Japan at present. The present economic situation in Japan is characterized by a low level of industrial production, shortage of provisions, raw materials and finished goods, widespread speculation (the black market), steady growth of prices and a growing inflation. As a result there is a steady decrease in real wages and the worsening of living conditions of workers and employees. All these phenomena are closely bound up and therefore it would be incorrect to focus attention on one specific issue, wage-price relationships, without considering all other economic problems.

In the period that elapsed since the surrender of Japan, almost no serious measures have been taken to rehabilitate the economy of Japan, to improve the economic situation in the country, and to solve the acute economic problems of today. The proposed and announced measures and reforms in the field of economy are quite limited and have a halfway character. However, practically even they have not been carried into effect. Despite numerous declarations and promises regarding the realization of economic measures and reforms, not a single one of these measures, as a

matter of fact, has been fully implemented. The monopolistic Zaibatsu concerns, the only aim of which is to increase their profits at the expense of the consumer, have not been dissolved up till now. Out of the whole number of sixty-five holding companies subject to dissolution which control thirty-two hundred Japanese corporations, only the shares of one small holding company were sold at the beginning of April. Big monopolistic companies still retain their economic power and predominant position in industry and banks directly influencing the Japanese Government in their (Zaibatsu) narrow, mercenary interests.

No serious measures have been taken as regards the struggle against those industrialists who sabotage the industrial production, conceal the commodities and stockpiles of provisions, and intentionally hinder the rehabilitation of the Japanese economy. On the other hand, nothing has been done to encourage the attempts of the industrialists to improve the production of industrial goods. It is necessary to take strong measures in order to raise the level of industrial production, to develop peacetime branches of industry, and to increase the production of industrial commodities which are needed not only in towns but in the villages as well, for the purpose of stimulating the growth of agriculture. It goes without saying that without raising the level of industrial production which might provide the countryside with agricultural equipment and fertilizers, and the peasants with the necessary industrial commodities, it is impossible to expect the improvement in agriculture, and consequently it is impossible to expect the improvement of the food situation of the Japanese people.

A number of suggestions and recommendations on economic issues made at the meetings of the Allied Council have been disregarded. For instance, the recommendations as to the improvement of the operation of the coal industry, dealing amongst other problems with the nationalization of coal mines belonging to big

monopolistic concerns. The operation of the Japanese coal industry, which preserved toward the end of the war ninety-four per cent of its prewar equipment, is still unsatisfactory. In 1946 it produced only about thirty-five per cent of the prewar production of coal. No measures have been taken to increase real wages, food supply and housing conditions of the workers of the coal industry which is especially unbearable in the conditions of present shortage of coal.

The progress of rural land reform is quite unsatisfactory as before. It is evident that it is impossible to solve the agrarian problem in Japan by means of the limited agrarian reform which is provided for in the law passed by the Diet. But the implementation even of this limited and unsatisfactory reform is practically sabotaged. It is quite clear that without carrying out the fundamental agrarian reform, without transferring to the peasants free of charge the land of big feudal landowners unable in present conditions to improve agriculture, it is impossible to uproot the feudal, medieval backwardness of the Japanese villages exerting such a pernicious influence on the political and economic situation in the country, it is impossible to achieve the serious improvement of agricultural output and consequently the solution of the food problem as well. Nothing or almost nothing has been done in this respect.

There is no struggle against inflation, no control of prices and the distribution of raw materials and finished industrial goods. No measures have been taken against the black market and the profiteers making fortunes on the "new yen" at the expense of worsening living conditions of workers and employees. No effective measures have been taken to restrict unnecessary budget expenditures. All this inevitably leads to the further sharpening of the economic situation of the country, worsening of living conditions of workers and employees and wide circles of intellectuals whose real wages and salaries are steadily decreasing.

It is quite clear that if immediate strong and effective measures to eliminate the above-mentioned deficiencies are not taken it will be impossible to improve the economic situation of the country, to solve the acute pending economic problems, to raise the level of industrial production and agriculture, to improve the financial system, reducing unnecessary expenditures and thereby improve the position of workers, employees, peasants and other strata of the population. Without implementing these measures all discussions about the "Stabilization of Wage-Price Relationships" will give no results. Only by means of these measures will it be possible to improve the economic situation of the country, to check the increase of prices, to prevent further reduction of real wages and salaries and to improve living conditions of the city and rural population of Japan.

THE CHAIRMAN: These observations are all very interesting, but I am afraid we have got rather far afield from the subject on the agenda, the question of the "Stabilization of Wage-Price Relationships" in bringing up the question of the Zaibatsu, in making charges that the Zaibatsu has not been dissolved or that there has been a lot of sabotage in industry, the question of agriculture, the food situation, the nationalization of coal mines, and rural land reform. Incidentally, I am a little surprised to hear again a proposal in connection with land reform, that land should be expropriated without compensation. It will be recalled that when the Council discussed land reform, I believe I remarked we are not in favor of, in fact we are opposed to, any expropriation without compensation, which in my opinion is entirely undemocratic. As I say, these questions seem to me somewhat far afield from the subject before us. I am afraid also that some of the Soviet Member's background information is incorrect. As that misinformation is now in the record I will ask DR. FINE, who has kindly come here again today, if he wishes to make any comment in regard to some of this incorrect background information which we have just heard.

DR. FINE.

DR. FINE: As AMBASSADOR ATCHESON has stated, GENERAL DEREVYANKO has covered a very large area in his comments, many of them which do not pertain to the subject of the Council's topic. However, many of the comments that the GENERAL has made indicate such a shocking disregard for the genuine accomplishments achieved here in the Occupation, that I must seriously question whether the GENERAL has undertaken to investigate the activities of SCAP in supervising and guiding the Japanese economy in the last year and a half. I should like, further, to disagree with the comment made by GENERAL DEREVYANKO that the Japanese economy is at the present time in a blind alley. That the position of the Japanese economy is at the present time serious has, of course, already been indicated in the partial Staff Study submitted for the record six weeks ago. It was hoped that the Soviet representative would be able to submit specific recommendations concerning his views on wage-price stabilization, but his present comments which include references to the alleged fact that no struggle against the problem of inflation has been undertaken and that, number two, no controls exist over prices or the allocation of essential goods, must be interpreted more as a propaganda statement than any serious appraisal or investigation of the current conditions as well as attempts undertaken to meet the existing situation. The Soviet representative must have some very unreliable source for his information concerning activities undertaken in the sphere of anti-Zaibatsu operations, because I am not aware of the basis for his information as to the current predominant position of the Zaibatsu. I should like, if the Soviet representative is agreeable, to have submitted at a subsequent meeting the activities undertaken in the last year and a half, in connection with the dissolution of holding companies.

Throughout the Soviet representative's comments on the subject of wage and price relations, he repeatedly referred to the sabotage



of various classes here in Japan against economic rehabilitation. I submit that SCAP has not tolerated any sabotage of its objectives here in Japan. Concerning the alleged failure to take effective steps to restrict unnecessary budgetary expenditures, here again I am obliged to state that the Soviet representative is certainly not informed of the activities of SCAP's Economic and Scientific Section in connection with the reviewing of the Japanese budget and the very significant changes frequently recommended in budgets proposed in the last year and a half to reduce unnecessary expenditures. It may be appropriate, perhaps, to undertake a detailed evaluation of the statement just made by GENERAL DEREVYANKO. If that is the decision I think it would be very easy to present a refutation. However, I don't believe that the Soviet representative's comments can really be taken as a serious endeavor to assist SCAP in coming to grips with the problems associated with the topic under discussion.

THE CHAIRMAN: Thank you, DR. FINE. Coming back to the subject on the agenda, and looking over this partial Staff Study, I find among others these two questions: "What wage stabilization policies are proper in the interim period while an integrated economic stabilization program is being developed?" Another question is, "Within the framework of an economic stabilization program, what general relationship between wages and prices and the standard of living should be sought?"

I take it that the Soviet Member does not have any recommendations to make with regard to these and the other specific questions.

LIEUTENANT GENERAL DEREVYANKO: My opinion and my recommendations have been given in the statement made at the today's meeting of the Council.

THE CHAIRMAN: I think that concludes the discussion of this subject.

MR. SHEN: MR. CHAIRMAN, may I have a brief comment?

THE CHAIRMAN: Yes indeed, MR. SHEN.

MR. SHEN: Supplementing my suggestions made at the meeting before the last I venture to make further comments, very briefly. To stop the vicious cycle of inflation requires measures, drastic yet fair and sound. In this sense, MR. BALL's sweeping recommendations submitted at the meeting before the last are excellent ones, as I already extended compliments to him. These recommendations, if made adaptable to the present actual situation in Japan, would be valuable ones in the difficult task of stabilizing wage-price relationships. The Soviet Member, too, has just advocated strong measures. However, to enforce drastic measures requires a strong administrative power supported by the entire nation.

SOVIET INTERPRETER: Would you mind repeating that, sir?

MR. SHEN: (Repeating) However, to enforce drastic measures requires a strong administrative power. (Continuing) I avoid using "political power" because I recall that there were very interesting exchanges of words about "political" between MR. CHAIRMAN and MR. BALL at a previous meeting. Since Japan's surrender this power seems to have been rather weak, despite SCAP's untiring guidance. It is to be hoped that the incoming new government--new Japanese Government--would be well equipped with strong administrative power to cope with the present serious economic difficulties. In this connection, the economic plan lately announced by the Socialist Party--the plurality party--out of the recent general election, deserves our attention.

