

86-511

CORRECTED  
VERBATIM MINUTES  
of the  
EIGHTY-SIXTH MEETING  
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 11 May 1949, at 1000 Hours

MEMBERS PRESENT

Mr. Cloyce K. Huston, Chairman pro tempore and representative  
of the Member for the United States

Lieutenant General Chu Shih-ming, Member for China

The Honorable Patrick Shaw, 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

Colonel Thos. G. Dobyms

Office of the Secretariat  
Allied Council for Japan  
11 May 1949



THE CHAIRMAN: The meeting will please come to order.

It will, I am sure, have been a matter of regret to the Members of the Allied Council to note that General Shang has relinquished his functions as Member for China. I am equally sure, however, that they will wish to join me in welcoming General Chu who today again takes the place he formerly occupied at this table.

The Corrected Verbatim Minutes of the Eighty-fifth Meeting have been circulated among the Members and in the absence of objection (Pause) are approved.

Are there any procedural matters? (Pause)

As there are no official matters on the agenda, that would appear to conclude the meeting.

The meeting is adjourned.

(The meeting adjourned at 1004 hours.)



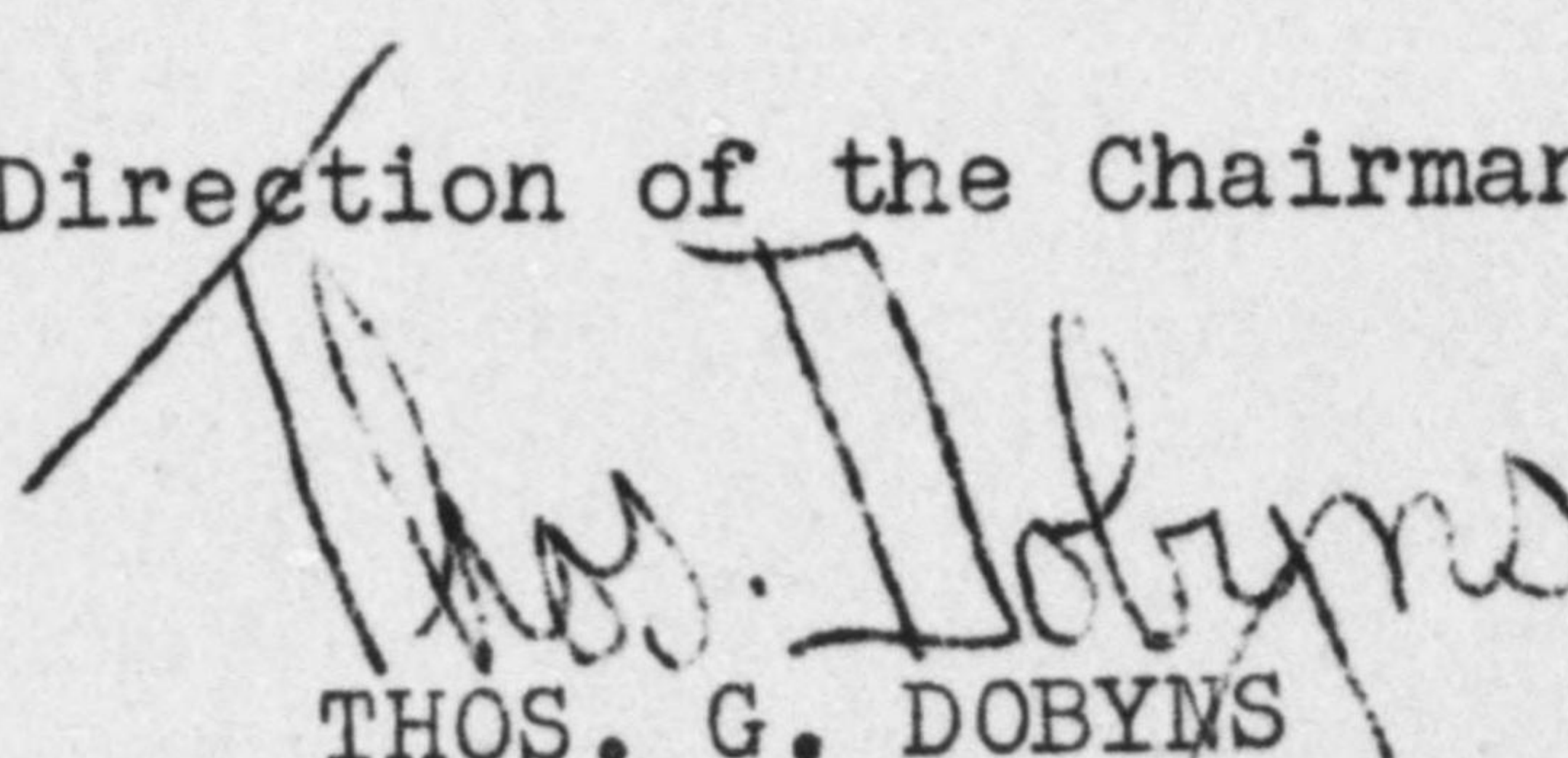
86-511

AGENDA  
for the  
EIGHTY--SIXTH MEETING  
ALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo  
Wednesday, 11 May 1949, at 1000 Hours

- I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE  
EIGHTY-FIFTH MEETING (1 Session, numbered 85-427).
- II PROCEDURAL MATTERS  
None held over or submitted as subjects for this Agenda.
- III OFFICIAL MATTERS  
None held over or submitted as subjects for this Agenda.

By Direction of the Chairman:

  
THOS. G. DOBYMS  
Colonel, U.S.A.  
Secretary-General

6 May 1949



86-511

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1/6/5

ACCESS RESTRICTED

The item identified below has been withdrawn from this file:

File Designation ~~740~~ 740.00119 Control(Japan)/5-1349  
Memo  
Date 10 Jan 49  
From Green  
To Bishop

In the review of this file this item was removed because access to it is restricted. Restrictions on records in the National Archives are stated in general and specific record group restriction statements which are available for examination. The item identified above has been withdrawn because it contains:

- Security-Classified Information
- Otherwise Restricted Information

Australia Authority

7 Jul 78 Date AS

WITHDRAWAL NOTICE



JUN 16 1949

SECRET

No. *124*

To the  
Office of the Acting United States Political Adviser,  
Tokyo.

*740.00119 Control (Japan) / 5-1349*

The Acting Secretary of State encloses for the information of the Acting United States Political Adviser a copy of despatch No. 35 dated May 13, 1949 from the American Charge d'Affaires ad interim, Canberra, Australia, entitled "Japanese Participation in International Affairs".

740.00119 CONTROL (JAPAN) / 5-1349

Enclosure:

↓ As stated.

*[Signature]*  
FE:NA:HLory:aw

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*[Stamp: A true copy of the original file]*

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JUN 15 1949

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CS/ALE...  
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DIVISION OF  
COMMUNICATIONS AND RECORDS  
TELEGRAPH BRANCH

DEPARTMENT OF STATE  
INCOMING TELEGRAM

*File*

ACTION COPY

*DC/R*

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DIVISION OF CONTROL 5501  
NORTHEASTERN AFFAIRS  
MAY 10 1949  
Rec'd May 13, 1949  
1:13 p.m.  
DEPARTMENT OF STATE

FROM: Moscow  
TO: Secretary of State  
NO: 1235, May 13, 4 p.m.

Office of  
FAR EASTERN AFFAIRS  
MAY 14 1949  
DIRECTOR  
Department of State

IZVESTIYA May 13 carries two and one quarter column article "MacArthur and Japanese constitution" containing standard criticisms MacArthur and American policy in Japan. Though only "timid" step right direction, Kudriavtsev attempts prove daily violation by Yoshida Government of 1947 constitution, under SCAP direction to detriment "democratic forces." MacArthur's attempt May 2 speech shift responsibility retention occupation forces Japan to latter's neighbors proves "Japan serving place d'armes against USSR, Asian peoples-Jap militarism being revived as obedient tool in hands American pretenders world domination."

Sent Department 1235, repeated Tokyo 25.

KOHLER

CSB:ISP

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740.00119 CONTROL (JAPAN)/5-1349

MAY 24 1949

FILED

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



8

STANDARD FORM NO. 64

# Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth

DATE: May 16, 1949

FROM : NA - Mr. Bishop *MB*

SUBJECT: New York Times News Item

Office of  
FAR EASTERN AFFAIRS  
MAY 19 1949  
DEPARTMENT OF STATE

This Document Must Be Returned to  
RM/R  
Central  
Files

You may have seen the item in the New York Times on May 9 to the effect that officers returning from Europe would take over the Army's civil jobs in Japan. The attached telegram states the official views of the Army that it does not plan for the replacement of civilian officials by Army officers in Japan. I am advised that General MacArthur has replied to this telegram stating that there is no foundation for Crane's article and that Crane's reporting is completely erroneous.

740.00119 CONTROL (JAPAN)/5-1649

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(Japan)/5-1649  
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*WMB*  
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~~SECRET~~

DEPARTMENT OF THE ARMY  
STAFF MESSAGE CENTER  
OUTGOING CLEAR MESSAGE

DIVISION OF SAOAS Wash DC Maj L R Ekland  
NORTHEAST ASIAN AFFAIRS

MAY 12 1949

DEPARTMENT OF STATE<sup>49</sup>

To: SCAP

Nr: WCL 38701

From SAOAS.

Re Burton Crane's article, New York Times, 9 May 49  
Tokyo dateline, following is partial text:

"Army to take over civil jobs in Japan. At least 40% of officials to be replaced, mostly by officers returning from Europe. Occupation offices estimate that at least 40% of the present United States civilian officials in Japan will be replaced before the end of the year by Army officers, principally those relieved of European duties."

Department of Army released this date the following:

"In answer to inquiries, the Department of Army today announced that it has no plans for the replacement of civilian officials by Army officers in the occupation administration of Japan. General of the Army Douglas MacArthur, Supreme Commander for the Allied Powers (SCAP), has not indicated to Washington that he contemplates such replacement. Current policy in relation to personnel programs in SCAP Headquarters, as in Germany, is to replace military personnel transferred from the theater with civilian personnel when possible."

ORIGINATOR: OAS

DISTRIBUTION: CAD, PA, PO, CSA, PID, OT

MC OUT 38701

(May 49)

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CONFIDENTIAL

*scr. file*



DEPARTMENT OF STATE

Memorandum of Conversation

DATE: May 16, 1949

SUBJECT: Provision of Personal Services in Japan

PARTICIPANTS: Mr. Thresher, British Embassy  
Mr. Green, NA



COPIES TO: FE  
FN  
USPOLAD, Tokyo  
American Embassy, London

740.00119 CONTROL (JAPAN)

Mr. Thresher called at his request to discuss a memorandum he had left with Mr. Fearey two weeks ago, which referred to "difficulties" that had arisen in Tokyo in connection with the provision of local currency and services to the UK Liaison Mission. The memorandum urged that the amounts of currency, services, supplies, etc. furnished the UK Mission on an occupation cost basis be determined not by SCAP unilaterally but in agreement with the Mission.

Mr. Thresher regretted that he had been unable to discuss this matter sooner but said that he had hoped to receive further information on the precise nature of the difficulties that had arisen in Tokyo.

I pointed out that the U.S. interim directive of July 23, 1946 on this subject authorized SCAP to advance yen to Allied Missions and to occupation forces in such amounts as could reasonably be regarded as occupation expenses; that SCAP was required to insure that excessive amounts of yen were not issued under the above authorization. It was therefore my belief that the amounts of yen, as well as of free services and supplies furnished Allied Missions, was properly a matter for SCAP to determine, although he might wish to reach his decisions in consultation with representatives of certain of the Allied Missions in Tokyo.

*[Handwritten signature]*

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*740.00119 Control (Japan) 5-16-49 PS/JE*



**CONFIDENTIAL**

- 2 -

I observed that as far as I was aware the only difficulties that had recently arisen in Tokyo over this question pertained to unsuccessful attempts by various Allied Missions in Tokyo to induce SCAP to increase the amounts of yen advanced to them under the above-mentioned directive. I expressed the personal view that rather than increase the amounts, it would seem highly desirable that SCAP make every effort to reduce them. I pointed out that SCAP had already cut down the number of personal servants of U.S. occupational forces by an order issued last summer (with which the BCOF had so far failed to comply); and that SCAP had also taken steps to cease advancing yen to all occupation force personnel. I added that, in view of the fact that Allied Missions - as opposed to occupation forces - devote at least a good proportion of their time to duties unconnected with the occupation, there would seem to be ample justification for making similar, if not greater, reductions in the amounts of yen, services and supplies which they now receive.

Mr. Thresher agreed that it was eminently desirable to cut down occupation costs as long as it was done equitably, but he stated that he could see no particular justification for reducing the number of personal servants available to Allied Missions in view of Japan's surplus labor supply. I replied that since these servants had to be paid for by the Japanese Government, these payments at prevailing wage rates made the balancing of the Japanese budget all the more difficult.

In conclusion, Mr. Thresher ventured that it would probably be more practical, if the UK were to pursue this matter, to have it taken up with SCAP through the UK Mission in Tokyo.

*MMS mg.*  
FE:NA:MGreen:clh  
5/18/49

**CONFIDENTIAL**



**GENERAL HEADQUARTERS**

SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500

CIRCULAR )  
: )  
NO....11 )

17 May 1949

ORGANIZATION OF  
GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS

1. Rescission. Circular 7, General Headquarters, Supreme Commander for the Allied Powers, 18 March 1949.

2. Outline of Organization. See organization chart attached.

3. Titles of Sections and Functions. Authority establishing each section of General Headquarters, Supreme Commander for the Allied Powers, the function thereof, and office symbol of each section are as follows:

a. The Office of the Supreme Commander for the Allied Powers (CC) is established and functions under authority contained in Joint Chiefs of Staff Directive Serial No. 1, 13 August 1945.

b. The functions of the Office of the Chief of Staff (CS) will conform to those outlined in Field Manual 101-5, United States Army.

(1) The functions of the Office of the Deputy Chief of Staff (DCS) will conform to those outlined in Field Manual 101-5, United States Army.

(a) The Executive for Economic and Industrial Affairs, established by General Orders 32, General Headquarters, Supreme Commander for the Allied Powers, 12 August 1946, as an office in the Office of the Deputy Chief of Staff coordinates, under the supervision of the Deputy Chief of Staff, all staff matters pertaining to agriculture, commerce, finance, fisheries, export-import, industry, natural resources, and science.

(b) The Executive for Administrative Affairs established by General Orders 32, General Headquarters, Supreme Commander for the Allied Powers, 12 August 1946 (revised by General Orders 40, General Headquarters,



(Cir 11)

Supreme Commander for the Allied Powers, 3 November 1946 and General Orders 7, General Headquarters, Supreme Commander for the Allied Powers, 8 May 1947) as an office in the Office of the Deputy Chief of Staff coordinates, under the supervision of the Deputy Chief of Staff, all staff matters pertaining to administration, public health, welfare, public information, labor, education, religion, property custody, and reparations.

(2) The Office of Comptroller (COM), established by General Orders 7, General Headquarters, Supreme Commander for the Allied Powers, 14 May 1949, advises and assists the Supreme Commander for the Allied Powers, on matters relating to finance and audit, budget and fiscal, and statistical activities; the use of modern management techniques in business administration; and the development of policies and procedures for use in cost reporting and analyses.

(3) The functions of the Office of the Secretary, General Staff (SGS) will conform to those outlined in Field Manual 101-5, United States Army.

c. The Assistant Chief of Staff, G-1 (GA), advises the Supreme Commander on policies pertaining to personnel and administrative functions of the Occupation including, but not restricted to, entry and exit clearance of military, civilian, and Allied personnel into and out of Japan; travel of Japanese nationals from Japan; the International Red Cross; and repatriation of individuals to or from Japan.

d. The Assistant Chief of Staff, G-2 (GB), advises the Supreme Commander on policies pertaining to the translation and disposition of Japanese records, demobilization records, and research of technical intelligence. He screens and relays communications, except diplomatic, of foreign missions and channels contacts between Japanese Government agencies and General Headquarters, Supreme Commander for the Allied Powers.

e. The Assistant Chief of Staff, G-3 (GC), advises the Supreme Commander on policies which relate to operations of the Occupation Forces, enforcement of the surrender terms and directives to the Japanese Government, mass repatriation of Japanese, and control of entry and exit of combat aircraft and combat vessels.

f. The Assistant Chief of Staff, G-4 (GD), advises the Supreme Commander on policies relating to logistics,



(Cir 11)

civil aviation, costs and the material impact of the Occupation; the importation and distribution of petroleum products for the Japanese economy, and the disposition of surrendered Japanese armed forces equipment, supplies, materials, and installations.

g. The functions of the Adjutant General's Section (AG) will conform to those outlined in Field Manual 101-5, United States Army.

h. The Civil Communications Section (CCS), established by General Orders 11, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945 (revised by General Orders 3, General Headquarters, Supreme Commander for the Allied Powers, 23 January 1946 and General Orders 6, General Headquarters, Supreme Commander for the Allied Powers, 13 April 1948), advises the Supreme Commander on policies relating to the use and rehabilitation of civil signal and postal communications in Japan.

i. The Civil Information and Education Section (CIE), established by General Orders 4, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945, (revised by General Orders 27, General Headquarters, Supreme Commander for the Allied Powers, 3 June 1946), advises the Supreme Commander on policies relating to public information, education, religion, and other sociological problems of Japan.

j. The Civil Intelligence Section (CIS), established by General Orders 13, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945, and General Orders 34, General Headquarters, Supreme Commander for the Allied Powers, 29 August 1946, advises the Supreme Commander on policies relating to civil public safety agencies in Japan and conducts such investigations relating to compliance with orders and instructions to the Japanese Government as may be directed.

k. The Office of Civil Property Custodian (CPC), established by General Orders 10, General Headquarters, Supreme Commander for the Allied Powers, 8 March 1946 (revised by General Orders 16, General Headquarters, Supreme Commander for the Allied Powers, 13 December 1948), advises the Supreme Commander on general policies concerning the control, custody, and disposition of the various properties and assets, tangible and intangible, over which the Supreme Commander is directed to exercise authority; and advises the Supreme Commander for the Allied Powers on the implementation of the program for processing Japanese industrial assets designated as available for claim and removal as reparations.

- (1) The Restitution Advisory Committee (RAC), established by General Orders 5, General Headquarters, Supreme Commander for the Allied Powers, 13 April 1948, with the



(Cir 11)

Civil Property Custodian as Chairman, advises the Supreme Commander on the disposition of property found in Japan and identified as having been located in an Allied country during the time of Japanese occupation, and which was removed therefrom by fraud or duress by the Japanese or their agents.

