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740.00119 CONTROL(JAPAN)/4-147 -- 4-3047

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Cameron
FROM : B. O'Sullivan *BOJ*
SUBJECT: Technical Surveys in Japan.

DATE: April 1, 1947

The attached draft cable has been cleared by the War Department (Major Stephenson, CAD, Ext. 5013).

It is the result of a meeting held about a month ago in Mr. Gross' office, with Fahey and Rusk participating for the War Department, and John Green representing the Department of Commerce.

The cable is designed to get SCAP's reaction to a proposed mission of technical experts sent out for the purpose of obtaining information of value to industry.

At the meeting in Mr. Gross' office, a tentative conclusion was reached that a SWNCC paper should be written on the various policy and legal questions involved. In subsequent discussions, the interested divisions have felt that no SWNCC paper on the over-all question would be necessary. It is therefore proposed to send out this cable to ascertain SCAP's reaction.

Our original State draft had the concurrence of Allison, JA, Martin, JK, and General Snow, Le. The revisions suggested by the War Department were minor. I have discussed them with Fearey, JA, who agrees with me that it is unnecessary to clear this cable all the way through again.

Attachment

Phoned to Stephenson, CAD 4/1

740.00119 continued (Japan) / 4-147

A-4-1522

Draft Cable to SCAP:

Executive Secretary John C. Green of Publication Board, interdepartmental committee of Cabinet rank established under Executive Order 9568 June 1945 as amended by Order 9604 August 1945 specifically to cover dissemination of technical information secured in enemy countries, has been endeavoring since January 1946 obtain permission dispatch small number technical specialists Japan to examine and report on Japanese technical and scientific advances, both patented and unpatented. Project approved in principle by State May 1946 but disapproved August by War on grounds that proposed missions would raise insoluble problems Allied rights and interests, and that SCAP had agreed obtain and forward any requested information.

Green has renewed request stating technicians specially recruited here by Commerce from ceramics, metallurgical and other principally interested industries are alone competent to find, evaluate and report Japanese discoveries. Emphasizes Publication Board entirely agreeable make reports available Allies after security screening, investigators would be despatched on rotating basis, only 6 or 7 at a time, possibly 25 in all, and would be paid by Commerce Department from \$200,000 funds already appropriated by Congress specifically for the Japanese survey, or on basis similar to Petroleum Mission. Would be attached your staff under your supervision and control, available advise Office Civil Property Custodian if desired. Green states there is positive evidence valuable processes and developments in Japan, his office under continuing pressure American industry exploit Japanese discoveries. Project would be on far smaller scale than in Germany where similarly organized missions have obtained much valuable information.

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(2 Apr 47)

- 2 -

State has considered international and legal problems involved and perceives no serious obstacles. Allied rights and interests protected to maximum feasible extent, through publication of information, considering practical impossibility many nations participate actual investigations in Japan. Nations actively participating war against Japan might later be allowed conduct on spot examinations, with reparation and restitution mission personnel already in Japan, of equipment or processes in which they were particularly interested noted in U.S. investigators' published reports. Believed Allies would be satisfied, particularly if, as seems desirable, notification were given them prior to departure of mission to Japan, and officially, rather than through subsequent unofficial press reports.

State and War Depts request your comments on this proposal soonest.

D-1/R

April 11, 1947

In reply refer to
DRF

740.00119 CONTROL (JAPAN) / 4-147

My dear Mr. Greaves:

It has been brought to our attention that the technical reports of the Natural Resources Section GHO, SCAP, distributed by your Branch, may be discontinued.

I should like to take this opportunity to stress the value of these reports in the work of this division and other activities of the Department of State and, register to you, for transmittal to the appropriate authorities in the War Department, our earnest hope that the series will be continued.

740.00119
Control
(Korea)

The Division of Research for Far East is responsible for basic research and evaluations on matters affecting U. S. policy in Japan and Korea as requested by policy officials in the Department. In the performance of this mission, the Division is largely dependent upon informational materials released by SCAP and distributed by your Branch. Our need for complete, accurate, and timely information has never been fully met by materials transmitted by SCAP with the result that we are forced to rely heavily on technical reports such as the series in question for basic statistical data covering broad areas of economic activity. Our contribution to policy officials in the Department, members of important inter-agency committees such as the SWNCC committees, and for the U.S. representatives on the FEC would suffer if there were any further restriction of the already limited flow of information from SCAP, especially fundamental statistical material.

The Natural Resources Section technical reports are unusually complete and accurate, and show a high degree of professional competence among the staff who are responsible for them. The type of basic information contained in these reports does much to reconcile the inconsistencies so widely distributed in other sources of information on similar subjects.

In view

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Mr. Rex E. Greaves,
Chief, Information Branch,
Civil Affairs Division,
War Department,
Washington 25, D. C.

CS / V

740.00119 Control
4-147

-2-

In view of the importance and value of the reports of the Natural Resources Section in the work of this Division, I hope it will be possible to continue them.