Talking about fair and sound measures, they should be applied especially on the suppression of the black market, in view of the unfortunate fact that today a great number of the Japanese population are obliged to make a living through black market transactions, and that even a greater number almost depend upon it as a source of commodities.

This is all, MR. CHAIRMAN.

MR. BALL: MR. CHAIRMAN, there are just a few words I would like to say. First of all, that I agree entirely with what MR. SHEN has just said. Then there is one other point I would like to make. I think this question of prices and wages is tremendously important, and I think that GENERAL MacARTHUR himself has already said that it cannot be considered as a question in itself, but only in relation to an integrated approach to the whole economic situation here in Japan. And I think it would be a great pity, MR. CHAIRMAN, if this Council's consideration of this very important question should degenerate into a kind of a debating society contest between the Member for the Soviet Union and the Member for the United States. When GENERAL DEREVYANKO was speaking earlier, he made a number of charges. I don't know whether he has any evidence to support those charges. If he has, I certainly am not in possession of that evidence, and I think if you consider GENERAL DEREVYANKO's speech as a series of charges, that DR. FINE has probably given a very adequate and complete reply, or if DR. FINE has not given that reply today, I am quite sure if we were to give him an opportunity to look up the record, he could give a very complete reply. But the really important point is that you don't improve the economic situation of Japan by giving effective replies to specific charges made by GENERAL DEREVYANKO at the Allied Council. And we do not need to go to GENERAL DEREVYANKO, we only need to go to the statements made by SCAP's spokesmen--GHQ spokesmen--over the last few months, to realize that the economic situation in Japan today is extremely grave. Only a few days ago one of the GHQ officials gave a statement on the coal mines and pointed out that owing to the inertia of the Japanese authorities, not even the most elementary steps had been taken over eighteen months to increase coal production. And although it is impossible

for me to know to what extent I agree with any particular charge made by GENERAL DEREVYANKO today, it does seem to me that the main burden of what he said was that things are unhappy--economically, things are unhappy in Japan today. For eighteen months no really effective steps have been taken by the Japanese authorities to improve the situation and it is extremely desirable that the Members of the Allied Council should give any kind of constructive help that they can give to bring about such improvement.

Now, in replying to GENERAL DEREVYANKO, DR. FINE expressed some disappointment that the GENERAL had not made any specific and concrete recommendations regarding wage-price stabilization. I did try two weeks-- a month ago--to make such recommendations. Maybe, MR. CHAIRMAN, I might ask DR. FINE to what extent GHQ has felt it suitable to take action along the lines of the recommendations which I have made.

THE CHAIRMAN: MR. BALL, as regards your question concerning your recommendations, I may say in answer, to this extent, that the recommendations which you made are very similar to the program which General Headquarters has been considering. As regards one other remark, I might offer the comment that subjects are placed before the Council for discussion by various Members. Each Member is entitled, of course, to express his opinion, but I quite agree with you with regard to the question of having our discussions develop the characteristics of a debating society.

MR. BALL: MR. CHAIRMAN, if I might just ask one other question GENERAL DEREVYANKO in speaking earlier, referred, I think, to the sabotage by employers of the programs for economic rehabilitation. Now, I think it would be very interesting indeed for us to know whether the failure to carry out effectively the programs recommended by SCAP is due to deliberate sabotage, or whether it is due to a kind of unconscious inertia. Do you think perhaps GENERAL DEREVYANKO might be ready to give us any evidence that he has of sabotage?

THE CHAIRMAN: I think we are still far afield from wages and prices. Of course, if you wish to place a subject on the agenda in connection with industrial sabotage--

MR. BALL: It would take a long while to place a subject on the agenda. I thought perhaps GENERAL DEREVYANKO would be able to tell us something now.

LIEUTENANT GENERAL DEREVYANKO: If, MR. BALL, you are interested in the problem of industrial sabotage and in the materials on which my conclusions are based, I would refer you to the materials that can be found in the Verbatim Minutes of the Allied Council. (Laughter).

THE CHAIRMAN: If there is no further discussion of this subject, we will pass on to the second subject under official matters.

MR. BALL: MR. CHAIRMAN, just one more question. We have been discussing the subject now for three meetings. Would it be possible for the representative of GHQ to give us, perhaps some time in the next few weeks, some indication of the policies that it is proposed to follow in dealing with prices and wages?

THE CHAIRMAN: I will be glad to look into it. Thank you, DR. FINE.

The second subject under official matters, "The State of Public Health in Japan," was originally proposed by the Soviet Member at the Twenty-ninth Meeting, six weeks ago, and was held over from the Thirty-first Meeting at the request of the Soviet Member. GENERAL DEREVYANKO?

LIEUTENANT GENERAL DEREVYANKO: MR. CHAIRMAN, I regret to say that at present I am not ready to give further comments on the subject, and in view of that I would appreciate if the subject be held over to the next meeting of the Council.

THE CHAIRMAN: I think that would be agreeable to the Members.

There appears to be no further business before the meeting.  
We shall adjourn.

(The meeting adjourned at 1053 hours).

Enclosure #2 to  
Tokyo's No. 1054  
May 20, 1947

32-514

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

Meiji Building, Tokyo, Wednesday, 14 May 1947, at 1000 Hours

MEMBERS PRESENT

The Honorable George Atcheson, Jr., Deputy for the Supreme  
Commander, Chairman, and Member for the United States

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

The Honorable W. Macmahon Ball, Member representing jointly  
the United Kingdom, Australia, New Zealand and India

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

SECRETARY-GENERAL

Mr. Glenn Abbey

Office of the Secretariat  
Allied Council for Japan  
15 May 1947

32-514

TABLE OF CONTENTS  
 for the  
CORRECTED  
VERBATIM MINUTES  
 of the  
THIRTY-SECOND MEETING  
ALLIED COUNCIL FOR JAPAN

<u>SUBJECT OR TITLE</u>	<u>PAGE</u>
I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE THIRTY-FIRST MEETING	1
II PROCEDURAL MATTERS	
None	
III OFFICIAL MATTERS	
1. Stabilization of Wage-Price Relationships	1 to 10
Remarks and observations by Lieutenant General Deveryanko	1 to 4, 6
Comments by the Chairman	4, 6
Comments by Dr. Fine	5 to 6
Remarks and comments by Mr. Shen	7 to 8
Remarks, comments and questions by Mr. Ball	8 to 9, 10
The Chairman answers Mr. Ball	9, 10
Lieutenant General Derevyanko answers Mr. Ball	10
2. The State of Public Health in Japan	10 to 11
Lieutenant General Derevyanko requested this subject be retained on the Agenda for the <b>next</b> meeting	10
IV SUMMARY OF RECOMMENDATIONS AND SUGGESTIONS FOR SCAP	
None	



THE CHAIRMAN: The meeting will please come to order. (Pause).

The minutes of the Thirty-first Meeting have been circulated among the Members for correction before being mimeographed. In the absence of objection, (Pause) they will be recorded as approved.

Are there any procedural matters? (Pause).

The first item under official matters is "Stabilization of Wage-Price Relationships." This subject was proposed for discussion two meetings ago by the SUPREME COMMANDER and was held over from the last meeting at the suggestion of the Soviet Member.

LIEUTENANT GENERAL DEREVYANKO: MR. CHAIRMAN, GENTLEMEN: The question of the "Stabilization of Wage-Price Relationships" placed on the agenda of the Allied Council cannot be considered apart from a more general question of a state of present economy of Japan and the reasons for the economic blind alley in which we see Japan at present. The present economic situation in Japan is characterized by a low level of industrial production, shortage of provisions, raw materials and finished goods, widespread speculation (the black market), steady growth of prices and a growing inflation. As a result there is a steady decrease in real wages and the worsening of living conditions of workers and employees. All these phenomena are closely bound up and therefore it would be incorrect to focus attention on one specific issue, wage-price relationships, without considering all other economic problems.

In the period that elapsed since the surrender of Japan, almost no serious measures have been taken to rehabilitate the economy of Japan, to improve the economic situation in the country, and to solve the acute economic problems of today. The proposed and announced measures and reforms in the field of economy are quite limited and have a halfway character. However, practically even they have not been carried into effect. Despite numerous declarations and promises regarding the realization of economic measures and reforms, not a single one of these measures, as a

matter of fact, has been fully implemented. The monopolistic Zaibatsu concerns, the only aim of which is to increase their profits at the expense of the consumer, have not been dissolved up till now. Out of the whole number of sixty-five holding companies subject to dissolution which control thirty-two hundred Japanese corporations, only the shares of one small holding company were sold at the beginning of April. Big monopolistic companies still retain their economic power and predominant position in industry and banks directly influencing the Japanese Government in their (Zaibatsu) narrow, mercenary interests.