- (2) The Reparations Technical Advisory Committee (RTAC), established by General Orders 9, General Headquarters, Supreme Commander for the Allied Powers, 21 May 1947 (revised by General Orders 16, General Headquarters, Supreme Commander for the Allied Powers, 13 December 1948) with the Civil Property Custodian as Chairman, as a consultative committee, advises the Supreme Commander on the development of technical and administrative procedures to assure orderly removal of reparations from Japan and settlement of conflicts between claimant nations arising over claims for particular facilities.

l. The Civil Transportation Section (CTS), established by General Orders 35, General Headquarters, Supreme Commander for the Allied Powers, 7 September 1946, advises the Supreme Commander on policies relating to the use and rehabilitation of water and land civil transportation facilities of Japan except for those marine operating responsibilities assigned to Commander, Naval Activities, Japan.

m. The Diplomatic Section (DS), established by General Orders 18, General Headquarters, Supreme Commander for the Allied Powers, 18 April 1946, advises the Supreme Commander on foreign relations, establishment of missions and consular offices, international affairs relating to Japan, and maintains official contact between General Headquarters and foreign diplomatic missions and consular offices within Japan.

n. The Economic and Scientific Section (ESS) established by General Orders 3, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945, (revised by General Orders 33, General Headquarters, Supreme Commander for the Allied Powers, 29 August 1946, General Orders 3, General Headquarters, Supreme Commander for the Allied Powers, 19 March 1947, and General Orders 12, General Headquarters, Supreme Commander for the Allied Powers, 15 August 1947), advises the Supreme Commander on economic, industrial, financial, and scientific policies to be pursued in Japan, on policies and programs relative to Japanese labor, including labor relations and labor unions, and on policies and programs relative to the custody, operation,



(Cir 11)

management, and control of the "Occupied Japan Export-Import Revolving Fund," and issues licenses to all approved foreign concerns desiring to conduct business in Japan where required by current instructions.

o. The Office of General Procurement Agent (GPA), established by General Orders 5, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945 (revised by General Orders 24, General Headquarters, Supreme Commander for the Allied Powers, 22 May 1946), coordinates, controls, and issues regulations governing the procurement of supplies, equipment, materials, services, real property, and facilities by forces of the Allied Powers in Japan.

p. The Government Section (GS) established by General Orders 8, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945 (revised by General Orders 1, General Headquarters, Supreme Commander for the Allied Powers, 13 February 1947 and General Orders 10, General Headquarters, Supreme Commander for the Allied Powers, 23 June 1947), advises the Supreme Commander as to the status of the internal structure of civil government in Japan and the policies pertaining thereto.

q. The Legal Section (LS), established by General Orders 10, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945 (revised by General Orders 21, General Headquarters, Supreme Commander for the Allied Powers, 9 December 1945), advises the Supreme Commander on policies and procedures with respect to suspected war criminals accused of war crimes in categories other than those of an international aspect, which are commonly known as violations of the laws or customs of war, on general policies and procedures pertaining to Occupation Courts, and on legal matters as directed.

r. The Natural Resources Section (NR), established by General Orders 6, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945, advises the Supreme Commander on policies and activities in Japan pertaining to agriculture, forestry, fishery, and mining (including geology and hydrology).

s. The Public Health and Welfare Section (PH), established by General Orders 7, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945, advises the Supreme Commander on policies relating to public health and welfare in Japan.

t. The Public Information Section (PI) advises the Supreme Commander on public information matters, maintains liaison with Allied press representatives, and disseminates material to the public and for publication.

u. The Statistics and Reports Section (SRS), established by General Orders 12, General Headquarters, Supreme Commander for the Allied Powers, 2 October 1945



(Cir 11)

(revised by General Orders 6, General Headquarters, Supreme Commander for the Allied Powers, 2 February 1946, and General Orders 6, General Headquarters, Supreme Commander for the Allied Powers, 18 April 1947) collects and tabulates for the Supreme Commander all statistical and other special and routine reports pertaining to the nonmilitary aspects of the Occupation of Japan.

4. The Allied Council for Japan is not a staff section of General Headquarters, Supreme Commander for the Allied Powers, but is an agency established as the result of mutual agreement in December 1945 of the United States of America, the United Kingdom, China, and the Union of Soviet Socialist Republics for the purpose of consulting with and advising the Supreme Commander in regard to the implementation of the Terms of Surrender, the occupation and control of Japan, and of directives supplementary thereto.

AG 320 (18 Mar 49)GC

BY COMMAND OF GENERAL MacARTHUR:

EDWARD M. ALMOND,  
Major General, General Staff Corps,  
Chief of Staff.

OFFICIAL:

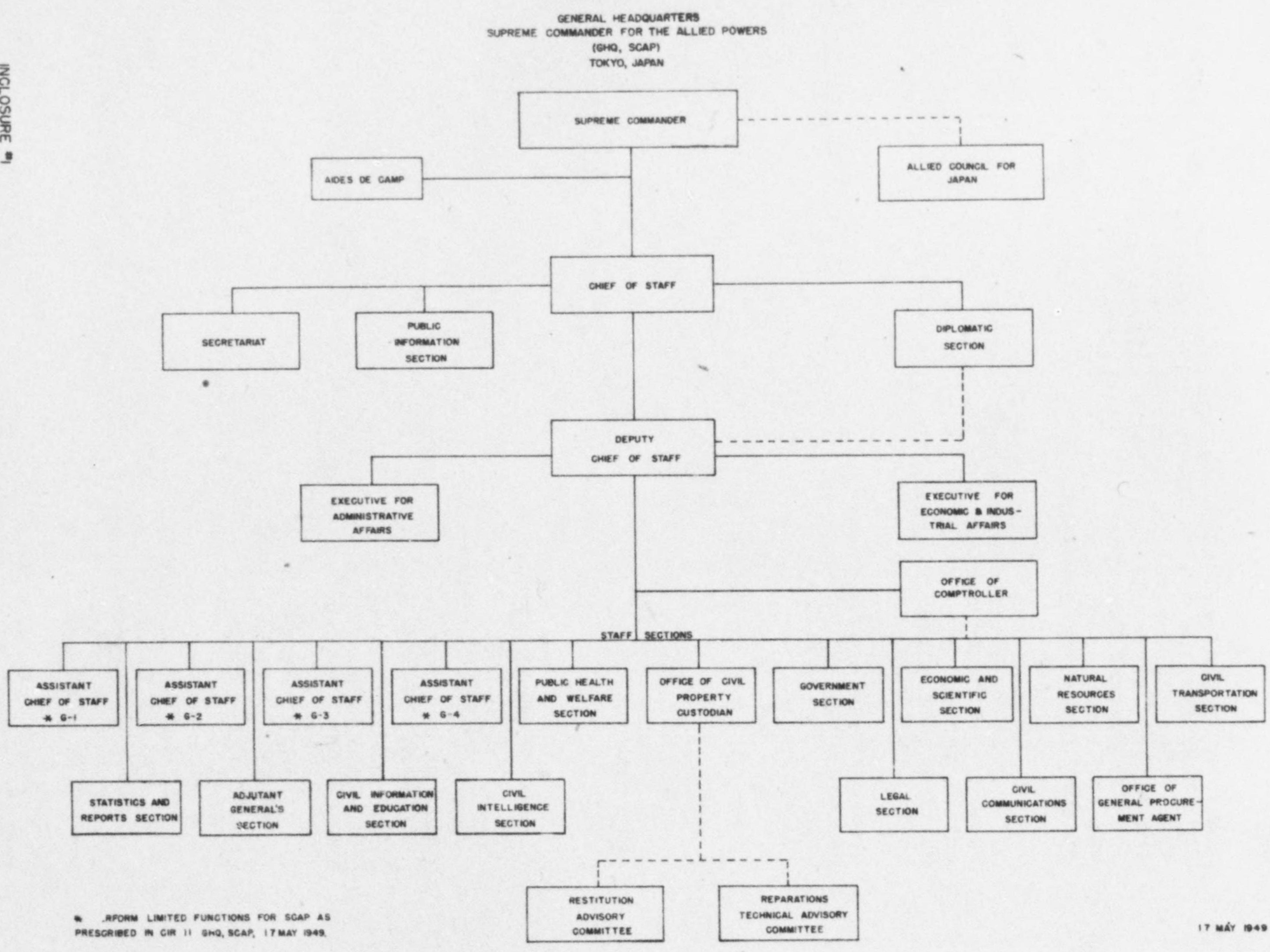
*R M Levy*  
R. M. LEVY,  
Colonel, AGD,  
Adjutant General.

1 Incl  
Organization Chart of  
General Headquarters,  
Supreme Commander for  
the Allied Powers



INCLOSURE #1

6061-FEC Printing Plant-5-49-800





STANDARD FORM NO. 64

**TOP SECRET**

**Office Memorandum • UNITED STATES GOVERNMENT**

TO : FE - Mr. Butterworth

FROM : NA - M. Green *MG. MGD*



DATE: 5/17/49

SUBJECT: Letter to Mr. West on Use of Interim Directive

You will recall your suggestion that a letter be sent to Mr. West setting forth a reasoned analysis of the arguments favoring and opposing an interim directive on certain NSC policy proposals; and that the letter conclude on the note that either this Government agree on a revision of para. 9 of NSC 13/2 to recognize FEC jurisdiction over a wider range of matter or leave that paragraph unchanged and contrive to handle such matters as the police and the purge outside of the FEC.

The submission of the police issue to the FEC is an approach which this Government could hardly afford to make under present circumstances. Even on the purge, it would seem to be an unfortunate compromise of principle and a bad precedent for the future to issue an interim directive on a matter so clearly within SCAP's executive authority to determine.

I have discussed this matter with Mr. Sebald who is inclined to agree that an interim directive on the police paragraph would be unwise. He feels, however, that SCAP will never act on our purge recommendations without an interim directive and that if we wish to see action on that score, we had better take the initiative by submitting our purge proposals to the FEC, anticipating the necessity of issuing an interim directive shortly thereafter. One difficulty of this approach--aside from our general objections to interim directive procedure--is that we would have no assurance that, if the customary consultative FEC message were sent to SCAP seeking his views, he (or General Whitney) might offer views discouraging the changes we propose in the purge program. This would make it almost impossible for this Government to proceed with its interim directive.

It is therefore recommended that we bring to SCAP's personal attention, perhaps through Mr. Sebald, all our reasons for opposing action by the FEC on the purge paragraph. Such a message was drafted last January but was never sent. I would prefer this course of action, even if it entails further delays in the implementation of our purge policy, to a course of action based on reopening the purge issue before the FEC. In the long run it seems entirely possible that little of a substantive nature will be achieved on NSC 13/2 and that

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*Contact of 5/15/49*  
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the real solutions to problems we now face in Japan will only come with a peace treaty.

NA:MGreen:bk

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## TOP SECRET

Dear Mr. West:

Reference is made to our conversation on Monday afternoon in which you advocated sending an FEC interim directive to General MacArthur on the Interim Advance Transfer Program. In that case the argument turned largely on legal grounds. It is my understanding that the same general problem has been raised in connection with the implementation of the NSC purge policy and with a draft cable to CINCFE on the Japanese police system, which we recently sent over to the Department of the Army for clearance and transmission. Since this problem is bound to arise further in connection with other matters, the Department considers it essential that agreement be reached within this Government in the use of the interim directive to give effect to US policy toward Japan.

You will recall that paragraph 9 of NSC 13/2 states in part that, "the United States Government should ensure for its own part and urge upon other FEC member Governments that proposals considered by the FEC be confined strictly to policy matters directly related to the fulfillment by Japan of its obligations under the Terms of Surrender, and be couched in broad terms leaving questions of implementation and administration to SCAP. The position of the United States should further be based upon the fact that these surrender terms, as envisaged by the Potsdam Declaration, have been substantially implemented." During our lengthy talks last year with the Department of the Army preceding the adoption by the NSC of this paper, considerable disagreement arose over the second above-quoted sentence proposed by the Army. Department of the Army representatives, including Under Secretary Draper, took the firm position--to which we eventually adhered--

*FW 740.00119 Contact (Japan) / 5-17-49*

TOP SECRET



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adhered--that virtually all of the broad policies for the carrying out of Japan's Terms of Surrender had been enunciated and that the FEC's policy making functions had, therefore, for almost all intents and purposes, been terminated. It was further held that the policy of this Government should be to encourage SCAP to make full use of his authority as sole executive of the Allied Powers in carrying out occupational policy, giving full weight to the U.S. Government's elucidation of its interpretation of previous directives and general policies.

*are for use on broad policy matters outside of SCAP's field of responsibility. Their use*  
Interim directives <sup>^</sup> on matters that fall clearly within

General MacArthur's executive authority to determine constitute a clear derogation of his authority and expands the functions and powers of the FEC at a time when it is declared U.S. policy to restrict such functions and powers. Review of the NSC paper indicates that the number of instances in which General MacArthur's executive powers will be insufficient to implement policy decisions will be very small, possibly restricted to the paragraph on property matters.

Above all, this Department would be unwilling to use the interim directive wherever avoidable because it could quickly and easily become an apparent effort by authority far removed from the Japanese scene to administer the occupation, properly a function of the authority in Japan.

The police question is one which obviously can and should be handled quietly and discreetly by the procedure envisaged in paragraph 9 of NSC 13/2. That we have received no evidence from CINCFE that steps are being taken to implement certain of  
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**TOP SECRET**

-3-

the principles set forth in para. 7 of NSC 13/2 and in War 92991 of November 22, 1948 is a matter of considerable concern to this Department which attaches the greatest importance to providing a post-occupation disarmed Japan with adequate internal security safeguards.

If General MacArthur cannot see his way clear to implement United States policy to the fullest extent of his executive authority and if it is thereby impossible to carry out the policies of NSC 13/2, we have no alternative but so to report to the NSC. In view of the urgent need for full implementation of NSC 13/2 I am sure that you will agree with me that the one thing we cannot do is what we are now doing on several important phases of that policy paper--nothing.

Sincerely yours,

**TOP SECRET**



May 20, 1949

JMA:

Would you take this memorandum into  
account in going over Fearey's draft letter  
to West?

*up**file*



STANDARD FORM NO. 64

*Top* SECRET

*Walter P. Hall*  
*Staff*

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth

DATE: May 19, 1949

FROM : Mr. Sebald *WJ*

SUBJECT:

General MacArthur has upon several occasions complained to me regarding State-Army telegrams which set forth the U.S. Government position on certain problems and purport to instruct him accordingly. His complaint has been especially severe when such telegrams request SCAP to implement a policy not covered by an FEC policy decision.

While SCAP is by no means consistent in accepting, or not accepting, a given State-Army position, he nevertheless appears to prefer interim directives on matters which are contentious and which might subject him to criticism in the FEC, even though his actions would have the full backing of the U.S. Government in FEC discussions.

This raises the matter of the appropriate chain of command to SCAP. In the case of U.S. Army matters, there is of course no question regarding instructions to General MacArthur as CINCFE. It would appear inappropriate, however, to attempt to instruct CINCFE on matters which are in fact SCAP matters concerned with the occupation of Japan. It would be preferable, therefore, as a minimum and in consonance with SCAP's international character, that all communications to SCAP involving major policies should be transmitted by the JCOS rather than by the Department of the Army on behalf of State-Army. This procedure, while not necessarily provided for in the regime of control, would parallel that provided for interim directives and would ensure an authoritative transmittal of the U.S. Government's position.

FW 740,901-1949 CONTROL  
(JAPAN) 95-1749

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FE:WJSebald:mls

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FW 740,901-1949  
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SECRET

May 19, 1949

FE - Mr. Butterworth

Mr. Sebald

General MacArthur has upon several occasions complained to me regarding State-Army telegrams which set forth the U.S. Government position on certain problems and purport to instruct him accordingly. His complaint has been especially severe when such telegrams request SCAP to implement a policy not covered by an FEC policy decision.

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This raises the matter of the appropriate chain of command to SCAP. In the case of U.S. Army matters, there is of course no question regarding instructions to General MacArthur as CINCFE. It would appear inappropriate, however, to attempt to instruct CINCFE on matters which are in fact SCAP matters concerned with the occupation of Japan. It would be preferable, therefore, as a minimum and in consonance with SCAP's international character, that all communications to SCAP involving major policies should be transmitted by the JCOS rather than by the Department of the Army on behalf of State-Army. This procedure, while not necessarily provided for in the regime of control, would parallel that provided for interim directives and would ensure an authoritative transmittal of the U.S. Government's position.

FE:WJSebald:mls





THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

*File*  
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N/A  
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file

6 DIVISION OF Office of the U. S. Political Adviser  
NORTHEAST ASIAN AFFAIRS for Japan

MAY 25 1949

Tokyo, May 17, 1949.

No. 318

DEPARTMENT OF STATE

*no action required  
mg.*

UNCLASSIFIED

REC'D  
MAY 23

Subject: Establishment of Office of Comptroller  
in GHQ, SCAP, and in GHQ, Far East Command.

ACTION  
FE

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The Chargé d'Affaires ad interim has the honor to report the discontinuance, effective May 14, 1949, of SCAP's General Accounting Section, in operation since January 24, 1946, and establishment, effective as from the same date, of the Office of Comptroller in General Headquarters, Supreme Commander for the Allied Powers, and also in General Headquarters, Far East Command.

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Enclosed are copies of the following orders and press release which relate to these developments:

1. General Orders No. 6 dated May 13, 1949, issued by GHQ, SCAP, subject "Discontinuance of General Accounting Section";
2. General Orders No. 7 dated May 14, 1949, issued by GHQ, SCAP, subject "Establishment of Office of Comptroller, General Headquarters, Supreme Commander for the Allied Powers, and Announcement of Staff";
3. General Orders No. 20 dated May 14, 1949, issued by GHQ, Far East Command, subject "Establishment of Office of Comptroller, General Headquarters, Far East Command, and Announcement of Staff";
4. Article entitled "Office of Comptroller Established" issued May 12, 1949, by Public Information Office, General Headquarters, Far East Command.

The statement of responsibilities of the Comptroller, as given in GHQ, SCAP's General Order No. 7 and in GHQ, Far East Command's General Order No. 20, varies to the extent that in the former specific references are made to the Occupation in Japan. In both cases, however, the Comptroller is expected to advise General MacARTHUR,

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who  
JUN 15 1949

FILED

ACTION COPY

RETURN TO DC/R FILES WITHIN 14 DAYS, WITH A NOTATION OF ACTION TAKEN.

740.00119 CONTROL(JAPAN)/5-1749

DMR



Tokyo's Despatch No. 318,  
May 17, 1949.

- 2 -

who is both Supreme Commander for the Allied Powers and Commander-in-Chief, Far East Command, on matters relating to finance and audit, budget and fiscal, and statistical activities; the use of modern management techniques in business administration; and development of policies and procedures for use in cost reporting. As indicated in the enclosed press release, the new Office of Comptroller has a considerably wider scope than the now defunct General Accounting Section which was established as a special staff section to advise SCAP on financial accounting matters only and to maintain accounting records of the Occupation of Japan, Korea and the Ryukyu Islands.