Sincerely yours,

Charles C. Stelle
Acting Chief, Division
of Research for Far East

DOB - IFF 612

W.S.H. Just
DRP:W.S. Unsberger (J.W. Lydman) dw

3/28/47

Tunn
AD DIR

NA
(Cleared by
Phone with
Mr. Alley
3/31)

RUTH F. SASAKI
124 EAST 65TH STREET
NEW YORK 21, N. Y.
REGENT 4-0260



April 2, 1947

DC/R
see ap file
740.00119
Control (Japan)
4-16-46

Dear Mr. Vincent,

Thank you for your letter of March 28th.

Since I wrote you several things have happened for me. You may remember that Mr. D'Arms of the Civil Affairs Division of the War Department asked me to let him know if the effort to get permission to Japan failed. When that word came through I wrote him and asked if possibly I might get permission to go out for a period of two or three months only during the summer and for work with Buddhist groups only.

Within an unbelievably short time a reply came from Lieut. Col. Robert B. Mc Rae, Chief, Reorientation Branch, Civil Affairs Division, saying he had taken the matter up with the authorities and suggested that within a month I make another application on the basis I had suggested, including a tentative sailing date.

As much out of curiosity as anything else I went to the American Express to enquire about sailings, and to my amazement found I could get a passage on the S.S. General Meigs, sailing May 16th from San Francisco. I immediately wrote Colonel Mc Rae and asked if there was a possibility of my making use of this passage. He again took the matter up with the authorities and they agreed to make an exception in this case and make the application for me for that date. The enclosed letter is my formal request to Mrs. Shipley.

Of course I don't know what the outcome will be. But the request is made and we will see. However, to be on the safe side I am going ahead with my own arrangements, and can only hope I shall be successful this time. Please hope with me.

With kindest personal regards,

Sincerely,

Ruth F. Sasaki

Mr. John Carter Vincent
Department of State
Washington, D.C.

DCR - Unit
RE
HA

740.00119 CONTROL (JAPAN)
/4-247

CS/A
740.00119 Control
(Japan) /4-247

April 2, 1947

Mrs. R.B.Shipley,
Chief, Passport Division,
Department of State,
Washington, D.C.

My dear Mrs. Shipley,

I am writing you at this time on the advice of Robert B. McRae, Lieutenant Colonel, GBC, Chief, Reorientation Branch, Civil Affairs Division, War Department Special Staff, War Department, Washington, D.C.

I hereby request permission to enter Japan on the "S.S. General Meigs" of the "President Lines," sailing from San Francisco on May 16th, inst., on which space has been tentatively assigned to me, and to remain in Japan approximately three months, dividing my time between the Tokyo and Kyoto areas, and confining myself solely to the Buddhist activities and purposes outlined below:

(1) As the representative of numerous Buddhist groups in the United States, including the First Zen Institute of America, Inc., 124 East 65th Street, New York City; the New York Buddhist Church, 171 West 94th Street, New York City, the Eastern Young Buddhists League, and so forth, as well as the Buddhist Society of London, England, to take to the Buddhists of Japan their expressions of cheer and good-will and to consult with them regarding measures of mutual benefit to be taken in the future.

(2) To consult and advise with such organizations as the All-Japan Buddhist Society of Tokyo and Kyoto, and others, regarding plans for organization and inauguration of activities such as will stimulate the spiritual energy of their adherents and members and thus make them better able to cooperate in the building of the new and democratic Japan.

(3) To consult and advise with the Kwanchos (Abotts) of the head-quarter temples of Rinzaï Zen at Kamakura and Kyoto, the Association of Rinzaï Sect, and the heads of the Rinzaï Mission Work, regarding the modernization of their education work among priests, student monks, and laymen.

It is my opinion that, as a corollary to intensive education from without, the Japanese people should be urged to search within their own cultural resevoirs, of which Buddhism is the supreme example, for sources of inspiration to social and political democracy. The superb work

R.B.S. -2-

already undertaken by our government could, I feel, be immeasurably strengthened by the reappraisal and resuscitation of a force which has in the past stimulated the Japanese people to the finest in their culture.

The short time permitted by the unexpected opportunity to obtain passage on the "S.S. General Meigs" has made it impossible, with one exception herewith appended, to get from the organizations mentioned formal letters of appointment and invitation to accompany this request. However, my letter of February first, inst. contains documents relating to this subject as well as more complete information regarding myself. I have been in communication with these various organizations, both in this country and in Japan and have been advised that conferences are being arranged there for the purposes stated above. Living quarters have already been prepared for me at the Zen temples of Engaku-ji at Kita Kamakura, and at Shokoku-ji in Kyoto.

I shall be happy to conform in all ways to the requirements demanded of a private citizen of the United States entering Japan at this time, for purposes which have the character of missionary work.

My application for a passport, together with the necessary photographs and fee were forwarded to your office from the New York Passport Bureau several weeks ago.