No serious measures have been taken as regards the struggle against those industrialists who sabotage the industrial production, conceal the commodities and stockpiles of provisions, and intentionally hinder the rehabilitation of the Japanese economy. On the other hand, nothing has been done to encourage the attempts of the industrialists to improve the production of industrial goods. It is necessary to take strong measures in order to raise the level of industrial production, to develop peacetime branches of industry, and to increase the production of industrial commodities which are needed not only in towns but in the villages as well, for the purpose of stimulating the growth of agriculture. It goes without saying that without raising the level of industrial production which might provide the countryside with agricultural equipment and fertilizers, and the peasants with the necessary industrial commodities, it is impossible to expect the improvement in agriculture, and consequently it is impossible to expect the improvement of the food situation of the Japanese people.

A number of suggestions and recommendations on economic issues made at the meetings of the Allied Council have been disregarded. For instance, the recommendations as to the improvement of the operation of the coal industry, dealing amongst other problems with the nationalization of coal mines belonging to big

monopolistic concerns. The operation of the Japanese coal industry, which preserved toward the end of the war ninety-four per cent of its prewar equipment, is still unsatisfactory. In 1946 it produced only about thirty-five per cent of the prewar production of coal. No measures have been taken to increase real wages, food supply and housing conditions of the workers of the coal industry which is especially unbearable in the conditions of present shortage of coal.

The progress of rural land reform is quite unsatisfactory as before. It is evident that it is impossible to solve the agrarian problem in Japan by means of the limited agrarian reform which is provided for in the law passed by the Diet. But the implementation even of this limited and unsatisfactory reform is practically sabotaged. It is quite clear that without carrying out the fundamental agrarian reform, without transferring to the peasants free of charge the land of big feudal landowners unable in present conditions to improve agriculture, it is impossible to uproot the feudal, medieval backwardness of the Japanese villages exerting such a pernicious influence on the political and economic situation in the country, it is impossible to achieve the serious improvement of agricultural output and consequently the solution of the food problem as well. Nothing or almost nothing has been done in this respect.

There is no struggle against inflation, no control of prices and the distribution of raw materials and finished industrial goods. No measures have been taken against the black market and the profiteers making fortunes on the "new yen" at the expense of worsening living conditions of workers and employees. No effective measures have been taken to restrict unnecessary budget expenditures. All this inevitably leads to the further sharpening of the economic situation of the country, worsening of living conditions of workers and employees and wide circles of intellectuals whose real wages and salaries are steadily decreasing.

It is quite clear that if immediate strong and effective measures to eliminate the above-mentioned deficiencies are not taken it will be impossible to improve the economic situation of the country, to solve the acute pending economic problems, to raise the level of industrial production and agriculture, to improve the financial system, reducing unnecessary expenditures and thereby improve the position of workers, employees, peasants and other strata of the population. Without implementing these measures all discussions about the "Stabilization of Wage-Price Relationships" will give no results. Only by means of these measures will it be possible to improve the economic situation of the country, to check the increase of prices, to prevent further reduction of real wages and salaries and to improve living conditions of the city and rural population of Japan.

THE CHAIRMAN: These observations are all very interesting, but I am afraid we have got rather far afield from the subject on the agenda, the question of the "Stabilization of Wage-Price Relationships" in bringing up the question of the Zaibatsu, in making charges that the Zaibatsu has not been dissolved or that there has been a lot of sabotage in industry, the question of agriculture, the food situation, the nationalization of coal mines, and rural land reform. Incidentally, I am a little surprised to hear again a proposal in connection with land reform, that land should be expropriated without compensation. It will be recalled that when the Council discussed land reform, I believe I remarked we are not in favor of, in fact we are opposed to, any expropriation without compensation, which in my opinion is entirely undemocratic. As I say, these questions seem to me somewhat far afield from the subject before us. I am afraid also that some of the Soviet Member's background information is incorrect. As that misinformation is now in the record I will ask DR. FINE, who has kindly come here again today, if he wishes to make any comment in regard to some of this incorrect background information which we have just heard.

DR. FINE.

DR. FINE: As AMBASSADOR ATCHESON has stated, GENERAL DEREVYANKO has covered a very large area in his comments, many of them which do not pertain to the subject of the Council's topic. However, many of the comments that the GENERAL has made indicate such a shocking disregard for the genuine accomplishments achieved here in the Occupation, that I must seriously question whether the GENERAL has undertaken to investigate the activities of SCAP in supervising and guiding the Japanese economy in the last year and a half. I should like, further, to disagree with the comment made by GENERAL DEREVYANKO that the Japanese economy is at the present time in a blind alley. That the position of the Japanese economy is at the present time serious has, of course, already been indicated in the partial Staff Study submitted for the record six weeks ago. It was hoped that the Soviet representative would be able to submit specific recommendations concerning his views on wage-price stabilization, but his present comments which include references to the alleged fact that no struggle against the problem of inflation has been undertaken and that, number two, no controls exist over prices or the allocation of essential goods, must be interpreted more as a propaganda statement than any serious appraisal or investigation of the current conditions as well as attempts undertaken to meet the existing situation. The Soviet representative must have some very unreliable source for his information concerning activities undertaken in the sphere of anti-Zaibatsu operations, because I am not aware of the basis for his information as to the current predominant position of the Zaibatsu. I should like, if the Soviet representative is agreeable, to have submitted at a subsequent meeting the activities undertaken in the last year and a half, in connection with the dissolution of holding companies.

Throughout the Soviet representative's comments on the subject of wage and price relations, he repeatedly referred to the sabotage

of various classes here in Japan against economic rehabilitation. I submit that SCAP has not tolerated any sabotage of its objectives here in Japan. Concerning the alleged failure to take effective steps to restrict unnecessary budgetary expenditures, here again I am obliged to state that the Soviet representative is certainly not informed of the activities of SCAP's Economic and Scientific Section in connection with the reviewing of the Japanese budget and the very significant changes frequently recommended in budgets proposed in the last year and a half to reduce unnecessary expenditures. It may be appropriate, perhaps, to undertake a detailed evaluation of the statement just made by GENERAL DEREVYANKO. If that is the decision I think it would be very easy to present a refutation. However, I don't believe that the Soviet representative's comments can really be taken as a serious endeavor to assist SCAP in coming to grips with the problems associated with the topic under discussion.

THE CHAIRMAN: Thank you, DR. FINE. Coming back to the subject on the agenda, and looking over this partial Staff Study, I find among others these two questions: "What wage stabilization policies are proper in the interim period while an integrated economic stabilization program is being developed?" Another question is, "Within the framework of an economic stabilization program, what general relationship between wages and prices and the standard of living should be sought?"

I take it that the Soviet Member does not have any recommendations to make with regard to these and the other specific questions.

LIEUTENANT GENERAL DEREVYANKO: My opinion and my recommendations have been given in the statement made at the today's meeting of the Council.

THE CHAIRMAN: I think that concludes the discussion of this subject.

MR. SHEN: MR. CHAIRMAN, may I have a brief comment?

THE CHAIRMAN: Yes indeed, MR. SHEN.

MR. SHEN: Supplementing my suggestions made at the meeting before the last I venture to make further comments, very briefly. To stop the vicious cycle of inflation requires measures, drastic yet fair and sound. In this sense, MR. BALL's sweeping recommendations submitted at the meeting before the last are excellent ones, as I already extended compliments to him. These recommendations, if made adaptable to the present actual situation in Japan, would be valuable ones in the difficult task of stabilizing wage-price relationships. The Soviet Member, too, has just advocated strong measures. However, to enforce drastic measures requires a strong administrative power supported by the entire nation.

SOVIET INTERPRETER: Would you mind repeating that, sir?

MR. SHEN: (Repeating) However, to enforce drastic measures requires a strong administrative power. (Continuing) I avoid using "political power" because I recall that there were very interesting exchanges of words about "political" between MR. CHAIRMAN and MR. BALL at a previous meeting. Since Japan's surrender this power seems to have been rather weak, despite SCAP's untiring guidance. It is to be hoped that the incoming new government--new Japanese Government--would be well equipped with strong administrative power to cope with the present serious economic difficulties. In this connection, the economic plan lately announced by the Socialist Party--the plurality party--out of the recent general election, deserves our attention.

Talking about fair and sound measures, they should be applied especially on the suppression of the black market, in view of the unfortunate fact that today a great number of the Japanese population are obliged to make a living through black market transactions, and that even a greater number almost depend upon it as a source of commodities.

This is all, MR. CHAIRMAN.

MR. BALL: MR. CHAIRMAN, there are just a few words I would like to say. First of all, that I agree entirely with what MR. SHEN has just said. Then there is one other point I would like to make. I think this question of prices and wages is tremendously important, and I think that GENERAL MacARTHUR himself has already said that it cannot be considered as a question in itself, but only in relation to an integrated approach to the whole economic situation here in Japan. And I think it would be a great pity, MR. CHAIRMAN, if this Council's consideration of this very important question should degenerate into a kind of a debating society contest between the Member for the Soviet Union and the Member for the United States. When GENERAL DEREVYANKO was speaking earlier, he made a number of charges. I don't know whether he has any evidence to support those charges. If he has, I certainly am not in possession of that evidence, and I think if you consider GENERAL DEREVYANKO's speech as a series of charges, that DR. FINE has probably given a very adequate and complete reply, or if DR. FINE has not given that reply today, I am quite sure if we were to give him an opportunity to look up the record, he could give a very complete reply. But the really important point is that you don't improve the economic situation of Japan by giving effective replies to specific charges made by GENERAL DEREVYANKO at the Allied Council. And we do not need to go to GENERAL DEREVYANKO, we only need to go to the statements made by SCAP's spokesmen--GHQ spokesmen--over the last few months, to realize that the economic situation in Japan today is extremely grave. Only a few days ago one of the GHQ officials gave a statement on the coal mines and pointed out that owing to the inertia of the Japanese authorities, not even the most elementary steps had been taken over eighteen months to increase coal production. And although it is impossible



for me to know to what extent I agree with any particular charge made by GENERAL DEREVYANKO today, it does seem to me that the main burden of what he said was that things are unhappy--economically, things are unhappy in Japan today. For eighteen months no really effective steps have been taken by the Japanese authorities to improve the situation and it is extremely desirable that the Members of the Allied Council should give any kind of constructive help that they can give to bring about such improvement.