According to a responsible official from the Office of Comptroller, it is not presently contemplated that that Office will take an active interest in such matters as the Japanese Government budget, taxation and allied fiscal matters, these functions of a supervisory nature being permitted to remain with the concerned divisions of the Economic and Scientific Section, General Headquarters, SCAP. It was stated, however, that the Office of Comptroller would, as was the case with the former General Accounting Section, be concerned with budgetary expenditures made by the Japanese Government for the Occupation of Japan.

This Mission's informant stated further that the Office of Comptroller would be interested directly in broad policies and procedures for the financial aspects, including disbursement, of all United States Government appropriated funds, such as the GARIOA and EROA funds, rather than in the actual details in use of such funds. The latter operations would continue, as heretofore, to be carried out by the various concerned Sections of General Headquarters, SCAP and Far East Command.

Enclosures: *att*

- 1/ Copy of General Orders No. 6 dated May 13, 1949, issued by GHQ, SCAP;
- 2/ Copy of General Orders No. 7 dated May 14, 1949, issued by GHQ, SCAP;
- 3/ Copy of General Orders No. 20 dated May 14, 1949, issued by GHQ, Far East Command;
- 4/ Copy of article entitled "Office of Comptroller Established" issued May 12, 1949, by Public Information Office, Far East Command.

Parchment mat to the Department

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Enclosure No. 1 to Despatch No. 318 dated May 17, 1949 from the Office of the U. S. Political Adviser for Japan, Tokyo, on the subject "Establishment of Office of Comptroller in GHQ, SCAP, and in GHQ, Far East Command".

(COPY)

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS

GENERAL ORDERS )  
                  :  
NO.....6 )

APO 500  
13 May 1949

DISCONTINUANCE OF GENERAL ACCOUNTING SECTION

The General Accounting Section, established by General Orders 4, General Headquarters, Supreme Commander for the Allied Powers, 24 January 1946, as amended by General Orders 3, General Headquarters, Supreme Commander for the Allied Powers, 13 March 1948, is discontinued, effective 14 May 1949.

AG 320 (24 Jan 46)SGS

BY COMMAND OF GENERAL MacARTHUR:

EDWARD M. ALMOND,  
Major General, General Staff Corps,  
Chief of Staff.

OFFICIAL:

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

UNCLASSIFIED



Enclosure No. 2 to Despatch No. 318 dated May 17, 1949 from the Office of the U. S. Political Adviser for Japan, Tokyo, on the subject "Establishment of Office of Comptroller in GHQ, SCAP, and in GHQ, Far East Command".

UNCLASSIFIED

(COPY)

GENERAL HEADQUARTERS  
SUPREME COMMANDER FOR THE ALLIED POWERS

GENERAL ORDERS )  
:  
NO..... 7 )

APO 500  
14 May 1949

ESTABLISHMENT OF OFFICE OF COMPTROLLER, GENERAL HEADQUARTERS,  
SUPREME COMMANDER FOR THE ALLIED POWERS, AND ANNOUNCEMENT OF  
STAFF

Section

Establishment of Office of Comptroller, General Headquarters, Supreme Commander for the Allied Powers .....	I
Announcement of Staff .....	II

I. ESTABLISHMENT OF OFFICE OF COMPTROLLER, GENERAL HEAD-  
QUARTERS, SUPREME COMMANDER FOR THE ALLIED POWERS. 1. The Office  
of Comptroller is established as a section of the Office of the  
Chief of Staff, General Headquarters, Supreme Commander for the  
Allied Powers, to advise and assist the Supreme Commander for the  
Allied Powers on matters relating to finance and audit, budget and  
fiscal, and statistical activities; the use of modern management  
techniques in business administration; and the development of  
policies and procedures for use in cost reporting and analysis.

2. The Comptroller shall be responsible for:

a. The interpretation and implementation of pertinent  
policy and procedure directives received from the Department of  
the Army.

b. The preparation of policies and procedures originating  
within the command, and coordinating and furnishing technical as-  
sistance in connection with activities relating to:

- (1) Finance and disbursement of all appropriated and  
of such special funds as may be directed by the  
Chief of Staff;
- (2) Auditing, to include indigenous budgets and ac-  
counts;
- (3) Budget and fiscal matters pertaining to support  
of the Occupation;
- (4) Management techniques;
- (5) Cost

UNCLASSIFIED



Enclosure No. 2  
to Tokyo's Despatch No. 318,  
May 17, 1949.

- 2 -

(5) Cost reporting matters, to include the establishment and maintenance of financial records incident to the occupation of Japan by the Allied Forces;

(6) Statistical reports.

c. Coordination and supervision over the:

(1) Preparation of policies and procedures to be used in budgetary matters and estimates covering both United States appropriated funds and the indigenous requirements of personal and non-personal services to meet the needs of the occupation forces. Such action in no way lessens existing responsibilities for the operation and supervision of the activities now pertinent to the SCAP Staff sections in this headquarters;

(2) Development and use of accounting and auditing procedures to insure effective control;

(3) Use of fiscal procedures and records;

(4) Development of work measurement and personnel utilization policies and procedures;

(5) Preparation of directives, letters, and publications for dissemination throughout General Headquarters and to major commands when they involve matters covered herein;

(6) Such other functions as may be directed by the Chief of Staff.

AG 323.31 (14 May 49)SGS

II. ANNOUNCEMENT OF STAFF. Colonel ROBERT H. BRADSHAW, 0103657, Finance Department, is announced as Deputy Comptroller and Acting Comptroller, General Headquarters, Supreme Commander for the Allied Powers.

AG 323.36 (14 May 49)SGS

BY COMMAND OF GENERAL MacARTHUR:

EDWARD M. ALMOND,  
Major General, General Staff Corps,  
Chief of Staff.

OFFICIAL:

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

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Enclosure No. 3 to Despatch No. 318 dated May 17, 1949 from the Office of the U. S. Political Adviser for Japan, Tokyo, on the subject "Establishment of Office of Comptroller in GHQ, SCAP, and in GHQ, Far East Command".

(COPY)

GENERAL HEADQUARTERS  
FAR EAST COMMAND

GENERAL ORDERS )  
:  
NO.....20 )

APO 500  
14 May 1949

ESTABLISHMENT OF OFFICE OF COMPTROLLER, GENERAL HEADQUARTERS  
FAR EAST COMMAND, AND ANNOUNCEMENT OF STAFF

Section

Establishment of Office of Comptroller,  
General Headquarters, Far East Command .... I  
Announcement of Staff ..... II

I. ESTABLISHMENT OF OFFICE OF COMPTROLLER, GENERAL HEAD-  
QUARTERS, FAR EAST COMMAND. 1. The Office of Comptroller is es-  
tablished as a section of the Office of the Chief of Staff, Gen-  
eral Headquarters, Far East Command, to advise and assist the  
Commander-in-Chief, Far East, on matters relating to finance and  
audit, budget and fiscal, and statistical activities; the use of  
modern management techniques in business administration; and the  
development of policies and procedures for use in cost reporting  
and analyses.

2. The Comptroller shall be responsible for:

a. The interpretation and implementation of pertinent  
policy and procedure directives received from the Department of  
the Army.

b. The preparation of policies and procedures origina-  
ting within the command, and coordinating and furnishing technical  
assistance in connection with activities relating to:

- (1) Finance and disbursement of all appropriated and  
of such special funds as may be directed by the  
Chief of Staff.
- (2) Auditing;
- (3) Budget and fiscal matters;
- (4) Management techniques;
- (5) Cost reporting matters;
- (6) Statistical

UNCLASSIFIED



Enclosure No. 3  
to Tokyo's Despatch No. 318,  
May 17, 1949.

- 2 -

(6) Statistical reports.

c. Coordination and supervision over the:

- (1) Preparation of policies and procedures to be used in budgetary matters and estimates covering both United States appropriated funds and the indigenous requirements of personal and non-personal services to meet the needs of the occupation forces. Such action in no way lessens existing responsibilities for the operation and supervision of the activities now pertinent to the General Staff sections in this headquarters;
- (2) Development and use of accounting and auditing procedures to insure effective control;
- (3) Use of fiscal procedures and records;
- (4) Development of work measurement and personnel utilization policies and procedures;
- (5) Development of plans and procedures and initiating the use thereof throughout the command in matters relating to cost reporting, receiving cost records from reporting agencies, conducting analyses thereof, consolidating and recording reports, and making recommendations for cost reductions when indicated by reports and comparisons thereof;
- (6) Preparation of directives, letters, and publications for dissemination throughout General Headquarters and to major commands when they involve matters covered herein;
- (7) Such other functions as may be directed by the Chief of Staff.

AG 323.31 (14 May 49)SGS.

II. ANNOUNCEMENT OF STAFF. Colonel ROBERT H BRADSHAW, 0103657, Finance Department, is announced as Deputy Comptroller and Acting Comptroller, General Headquarters, Far East Command.  
AG 323.36 (14 May 49)SGS.

BY COMMAND OF GENERAL MacARTHUR:

EDWARD M. ALMOND,  
Major General, General Staff Corps,  
Chief of Staff.

OFFICIAL:

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

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Enclosure No. 4 to Despatch No. 318 dated May 17, 1949 from the Office of the U. S. Political Adviser for Japan, Tokyo, on the subject "Establishment of Office of Comptroller in GHQ, SCAP, and in GHQ, Far East Command.

(Copy of article released May 12, 1949, by Public Information Office, Far East Command, Tokyo)

OFFICE OF COMPTROLLER ESTABLISHED

SCAP's General Accounting Section, in operation since Jan. 24, 1946, was discontinued today by a general order issued by the Chief of Staff, Far East Command.

This announcement was promptly followed with an order establishing the Office of Comptroller GHQ, SCAP and FEC as a section of the Office of the Chief of Staff.

Col. Robert H. Bradshaw who headed the General Accounting Office was named as Deputy Comptroller and Acting Comptroller, General Headquarters, Far East Command.

The new Comptroller's office is established to advise the Commander-in-Chief on matters relating to finance and audit, budget and fiscal, and statistical activities; the use of modern management techniques in business administration; and development of policies and procedures for use in cost reporting.

The new office of OC has a considerably wider scope as compared to the now defunct OGA which was established as a special staff section to advise SCAP on financial accounting matters only and to maintain accounting records of the Occupation of Japan and Korea and the Ryukyus.

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TOP SECRET

DEPARTMENT OF THE ARMY  
WASHINGTON, D. C.

DIVISION OF  
NORTHEAST ASIAN AFFAIRS  
c.c. to JMA-WWB

MAY 18 1949

DEPARTMENT OF STATE

18 May 1949

JMA  
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→ AG  
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P&O 091 Japan (6 May 49)

MEMORANDUM TO THE DEPARTMENT OF STATE:

ATTENTION: Office of Far Eastern Affairs

SUBJECT: Implementation of NSC 13/2 (Para 5)

XX  
811.24500

1. Attached hereto is an interim report summarizing the implementation to date of that portion of Para 5 of NSC 13/2 which states that "The United States intends to retain on a long-term basis the facilities at Okinawa and such other facilities as are deemed by the Joint Chiefs of Staff to be necessary...the military bases at or near Okinawa should be developed accordingly." This report is supplementary to the information forwarded by a similar memorandum on 13 April 1949.

2. Para 5 of NSC 13/2 states in addition that "The United States agencies responsible for administering the above-mentioned islands (the Ryukyu, Nanpo and Marcus Islands) should promptly formulate and carry out a program on a long-term basis for the economic and social well-being and to the extent practicable for the eventual reduction to a minimum of the deficit in the economy of the natives." In that regard the Department of the Army has been advised by the Navy Department that present Navy action with respect to the Nanpo and Marcus Islands are in consonance with the above-quoted NSC 13/2 policy. Marcus Island at present has no native population, but the Navy Department accords the 150 natives on Chichi Jima, Nanpo Islands, the same treatment accorded the natives of the Territory of the Pacific, the former Japanese-mandated Pacific Islands now under U.S. strategic trusteeship.

This Document Must Be Returned to  
DC/R 740.00119/5-1849  
Central COMTROL (5474N)  
Files

FOR THE SECRETARY OF THE ARMY:

Walter H. Grant  
WALTER H. GRANT  
~~W. M. SKIDMORE~~  
Lt Colonel, GSC

1 Incl  
Report, Implementation  
of Para 5, NSC 13/2

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## TOP SECRET

SUBJECT: Development of Military Bases at or Near Okinawa (Implementation of Paragraph 5, NSC 13/2)

1. Types of Construction:

Permanent construction on Okinawa is being designed on a long-range master plan for base development. All new construction is built to withstand the typhoons common in the area and is designed for a low cost maintenance. Construction in the Ryukyu Islands is  $2\frac{1}{2}$  to 3 times as expensive as comparable construction in the United States, and consequently every effort is being made by eliminating refinements to obtain maximum low cost maintenance construction for the amount of money expended.

2. Current and Completed Construction:

Major construction projects completed or currently under construction include:

a. Sukiran Regimental Post. New construction at this post includes six troop barracks type buildings and 20 non-commissioned officers quarters. General utilities to include roads, water and sewer system, etc., are being installed.

b. Port of Naha. New construction includes a refrigeration warehouse, a permanent POL storage system, a water system, and, in addition, the construction of necessary facilities to replace those destroyed by the typhoon which struck Okinawa on 3 October 1949. The buildings in the latter classification include warehouses, shops, barracks, family quarters, etc.

c. Kadena. Construction at this base is for occupancy by the Air Force and includes approximately 18 barracks, 102 family quarters, a water and sewer system, roads, etc.

3. In order to finance other construction presently planned, enabling legislation is to be forwarded for consideration by Congress at its present session. The proposed legislation would provide for permanent type construction in the Ryukyus in the amount of approximately \$20,500,000 and would include funds for the construction of an IST basin, road nets, sewerage systems, a signal and telephone system, family housing units, depot facilities, etc.

TOP SECRET



DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE INCOMING TELEGRAM

MB HM ACTION COPY

Office of FAR EASTERN AFFAIRS MAY 20 1949 DIRECTOR Department of State

Action Assigned to NA  
Action Taken *later*

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Action: FE  
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Date of Action ----- DIVISION OF Control 8546  
NORTHEAST ASIAN AFFAIRS  
Action Office Symbol *NA* MAY 20 1949 Rec'd May 20, 1949 8:18 a. m.  
Name of Officer *Al Dunning*  
FROM: New Delhi DEPARTMENT OF STATE  
Direction to DC/R *File*  
TO : Secretary of State

NO : 565, May 19, 11 p. m.

I have today received secret letter from External Affairs dated May 17 referring my letter April 25 (see EMBDES 343, April 26, 1949 and DEPCIRTEL April 22, 9 p. m.) Letter states that GOI agrees all countries represented FEC should endeavor promote measures bring Japan into peaceful relationship with other nations. It believes, however, that policy directive quoted in Embassy letter goes too far. It would be premature permit Japan enter into diplomatic consular or other political relationship with foreign countries and it would not therefore be correct permit SCAP use its discretion in matter.

Letter adds that GOI agrees Japanese Government should now be permitted under SCAP's superintendence and control join international bodies for conventions of technical nature and to further this end SCAP should be able permit Japanese nationals visit foreign countries subject to agreement those countries. Letter concludes "generally speaking, we would favor more liberal policy in respect of Japanese participation in economic technical and cultural intercourse of nations. It would, however, be difficult devise general directive cover all cases. A pragmatic approach might therefore yield better results".

Sent Department 565, repeated to Tokyo.

HENDERSON

DU:MM

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NOV 21 1951

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*Japan* / 5-1949  
740.00119 CONTROL (JAPAN) / 5-1949  
SECRET FILE  
*Control*

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



5

1/2/5

ACCESS RESTRICTED

The item identified below has been withdrawn from this file:

File Designation 740.00119 CONTROL(JAPAN)/5-1949  
Memo of Conversation  
 Date 19 May 49  
 From Participants: FEC, State  
 To \_\_\_\_\_

In the review of this file this item was removed because access to it is restricted. Restrictions on records in the National Archives are stated in general and specific record group restriction statements which are available for examination. The item identified above has been withdrawn because it contains:

- Security-Classified Information
- Otherwise Restricted Information

CIA  
Authority

7 Jul 78 GAB  
Date

WITHDRAWAL NOTICE



001854 S/S

SECRET

May 19, 1949

*Japan*  
*file*

Through: U - The Under Secretary  
S/S  
FE - Mr. Butterworth

Situation in Japan; Japan Policy Problems

The occupation of Japan will soon enter its fifth year. Although the occupation has in many respects been an outstanding success, it began to approach the point of diminishing returns almost two years ago, not long after our proposal of July, 1947, for a peace conference. Although there has as yet been no active resistance to the occupation, and little passive resistance directed specifically against the occupation itself, the Japanese people, who in our own estimation were ready for a peace treaty two years ago, have become increasingly restive under conditions of indefinitely continued military occupation, and desire for a peace settlement is widespread. Partly as a result of these feelings, the Japan Communist Party increased its representation in the Diet from 4 to 35 in the general elections last January. Although the Communists still constitute a small proportion of the total population the Communist threat in Japan is a real one.

Coincident with, and a partial cause of, the gradual souring of popular attitudes toward the occupation in Japan has been the disappointingly slow revival of Japanese production and trade. Production is still only 65 per cent of the 1930-34 levels, when the population was some 15 million smaller. Annual U.S. aid requirements for Japan have increased rather than diminished, and the production increases which have been achieved in Japan have been based almost entirely on this aid and deficit financing by the Japanese Government. It was accordingly necessary for the U.S. Government in December, 1948, to direct the institution of a comprehensive stabilization program to place the Japanese domestic economy on a sound basis. Although substantial progress has been made in implementating this program it will be some time before its objectives can be achieved, and even longer, optimistically 1954 or 1955, before Japan can hope to regain a self-supporting status. The United States on May 12 announced its opposition to the removal of any further reparations from Japan in order that the Japanese might devote their full energies and resources to the stabilization objective.

In March, 1948, Mr. Kennan made a trip to Japan and his return submitted recommendations for the progressive adjustment

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740.00119 CONTROL (JAPAN)

7-5-1949

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MAY 27 1949

*740.00119 Control (Japan)*  
*7-5-1949*

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-2-

adjustment of occupation policies to permit continuation of the occupation pending a peace treaty without jeopardizing the gains achieved up to that time. Basically these recommendations, subsequently incorporated in NSC 13/3, were that SCAP should shift responsibility as rapidly as possible to the Japanese, with a corresponding reduction in SCAP personnel, that the Japanese should be permitted to proceed in their own way with the assimilation of the reform programs, and that the psychological impact of the occupation on the Japanese should be reduced to a minimum. Unfortunately these recommendations have been only partially carried out. The developing situations in Japan and in the Far East, and the necessity for both political and economic reasons for putting the Japanese on their own responsibility, have caused the Department to give renewed consideration to the conclusion of a peace settlement. A letter has been prepared from Secretary Acheson to Secretary Johnson requesting information regarding implementation of NSC 13/3, and a memorandum has been sent to Admiral Souers of the NSC requesting a strategic evaluation of U.S. security needs in Japan.

Leading Japanese policy problems at the present time may be listed as follows:

1. Conclusion of a Peace Settlement. Study of this matter is proceeding within the Department.
2. GARIOA and EROA Appropriations Request. The Department is supporting the Army Department's appropriation requests for the coming fiscal year for Japan before the Appropriations Committees of Congress.
3. Reparations. We are attempting to win the widest possible acceptance by other FEC nations of our reparations position announced in the FEC on May 12.
4. Level of Industry. The United States announced its position on May 12 that there should be no restrictions on Japanese peaceful production or levels of productive capacity in industries devoted to peaceful purposes. Efforts are now being made to arrive at an agreed position within the Department on a precise definition of what should be considered "peaceful industries" and what should not. Immediately a Departmental position has been arrived at on

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this point consultations are planned with the Army and Navy Departments, the Maritime Commission, and other interested agencies and organizations before submission of appropriate policy proposals to the FEC.

5. Japanese International Relations. The United States has submitted to the FEC a policy proposal providing for broadening of Japanese international contacts under SCAP's guidance to hasten Japan's resumption of a more normal position in the world community. This proposal has met with a disappointing response from other FEC Member Governments.

6. Japanese Labor Legislation. The Australian Representative on the FEC has submitted a policy proposal on this subject which has received considerable support from other Members. If adopted, this proposal would overrule SCAP in the position which he has taken on the rights of Japanese workers in Government enterprises. The Department is endeavoring to work out with other interested agencies and with SCAP a position which will appear reasonable to other FEC Governments but which will not embarrass SCAP. We may, however, be forced to veto the Australian proposal.

7. Strengthening of Japanese Civil Police. The State and Army Departments are endeavoring, thus far unsuccessfully, to obtain SCAP concurrence in certain measures for strengthening of the Japanese civil police, pursuant to the decision on this point in NSC 13/2. Strengthening of the police in Japan is extremely important before U.S. troops are withdrawn.

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FE:NA:RAFearey:db



001854

STANDARD FORM NO. 64

Office Memorandum • ~~SECRET~~ UNITED STATES GOVERNMENT

DATE: May 19, 1949

TO : U - The Under Secretary

Through: S/S *W/B*

FROM : FE - Mr. Butterworth *W/B*

SUBJECT: Situation in Japan; Japan Policy Problems

*NA file*

~~NA~~  
~~W/B~~  
NA

The occupation of Japan will soon enter its fifth year. Although the occupation has in many respects been an outstanding success, it began to approach the point of diminishing returns almost two years ago, not long after our proposal of July, 1947, for a peace conference. Although there has as yet been no active resistance to the occupation, and little passive resistance directed specifically against the occupation itself, the Japanese people, who in our own estimation were ready for a peace treaty two years ago, have become increasingly restive under conditions of indefinitely continued military occupation, and desire for a peace settlement is widespread. Partly as a result of these feelings, the Japan Communist Party increased its representation in the Diet from 4 to 35 in the general elections last January. Although the Communists still constitute a small proportion of the total population the Communist threat in Japan is a real one.

Coincident with, and a partial cause of, the gradual souring of popular attitudes toward the occupation in Japan has been the disappointingly slow revival of Japanese production and trade. Production is still only 65 per cent of the 1930-34 levels, when the population was some 15 million smaller. Annual U.S. aid requirements for Japan have increased rather than diminished, and the production increases which have been achieved in Japan have been based almost entirely on this aid and deficit financing by the Japanese Government. It was accordingly necessary for the U.S. Government in December, 1948, to direct the institution of a comprehensive stabilization program to place the Japanese domestic economy on a sound basis. Although substantial progress has been made in implementing this program it will be some time before its objectives can be achieved, and even longer, optimistically 1954 or 1955, before Japan can hope to regain a self-supporting status. The United States on May 12 announced its opposition to the removal of any further reparations from Japan in order that the Japanese might devote their full energies and resources to the stabilization objective.

In March, 1948, Mr. Kennan made a trip to Japan and on his return submitted recommendations for the progressive adjustment

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740.00119-CONTROL (JAPAN)/5-1949 ~~SECRET~~ FILE

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*740.00119 Control  
(Japan) 5-1949*



SECRET

-2-

adjustment of occupation policies to permit continuation of the occupation pending a peace treaty without jeopardizing the gains achieved up to that time. Basically these recommendations, subsequently incorporated in NSC 13/3, were that SCAP should shift responsibility as rapidly as possible to the Japanese, with a corresponding reduction in SCAP personnel, that the Japanese should be permitted to proceed in their own way with the assimilation of the reform programs, and that the psychological impact of the occupation on the Japanese should be reduced to a minimum. Unfortunately these recommendations have been only partially carried out. The developing situations in Japan and in the Far East, and the necessity for both political and economic reasons for putting the Japanese on their own responsibility, have caused the Department to give renewed consideration to the conclusion of a peace settlement. A letter has been prepared from Secretary Acheson to Secretary Johnson requesting information regarding implementation of NSC 13/3, and a memorandum has been sent to Admiral Souers of the NSC requesting a strategic evaluation of U.S. security needs in Japan.

Leading Japanese policy problems at the present time may be listed as follows:

1. Conclusion of a Peace Settlement. Study of this matter is proceeding within the Department.
2. GARIOA and EROA Appropriations Request. The Department is supporting the Army Department's appropriation requests for the coming fiscal year for Japan before the Appropriations Committees of Congress.
3. Reparations. We are attempting to win the widest possible acceptance by other FEC nations of our reparations position announced in the FEC on May 12.
4. Level of Industry. The United States announced its position on May 12 that there should be no restrictions on Japanese peaceful production or levels of productive capacity in industries devoted to peaceful purposes. Efforts are now being made to arrive at an agreed position within the Department on a precise definition of what should be considered "peaceful industries" and what should not. Immediately a Departmental position has been arrived at on  
this

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SECRET

-3-

this point consultations are planned with the Army and Navy Departments, the Maritime Commission, and other interested agencies and organizations before submission of appropriate policy proposals to the FEC.

5. Japanese International Relations. The United States has submitted to the FEC a policy proposal providing for broadening of Japanese international contacts under SCAP's guidance to hasten Japan's resumption of a more normal position in the world community. This proposal has met with a disappointing response from other FEC Member Governments.

6. Japanese Labor Legislation. The Australian Representative on the FEC has submitted a policy proposal on this subject which has received considerable support from other Members. If adopted, this proposal would overrule SCAP in the position which he has taken on the rights of Japanese workers in Government enterprises. The Department is endeavoring to work out with other interested agencies and with SCAP a position which will appear reasonable to other FEC Governments but which will not embarrass SCAP. We may, however, be forced to veto the Australian proposal.

7. Strengthening of Japanese Civil Police. The State and Army Departments are endeavoring, thus far unsuccessfully, to obtain SCAP concurrence in certain measures for strengthening of the Japanese civil police, pursuant to the decision on this point in NSC 13/2. Strengthening of the police in Japan is extremely important before U.S. troops are withdrawn.

SECRET

*WMS*  
*Northwest*  
*Asian Affairs*  
*Division*  
*RAY*  
FE:NA:RAFearey:db



DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

DEPARTMENT OF STATE INCOMING TELEGRAM

*MB* ACTION COPY *file*

Action Assigned to *NA*

Action Taken -----

Date of Action -----

Action Office Symbol -----

Name of Officer -----

4 Direction to DC/R -----

Action: FE -----

Info:

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DIVISION OF NORTHEAST ASIAN AFFAIRS

MAY 20 1949

DEPARTMENT OF STATE



CONFIDENTIAL

A

Control 8402

Rec'd May 20, 1949 10:58 p. m.

FROM: London

TO : Secretary of State

NO : 1961, May 19, 1 p. m.

DEPCIRTEL April 22, 9 a. m. re US resolution introduced FEC.

FONOFF states does not like proposal as it is not considered practical under present circumstances.

DOUGLAS

JK:MM

740.00119 CONTROL (JAPAN) / 5-1949

MAY 12 1950

*5-1949*  
*Frank J. ...*

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*Army Dept  
From*

~~CONFIDENTIAL~~

DEPARTMENT OF THE ARMY  
OFFICE, ASSISTANT SECRETARY  
WASHINGTON, D. C.

*RM/R*

*JMA  
WLB  
SJA  
YA*

DIVISION OF  
NORTHEAST ASIAN AFFAIRS 20 MAY 1949

MAY 26 1949

Office of  
FAR EASTERN AFFAIRS  
MAY 23 1949  
DEPARTMENT OF STATE  
DIRECTOR  
Department of State

*NH  
RAF*

Mr. W. Walton Butterworth  
Director for Far Eastern Affairs  
Department of State

Dear Mr. Butterworth:

*KR  
800.6354*

This will acknowledge receipt of your letter of May 5, 1949 concerning the transactions between the USCC and the RFC in the disposal of looted tin.

In accordance with the suggestion in your letter, the Department of the Army has forwarded a letter to the Reconstruction Finance Corporation, a copy of which is inclosed, requesting that agency to reimburse the proper SCAP account to the extent of \$106,248.70.

I will keep you advised of any development in this matter.

Sincerely yours,

*Robert R. West*

Robert R. West  
Deputy Assistant Secretary  
for the Far East

1 Incl  
cy ltr to RFC

DC/R  
Anal *39*  
Rev  
Cat *9*

DECLASSIFIED  
E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Authority *NND 760035*  
By *CD/SR* NARS, Date *22 AUG 1975*

~~CONFIDENTIAL~~

DIVISION OF SOUTHEAST  
ASIAN AFFAIRS  
MAY 23 1949  
OFFICE OF FAR  
EASTERN AFFAIRS  
DEPARTMENT OF STATE

This Document Must Be Returned to  
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Files  
/5-2049  
CONTROL (JAPAN)  
OS/Y  
740.00119 Control (Japan)  
~~CONFIDENTIAL~~ 740.00119



Major Paul H. Cullen/M/5013  
19 May 1949

~~CONFIDENTIAL~~

20 MAY 1949

Mr. Harley Hise, Chairman  
Reconstruction Finance Corporation  
811 Vermont Avenue  
Washington 25, D. C.

Dear Mr. Hise:

This letter concerns the negotiations with the British and the Dutch for the payment of compensation in lieu of restitution of certain quantities of tin removed from Japan under international allocation and disposed of in the United States for the account of the Supreme Commander for the Allied Powers (SCAP) through the facilities of the United States Commercial Company (USCC). The Department of State has brought to the attention of the Department of the Army that part of the tin was apparently erroneously transferred to the Reconstruction Finance Corporation (RFC) by the USCC at a lower price than that previously agreed to with the British and the Dutch.

Facts relevant to this case, as known to the Department of the Army, are as follows:

1. A large quantity of tin was found in Japan at the beginning of the Occupation. It was realized that considerable portions of this tin had been looted by the Japanese but it could not be identified as to ownership. A large quantity of this tin was removed to the United States in May 1946 in accordance with an international allocation made by the Combined Tin Committee.
2. Most of the tin which was removed to the United States was subsequently identified as belonging to the British and the Dutch. (Seven percent is unclaimed.) In view of the determination of ownership, a pricing agreement was made with the British and the Dutch by the Department of State which provided that the price of the tin transferred under the 1946 allocation would be \$370 per long ton and that the MOS buying price in Malaya would apply for subsequent allocations.
3. The entire quantity of tin was sold to the RFC by the USCC as agent for SCAP. The contracts between the RFC and the USCC provided that the RFC would pay for the tin at the following CIF New York equivalents:

~~CONFIDENTIAL~~

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- a. 1946 allocation @ £370 per long ton  
CIF New York equivalents

Grade A . . . 69.000 cents per pound  
Grade B . . . 68.875 cents per pound  
Grade C . . . 68.625 cents per pound

- b. 1947 allocation @ £423 per long ton\*  
CIF New York equivalents

Grade A . . . 78.700 cents per pound  
Grade B . . . 78.550 cents per pound  
Grade C . . . 78.250 cents per pound

\*MOS buying price in Malaya,  
May 1947.

4. However, on 8 May 1947 the USCG erroneously transferred to the RFC 1,095,489 pounds of Dutch tin at 1946 allocation prices instead of 1947 allocation prices. Specifically, this transaction involved the transfer of 1,040,559 pounds of Grade A tin at 69¢ per pound rather than at 78.7¢ per pound and 54,930 pounds of Grade B tin at 68.875¢ per pound rather than at 78.55¢ per pound. The difference between what the SCAP received and what it is believed he should have received on the transaction amounts to \$106,248.70.

The claims for compensation by the British and the Dutch for the looted tin arise from the FEC policy on restitution which states that equitable compensation shall be paid in lieu of restitution of looted property which has been exported or liquidated by the SCAP. The claims by the British and the Dutch are based on the prices agreed to for the 1946 and 1947 allocations. Furthermore, the Dutch claims for compensation for the transaction referred to in sub-paragraph 4, above, is based on the 1947 allocation prices.

In view of the foregoing, it is requested that the RFC reimburse the account of SCAP in the amount of \$106,248.70. The Department of State has made an intensive study of this case and concurs in the above request.

Sincerely yours,

SIGNED

Robert R. West  
Deputy Assistant Secretary  
for the Far East

**CONFIDENTIAL**



Major Paul H. Cullen/M/5013  
19 May 1949

~~CONFIDENTIAL~~

Mr. W. Walton Butterworth  
Director for Far Eastern Affairs  
Department of State

Dear Mr. Butterworth:

This will acknowledge receipt of your letter of May 5, 1949 concerning the transactions between the USCC and the RFC in the disposal of looted tin.

In accordance with the suggestion in your letter, the Department of the Army has forwarded a letter to the Reconstruction Finance Corporation, a copy of which is inclosed, requesting that agency to reimburse the proper SCAP account to the extent of \$106,248.70.

I will keep you advised of any development in this matter.

Sincerely yours,

Robert R. West  
Deputy Assistant Secretary  
for the Far East

1 Incl  
cy ltr to RFC

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Memo for Record:

19 May 1949

1. Letter from Dept of State to Mr. West, Deputy to Assistant Secretary for the Far East, dated 5 May 1949, advises that the USCC, acting as agent for SCAP, transferred 1,040,559 pounds of tin to the RFC on 8 May 1947 at 1946 allocation prices instead of 1947 prices. The letter further advised the Dept of the Army to request the RFC to reimburse SCAP in the amount of \$106,248.70 which is the difference between what SCAP received and what he would have received had the tin been transferred at 1947 prices.

2. The attached letter advises Mr. Butterworth that the Dept of the Army has forwarded a letter to RFC requesting that agency to reimburse SCAP in the amount of \$106,248.70 as suggested in the above referred to letter from the Dept of State (Mr. Butterworth) to Mr. West.

Paul H. Cullen  
Major, Infantry  
Economic Policy-Coordinating Section

~~CONFIDENTIAL~~



MAY 25 1949

TOP SECRET

No. *109*

To the

Office of the Acting United States Political  
Adviser for Japan,

Tokyo.

The Acting Secretary of State encloses for the information of the Office of the Acting United States Political Adviser for Japan Copy No. 49 of NSC 13/3, "A Report to the National Security Council by the Executive Secretary on Recommendations with Respect to U.S. Policy Toward Japan", dated May 6, 1949.

Enclosure:

✓ Copy No. 49, NSC 13/3.

A true copy of the enclosed copy

TOP SECRET

FE:NA:MPMcKenna  
5/24/49

*McKenna*

Date: \_\_\_\_\_

Per: \_\_\_\_\_

*21*  
OR

MAY 24 1949 P.M.

740.00119 CONTROL (JAPAN) / 5-2549

TOP SECRET FILE

*WMB*

*5-25-49*



STANDARD FORM NO. 64

# Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Butterworth  
 FROM : NA - Mr. Bishop *MMB*  
 SUBJECT: Deconcentration

DATE: May 25, 1949



Attached in accordance with your request is a file of documents of the last five months on the Japanese deconcentration program. The top paper is a memorandum, with enclosures, which you sent to Mr. Nitze on March 17. Below that paper is a memorandum from Mr. Thorp to Mr. Webb, enclosing a draft letter to Secretary Royall, which was approved by Mr. Dort but was never sent. At the bottom of the file is a copy of Mr. Hutchison's report of last January.

Since you plan to look through the file yourself I will not attempt to review the history of the matter. I do wish to say, however, that I continue to adhere to the recommendations in my memorandum to you of March 11. NA had not seen the proposed memorandum from Mr. Thorp to Mr. Webb prepared by IR until Mr. Fearey was given the attached copy today. On looking it through, it does not appear to me to present the opposing positions entirely accurately. FE's position has been solidly based on the language of paragraph 12 of NSC 13/2 which states:

"As for reform measures already taken or in process of preparation by the Japanese authorities, SCAP should be advised to relax pressure steadily but unobtrusively on the Japanese Government in connection with these reforms and should intervene only if the Japanese authorities revoke or compromise the fundamentals of the reforms as they proceed in their own way with the process of implementation and adjustment. If exigencies of the situation permit, SCAP should consult with the U.S. Government before intervention in the event the Japanese should resort to action of such serious import."

Views are imputed to FE in the memorandum which are at variance with the NSC provisions and which FE never advanced. I have made some pencilled notations opposite the pertinent passages of the memorandum.

The

Northeast Asian  
 Affairs Division  
 Fearey

DC/R
Anal <u>17</u>
Rev <u>SM</u>
Dist

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 Central Files  
 740.00119 CONTROL (JAPAN) / 5-2549

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 (Japan) / 5-2549



-2-

The essential issue seems to be whether we should take the DRB's word apparently concurred in by SCAP, that the modifications in existing Japanese anti-trust legislation proposed by the Japanese Government would not impair the fundamentals of the program, or whether we should accept IR's view that they would seriously weaken the program. Although the question is partly technical and out of our field, NA's study of the respective positions leads it to believe that the DRB's position is sound. Since SCAP has set up an advisory body on this general subject, since he is apparently willing to abide by its advice, and since the NSC paper makes SCAP and not Washington the watchdog of the deconcentration program, it is believed that we should not interfere unless it can be clearly shown, as it has not yet been shown, that the proposed changes in the Anti-trust Law would compromise the essentials of the program. *The proposed changes and other necessary information is available in Washington.*

RAY  
FE:NA:RAFearey:db





THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

DIVISION OF CHINESE AFFAIRS

ACTION is assigned to

FE NA - Mr. Mosely

Referred to NA, action Mr. Mosely, 7/18/49  
RESTRICTED

JUL 13 1949

American Embassy, Canton, China, May 26, 1949

DEPARTMENT OF STATE  
DIVISION OF CHINESE AFFAIRS  
JUN 16 1949  
DEPARTMENT OF STATE

OFFICIAL RECORD COPY  
Return to DC/R files when ACTION is completed.