Now, in replying to GENERAL DEREVYANKO, DR. FINE expressed some disappointment that the GENERAL had not made any specific and concrete recommendations regarding wage-price stabilization. I did try two weeks-- a month ago--to make such recommendations. Maybe, MR. CHAIRMAN, I might ask DR. FINE to what extent GHQ has felt it suitable to take action along the lines of the recommendations which I have made.

THE CHAIRMAN: MR. BALL, as regards your question concerning your recommendations, I may say in answer, to this extent, that the recommendations which you made are very similar to the program which General Headquarters has been considering. As regards one other remark, I might offer the comment that subjects are placed before the Council for discussion by various Members. Each Member is entitled, of course, to express his opinion, but I quite agree with you with regard to the question of having our discussions develop the characteristics of a debating society.

MR. BALL: MR. CHAIRMAN, if I might just ask one other question GENERAL DEREVYANKO in speaking earlier, referred, I think, to the sabotage by employers of the programs for economic rehabilitation. Now, I think it would be very interesting indeed for us to know whether the failure to carry out effectively the programs recommended by SCAP is due to deliberate sabotage, or whether it is due to a kind of unconscious inertia. Do you think perhaps GENERAL DEREVYANKO might be ready to give us any evidence that he has of sabotage?

THE CHAIRMAN: I think we are still far afield from wages and prices. Of course, if you wish to place a subject on the agenda in connection with industrial sabotage--

MR. BALL: It would take a long while to place a subject on the agenda. I thought perhaps GENERAL DEREVYANKO would be able to tell us something now.

LIEUTENANT GENERAL DEREVYANKO: If, MR. BALL, you are interested in the problem of industrial sabotage and in the materials on which my conclusions are based, I would refer you to the materials that can be found in the Verbatim Minutes of the Allied Council. (Laughter).

THE CHAIRMAN: If there is no further discussion of this subject, we will pass on to the second subject under official matters.

MR. BALL: MR. CHAIRMAN, just one more question. We have been discussing the subject now for three meetings. Would it be possible for the representative of GHQ to give us, perhaps some time in the next few weeks, some indication of the policies that it is proposed to follow in dealing with prices and wages?

THE CHAIRMAN: I will be glad to look into it. Thank you, DR. FINE.

The second subject under official matters, "The State of Public Health in Japan," was originally proposed by the Soviet Member at the Twenty-ninth Meeting, six weeks ago, and was held over from the Thirty-first Meeting at the request of the Soviet Member. GENERAL DEREVYANKO?

LIEUTENANT GENERAL DEREVYANKO: MR. CHAIRMAN, I regret to say that at present I am not ready to give further comments on the subject, and in view of that I would appreciate if the subject be held over to the next meeting of the Council.

THE CHAIRMAN: I think that would be agreeable to the Members.

There appears to be no further business before the meeting.  
We shall adjourn.

(The meeting adjourned at 1053 hours).

Form DS-302  
(7-2-46)

DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE  
INCOMING TELEGRAM

ACTION COPY

Action	NA
FE	/
Info	/
UN	
CA	
NA	
PI	
SEA	

**CONFIDENTIAL**

Office of  
FAR EASTERN AFFAIRS  
MAY 22 1947  
12:20 am  
Department of State

4

Action: FE  
Info:  
S/S  
U-E  
A-H  
SA/M  
LE  
OCD  
CIG  
ESP  
FC  
OIC  
DC/R

Control 7002

Rec'd May 22, 1947  
8:45 a.m.  
DIVISION OF  
NORTHEAST ASIAN AFFAIRS

MAY 22 1947  
File No auto  
DEPARTMENT OF STATE

FROM: Tokyo  
TO: Secretary of State  
NO: 135, May 22.

FROM SCAP TO WDOSA (PASS TO SECSTATE) OITE C-52828.  
FOR HUGH BORTON

Subject is proposed statement before Allied Council  
REOURAD 129, May 17.

Part five, third paragraph, should read: "I believe  
that, with completion of the purges, punishment of  
war criminals and effectuation of reparations, etc.,  
etc.,"

If no contrary instructions received subject heading  
will be placed on agenda tomorrow morning 23rd May  
and we will expect release text to press on morning  
of meeting 10 a.m. Wednesday 28th May Tokyo time.

ATCHESON

DU:EJS

740.00119 CONTROL (JAPAN) / 5-2247

FILED

HH

JUN 2 1947

CONFIDENTIAL

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

Classification approved by:
Name: <i>[Signature]</i>
Title: <i>Executive Officer, FE</i>
DATE: <i>May 23, 1947</i>

**SECRET**

MAY 23 1947

No. *502*

To the  
 United States Political Adviser to the  
 Supreme Commander for the Allied Powers,  
 Tokyo.

The Secretary of State encloses for the information of the Political Adviser a copy of SWNCC 302/6, "STATEMENT OF THE UNITED STATES POSITION WITH RESPECT TO CONTROL OF THE ECONOMIC WAR POTENTIAL OF JAPAN".

*894.50*

Please note the decision that in lieu of the action proposed in this paper the United States member of the Far Eastern Commission should be directed to approve FEC 084/9 (SWNCC 302, a copy of which was sent to the Political Adviser under cover of instruction no. 226, August 21, 1946) for the United States after obtaining agreement to the following amendment:

*coa*  
 "The provisions of this policy will apply until January 1, 1949, or until the end of the present phase of occupation of Japan, whichever is earlier."

Enclosure:  
 SWNCC 302/6, copy no. 40.

And	<i>[Signature]</i>
K	
Cal	<i>[Signature]</i>

A copy only of this document is to be retained.

**SECRET**

MAY 24 1947  
*[Signature]*

*HST*  
 FE:HSTumas  
 5-22-47

740.00119 CONTROL (JAPAN) / 5-2347

CS/A  
**SECRET FILE**

*740.00119 Control (Japan) / 5-2347*

Form DS-302  
(7-2-46)

ACTION COPY

DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE  
INCOMING TELEGRAM

7 N

Action: FE  
Info:  
S/S  
U-E  
A-H  
SA/M  
OCD  
CIG  
ESP  
PC  
DC/R

Written	<i>MB</i>
FE	
Info	
UN	
CA	
NA	
PI	
SEA	

SECRET

Office of  
FAR EASTERN AFFAIRS  
MAY 24 1947  
*Garn*  
Department of State A

Control 7841

Rec'd May 24, 1947  
3:11 a.m.

FROM: Tokyo  
TO: Secretary of State  
NO: C 52887, May 24, 1947

URGENT

FROM SCAP TO WDOSA (PASS TO SECSTATE)

FOR SECRETARY MARSHALL AND ASSISTANT SECRETARY HILLDRING

Reference State serials 184, 22 May, 6 p.m. and 185,  
22 May, 6 p.m., projected statement before Allied Council.

Ambassador Acheson has decided not to make any state-  
ment for the present due to other matters anticipated  
before the Council. Signed MacArthur.

EEC,EOC

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

*B*  
MAY 26 1947 *E*  
*No action - Files*  
DEPARTMENT OF STATE

SECRET

740.60119 CONTROL (JAPAN) / 5-2447

HH  
SECRET FILE  
FILED  
JUN 11 1947

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH  
NOTATION OF ACTION TAKEN.

Form DS-302  
(7-2-46)

DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE  
INCOMING TELEGRAM

ACTION COPY

*NA*

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

MAY 26 1947

RESTRICTED

DEPARTMENT OF STATE

Office of  
FAR EASTERN AFFAIRS  
MAY 25 1947  
Director  
Department of State

Control 7994

Rec'd May 24, 1947  
2:10 p.m.

Action	<i>NA</i>
FE	/
Info	/
UN	/
CA	/
NA	/
SEA	/

8-I

Action: FE  
Info:  
S/S  
C  
A-H  
EUR  
LE  
OCD  
CIG  
FC  
DC/R

FROM: Tokyo  
TO: Secretary of State  
NO: 137, May 24

CITE 52897. Associated Press dispatch Nanking date-  
line 22 May published in Japanese press here cites  
Wang Shih-Chieh as stating that China has proposed  
Japan be placed under four-power control for up to  
30 years after Japanese peace treaty is signed and  
that United States and Britain have agreed to this  
plan but no reply has been received from Soviet  
Russia.

We assume this story garbled and that Wang's reference  
was to four-power inspection control pact proposed by  
Secretary Byrnes 21 June 1946. Please instruct.

ATCHESON

MRM:DCB

740.00119 CONTROL (JAPAN)

/ 5-2447 LRC

JUN 4 1947

FILED

RESTRICTED

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH  
NOTATION OF ACTION TAKEN.