DC/R

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No. 24

Action Assigned to NA

Subject: Chinese Support of the United States Proposed Policy in respect of Japan. Action Taken Noted

Date of Action \_\_\_\_\_

Action Office Symbol NA

Name of Officer Alderman

Direction to DC/R File

The Honorable  
The Secretary of State,  
Washington.

Sir:

As reported in my telegram CANTEL 277, April 26, 1949, I approached the Foreign Office immediately upon receipt of the Department's circular telegraphic Instructions of April 22, 9 a.m. and urged Chinese support of our proposed policy in respect of Japan.

1/

I now have the honor to enclose a memorandum which was handed me today at the Foreign Office outlining the Chinese position on this subject, which I understand has already been made known to the Department in Washington through Chinese representatives there.

Very respectfully yours,

Lewis Clark  
Minister-Counselor of Embassy

Enclosure: 1/ As stated.

Original and hecto to Dept.

LClark/hw

RECEIVED DEPARTMENT OF STATE

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RESTRICTED

740.00119 CONTROL (JAPAN) / 15-2649



RESTRICTED

Enclosure to Despatch 14, May 26, 1949, from American Embassy, Canton, China.

In a conversation with Vice-Minister Tung Ling on April 25th you mentioned that the U. S. Government is desirous to obtain international support of its proposed policy introduced into the Far Eastern Commission on April 21 to the effect that SCAP should permit Japan to participate with other nations in such international relations, conventions, meetings. Consular arrangements or other bilateral or multilateral accords as SCAP shall consider to be in the interests of the occupation.

We believe that this problem should not be deviated from the legal standpoint. Under provisions of the Basic Post Surrender Policy the SCAP can permit Japan no more than exercising normal governmental powers in relation to domestic administration. Japan is still under military occupation and has not gained the status of an independent nation to take part in international relations.

From a political standpoint Japan's participation in international relations will most likely have the following consequences:

(1) A peace treaty with Japan will be rendered insignificant; China's, as well as other Allied Powers' claims over Japan, will not be able to be asserted;

(2) The purposes of the F.E.C. and Allied Control over Japan will be dissipated. It will be even more difficult to arrive at any conclusion regarding such questions as reparations, industry level and restitution;

(3) Japan might even have international relations with political entities which are hostile to the Allied Powers.

In view of the above considerations, we believe that Japan can only be permitted to have international intercourse in questions which are non-political in nature such as those of communications, public health, public safety, etc. We propose in effect that :

(1) The SCAP be empowered to permit, when necessary, representatives on behalf of Japan to take part in international conventions of a technical nature;

(2) These representatives are to be non-Japanese nationals who might bring with them Japanese experts;

(3) The Japanese Government is to carry out resolutions of any such conventions under the direction of the SCAP.

RESTRICTED



*File*

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740.00119 CONTROL (JAPAN) / 5-2649

**FILE NO.** CANTON **DESP.** 14

NOV 29 1949

BB



American Embassy, Canton, China,  
May 26, 1949

RESTRICTED

JUN 23 1949

DC/R  
CONTROL COPY

No. 24

Subject: Chinese Support of the United States  
Proposed Policy in respect of Japan.

REC'D  
JUNE 15

ACTION The Honorable  
FE The Secretary of State,  
Washington.

INFO  
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S/S  
OLI

Sir:  
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position on this subject, which I understand has already been  
made known to the Department in Washington through Chinese  
representatives there.

Very respectfully yours,

Lewis Clark  
Minister-Counselor of Embassy

Enclosures:  
1/ As stated.

Original and hecto to Dept.

LClark/hw

Anal.	<i>[Signature]</i>
Rev.	<i>[Signature]</i>
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*740.00 119 Cantel (Japan) / 5-2649*



RESTRICTED

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- (2) The purposes of the F.E.C. and allied Control over Japan will be dissipated. It will be even more difficult to arrive at any conclusion regarding such questions as reparations, industry level and restitution;
- (3) Japan might even have international relations with political entities which are hostile to the Allied Powers.

In view of the above considerations, we believe that Japan can only be permitted to have international intercourse in questions which are non-political in nature such as those of communications, public health, public safety, etc. We propose in effect that:

- (1) The SCAP be empowered to permit, when necessary, representatives on behalf of Japan to take part in international conventions of a technical nature;
- (2) These representatives are to be non-Japanese nationals who might bring with them Japanese experts;
- (3) The Japanese Government is to carry out resolutions of any such conventions under the direction of the SCAP.

RESTRICTED



Mr Bishop → NH  
Reply to Mr. Allison's

query.

Point of last  
sentence is that I am  
discussing further with  
OFD and with Army,  
and may have a  
specific recommendation  
to make to you.

Torts: <sup>ult</sup>  
Please follow -  
I think there may  
be considerable  
merit in further  
clarifying this matter  
in Japan  
MIB



STANDARD FORM NO. 64

~~CONFIDENTIAL~~

NA

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Allison

FROM : NA - Mr. Bishop

SUBJECT: Tort Claims of Japanese Nationals Arising Out of Acts of Occupation Personnel.

Office of  
FAR EASTERN AFFAIRS  
MAY 31 1949  
DIRECTOR  
Department of State

DATE: May 27, 1949

In August 1948 at the suggestion of State, the Department of the Army raised with SCAP the desirability of the establishment of procedures for the payment of meritorious tort claims against occupation forces by the appropriate Japanese agency.

SCAP replied on the 1st of April with a long statement of reasons why the establishment of such procedures would be undesirable. This message appeared to be for the most part beside the point to State and Army Departments, and reply was made on May 1, 1949 referring to the NSC policy to dispose of as many property questions as possible before the treaty of peace and suggesting that it would be appropriate for the Japanese Government to provide compensation for such tort claims without awaiting the treaty of peace.

SCAP has now by C 50503 of May 25, 1949 quoted a long statement made in the Japanese Diet on April 13, 1949 on this subject. From this statement it appears that the Japanese Government has in fact set up procedures and has been making payments, called gratuities, on a fixed scale to certain tort claimants. The Japanese Government asserts the principle that such claims are a responsibility of the occupying force, but appears to recognize that in all likelihood the Japanese Government will have to accept this responsibility in the treaty of peace, as did Italy for instance.

The situation thus described comes fairly close to what we had in mind in urging something be done to satisfy such claims and it is the tentative view in the Army Department that the matter should be allowed to rest with SCAP's reply of May 25. This reply is much more satisfactory than SCAP's earlier reply and it may be that no further action is desirable. I wish to consider further, however the desirability of a reply expressing general approval of the course of action being taken by the Japanese Government and suggesting that this program might be given more support, through exchange of information based on investigations of particular claims, than is presently being given by SCAP.

740.00119-(CONTROL JAPAN)/5-2749

*Thanks*  
*I leave deep me informed of progress*

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Authority NND 760035  
By CD/SR NARS, Date 22 AUG 1975

MAR 27 1950

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5/27/49

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What is this all  
about?

JM



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**CONFIDENTIAL**

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

PARAPHRASE NOT REQUIRED

~~CONFIDENTIAL~~

From: SCAP Tokyo Japan **DEPARTMENT OF STATE**

To: Dept of Army for CSCAD FE

Nr: C-50303

25 May 49

For the reasons set forth in our message C 68959, including the FEC policy decision of 15th August 46 quoted in para 3 of your message W 88038, disposition on comprehensive and definitive basis in advance of peace treaty of tort claims of Japanese nationals arising from acts of occupation personnel is not considered feasible. Although, as stated in our message C 68959, the Japanese Government has not established any special procedure founded upon any obligation for damages caused by torts of occupation personnel, nevertheless, as indicated by the hereinafter quoted statement to a committee of the Japanese Diet, it has adopted a scale of gratuities which are donated upon application to those of its nationals who are victims of death, personal injury or property damage caused by the Occupation Forces. Following the issuance of SCAPIN 1195, dated 11th September 46, in which the Japanese Government was notified that "The Supreme Commander for the Allied Powers recognizes no legal basis for liability with respect to such claims and accepts no responsibility for the adjustment and payment therefor," the Japanese authorities were informally notified that there would, of course, be no objection to their unilateral establishment of procedures for compensating Japanese nationals for damages suffered as a result of actions of occupation personnel.

The subsequent actions of the Japanese government as well as its views on this question are contained in a statement made by Mr Kumao Nishimura, Director of the Treaty Bureau of the Foreign Office, in reply to an interpellation before the Foreign Affairs Committee of the House of Representatives on 13th April 49, which is quoted below in full:

"Since the Army of Occupation came to Japan, acts

CM IN 5363

(26 May 49)

~~THIS MESSAGE CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS 793 AND 794. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.~~

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DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Nr: C-50303

Pag 2

and offenses by occupation personnel, both military and civilian, which have caused damages to the Japanese people, have taken various forms such as, for instance, motor accidents, the B 26 crash that has just been mentioned, fire losses, deaths and injuries resulting from the explosion during demolition work of seized ammunition dumps, theft and others.

"As compensation for damages by means of civil processes by Japanese of the occupation or a member thereof who inflicts damage is not recognized, relief cannot be received directly from the Occupation Authorities by such means. There is no legal obligation for the Japanese government to pay compensation on its own responsibility for damages resulting from accidents of this kind. From the standpoint of international law we take the view that the obligation should be borne by the Allied Forces. It is on the basis of such a view that the government approached the Occupation Authorities in the fall of 45. The Occupation Authorities reserved their position. In April 46 the government presented a formal request in writing for their reply. In September that year a definite rejection was received to the effect that there was no legal basis for the occupation to bear any obligation of compensation for damages. While taking such a step on the one hand, the government on its own part recognized the necessity of adopting some sort of relief measures because there were many needy cases among the Japanese who actually had suffered damages.

"In May 46 the cabinet adopted and put into effect a decision "concerning aid to persons sustaining damages as a result of dynamiting activities and accidents of similar nature." The relief dispensed under this decision was small, however, and the sum of money given was no more than a sort of unilateral sympathy gift which was far from enough to compensate for the damages. As Mr Kawasaki has stated the gift is of small amount. Generally the relief gift in cases of death was around 500 yen per death to the family of the deceased, while in cases of damages to household effects it

CM IN 5363

(26 May 49)

~~THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS 793 AND 794. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.~~

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DEPARTMENT OF THE ARMY  
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Page 3

was 500 yen per household.

"Subsequent to this cabinet decision the position of General Headquarters on the question was clearly notified to the Japanese Government, as I have already mentioned, and so in view of it the cabinet enlarged the scope of application of its original decision and increased the amount of the relief gifts with a new decision taken on January 4th, 47. In addition to accidents resulting from dynamiting and similar demolition activities, provisions were made in the new decision for motor accidents, fire losses, deaths and injuries caused by acts of occupation personnel and for the payment of hospital expenses. Relief gifts in cases of physical injury were under 500 yen and in cases of death under 1,000 yen. According to the cabinet decision, and I think this touches upon Mr Kawasakis question, no compensatory relief gifts are given when the injured party is a corporation or an organization. They are given only the individuals. Between January 46 and November 48 the number of recipients of relief gifts totaled 1,184 the aggregate sum of money being 1,344,810 yen.

"However, the relief measures taken under the second cabinet decision came to be out of keeping with actual conditions as time went on because of rising prices. Accordingly on March 1st the maximum amounts were raised on payments after the 1st of February to 50,000 yen for relief gifts in case of death, 6,000 yen in case of physical injury, 5,000 yen in case of damage to household effects and other personal property and 10,000 yen in case of damages to dwellings. Notification of this decision was given to all local public bodies by the Ministry concerned which is the Ministry of Welfare. We continue to hold the view that under international law the responsibility for compensation of damages of this kind rests with the Allied Powers, but in view of the fact that the Occupation authorities take the stand that they have no such obligation, our only alternative is to lay this matter before the peace conference as one of our rights of claim toward the Allied Powers. We must of course acknowledge the

CM IN 5363

(26 May 49)

~~THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS 793 AND 794. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.~~

DA SCO FORM 22-3  
15 JAN 1949

**CONFIDENTIAL**

COPY NO.

U. S. GOVERNMENT PRINTING OFFICE : 1949—O—830430



CLASSIFIED  
INCOMING  
MESSAGE

~~CONFIDENTIAL~~

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Page 4

Nr: C-50303

fact that we are in no position now to make conjectures as to what interpretation the peace treaty will give to this question. However, as one reference I should like to explain how this question was resolved by the Italian Peace Treaty.

"In article 76 of the Italian Peace Treaty the Government and people of Italy waived all rights of claim, arising out of war, against the Allied Powers. In the second clause of article 76 provision was made that although the Italian Government waived all claims for compensation of damages not resulting from hostilities within the territory of Italy, it agreed to give fair compensation in connection with such claims in lira currency. In the peace treaty the Allied Powers ultimately imposed upon the Italian Government the obligation of paying fair compensation in lira against claims for damages resulting not from hostilities but from the acts of the Occupation Forces in the country, such as motor accidents and, as already mentioned, airplane crashes during training flights into private Italian houses, causing damages and losses.

"This is one precedent. In Japan, as I have said, the occupation authorities and the Japanese Government each maintains a different position on the question. Although this is one of the rights of claim Japan has towards the Allied Powers, it is one which ultimately will be settled by the peace treaty and the instance of Italy which I have given is one suggestion as to what form the settlement might take. The present relief measures of the government are not being taken as a legal obligation, but as a unilateral administrative measure to relieve the needy situation of persons who have suffered damages. The consideration is that by giving so called sympathy relief gifts the suffering of those who have sustained damages might to some extent be alleviated.

"Is desired that all persons who have suffered damages keep an accurate record, for in our belief the government

CM IN 5363

(26 May 49)

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15 JAN 1949

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INCOMING  
**MESSAGE**

**~~CONFIDENTIAL~~**

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Nr: C-50303

Page 5

on its own part will eventually have to take some measures in regard to such cases at the time of the enforcement of and in accordance with the Peace Treaty. If accurate records of actual cases are kept they would serve to a very great advantage at the time as actual settlement is made. And so I would advise that when accidents occur an accurate record of them be kept. The government on its part has, after its receipt of the rejection from the occupation authorities, of which I have already spoken, frequently and at length explained its position on the matter in writing and as indicated to them the necessity of keeping accurate records for future purposes and, moreover, are requesting their cooperation in this regard. We have not as yet received an indication of their intention. (The exact implication of the asserted frequency of explanation of the Japanese Government's position related by the speaker is not understood here since no such representation have been received in this Headquarters.)

"I believe I have generally covered the questions raised by the Committeeman Kawasaki by explaining the position heretofore taken by the Government, the course of its communications with the occupation authorities and the domestic measures that are being taken and so conclude my reply." This statement underlines the Japanese view of Allied liability which they clearly intend to advance at the peace settlement. If, therefore, SCAP at this point were to suggest any enlargement or extension or existing procedures or active participation therein by SCAP, it would be tantamount to recognizing the validity of the Japanese view. Such action SCAP obviously has no authority to take on his own executive responsibility because it would commit all the Allies participating in the occupation without any previous policy decision on their part covering the question. Even if, in view of the American predominance in the composition of occupation personnel, action were limited only to American personnel involved, the result would be an assumption of liability by the United States which is contrary to historic precedent and for which no authority can be drawn even by

CM IN 5363

(26 May 49)

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**CONFIDENTIAL**

COPY NO.

DA SCO FORM 22-3  
15 JAN 1949

U. S. GOVERNMENT PRINTING OFFICE : 1949—O—830430



**CLASSIFIED**  
INCOMING  
**MESSAGE**

~~**CONFIDENTIAL**~~

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Nr: C-50303

Page 6

implication from the statement of United States policy  
quoted in paragraph one of urmsg W 88038.

NOTE: C 68959 is CM IN 13872 (1 Apr 49) CAD

ACTION: CAD

INFO: CSA, OAS, JAG, BUD, ARMY COMPT

CM IN 5363

(26 May 49) DTG: 250900Z lrp/c

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE  
NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE  
MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS  
793 AND 794. THE TRANSMISSION OR THE REVELATION OF ITS  
CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON  
IS PROHIBITED BY LAW.

DA SCO FORM 22-3  
15 JAN 1949

~~**CONFIDENTIAL**~~

COPY NO.

U. S. GOVERNMENT PRINTING OFFICE : 1949—O-830430



DEPARTMENT OF THE ARMY  
STAFF MESSAGE CENTER  
OUTGOING CLASSIFIED MESSAGE

1d3 *RAF*  
*MG*

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

~~CONFIDENTIAL~~

PARAPHRASE NOT REQUIRED

MAY - 4 1949

Civil Affairs Division  
Maj LIE DEPARTMENT OF STATE (JAG)  
Mr Hemmingdinger (State) 71748

To: SCAP

Nr: WAR 88038

1 May 49

Fr CSCAD cite PE. Reurad Apr C 68959 and urad Aug 87238.

Paraphrase National Scty Council 13/2 fols "We should clear away during this intervening period as many as possible of the matters which might otherwise be expected to enter into the Treaty of Peace. This applies particularly to such matters as property rights, restitution, etc. Our policy for the coming period should be shaped specifically with this in mind. Every effort, consistent with the proper performance of the occupational mission as envisaged in this policy paper and with mil scty and morale, should be made to reduce to a min the psychological impact of the presence of occupational forces on the Japanese population". It is felt here that Tort claims by Japanese against occupation and other allied nations pers is subj which may be disposed of in adv of peace treaty. Further, that to permit a large accumulation of such claims without hope of redress to the injured indiv would be bound to have accumulative effect of serious proportions and arouse a need-less feel that the occupational forces are guilty of oppression.

FEC policy decision, 15 August 1946, "Exercise of criminal and civ jurisdiction over nationals of members of the UN" Para 3 reads "Prov should be made that no civ jurisdiction of any sort will be exercised by the Japanese courts with respect to national of members of the UN atchd to or accompanying the Armed Forces. Civ jurisdiction in these cases should be exercised in a manner determined by the Supreme Comd". It would appear feasible to info the Japanese Govt that there is no objection to the Japanese establishing cons with jurisdiction limited to Japanese notionals for the purpose of determining whether or not in what would normally be considered a Tort action involving ~~United Nations National~~ Japanese National

CM OUT 88038

~~THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS 793 AND 794. THE TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.~~

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STAFF MESSAGE CENTER  
OUTGOING CLASSIFIED MESSAGE

~~CONFIDENTIAL~~

Nr: WAR 88038

Page 2

has been injured through no fault of his own. Further, that for such cases the Japanese Govt could aprop Yen to compensate for the injuries recd by the Japanese provd such compensation was in accordance with a reasonable sch defining ants to be recd for specific injuries or, in other words, in a manner comparable to a typical workmens compensation law. This latter prov would appear to be adequate to assure that the drain on the Japanese Bud would not be excessive. It would be possible to accomplish the foregoing independently of similar claims of counter claims by UN Nationals against Japanese and independently of criminal prosecution of UN Nationals which might result in substantial fines or other punishments in cases of gross negligence or willful misconduct.

Alternatively you may wish to adopt a system comparable to that now in opn in Germany, modified to conform to local conds and circumstance or some other system. For Eur system, see USFET Claims Manual for unit claims off in Germany, 20 Feb 47, copy sent JAG your comd. Request your comments soonest.

Note: C 68959 is CM IN 13872.

ORIGINATOR: CAD

DISTRIBUTION: CAD (STATE), OAS, FO, JAG

CM OUT 88038

(May 49) DTG: 031901Z

fmb

~~CONFIDENTIAL~~

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THE MAKING OF AN EXACT COPY OF THIS MESSAGE IS FORBIDDEN



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INCOMING  
MESSAGE

~~CONFIDENTIAL~~

*no files*

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

APR - 4 1949

~~CONFIDENTIAL~~

PARAPHRASE NOT REQUIRED  
DEPARTMENT OF STATE

From: SCAP Tokyo Japan

To : Dept of Army for CSCAD Wash DC

Nr : C 68959

1 Apr 49

Reurad W 87238.

After thorough study of the problem believe the establishment by the Supreme Commander for the Allied Powers of procedure for the payment of claims of Japanese nationals against occupation personnel undesirable.

This question was considered at length in 1946 pursuant to a request by the Japanese Government for the Supreme Commander for the Allied Powers consideration of "the establishment of procedure for the investigation, judgment and payment of claims resulting from the occupation." On that occasion it was concluded that the establishment of any procedure whereby the claims in question would be processed, checked or reviewed by the Supreme Commander for the Allied Powers even though they would be paid by the Japanese Government, would make the Supreme Commander for the Allied Powers a party to settlements which would become the basis for claims at the time of the Peace Treaty and might well be the cause of serious embarrassment for the United States and other allies at the peace table. Accordingly, the Japanese Government was informed that "The Supreme Commander for the Allied Powers recognized no legal basis for liability with respect to such claims and accepts no responsibility for the judgment and payment thereof" (SCAP in 1195 dtd 11 September 46). Since receipt of this notification, the Japanese Government has not once raised the question again, nor, although completely free to do so, has it established any special procedure of its own for compensating any of its nationals for damages suffered through acts of occupation personnel. Reopening the question at this time would certainly involve the Supreme Commander for the Allied Powers as recognizing allied responsibility for claims of this nature and add to the problems of the final peace settlement.

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE ACT, 50 U. S. C. 31 AND 32. ITS TRANSMISSION OR THE REVELATION OF ITS CONTENTS IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Nr : C 68959

Page 2

Basically, the obstacles to establishment of any procedure to compensate Japanese nationals from claims arising from acts of allied occupation personnel arise from the international character of the occupation and of the post of the Supreme Commander as agent for the powers represented on the Far Eastern Commission. Any such procedure would inevitably affect the rights of all the Allied Powers, not the United States alone. Such procedure in order to be comprehensive and successful in its operation would require the active cooperation of all the participating powers. For example, although occupation courts or commissions might determine the liability of individuals involved in tort claims, it would be up to each participating nation to determine whether it was answerable for the liability of its nationals, and in other cases to provide measures for enforcing the pecuniary liability of its nationals. Further, the procedure should also include provision for settling claims of occupation personnel for damages suffered from acts of Japanese nationals. The inclusion of such provision would involve the exercise by occupation courts or commissions of civil jurisdiction over Japanese nationals or a change in Far Eastern Commission policy which would permit allied occupation personnel to enter Japanese courts as litigants for the determination of these matters. Lastly, it is doubtful in the extreme whether the question of compensation of claims of Japanese nationals arising from acts of allied occupation personnel can be raised without at the same time raising the question of compensation of allied nationals for damages sustained through the acts of Japanese personnel when the latter were in the occupation of China, Malay, Netherlands East Indies and the Philippines.

Moreover, while there is general agreement that there is no legal liability on the part of the occupying powers for damages suffered by nationals of the occupied country through acts of occupation personnel, a moral obligation might be argued on the grounds of humanitarianism, economic rehabilitation, and good will value. The case for such moral obligation, however, appears unsubstantial when the amounts

CM IN 13872

(1 Apr 49)

~~CONFIDENTIAL~~



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~~CONFIDENTIAL~~

DEPARTMENT OF THE ARMY  
STAFF COMMUNICATIONS OFFICE

Nr : C 68959

Page 3

of money and number of people involved are measured against the vast quantities of aid poured in by the United States since the beginning of the occupation to save the lives or improve the conditions of millions of Japanese nationals.

Aside from these considerations, account must be taken of the possible effects on the local situation. To the extent that claim payments to Japanese nationals would not be covered by corresponding payments by occupation personnel of their Governments, they would be an added burden on the Japanese national treasury. In view of the precarious condition of Japan's public finances and the current efforts of the Supreme Commander for the Allied Powers to force the Japanese Government to effect drastic governmental economies, the imposition of such added burden by the Supreme Commander for the Allied Powers should be avoided. The anti occupation propaganda potentialities of the addition of such expenditures to occupation costs might seriously counteract the beneficial results of whatever publicity attends the financial contribution currently being made by the United States to the support of Japan. ||

ACTION: CAD

INFO: JAG, ARMY COMPT, BUD

CM IN 13872

(1 Apr 49) DTG: 011017Z dgk/D

~~CONFIDENTIAL~~



NA  
1465

TOP SECRET 002027

THE SECRETARY OF DEFENSE  
WASHINGTON

ACTION  
is assigned to

*FE*

~~JTR~~  
~~AUB~~

27 MAY 1949

Office of  
FAR EASTERN AFFAIRS  
MAY 31 1949  
DIRECTOR  
Department of State

DCR  
File

Dear Mr. Secretary:

*NC FE*  
This will acknowledge receipt of your letter of 23/ May 1949, requesting a report concerning the implementation by the National Military Establishment of certain policies set forth in NSC 13/3, entitled "Recommendations with Respect to U. S. Policy Toward Japan".

I am requesting the Department of the Army to coordinate the preparation of this report and will write you further as soon as this work has been completed.

Sincerely yours,

*Paul John*

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

JUN 1 - 1949  
*Mr. P. File*  
DEPARTMENT OF STATE

The Honorable  
The Secretary of State

RECEIVED  
DEPARTMENT OF STATE  
MAY 31 PM 2 24  
1949

RECORDS BRANCH

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TOP SECRET

740.00119 CONTROL (JAPAN)  
/5-2749

TOP SECRET FILE

A/EPM

TS 704



STANDARD FORM NO. 64

CONFIDENTIAL

*RM/R*

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Allison

DATE: June 14, 1949

FROM : NA - Mr. Bishop *MUB*

This Document is to Be Returned to  
RM/R  
Central  
Files

SUBJECT: Tort Claims of Japanese Nationals Arising Out of Occupation Personnel.

As indicated in my memorandum of May 27, 1949 on the above subject, the attached draft cable has been prepared stating that SCAP should give his approval and support to the program of the Japanese Government for payment of tort claims and should give the Japanese Government information on the results of investigations to facilitate speedy and just settlements.

While no doubt is had that the draft cable is sound, all those who have given attention to it are doubtful whether it will serve any useful purpose. SCAP has stated strongly that he believes he should not participate in the Japanese Government program. We have already indicated that we think he should and a repetition is not likely to change his mind. What is actually being done comes close to satisfying our views.

I recommend, therefore, that no reply to SCAP's latest cable be made at this time.

*No further action at this time*  
*MB*

FW 740.00119-(CONTROL JAPAN) /5-2749

CONFIDENTIAL FILE

*FW: 740.00119 (Control Japan)*

*Wst*  
FE:NA:NHemendinger:lk  
6/14/49

DC/K  
Amdt 50  
Rev \_\_\_\_\_  
Clk \_\_\_\_\_

CONFIDENTIAL

MAR 27 1950



6/3/49

Per Snow and  
Pls return  
to NA, Hemmendinger  
Mr Hemmendinger  
WA  
This seems ok to me  
and



CONFIDENTIAL

SCAP

ACTION

FO:OSMA:GAD:State

FROM CB/GAD. CITE EGON.

Reurad G 50303 May, curad W 88038 May. Subj Tort claims of Japanese nationals arising out of acts of occupation personnel.

Procedures established by Jap Govt described in statement in Jap House Rep quoted urad are along lines contemplated curad. Believed that you should give indication to Jap Govt that these measures have your approval and support, and that occupation forces should cooperate by <sup>conveying</sup> exchanging information re results of investigations to facilitate speedy and just satisfaction of claims.

U.S. will insist that provision along lines Italian treaty referred to urad be included Jap treaty, and you may so indicate unofficially to Jap Govt. In our view participation by SCAP in Jap program would not be recognition validity Jap view that occupation forces responsible. In any event this appears academic question since Japs free raise <sup>question</sup> at peace table and result, as Jap Govt appears to recognize, will be Jap agreement accept responsibility.

Reasons foregoing views are political advantages speedy settlement such claims and desirability reducing treatment of problem in peace treaty to ratification accomplished facts. END

Wk  
FE:NA:NHemmendinger:lk  
6/3/49

L  
CES  
See above  
ht

OFD  
Barrett  
to note above.  
with

CONFIDENTIAL FILE

EM



CONFIDENTIAL

June 3, 1949

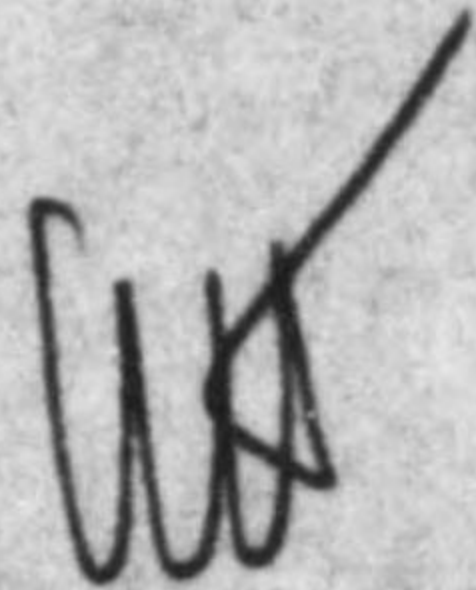
Executive Officer, CAD.

NA - Mr. Lory.

Tort Claims of Japanese Nationals Arising Out of  
Acts of Occupation Personnel.

Attached hereto is a draft cable to SCAP with refer-  
ence to C 50303, May and W 88038, May regarding the above  
subject.

I would appreciate it if you would inform me when  
Army concurrence has been obtained.

  
NA:NHemendinger, ext. 5517

CONFIDENTIAL



THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

*FE*

DIVISION OF  
NORTHEAST ASIAN AFFAIRS  
JUN - 8 1949

United States Political Adviser  
for Japan

*file*

Tokyo, May 27, 1949.

No. 346

DEPARTMENT OF STATE

UNCLASSIFIED

REC'D  
JUN 3

Subject: Eighty-seventh Meeting of the Allied Council for  
Japan, May 25, 1949.

ACTION  
FE ENC

*740.00119 Control (Japan) / 5-2749*

INFO

DCR  
OLI ENC  
EUR ENC

1/ 2/  
c

The Chargé d'Affaires ad interim has the honor to refer to this Mission's despatch no. 308 of May 12, 1949, 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 eighty-seventh meeting of the Council held on May 25, 1949.

As there were neither procedural nor official matters on the Agenda, there was no discussion and the meeting adjourned after approval of the minutes of the eighty-sixth meeting.

Enclosures: *att.*

1. Five copies of Agenda, Eighty-seventh Meeting of the Allied Council for Japan, May 25, 1949.
2. Five copies of Corrected Verbatim Minutes, Eighty-seventh Meeting of the Allied Council for Japan, May 25, 1949.

Action Assigned to *NA*  
 Action Taken *no action*  
 -----  
 Date of Action -----  
 Action Office Symbol *NA*  
 Name of Officer *W. Green*  
 Direction to DC/R *file*

310

RBFinn:gmd

- cc: American Embassy, London.  
 American Embassy, Nanking.  
 American Embassy, Moscow.  
 American Embassy, Canberra.  
 American Embassy, New Delhi.  
 American Embassy, Wellington.

*2/3/49*

Parchment Mat to the Department.

UNCLASSIFIED

ACTION COPY

RETURN TO DC/R FILES WITHIN 14 DAYS, WITH A NOTATION OF ACTION TAKEN

JUN 15 1949  
FILED

740.00119 CONTROL (JAPAN) / 5-2749

DMR



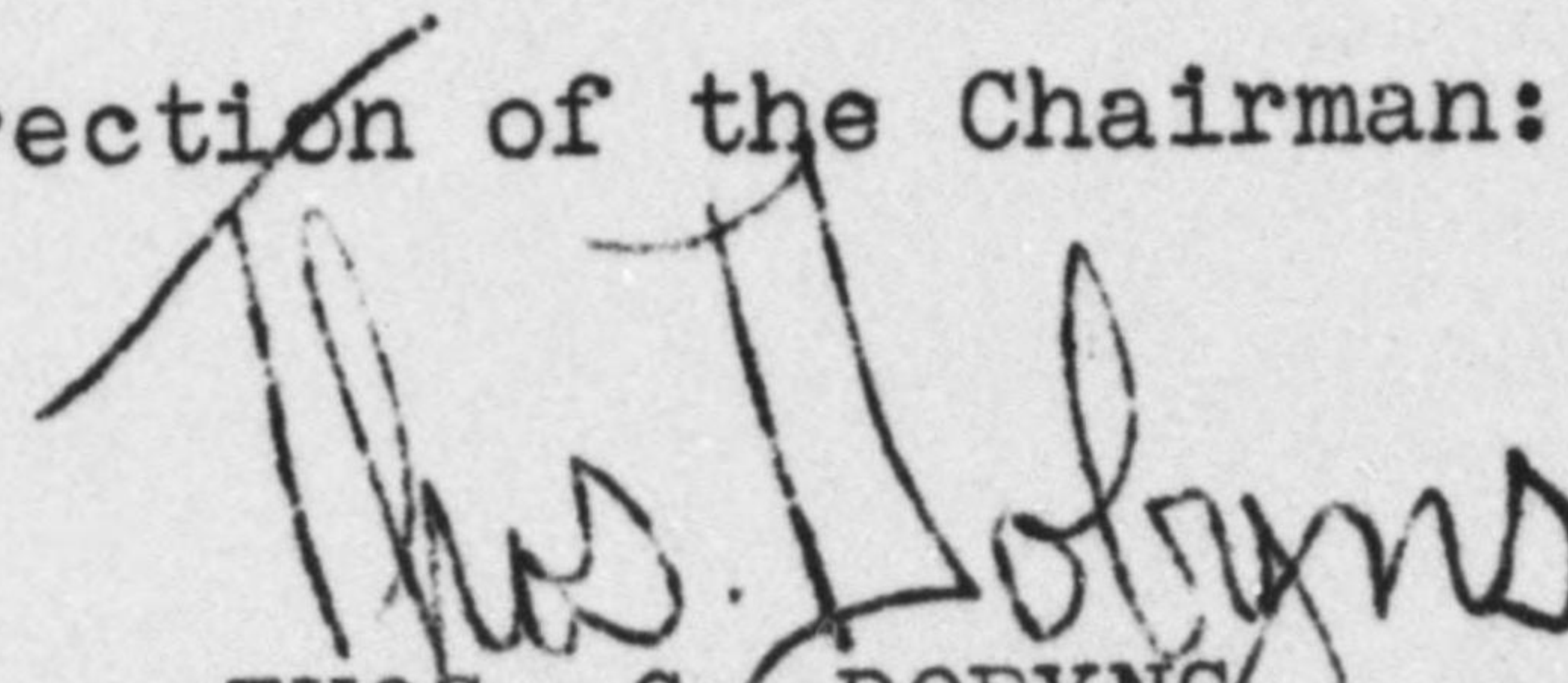
87-525

AGENDA  
for the  
EIGHTY-SEVENTH MEETING  
ALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo  
Wednesday, 25 May 1949, at 1000 Hours

- I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE  
EIGHTY-SIXTH MEETING (1 Session, numbered 86-511).
- II PROCEDURAL MATTERS  
None held over or submitted as subjects for this Agenda.
- III OFFICIAL MATTERS  
None held over or submitted as subjects for this Agenda.

By Direction of the Chairman:

  
THOS. G. DOBYNS  
Colonel, U.S.A.  
Secretary-General

20 May 1949



87-525

CORRECTED  
VERBATIM MINUTES  
of the  
EIGHTY-SEVENTH MEETING  
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 25 May 1949, at 1000 Hours

MEMBERS PRESENT

Mr. Cloyce K. Huston, Chairman pro tempore and representative  
of the Member for the United States

Lieutenant General Chu Shih-ming, Member for China

The Honorable Patrick Shaw, 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

Colonel Thos. G. Dobyns

Office of the Secretariat  
Allied Council for Japan  
25 May 1949



THE CHAIRMAN: The meeting will please come to order.

The Corrected Verbatim Minutes of the Eighty-sixth Meeting have been circulated among the Members and in the absence of objection (Pause) are approved.

Are there any procedural matters? (Pause)

There are no official matters on the agenda, and that would appear to conclude the meeting.

The meeting is adjourned.

(The meeting adjourned at 1001 hours.)