*xR  
894.00*

*Revealed to Nanking  
Teletype to Tokyo  
5/27/47  
Repeat to Nanking  
Al Sale*

FORM DS-222  
7-18-46

OUTGOING TELEGRAM

CLASSIFICATION

INDICATE  
Collect

Department of State

RESTRICTED

Charge Department:

Washington

Charge to

RESTRICTED

164

SUPREME COMMANDER FOR THE ALLIED POWERS

TOKYO

INFO: WAR DEPT CHIEF OF STAFF  
FOR POLITICAL ADVISER

JUN 2 1947  
6 pm

URTEL 137 MAY 24.

No information available in Washington. Chinese Embassy considers your assumption correct. (Repeated to Nanking as 643).

*Proposed of China to place Japan under four-power control*

MARSHALL TELEGRAPH RELEASE DES

1947 JUN 2 PM 5

DC/T

740.00119 CONTROL (JAPAN) / 5-2447

DISTRIBUTION DESIRED (OFFICES ONLY)

NA: ALDunning: ggg

5/27/47

FE

CS N

DCR NE Unit	
na	<i>mgp</i>
Rc	<i>act</i>
Dist	<i>WV</i>

740.00119 Control (Japan) / 5-2447

CR CLEARANCE JUN 2 1947



FORM DS-322  
7-18-46

OUTGOING TELEGRAM

CLASSIFICATION

INDICATE

Collect

Charge Department:

Department of State

RESTRICTED

Charge to

Washington

RESTRICTED

JUN 2 1947 171

6pm

AMEMBASSY

NANKING

644

740.00119 Control (Japan) / 5-2447

XR 894.00

Following is TOKYO'S No. 137 MAY 24:

QUOTE ( Code Room repeat TOKYO'S No. 137 MAY 24)

UNQUOTE.

DEPT'S reply to Tokyo as follows:

QUOTE URTEL 137 MAY 24. No information available in Washington. Chinese Embassy considers your assumption correct. UNQUOTE.

740.00119 CONTROL (JAPAN) / 5-2447

Reg - Marshall  
Proposal of  
China to place Japan (gna)  
under four-power control

1947 JUN 2 PM 5 40

TELEGRAPH RELEASE DESK

DC/T

CS/V

DISTRIBUTION DESIRED (OFFICES ONLY)

NA:ALDunning:ggg

5/27/47

DOB NE Unit

na *mg*

Re: *mm*

Dist: \_\_\_\_\_

CR CLEARANCE

JUN 2

740.00119 Control (Japan)

5-2447

DEPARTMENT OF STATE

ASSISTANT SECRETARY

May 29, 1947

ESP  
Mr. Martin

This doesn't make clear why the other countries oppose our amendment. Particularly in the light of the alternative proposed in para 5a. If the sole point is to refer specifically to 9(b) and 1(c) of 084/9, why change the date to 1950?

*Eag*  
EAG

DEPARTMENT OF STATE

ASSISTANT SECRETARY

June 2, 1947

*file*

Mr. Hemmendinger:

See about changing the first amendment to 1949, as in our draft. Ed Martin was fuzzy about this.

*Eag*  
EAG

*Death will at conference*  
*June 3, 1947 Ed Martin*  
*Will be new Burton*  
*SWCC paper Barnett*  
*giving U.S. position*  
*on permanent reduction Gross*  
*and wa Potential Hemmendinger*

STANDARD FORM NO. 64

CONFIDENTIAL

## Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - General Hilldring

DATE: May 26, 1947

FROM : JK - Mr. Martin

SUBJECT: FEC Action on FEC 084/9, /10, /11 - Reduction of Japanese War Potential.

1. In accordance with your instructions to General McCoy, U.S. Member of the FEC, the U.S. delegation has informed the Commission that U.S. approval of FEC 084 is contingent upon Commission concurrence in incorporation of the following U.S. amendment in the policy statement:

"The provisions of this policy decision will apply until January 1, 1949 or until the end of the present phase of the occupation, whichever is earlier."

2. It has become evident that no other country on the FEC will approve of that proposed amendment as now worded.

The U.S. representation on FEC Committee No. 2 (Economics) has made the following observations regarding the impasse which has arisen:

a. Continued U.S. insistence upon incorporation of January 1, 1949 as a specific terminal date even if limited, in application, to paragraphs 9(b) and 1(c) would probably have the effect of a veto on adoption of FEC 084/9.

b. If incorporation of a terminal date continues to be essential, the year 1950 could provide an adequate safeguard against persistence of undesirable restriction upon longterm Japanese economic development. The Japanese are unlikely, for both economic and administrative reasons, to require greater capacity than specified ceilings prior to that time. FEC countries might accept 1950 since that year has been the target date for all of its level of industry decisions.

c. However, the imminence of a peace treaty and, in any case, the likelihood of a termination of the present phase of the occupation prior to either January 1, 1949 or 1950, seem to render incorporation of a specific cutoff date in the paper of academic importance.

d. The willingness of FEC countries to remove any ambiguity regarding the term "occupation" was evident in their approval of a New Zealand motion, which stated explicitly that the policy would apply during the present regime of control in Japan as established by the terms of reference of the Moscow Agreements. The New

Zealand

CONFIDENTIAL

740 08119 Contact (Japan) / 5-26-47

1675

**CONFIDENTIAL**

- 2 -

Zealand Member also stated that any major change, such as elimination of SCAP, would be a change in that regime. A formal vote to abolish the FEC would not necessarily be required to terminate the "occupation".

e. Passage of this paper, amended in a manner agreeable to the U.S. and other FEC countries, would tend to remove grounds for growing apprehension amongst the other FEC countries that the U.S. Government opposes FEC action on demobilization, demilitarization, and disarmament policies, an apprehension which is wholly without foundation but which, if given wide circulation, could have damaging results.

f. Adoption of FEC 084/ - when amended - might have the effect of greatly expediting favorable Allied action on FEC 218, which if issued as an interim directive without substantial, if not formal inter-Allied agreement, could greatly complicate the problem of U.S. negotiators at any peace conference.

3. Since the essential purpose of an amendment was to remove any possibility that the restrictive terms of paragraphs 9(b) and 1(c) be considered applicable by any FEC country beyond the period of the present phase of the occupation; and since FEC adoption of FEC 084 can expedite progress through the FEC of other important U.S. policy proposals, it is recommended that the U.S. delegation on the FEC be authorized to offer either or both of the following amendments, if their substitution for the present amendment would contribute to prompt agreement to FEC 084 in the FEC:

a. The provisions of paragraphs 9(b) and <sup>of</sup> the second clause of paragraph 1(c) of this policy will apply until January 1, 1950 or until the end of the present phase of the occupation, whichever is earlier; or

b. The term "occupation", in this policy statement, shall be considered to mean the period during which the present regime of control, which the members of the FEC undertook to respect by the terms of reference of the FEC, and which was described in the following communication of 6 September 1945 from the U.S. Government to the Supreme Commander for the Allied Powers, remains unchanged:

"1. The authority of the Emperor and the Japanese Government to rule the State is subordinate to you as Supreme Commander for the Allied Powers. You will exercise your authority as you deem proper to carry out your mission. Our relations with Japan do not rest on a contractual basis, but on an unconditional surrender. Since your authority is supreme, you will not entertain any question on the part of the Japanese as to its scope.

**CONFIDENTIAL**

"2. Control

**CONFIDENTIAL**

- 3 -

"2. Control of Japan shall be exercised through the Japanese Government to the extent that such an arrangement produces satisfactory results. This does not prejudice your right to act directly if required. You may enforce the orders issued by you by the employment of such measures as you deem necessary, including the use of force.

"3. The statement of intentions contained in the Potsdam Declaration will be given full effect. It will not be given effect, however, because we consider ourselves bound in a contractual relationship with Japan as a result of that document. It will be respected and given effect because the Potsdam Declaration forms a part of our policy stated in good faith with relation to Japan and with relation to peace and security in the Far East."

4. It is believed that the purpose of both of the above suggested rewordings may be considered to be consistent, in essence, with the amendment which the three Secretaries agreed should be insisted upon as pre-condition for U.S. approval of FEC 084/9. Can you, in the interest of attempting to obtain FEC agreement on FEC 084/9, authorize the U.S. delegation on the FEC to act on the recommendations in paragraph 3 above?

JK:RWBarnett:el

5/26/47

**CONFIDENTIAL**

Form DS-302 (7-2-46)

DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE INCOMING TELEGRAM

ACTION COPY

1-D

- Action: FE
- Info:
- S/S
- T-E
- A B
- A W
- ca Ar
- EUR
- OCD
- CIG
- DC/R
- ITP
- ESP
- OPD
- FC
- CIC
- PA
- EUR/X
- DC/R

PLAIN

NR

Control 8270  
 Rec'd May 26, 1947  
 1:23 p.m.