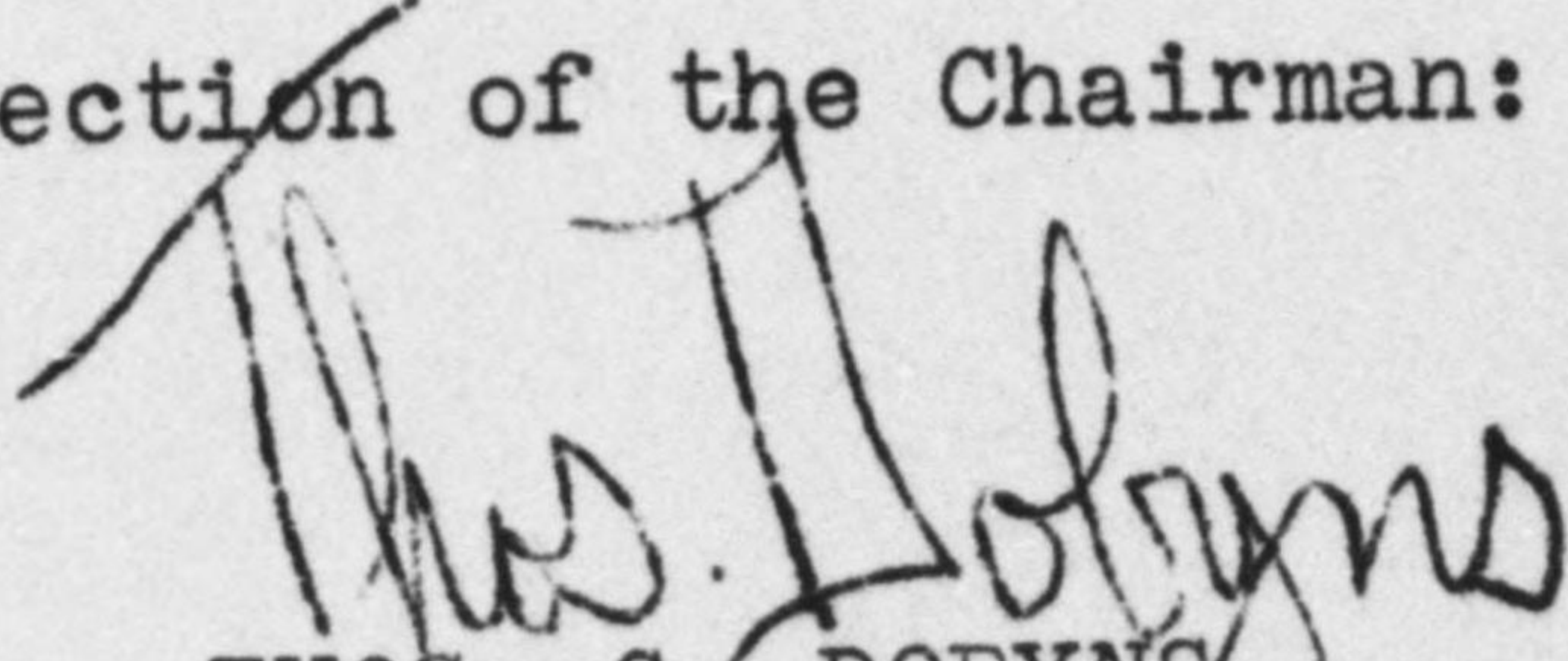
87-525

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By Direction of the Chairman:

  
THOS. G. DOBYNS  
Colonel, U.S.A.  
Secretary-General

20 May 1949



87-525

CORRECTED  
VERBATIM MINUTES  
of the  
EIGHTY-SEVENTH MEETING  
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 25 May 1949, at 1000 Hours

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

SECRETARY-GENERAL

Colonel Thos. G. Dobyms

Office of the Secretariat  
Allied Council for Japan  
25 May 1949



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There are no official matters on the agenda, and that would appear to conclude the meeting.

The meeting is adjourned.

(The meeting adjourned at 1001 hours.)



ACTION  
is assigned to

*TR*

715 Leavenworth St.,  
San Francisco, Calif.,  
28 May 1949.

RECEIVED  
JUN 1 1949  
DEPT OF STATE

Subject: Industrial Army of the Orient.

1949 JUN 3 AM 2 44

To: The Honorable Dean Acheson,  
Secretary of State,  
Washington, D.C.

DEPT OF STATE

*file*  
*PL*  
*Recorded*  
*6-3-49*

*DC/R*

Dear Mr. Acheson:-

Recently the Department of the Army has refused to put the undersigned on the Reserve active list again and has also refused promotion notwithstanding the fact that some very good ideas have been submitted by the undersigned; therefore it is suggested that the undersigned be authorized to organize an Army of Japanese nationals to operate under your direction or that of the President for the special purpose of establishing industries in Japan with American ownership using American relief money as the primary capital, such money to come out of that money now being expended there in connection with the Occupation.

As previously estimated it is believed that an initial investment of some five hundred millions over a period of ten years should yield this country additional assets in excess of two hundred and fifty BILLION dollars; an expenditure of ten millions will make one iron ore deposit in the Philippines worth in excess of one BILLION immediately.

Further, it is believed that as a part of the benefit from this project America can get a force of one million Japanese that will either fight for America against Russia or so conduct their activities as to help us commercially; it is a sure thing the we could acquire active support of a fully equipped Air Force of not less than one thousand fighter and other planes and ground establishments, together with other benefits of a varied nature.

The undersigned would be pleased to start on this project with a minimum delay and guarantee results amounting to not less than one hundred to one plus extras, with a salary of a thousand dollars net per day for personal requirements plus enough for staff and plants, etc.

It is believed that this project should be initiated with a minimum delay in the best interests of America.

Yours very truly,  
*Frederic L. Firebaugh*  
FREDERIC L. FIREBAUGH  
Mining Engineer, etc.

JUN 1 1949

FILED

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*7/28/49* *XL*



715 Leavenworth St.,  
San Francisco, Calif.,  
28 May 1949.

Subject: Industrial Army of the Orient.

To: The Honorable Dean Acheson,  
Secretary of State,  
Washington, D.C.

Dear Mr. Acheson:-

Recently the Department of the Army has refused to put the undersigned on the Reserve active list again and has also refused promotion notwithstanding the fact that some very good ideas have been submitted by the undersigned; therefore it is suggested that the undersigned be authorized to organize an Army of Japanese nationals to operate under your direction or that of the President for the special purpose of establishing industries in Japan with American ownership using American relief money as the primary capital, such money to come out of that money now being expended there in connection with the Occupation.

As previously estimated it is believed that an initial investment of some five hundred millions over a period of ten years should yield this country additional assets in excess of two hundred and fifty BILLION dollars; an expenditure of ten millions will make one iron ore deposit in the Philippines worth in excess of one BILLION immediately.

Further, it is believed that as a part of the benefit from this project America can get a force of one million Japanese that will either fight for America against Russia or so conduct their activities as to help us commercially; it is a sure thing that we could acquire active support of a fully equipped Air Force of not less than one thousand fighter and other planes and ground establishments, together with other benefits of a varied nature.

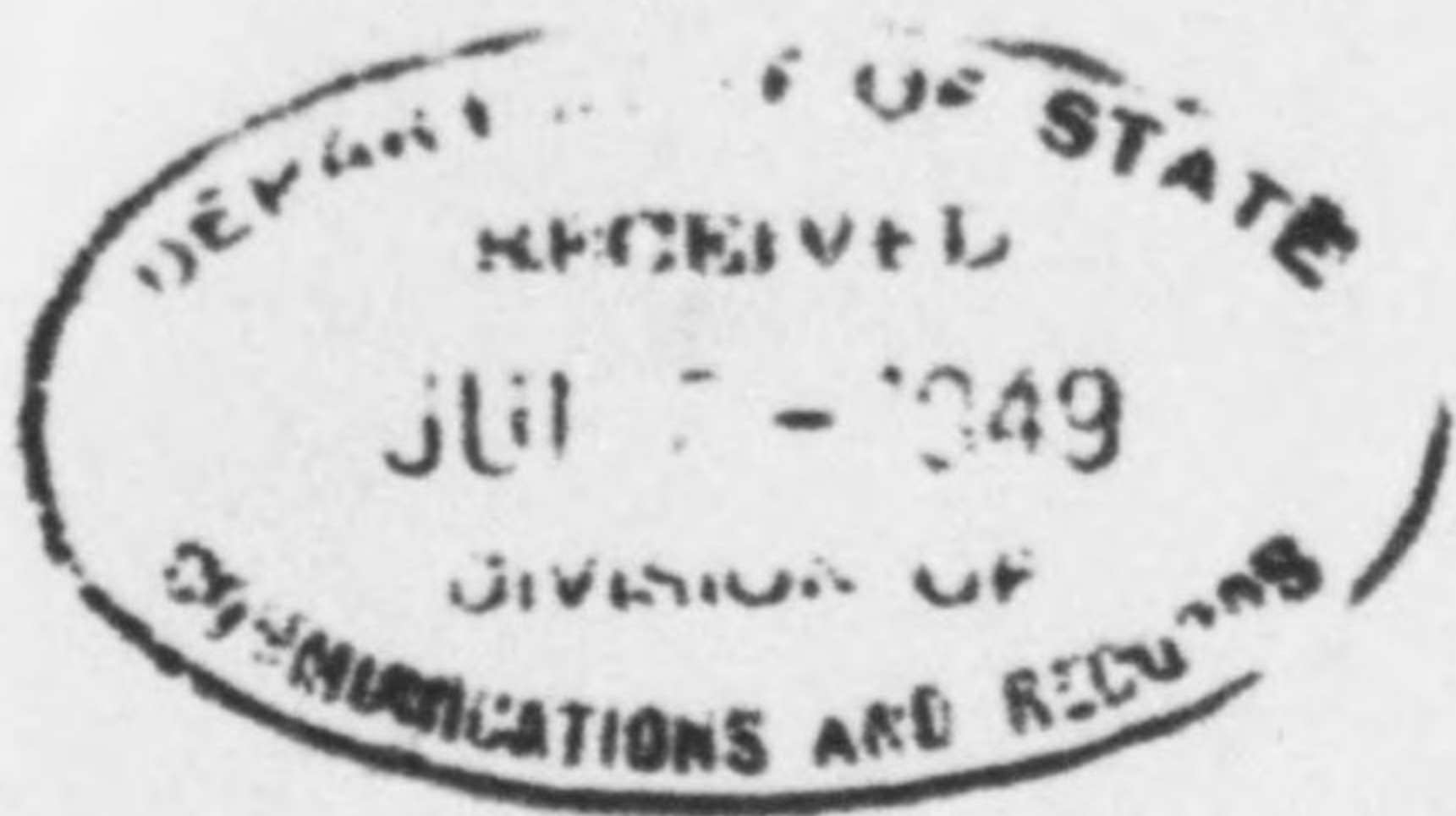
The undersigned would be pleased to start on this project with a minimum delay and guarantee results amounting to not less than one hundred to one plus extras, with a salary of a thousand dollars net per day for personal requirements plus enough for staff and plants, etc.

It is believed that this project should be initiated with a minimum delay in the best interests of America.

Yours very truly,

FREDERIC L. FIREBAUGH  
Mining Engineer, etc.





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DEPARTMENT OF STATE **NORTHEAST ASIAN AFFAIRS**

~~FE~~  
De/R

Memorandum of Conversation

JUN 27 1949

DEPARTMENT OF STATE  
DATE: May 27, 1949

SUBJECT: Return of General MacArthur to the United States.

x R  
811.221

PARTICIPANTS: Charles C. Platt, 101 Park Avenue, New York City.  
W. J. Sebald, Acting Political Advisor for Japan. WJ

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Pursuant to Mr. Bishop's request, I telephoned to Mr. Platt on May 27, 1949 with a view to clarifying the situation regarding the return of General MacArthur to the United States in order that a tribute might be paid to him. I told Mr. Platt that his letter to the Department of State on this subject had recently been received and that when it was shown to me for comment I had suggested the desirability of my telephoning to him during a visit to New York in order that I could completely clarify General MacArthur's position as was recently indicated to me by the General himself.

Mr. Platt at first gave me the impression of being rather suspicious of the underlying motive behind my telephoning to him. He had apparently gained the erroneous impression that I am General MacArthur's "political advisor" for political purposes. When I explained to him the nature of my duties and the close contact which I have with General MacArthur, he was extremely apologetic for having mistakenly thought that someone had ordered me to telephone to him. I then told him that General MacArthur had personally informed me that he has no intention of returning to the United States until his job in Japan is completed, by which is meant at such time as a treaty of peace is consummated. I also told Mr. Platt that General MacArthur is in excellent health and that while working very hard the General believes it would be most difficult for him to leave Japan at the present time.

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Mr. Platt  
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Mr. Platt was most appreciative of the trouble to which I had gone to explain the situation to him by telephone but said that he would write to me in Tokyo on this subject at a later date. In response to his request, I gave him my name, title and address.

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6/24/49

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D-597 Tokyo

GENERAL HEADQUARTERS  
FAR EAST COMLAND  
Public Information Office

Future Release:

30 August 1949

T H I S I S A F U T U R E R E L E A S E

The following information is given in ADVANCE and in CONFIDENCE and is released for publication not earlier than the morning newspapers of September 2.

GENERAL MacARTHUR'S STATEMENT ON THE FOURTH ANNIVERSARY OF THE JAPANESE SURRENDER

Today marks the fourth anniversary of that historic event on the Battleship Missouri in Tokyo Bay when the warring nations of the Pacific entered into solemn covenants designed to restore the peace. The four years since passed have been fruitful years here in terms of human progress, as the Japanese people have fully and faithfully observed their surrender commitments and advanced steadily and progressively along the road of spiritual regeneration and physical reconstruction. Today Japan might, indeed, be viewed as a symbol of hope for less fortunate peoples overwhelmed by the despotic rule of coercive force. For, despite the continued presence on Japan's soil of an occupation force from beyond the seas, the Japanese people in their enjoyment of full personal freedom know that by their skill and their industry they serve no other cause but their own. They, themselves, plot the ultimate course of Japan's destiny within the family of free nations.

The past year has witnessed accelerated progress in every phase of Japan's reconstruction. True, as elsewhere, there have been assaults upon the integrity of the democratic process by the small existent Communist minority, but these assaults were effectively repulsed--not by the repressive force of police power--but by the weight of an increasingly informed and active Japanese public opinion aroused to meet the threat to their free institutions. As a result, the threat of Communism as a major issue in Japanese life is past. It fell victim of its own excesses. The Japanese mind penetrated the hypocrisy supporting its position. This test of strength, while disturbing to orderly progress, served to bring to light for the first time the full latent power of the Japanese devotion to the concepts of freedom and the integrity of their constitutional processes. Therein lies encouragement for Japan's potential strength as a bulwark of human freedom.

Politically, progressive gains have been made in the fabrication of a system of government truly representative in character. The lines of separation between the three great branches, executive, legislative and judicial, as provided by the constitutional design, have found strength in healthy public discussion of the vital issue of constitutional interpretation, and as a result the affairs of government have advanced with a minimum of overlapping friction and increasing inter-branch cooperation.

The development of the desired autonomous responsibility in the conduct of local affairs has been retarded somewhat by the need for rationalization in the field of government finance to permit local revenues to support local government. A remedy for this difficulty is now being evolved, providing hope that the coming year will produce the legal basis fully to sustain the severance of pre-existing centralized controls and support the development of a political and social system resting upon interrelated and self-sustaining segments at the community level from which the national government may draw its power and direction. Therein will lie the safeguard against the re-emergence of autocracy as the prevailing philosophy of government in Japan.

Probably the most significant political development of the past year has been the growing consciousness of individual responsibility in the conduct of public affairs. This has been given emphasis by a popular demand for higher standards of public morality, keynoted by action of the electorate in rejecting for return to elective office public officials whose public record was compromised by the exposure of corruption in government. Administrative and judicial action in the investigation of the stewardship of public responsibility and vigorous prosecution, without fear or favor, of violators of the public trust, not only have served to safeguard the public interest, but have given vital reality to the constitutional

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assurance of "equality before the law." There is thus rapidly taking form the ethical base upon which the pillars of a free, responsible and representative government safely may rest.

Socially, the Japanese people are wearing well their constitutional mantle of personal liberty and individual dignity. Apart from the growing consciousness of individual responsibility in the conduct of public affairs, there has been a sharp revulsion against persons who have failed to abide the law, with a resulting decisive drop in the incidence of private crime. The basic causes of social unrest throughout Asia have largely been eradicated in Japan by a redesign of the social structure to permit the equalization of individual opportunity and personal privilege. This is having a profound influence upon the economic potential, thereby fortifying the spirit against radical designs of either extreme to suppress freedom.

Substantial progress has been made in the building of an effective police system based upon the statutory principle of decentralization in the exercise of the police power. Increasingly the Japanese people are coming to understand that this power rests in their hands, rather than in the hands of any ruling clique, and provides the legal weapon for the preservation of the local security by their direction. They realize that the maintenance of internal order in the nation as a whole, subject to the safeguards provided by law, is dependent upon the manner in which each community administers the police power corresponding to its local responsibility. Here, too, difficulties are being experienced due to the present maladjustment of government finance, but this problem, as pointed out, is in process of solution. Apart from this, progressive strides have been made toward implementation of the new concepts embodied in the police law, and the police services are being administered with restraint, tolerance and commendable efficiency. The danger that a police state will re-emerge or that the police system as now constituted and manned will fail to maintain reasonable law and order is non-existent.

Progress of trade unionization during the past year, despite a degree of freedom unsurpassed in modern civilization, has been somewhat impeded by the machinations of an irresponsible union leadership, but its rank and file are showing an increasing awareness of this threat to labor's legitimate objectives and are moving to insist upon moderation and objectivity. Workers in the public service, through the functioning of a modernized and enlightened civil service system established by law, for the first time in Japan's history find protection of their rights and interests adequately provided for, without continuous struggle on their part, with machinery established for the hearing and adjudication of individual or collective grievances. This has resulted in a marked uplift in individual morale and greater attendant efficiency in the conduct of the affairs of government.

The enfranchised women of Japan are exerting an increasingly beneficial influence upon Japan's political, economic and social life. They are responding magnificently to the challenge of the attending responsibility and give every promise of proving a powerful and effective force in the shaping of Japan's peaceful destiny.

Economically, Japan is still in transition from an economy of survival to one of health, but the past year has witnessed significant progress along a broad front. Foremost of the gains made lies in the development of a more positive leadership and an increasingly informed public opinion.

Both leaders and people are coming to understand that representative democracy draws its strength from the support of a broad majority of the people imbued with the belief that under it they may attain a standard of living commensurate with the capabilities of modern civilization--that a prerequisite to that condition is individual freedom of activity in the field of economic enterprise, for no individual bound in economic thralldom can be politically free. Thus, for the vast majority of those who earn their living in industrial and commercial pursuits there could be no political freedom so long as their economic destiny was determined by decisions made in the closed councils of the few families which formerly controlled the vast bulk of the productive and financial resources of Japan. Nor could there be any political freedom for those who work the soil so long as they were economic serfs under a feudalistic system of land tenure. The fruition during the past year of the plans laid down by the Occupation and carried out by the Japanese Government to remove, through the Economic Deconcentration Program on the one hand and the Land Reform Program on the other, these barriers to the existence of a free society, has established in Japan the economic basis for the existence of a broad middle class which, having a stake in the economic well-being of the country, will support the

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ideal of democracy as their way of life and will reject with scorn any will-of-the-wisp economic utopias which require the surrender of the individual's freedom to the State.