Office of FAR EASTERN AFFAIRS  
 MAY 26 1947  
 Department of State

DIVISION OF NORTHEAST ASIAN AFFAIRS  
 MAY 27 1947  
 File No. *active*

FROM: Moscow  
 TO: Secretary of State  
 NO: 1902, Twenty-sixth

TRUD, May 24, "in Japan and Korea: Conversation with Comrade M. P. Tarasov member Executive Committee WFTU and Secretary all Union Central Council Trade Unions" states visit of WFTU Commission to Japan was opposed by MacArthur and describes obstacles encountered in work. Highlights follow:

"Jap trade unions \*\*\* representatives daily hovered around threshold HQS American Command seeking to learn time of our arrival. HQS, however, told them WFTU Commission was coming not to trade unions but to American military administration which itself, if you please, had prepared detailed schedule for visits to plants, institutions, schools, et cetera.

We compiled our own program of meetings and visits to plants refusing suggestion of American Military Authorities that we examine more of interesting sights of Japan because of shortage of time four tourist excursions. Seeking to maintain freedom of discussions in Commission, we also refused services American military interpreters and insisted on right to invite interpreters of our own choice.

Leaders of Jap Congress industrial trade unions which has membership of 1,643,000 consistently and undeviatingly support idea of unity. They aren't only ardent propagandists of this idea but also initiators of all steps which have so far been taken in this direction.

This cannot be said of leaders of Jap Federation Labor which has around one million members.

It should be emphasized some of Jap Federation Labor leaders

PLAIN

740.00119 CONTROL (JAPAN)/5-2647

JUN 11 1947

HH

*NEB*  
*5/27*  
*Labov*  
 DEPARTMENT OF STATE  
 JUN 11 1947  
 TELETYPE UNIT

PERMANENT RECORD COPY: THIS COPY MUST BE RETURNED TO DC/R CENTRAL FILES WITH NOTATION OF ACTION TAKEN.

PLAIN

-2- 1902, Twenty-sixth, from Moscow.

leaders are under pressure from American HQS where opponents of unity in Labor movement are working as advisers on Labor affairs.

In city Fukuoka we visited largest chemical plant in Japan. What they are producing now we didn't see since representatives, Jap directors and American authorities who accompanied us showed only shop in which aspirin is manufactured. In talk with chairman of factory commission, we inquired whether militaristic elements who had worked there during war had been retained in administration of plant. Chairman stubbornly maintained only Democrats remained. We asked him name one of them. Replied chairman of factory commission 'our best man and Democrat is chairman of plant'. It appears best Democrat was former director's right-hand man during war years.

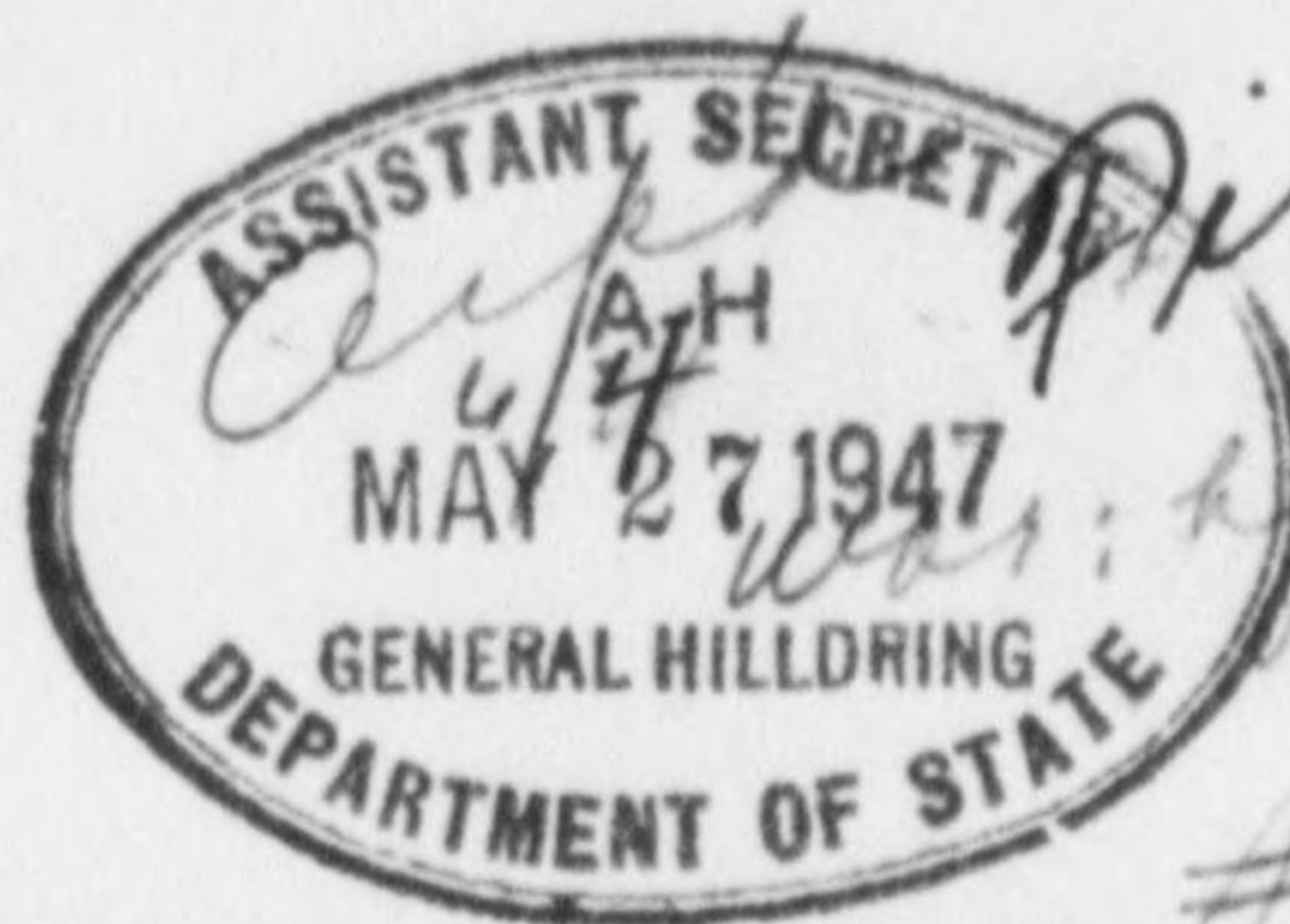
This episode and several others showed us that 'realists' are at present managing Jap industry and how little has been done to demilitarize and democratize Japan".

DUMBAROW

RE: EDW

PLAIN

FAR EASTERN COMMISSION  
2516 MASSACHUSETTS AVENUE, N. W.  
WASHINGTON 8, D. C.



May 27, 1947

*Handwritten:* #  
DOR

My dear General Hilldring:

At the meeting of the Far Eastern Commission on Thursday, May 22, the representative of France, referring to paragraph 2 of FEC-204/11, Property of War Criminals, said: "Mr. Chairman, on paragraph 2 of this paper it has been the view of the French delegation that the paragraph in question, that is paragraph 2, should read at the end 'should become available for reparations' instead of 'occupation costs.' There was a lengthy discussion on this point and several representatives of various governments also thought the same. The reason why the French delegation insisted on that is that 'reparations' is a thing which we know. It is in our mind as a definition. 'Occupation costs' has no definition at all. We do not know how the American Government considers the question of occupation costs and what it contains. That was sort of an academic stand but a logical stand. However, the proceeds of the property of war criminals which may be turned to occupation costs may be very little and there is no reason why such a paper should be delayed for such a difference of opinion, which, after all, as I said, is mainly academic. However, we will not, of course, vote against this paper. We will vote for it, but with the hope that the American delegation, in one of the competent committees, will be ready very soon to give us a strict definition and a very clear definition of what is meant by the American Government by 'occupation costs.'"

740.00119 CONTROL (JAPAN)  
/5-2747

GEN. McCOY: "I will make a note of that point."

MR. DOUTFAU: "Thank you."

GEN. McCOY: "I don't know myself but we will try to find out. I think it is a proper request to make of the American Government however unclear the proposition is now."

Maj. General John H. Hilldring  
Assistant Secretary of State  
for Occupied Areas  
Washington 25, D. C.

Administrative routing form with fields: Anal, Cat, Dist. Includes handwritten initials 'qd' and 'DOR'.

This

*Handwritten:* CS IV  
740.00119 Control  
(Japan) / 5-2747

1667



Maj. General John H. Hilldring

- 2 -

May 27, 1947

This desire for a definition of what is meant by the American Government by the term "occupation costs" is general in the Commission; and, while I have not committed the American Government in the matter, other than to undertake to communicate the query to the United States Government, I wonder whether the United States is prepared to define "occupation costs."

Sincerely yours,

*Frank R. McCoy*

Frank R. McCoy  
Chairman

"



*cc/R*

JUN 5 1947

740.00119 CONTROL (JAPAN) /5-2747

Dear General McCoy:

This is in reply to your letter of May 27, 1947 regarding the desire of the Far Eastern Commission for a definition by the U. S. of the term "occupation costs".

*12*

I am expediting the formulation of a U. S. position on the subject of those claims upon Japan, including occupation costs, which have not been covered in previous policy papers and I expect to be able to communicate this position to you in the near future.

Sincerely yours,

J. H. HILLDRING

J. H. Hilldring  
Assistant Secretary

A true copy of the signed original. *M.M.*

Major General Frank McCoy,  
Chairman, Far Eastern Commission,  
2516 Massachusetts Avenue, NW,  
Washington 8, D. C.