With patience, fortitude and self-discipline the Japanese people withstood the privations of the immediate postwar period. With comparable energy, industry and hope they are now launched on the huge task of making Japan once again self-supporting among the family of nations. On the way to that goal great obstacles have been overcome, although some still remain. Since the summer of 1945, when productive activity in Japan was utterly paralyzed, the production of commodities and goods for home consumption, for industrial use and for export has risen steadily until now it is rapidly approaching the average level for the years 1930 to 1934, prescribed by the Far Eastern Commission as an interim standard. Coal, basic to so much of Japan's industry, is now being produced at a monthly rate of 3.2 million metric tons as contrasted with less than 1.7 million metric tons in 1946. Electric power, another basic ingredient of industrial activity, has attained a monthly volume of 3.2 billion KWH, as compared with 2.8 billion one year ago. Production of chemicals, necessary both for industrial uses and for the protection of the public health, has attained a volume of 105% of the 1930-34 average, as compared with 76% one year ago and 21% in January 1946. Equally significant advances have been made in other fields of economic activity, such as in the construction of dwellings and business buildings to replace those destroyed by war, and in the production of an increasing variety of goods both for home consumption and sale overseas.

To acquire the raw materials needed to feed her industrial machine as well as to overcome the deficit in her indigenous food production, Japan must export a large volume of goods and services. Despite existing handicaps, chiefly the limited availability of raw materials from those sources which customarily supplied Japan in the prewar years, progress in this direction has been heartening. In 1946, Japan's total exports were \$103,000,000.00; in 1947, \$173,000,000.00; in 1948, \$258,000,000.00, and in the first six months of 1949, exports had already exceeded the total for the full year 1948 by a sizable margin.

In the past twelve months two significant decisions to promote the economic rehabilitation of Japan were taken by the Government of the United States. One was that of May 1949, to cease the removal of industrial plants for reparations. This action dispelled the pall of uncertainty which had previously paralyzed entrepreneurial initiative and restored the incentive to the investment of capital in the rehabilitation and construction of capital plant and equipment. The second was the authorization by the Congress of the United States of limited budgetary appropriations for financing the importation into Japan of materials needed for rehabilitation purposes in addition to the appropriations previously made for the importation of primary necessities such as food, fertilizer and medicines to protect the Japanese people against widespread suffering and disease.

The enactment by the Japanese National Diet in the spring of 1949 of a national budget which for the first time in many years achieved a true balance, and subsequent action to sharply curtail the cost of government by streamlining its structure and reducing its personnel, have struck at one of the contributing factors in the postwar inflation and are gradually effecting greater stability. To prevent the specter of inflation from rising again, a firm and determined course based upon sound fiscal and financial policies is now being pursued by the Japanese Government. This, accompanied by maximum utilization of indigenous resources and efficient employment of the manpower of Japan in the useful pursuits of peace, will speed the day when the Japanese economy will be stabilized and its dependence on American subsidy eliminated.

To stimulate productive endeavor and to strengthen the foundations for the growth of free private competitive enterprise in Japan, the economic controls necessitated by the war-generated shortages of critical materials have been removed as fast as the availability of adequate supplies has obviated their necessity. The timing of progressive further relaxations will, of course, depend on the progress of the transition from an economy of scarcity to one of normalcy.

Since October 1, 1945, nine and one-half million people have been added to the population of Japan--five million by repatriation and the rest through natural increase. Yet there has been no mass unemployment, no social unrest and no large-scale dole. In June 1949, persons reported as totally unemployed were fewer than 400,000. Further, despite recent reductions in the number of government employees in the interest of governmental economy and efficiency and the current rationalization of industry necessitated by the adoption of a single foreign exchange rate

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for foreign trade and the transition from subsidized to competitive industry, total unemployment by the end of August 1949 is estimated not to exceed one-half million persons. During the twelve months ended June 30, 1949, the total number of persons at work in any given week averaged over 34.5 million, as compared with 32.9 million in the preceding twelve-month period, or an average increase of 1.6 million in the total number of persons at work. In June 1949, the total number of persons at work stood at an all-time high of 37.4 million. These figures reflect an orderly absorption of the working energies of the increasing population in an expanding number of employment opportunities in industry, agriculture and small scale family enterprises. Unemployment, therefore, presents no major problem at the present time, and the expanding areas of employment in the work of reconstruction will stand safeguard against any acute unemployment problem in the foreseeable future.

Since the full employment of Japan's industrial potential requires a vigorous revival of her foreign trade and since among her chief customers in the past were the countries bordering on the Pacific basin, the question as to whether Japan will regain her traditional trade with China, despite the stranglehold of Communism upon that tragic land, has been mooted with increasing frequency. This question is largely academic. Foreign trade requires production in excess of domestic needs. Human experience demonstrates with striking clarity that the further removed a people become from the economic philosophy of free enterprise in like ratio does its productive capacity deteriorate. This deterioration proceeds until, as under Communism, with incentive completely lost, the human energy and individual initiative which find their expression in production give way to indolence and despair. In such unhealthy climate industry and commerce cannot thrive and realism warns that the potentialities of trade with any people under the strictures of a collectivistic system must be discounted accordingly. For the time being, therefore, and for some time to come, Japan must look elsewhere for the sources of her needed imports and the markets for her manufactures. Against this need Japan has already initiated foreign trade with 113 other countries and territorial areas.

I dare say that no operation in history has been subject to such an extraordinary divergence of opinion carried in the media of public expression than has the Occupation of Japan. Some writers have been extravagant in their praise, others no less extravagant in their criticism. The truth, awaiting the judgment of history, will rest somewhere in between.

Nor has there been any operation subject to such a variety of influences and pressures--the ideological protagonists, the special pleaders, the vindictive and the lenient--many seeking to influence public opinion through prevarication of the truth. In the search for sensationalism, incidents in Japan, elsewhere scarcely worth the public notice, have been exaggerated out of all proportion to their true significance, with the serenity and order and sincerity of purpose normal to postwar Japan all but ignored. And time and again simultaneous attack has been leveled against Occupation policy, but the leftists as too reactionary and by the conservatives as too liberal. Such an atmosphere, while giving assurance that our moderate course is well charted, does not contribute to an objective public appraisal of the situation.

The great and noble effort by the American people, with the wholehearted support of other Allies, toward the reorientation and reconstruction of postwar Japan, beyond peradventure of doubt, will prove eminently successful. Long hence history will record of the Occupation that its greatest contribution to the progress of civilization was to introduce into Japan the great concepts of personal liberty and individual dignity and to give the Christian ideal the opportunity to advance into Asia.

Of the Japanese people I can pay no higher tribute than to repeat that they have fully and faithfully fulfilled their surrender commitments and have well earned the freedom and dignity and opportunity which alone can come with the restoration of a formal Peace.

SEP 22 1949



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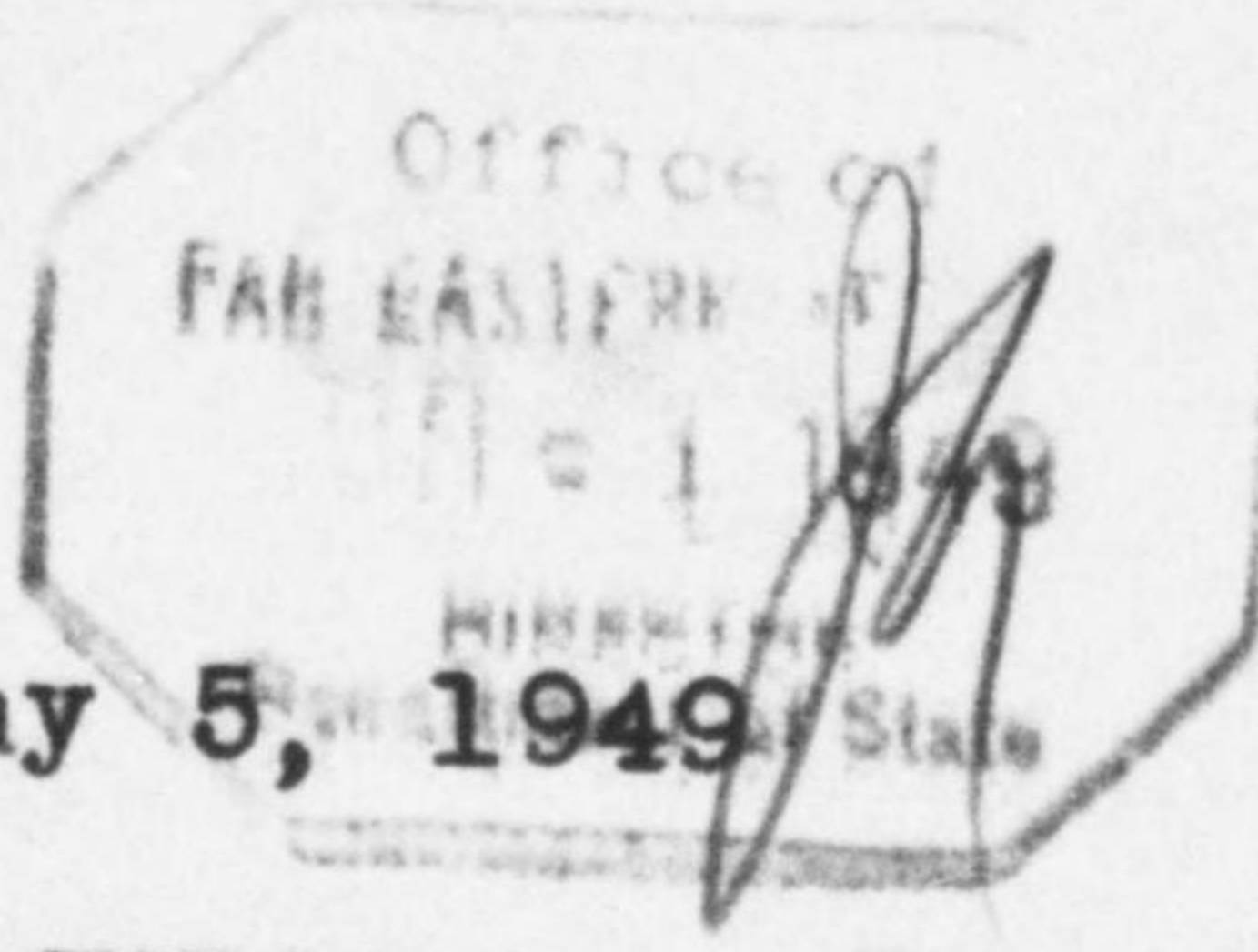
Office Memorandum • UNITED STATES GOVERNMENT

NA-file  
DATE: 5/31/49

TO : Mr. Bishop

FROM : Mr. Green *mg*

SUBJECT: Tokyo's 279 of May 5, 1949



Central Files 1

These Gaimusho figures on occupation costs for 1945-1947 inclusive are said by USPOLAD to be exaggerated and to give wholly inadequate attention to compensating factors, such as strenuous SCAP efforts to reduce costs, the contribution of the occupation to the relief of Japan, the long term benefit to Japan of permanent occupation constructions.

The significance of this Gaimusho brochure would seem to me to lie in its probable reflection of typical Japanese thinking on occupation costs.

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THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

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United States Political Adviser  
for Japan

Tokyo, May 5, 1949.

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No. 279

DIVISION OF  
NORTHEAST ASIAN AFFAIRS

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MAY 18 1949

DEPARTMENT OF STATE

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Subject: Japanese Monograph Regarding Expenditures Connected  
with Allied Occupation.

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The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to enclose five copies of a monograph dated July 1948 prepared by the Foreign Office of the Japanese Government on the subject of Japanese expenditures, including some reparations costs connected with the Allied Occupation.

The enclosed monograph, which deals with the years 1945, 1946, and 1947, describes the legal basis for these expenditures, budgetary measures, and the burdens on the Japanese economy. Many tables are appended to illustrate specific points made in the discussion.

The monograph states that Japan has actually disbursed for these years almost 106 billion yen and claims that the real value of these expenditures amounted to virtually 50% of the government's appropriations, although statistically constituting only about 32% of the respective budgets. The monograph also asserts that in spite of Occupation efforts to curtail expenses there was a marked increase in appropriations in 1947.

The monograph notes that the major portion of Occupation costs is caused by outlays for housing and other construction. It complains of outlays required for construction in Korea and of blackmarket operations connected with Occupation construction.

Demands on Japan's material resources are also outlined. Of Japan's total coal production, for example, 3.8 percent in 1946 and 5.4 percent in 1947 were supplied directly to the Occupation, but at the same time coal indirectly supplied the Occupation in 1946 amounted to 9.6 percent and in 1947 to 11.8 percent.

This Mission considers it unnecessary to undertake a detailed analysis of the enclosed monograph. The statistics supplied have not been checked; many of the conclusions are extreme or captious. It could be pointed out, for example, that much of the expenditure for construction is an investment which will redound to the benefit of Japan. The significant point appears to be that the Occupation has

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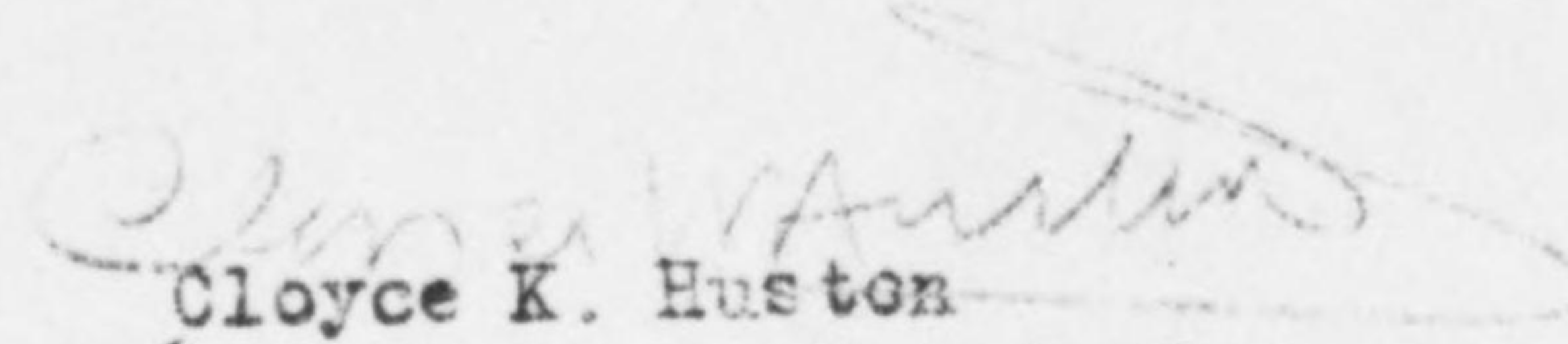
Tokyo's Despatch No. 279,  
May 5, 1949.

- 2 -

for several years been making strenuous efforts to reduce its demands on the Japanese economy and the heavy expenses complained of in the monograph are no longer required of the Japanese.

The brief conclusion to the monograph notes that the occupation of Japan imposes an enormous economic burden on the Allied Powers. If this burden were described in detail, the Japanese position would lose much of its apparent merit.

Respectfully yours,

  
Cloyce K. Huston  
Chargé d'Affaires ad interim

Enclosure: *alt*

Five copies of monograph entitled  
"Expenditures Connected with  
Allied Occupation".

*RRM*

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**EXPENDITURES CONNECTED  
WITH ALLIED  
OCCUPATION**

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**FOREIGN OFFICE  
JAPANESE GOVERNMENT**

**JULY 1948**



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## INTRODUCTION

The expenditures connected with Allied occupation of Japan comprise (a) those paid by the Allied governments in foreign currencies as salaries for officers and men, supply and maintenance expenses of the forces and relief outlays; and (b) those paid by the Japanese government in yen currency. The present Report deals exclusively with the latter class of expenditures.

The expenditures paid by the Japanese government in yen currency consist principally of (1) occupation costs, namely those expenditures which are necessary, either directly or indirectly, to meet requirements of the Allied forces for cash, supplies, equipment and services; and (2) expenditures largely related to reparations, including (a) those necessary for execution of the Reparations program, and (b) those for investigation and restitution of Allied properties in Japan. Those expenditures which may be called reparations expenditures in the broad sense are not applied to the needs of the Occupation forces themselves. But inasmuch as they are necessary in order that the Japanese government may take measures required by the Occupation forces with respect to reparations, and moreover they affect Japanese economy equally as do the occupation costs, the present Report, while dealing principally with the occupation costs, contain references to the reparations expenditures to a certain extent.

### I. LEGAL BASIS FOR DISBURSEMENTS

#### 1. Relating to occupation costs

The General Order No. 1 issued under Directive No. 1, 2 September 1945, of the Supreme Commander for the Allied Powers stated in Article X: "All Japanese and Japanese-controlled military and civil authorities shall aid and assist the occupation of Japanese and Japanese-controlled areas by forces of the Allied Powers."

As one of the means of implementing the above order the SCAP Directive No. 2 of 3 September 1945, in Part IV entitled "Resources," directed the Japanese government to "place at the disposal of the Occupa-



tion Forces of the Allied Powers all local resources required for their use"; to make provisions "to furnish Allied Occupation Forces with petroleum products, storage and distribution facilities as required to the limit of availability"; to provide labor as ordered; "to be prepared to furnish to the Occupation Forces all buildings suitable for and required by these forces"; to make selected airfields available to Occupation forces and effect improvements of the runways, if required. The Directive also stipulated for the government to establish one central agency and required sub-agencies for handling the business. It is under these Allied orders that the Japanese government is obligated to provide supplies, equipment and services as required by the Occupation forces.

As regards the yen funds required by the Occupation forces themselves, the Memorandum of 4 September 1945 directed the Japanese government to cause the Bank of Japan to place to the credit of the Allied Funding Officer such sums as he might request, from which payment would be made by Disbursing Officers (Note 1). The memorandum stipulated that the cost of printing, handling and distribution of these funds was to be borne by the Japanese government.

Concerning requisitions in kind, the payment is done by the Japanese government in accordance with the SCAP Memorandum of 25 September 1945.

As regards labor, the SCAP Memorandum of 30 June 1946 on the subject "Payment of Japanese and Foreign Nationals Employed by Occupation Forces" states: "The preparation of payrolls and payment of all Japanese nationals employed by Occupation Forces is the responsibility of the Imperial Japanese Government." On the other hand, the Japanese government has only to direct the Bank of Japan to make arrangements for disbursing pay to foreign nationals employed by Occupation forces, the payment data and the necessary yen currency being furnished by Occupation forces. This means that foreign nationals are hired by Occupation forces and paid directly from the yen fund which is supplied by the Bank of Japan.

As regards the redemption of the yen funds supplied to Allied Disbursing Officers by the Bank of Japan, no instructions have been received

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Note 1. Later under date of 5 October 1945 the government was requested to direct the Bank of Japan to segregate and earmark 3 billion yen in notes of the bank for the use of the Occupation forces.