CS/W

*740.00119 Control  
(Japan) /5-2747*

*WAR*  
A-H:WARudlin;hjh 6/2/47-6/4/47

*cc*

*all 166*

*W* see control  
740.00119 (Japan) / 5-2947  
12 11 A.M. (Recd)  
894.657  
894.628

AIDE-MÉMOIRE

The Department of State desires to refer to the Australian Embassy's aide-mémoire of May 29, 1947, and to this Government's reply of June 23, 1947, regarding the operation of the rock phosphate industry on Angaur Island. The Embassy was informed that the Supreme Commander for the Allied Powers in Japan would be advised of the Australian Government's views in the matter, that all pertinent information would be requested from the Supreme Commander with his comments, and that the Embassy would be advised of the United States position following receipt of the Supreme Commander's reply.

In his reply the Supreme Commander has called the Department of State's attention to a press release issued by his Headquarters on June 28, 1947, the pertinent portions of which are quoted below:

"The operation of a phosphate rock project on Angaur, formerly a Japanese mandated island, has been in progress for over a year in order to supply Japan with required fertilizer

NE  
DCR  
VVR  
[Signature]  
Ancl  
Dist  
Cpy  
Recd

740.00119 CONTROL (JAPAN) / 5-2947

740.00119 Control (Japan) / 5-2947

- 2 -

fertilizer to increase indigenous food production and reduce the amount of United States appropriated funds required to meet the food deficit in Japan. Such use of stock piles of phosphate rock on Angaur Island was initially authorized by the Fertilizer Committee of the Combined Food Board, an international body on which the British Government has been represented. Subsequently, a contract was made with J. H. Pomeroy and Company, an American concern, for the mining of additional phosphate rock. When funds for this purpose expired, Washington authorized General MacArthur as Commander in Chief of the Far East Command to take over the project and operate it for occupation purposes with Japanese labor. The new arrangement for the conduct of the mining ensures the continuance of this essential enterprise. All expenses involved are being met by the Japanese. The mining equipment, which is American, is to be returned to the United States upon completion of the project.

"Angaur is a part of the Caroline Islands, formerly mandated to Japan but now under the trusteeship of the United States. As Angaur was captured by force of United States arms and is under United States control, there is no question as to the propriety of the United States utilizing the indigenous resources of the island to meet the vital needs of the Allied occupation in Japan."

The Department of State has further been informed by the Supreme Commander that his Headquarters would have  
been

- 3 -

been glad at any time to furnish the Australian Government with complete information regarding the Angaur phosphate project, which has been in operation for more than a year; that the information furnished the Embassy by the Department of State in its aide-mémoire of June 23 regarding employment of Japanese technicians and laborers in order to reduce the dollar cost of the operation was correct, but that, as mentioned in the above-quoted press release, American-owned equipment is being employed rather than Japanese; that all aspects of the operation are and will remain under the close and continuous observation and supervision of personnel of the Supreme Commander's Headquarters; that Japanese personnel on the island are and throughout the operation have been segregated in a particular area under military government inspection and control; and that all Japanese personnel will be returned to Japan on completion of the project.

It is the view of the United States Government that operation of the Angaur Island phosphate industry by a small number of Japanese technicians and laborers under

the strict

- 4 -

the strict supervision and control of the Supreme Commander does not threaten the security of or otherwise injure any nation, while permitting a significant saving in occupation costs.

A true copy of the signed original.

Department of State,

Washington, July 24, 1947

RAJ  
NA:RAFea [initials] pm  
7/18/47

FE [initials] JK

BC [initials]

A-H [initials]

CR sm  
JUL 22 1947

Return to 5110

S/S-R file  
↑

## DEPARTMENT OF STATE

## Memorandum of Conversation

DATE: May 29, 1947

SUBJECT: Developments Connected With the Occupation and Control of Japan.

PARTICIPANTS: The Honorable Norman J.O. Makin, Ambassador of Australia  
The Honorable Alfred Stirling, Minister of Australia  
Major James Plimsoll, Australian Representative on the Far Eastern Commission  
Dean Acheson, Under Secretary of State  
Hugh Borton, Chief, Division of Northeast Asian Affairs

## COPIES TO:

✓ U - Mr. Acheson  
FE - Mr. Vincent  
BC - Mr. Richards  
A-H - Mr. Gross

SECRET

GPO 1-1403

Ambassador Makin called at his request to present an aide-mémoire (see Tab A) on various developments connected with the occupation and control of Japan which the Australian Government believes should not be decided in advance of the Japanese peace settlement, and to discuss orally the question of the voting procedure in the Japanese peace conference (see Tab B). The points raised were as follows:

1. Japanese Participation in Phosphate Industry in the Palau Islands. The Ambassador stated that the Australian Government was concerned over a "Kyoto radio broadcast" to the effect that the Japanese Government would have charge, under the Supreme Commander's control, of all work with regard to management of the rock phosphate industry on Anguar Island in the Palau Group and that the existence and penetration of Japanese in the area under United States' trusteeship was counter to the trusteeship agreement and threatened the future security of the region.

Mr. Acheson stated that he had no information on this point but would look into the matter.

2. Ambassador Makin referred to Japanese participation, in an advisory capacity, in international conferences such as

the Rice

SECRET

740.00119 CONTROL (JAPAN) / 5-2947

MAY 30 1947

C/S/A

SECRET FILE

740.00119 Control Japan

5/29/47

SECRET

-2-

the Rice Study Group in India, the World Federation of Trade Unions in Prague, and the Universal Postal Union Congress in Paris. Mr. Acheson asked whether these representatives were attending at our request, which the Ambassador stated was not the case. Mr. Acheson commented that he did not think it was the policy of this Government to encourage Japanese participation in such conferences.

3. On the question of the proposed whaling expedition, the Ambassador stated that he wished to reassert the objections raised by the Australian Government to an expedition last year and that they felt no further expedition should be undertaken until after the question is settled at the peace conference. Mr. Acheson replied that the security aspects of the question were unimportant and that there was little validity to the argument that the Japanese would violate international whaling agreements as they had not done so during the expedition last year and as the expedition would again be supervised by SCAP. Mr. Acheson further stated that he thought it inappropriate to expect the American taxpayer to pay for imports of proteins equivalent to the food the Japanese would catch on such a whaling expedition. The Ambassador suggested that conversations might be entered into between our Governments on the question of Australia's undertaking the expedition. Mr. Acheson answered that little progress had been made on that question last year and that we had been expected to pay the cost of approximately \$15 million. He concluded that he would be glad to consider any specific suggestions they might have to make. The Ambassador replied that he would convey to his Government the position of the United States on this question.

4. Ambassador Makin referred to reports from Japan indicating that officials of the Japanese Foreign Office are preparing draft clauses for the peace treaty providing for the establishment of a Japanese Army, Navy, and Air Force. He added that his Government considered retention of armed forces by Japan as counter to Article I A of the proposed 25-year treaty for the disarmament and demilitarization of Japan. Mr. Acheson replied that the United States does not approve of the idea of Japan's having armed forces. If, however, members of the Japanese Foreign Office wish to work on plans for future Japanese armed forces there was little we could do to prevent them from doing so. Such work would not necessarily have any real connection with the peace treaty.

5. Ambassador Makin referred to the note of the United States of December 13, 1946, to the Australian Government, concerning Australia's participation in the peace conference.

Ambassador

SECRET



SECRET

-3-

Ambassador Makin interpreted the reference to the peace conference being held outside the Far Eastern Commission as a commitment on our part to oppose the use of the veto in the treaty negotiations. He reiterated the firm position of the Australian Government that the treaty should be kept outside the Far Eastern Commission and that there be no veto. Mr. Acheson replied that this Government naturally had a strong interest in the peace settlement and that we would not be satisfied with a mere majority vote.

HB

NA:HBorton:mls

SECRET

C O P Y

(Seal)

AUSTRALIAN EMBASSY  
WASHINGTON, D.C.

29th May, 1947.

AIDE MEMOIRE

A number of recent developments connected with the occupation and control of Japan have caused growing concern to the Australian Government, in that they seem to suggest that matters which should not be decided in advance of the Japanese peace settlement are being resolved unilaterally by the occupation authorities in the course of day-to-day administration.

A Kyoto radio broadcast of 13 May reported that, in order to assure the supply of rock phosphates for Japan, the Supreme Commander for the Allied Powers had decided that all work with regard to the management of the rock phosphate industry on Angaur Island in the Palau Group should be carried out at the responsibility of the Japanese Government under the Supreme Commander's control. This would be the first step since the end of the war permitting Japanese enterprise overseas. The Australian Government recognizes that the United States has the right under the Trusteeship Agreement to exploit the resources of the islands in the interests of the inhabitants as it sees fit, but would point out that the whole purpose of this agreement was to exclude permanently Japanese nationals from an area vital to the safety of the Pacific. Whether merely labourers on the phosphate deposits  
or not,

-2-

or not, the Australian Government cannot but regard with deep concern their reappearance in an area close to Australian fisheries.

Recent reports indicate that the Japanese have been invited to participate in international conferences abroad. A Japanese is reported to be attending, in an advisory capacity, the rice study group in India, and another is reported to have been invited to the World Federation of Trade Unions Conference in Prague next month. An invitation was also issued to Japan to attend the Union Postale Universale Congress in Paris. The Australian Government considers that the whole question of Japanese external contacts is a matter to be decided at the peace settlement and that in the meanwhile Japanese should be prohibited from leaving Japan. The Australian Government would urge that the Supreme Commander be instructed to proceed along these lines.

The Australian Government learned with great surprise on 27 May that the United States Government was contemplating another whaling expedition to the Antarctic in the coming season, using Japanese ships and equipment manned by Japanese crews under the control of the Supreme Commander. The Australian Government cannot believe that the United States would propose this year to sanction such an expedition in view of the strong protests last year by the Australian and other Governments, and in view of the support by all members of the Far Eastern Commission (except the United States of America)

and by

-3-

and by Norway of an Australian proposal that Japanese whaling in the Antarctic be forbidden at present. The Australian Government takes this further opportunity of reaffirming its strong opposition to any resumption of Japanese whaling in the Antarctic during the period of the occupation, even under the control of the Supreme Commander, and to reaffirm its view that the future of the Japanese whaling industry should be reserved to the peace conference.

The Australian Government takes this opportunity of assuring the American Government of its complete agreement with the views expressed in Article 1 (a) of Mr. Byrnes' proposed 25-year treaty for the disarmament and demilitarization of Japan. The Australian Government has received reports that officials in the Japanese Foreign Office are preparing draft proposals to be submitted to the peace conference authorizing the retention of certain armed forces by Japan. Future control of Japan and military protection of Japan are of course matters to be decided at the peace conference, but the Australian Government would be strongly opposed to any suggestion to reestablish the Japanese Army, Navy, or Air Force.

Note of

Note of 13th Dec. 1946.

"The United States hopes and desires that in the formulation of the Peace Treaty with Japan Australia will participate on a full and equal basis and that negotiations and drafting will take place outside the Far Eastern Commission.

The United States Government expects that the Russians will insist upon a much more limited group for these negotiations is illustrated by their attitude about the German Treaty and it is of course impossible to predict what final arrangements will be made for negotiating the Japanese Treaty. Nevertheless Dr. Evatt may be assured of the United States Government's desire for full and equal participation for Australia."

Handed to Mr. Ahlson by  
Ambassador Mabius, 5/29/47



AUSTRALIAN EMBASSY HTB  
WASHINGTON, D. C.

29th May, 1947.

OFFICE  
OF EUROPEAN AFFAIRS  
MESSAGE CENTER

1947 JUN 27 AM 10 24

AIDE MEMOIRE

DEPARTMENT OF STATE

A number of recent developments connected with the

occupation and control of Japan have caused growing concern to the Australian Government, in that they seem to suggest that matters which should not be decided in advance of the Japanese peace settlement are being resolved unilaterally by the occupation authorities in the course of day-to-day administration.

A Kyoto radio broadcast of 13 May reported that, in order to assure the supply of rock phosphates for Japan, the Supreme Commander for the Allied Powers had decided that all work with regard to the management of the rock phosphate industry on Angaur Island in the Palau Group should be carried out at the responsibility of the Japanese Government under the Supreme Commander's control. This would be the first step since the end of the war permitting Japanese enterprise overseas. The Australian Government recognizes that the United States has the right under the Trusteeship Agreement to exploit the resources of the islands in the interests of the inhabitants as it sees fit, but would point out that the whole purpose of this agreement was to exclude permanently Japanese nationals from an area vital to the safety of the Pacific. Whether merely labourers on the phosphate deposits or not, the Australian Government cannot but regard with deep concern their reappearance in an area close to Australian fisheries.

Recent reports indicate that the Japanese have been invited to participate in international conferences abroad. A Japanese is reported to be attending, in an advisory capacity, the rice study group in India, and another is reported to have been invited to the World Federation of Trade Unions Conference in Prague next month. An invitation was also issued to Japan to attend the Union Postale Universale Congress in Paris. The Australian Government considers

740.00119 CONTROL (JAPAN) / 5-2947

BSA

JUN -1 1947

740.00119 Control  
Japan / 5-2947  
FILED

3+R

YR 740.0011 P.W.  
(Peace)

YR 894.659

206

- 2 -

that the whole question of Japanese external contacts is a matter to be decided at the peace settlement and that in the meanwhile Japanese should be prohibited from leaving Japan. The Australian Government would urge that the Supreme Commander be instructed to proceed along these lines.

894.628  
The Australian Government learned with great surprise on 27 May that the United States Government was contemplating another whaling expedition to the Antarctic in the coming season, using Japanese ships and equipment manned by Japanese crews under the control of the Supreme Commander. The Australian Government cannot believe that the United States would propose this year to sanction such an expedition in view of the strong protests last year by the Australian and other Governments, and in view of the support by all members of the Far Eastern Commission (except the United States of America) and by Norway of an Australian proposal that Japanese whaling in the Antarctic be forbidden at present. The Australian Government takes this further opportunity of reaffirming its strong opposition to any resumption of Japanese whaling in the Antarctic during the period of the occupation, even under the control of the Supreme Commander, and to reaffirm its view that the future of the Japanese whaling industry should be reserved to the peace conference.

The Australian Government takes this opportunity of assuring the American Government of its complete agreement with the views expressed in Article 1 (a) of Mr. Byrnes' proposed 25-year treaty for the disarmament and demilitarization of Japan. The Australian Government has received reports that officials in the Japanese Foreign Office are preparing draft proposals to be submitted to the peace conference authorizing the retention of certain armed forces by Japan. Future control of Japan and military protection of Japan are of course matters to be decided at the peace conference, but the Australian Government would be strongly opposed to any suggestion to reestablish the Japanese Army, Navy, or Air Force.

Note of 13th Dec. 1946.

"The United States hopes and desires that in the formulation of the Peace Treaty with Japan Australia will participate on a full and equal basis and that negotiations and drafting will take place outside the Far Eastern Commission.

The United States Government expects that the Russians will insist upon a much more limited group for these negotiations is illustrated by their attitude about the German Treaty and it is of course impossible to predict what final arrangements will be made for negotiating the Japanese Treaty. Nevertheless Dr. Evatt may be assured of the United States Government's desire for full and equal participation for Australia."



JUN 23 1947

AIDE-MÉMOIRE

The questions raised by the Australian Ambassador in his aide-mémoire left with the Under Secretary of State on May 29, 1947, have been considered, and in reply the Australian Government is informed as follows:

The Angaur Island phosphate industry has been operated by the United States Navy, employing American contractors to mine the phosphate rock. The output has been shipped to Japan to relieve the fertilizer shortage there, and a certain number of Japanese laborers have been employed in loading the rock for shipment. It is expected that control of the industry will shortly be transferred to the Supreme Commander for the Allied Powers in Japan. The Supreme Commander has indicated that when and if this transfer is effected, he intends to employ Japanese technicians, labor and equipment in place of the American personnel and facilities presently

working

740.00119 CONTROL (JAPAN) / 5-2947

CS/V

740.00119 Control (Japan) / 5-2947

1980

*Handwritten initials/signature*

-2-

working the deposits, in order to reduce the dollar cost of the operations. He has not indicated that responsibility for the management of the enterprise will be transferred to the Japanese Government or to Japanese private interests, or that he has any other intention than to retain this responsibility in his own hands. However, in order that his precise intentions may be ascertained, and in order that he may be acquainted with the Australian Government's views in the matter, the substance of those views is being transmitted to the Supreme Commander, and all pertinent information, with his comments, requested. The Australian Embassy will be advised of the United States position in the matter following receipt of the Supreme Commander's reply.

Regarding the second point raised in the Embassy's aide-mémoire, Japanese have been invited to several international conferences abroad, in every case at the instance of the sponsoring organizations, and a Japanese recently attended the Rice Study Conference held under the auspices of the Food and Agriculture Organization in India. This

Japanese,

-3-

Japanese was authorized to advise on technical problems of rice production but on no other problems, and was in no sense a representative of the Japanese Government.

It is the Department of State's understanding that authorization for Japanese to attend the World Federation of Trade Unions Conference in Prague and the Union Postale Universale Conference in Paris has not yet been granted by the Supreme Commander in Tokyo. A comprehensive program, subject to appropriate limitations, for the interchange of persons between Japan and other nations to assist Japan's reorientation and democratization is now under consideration by the United States Government, and will shortly be submitted to the Far Eastern Commission.

The Australian Embassy was advised in a separate note dated June 9, 1947, of this Government's decision in the matter of a second SCAP operated, Japanese-manned Antarctic whaling expedition.

Regarding the final point in the Embassy's aide-

mémoire,

-4-

memoire, the Australian Government may be assured that the United States Government's position in the matter of Japanese disarmament and demilitarization remains as stated in Article I(a) of the Draft Treaty on the Disarmament and Demilitarization of Japan submitted to the Governments of China, the Soviet Union and the United Kingdom in April 1946. The Japanese Constitution, moreover, provides that "the maintenance of land, sea and air forces, as well as other war potential, will never be authorized". If, contrary to this provision of the Japanese Constitution, Japanese officials are indeed preparing proposals for a Japanese army, navy and air force for submission to the peace conference, the Embassy may be assured that such proposals will in no way influence the position of the United States in the matter.

Department of State,

Washington, June 23, 1947.

RAV  
NA:RAF:arcy:mls  
6-18-47

JUN 20 1947  
JUN 23 1947

ADC  
(Cleared with  
Mr. Schuler)

A-H