I have information in a letter of March 27th, inst. from Colonel McKee, that the Civil Affairs Division has presented to the authorities the information above stated, and that though the usual time has not elapsed before renewing an appeal previously denied by the Theater, in view of the fact that steamship accommodation has been tentatively assigned for May 16th, they have agreed to request permission for my trip at this time.

Sincerely yours,

Ruth F. Sasaki
Mrs. Ruth F. Sasaki

Encl.

April 2, 1947

Mrs. R.B.Shipley,
Chief, Passport Division,
Department of State,
Washington 25, D.C.

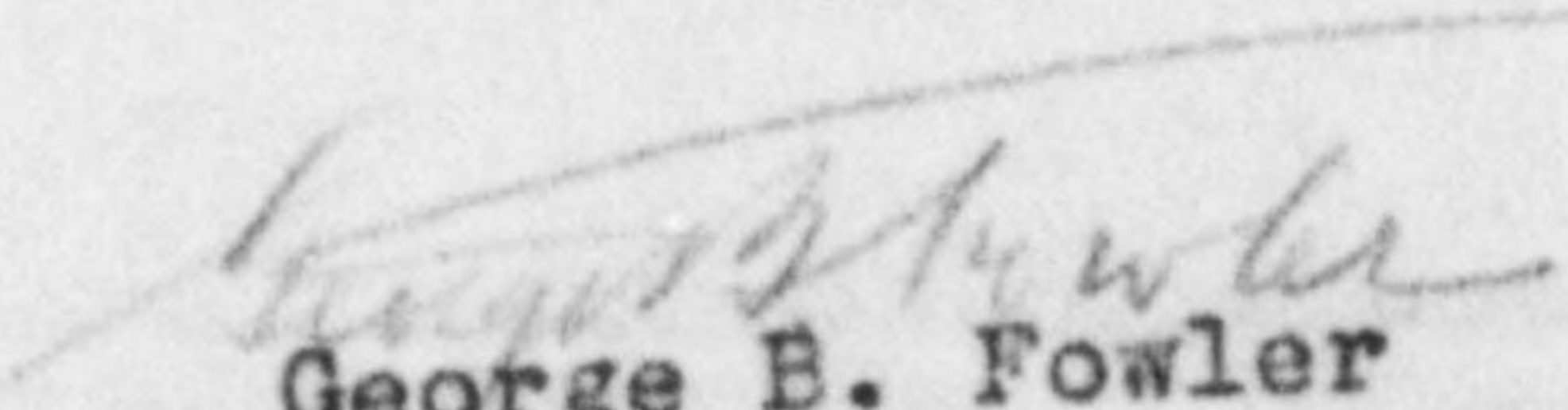
My dear Mrs. Shipley,

I am writing in behalf of the request to enter Japan of my old friend Mrs. Ruth F. Sasaki. Japan is the sole country which Mrs. Sasaki is asking to visit.

The necessity for her travelling in Japan arises from the request of several Buddhist organizations that she visit them, as well as from our desire that she carry out certain educational work for us among them.

If she goes, she will represent the First Zen Institute of America, Inc. of which she is Vice-President.

Yours truly,


George B. Fowler

President.

UNITED STATES POLITICAL ADVISER FOR JAPAN

DIVISION OF Tokyo April 5, 1947. NORTHEAST ASIAN AFFAIRS

UNCLASSIFIED

No. 948

RECEIVED JUL 23 1947 DIVISION OF BIOGRAPHIC INTELLIGENCE

APR 29 1947 DEPARTMENT OF STATE

MAY 28 1947

SUBJECT: Statement by General MacArthur Regarding Reparations and Japan Peace Treaty and Press Comment Thereon.

740.00119 P.W.
74.0011 P.W.
(Peace)

The United States Political Adviser has the honor to enclose a copy of the report by Miles W. Vaughan, United Press General Manager for East Asia, as published in the Mainichi of March 19, 1947, of an interview granted by General MacArthur on March 19, 1947, together with copies of news items and editorial comment thereon which have appeared in both the English and Japanese language newspapers of Tokyo, concerning developments in Japan and the desirability of a speedy settlement of reparations questions and negotiation of a peace treaty.

Com - line
War - line
Navy - line

Editorials on this subject which appeared in the Asahi of March 20, 1947, and the Mainichi of March 21, 1947, are enclosed, with translations into English, as well as comments appearing in other of the more important Japanese papers, with summaries in English.

Enclosures:

AH

1. Copy of report by Miles W. Vaughan of interview with General MacArthur.
2. Editorials from Asahi and Mainichi regarding interview.
3. News items from Asahi and Mainichi and certain other Japanese newspapers regarding interview.

Original and four copies to Department

DIVISION OF TRADE AND ECONOMIC DEVELOPMENT
MAY 19 1947
DEPARTMENT OF STATE

740.00119 CONTROL (JAPAN) /4-547

4/25

DEPARTMENT OF STATE RECEIVED JUN 4 1947 OFFICE OF INTELLIGENCE COLLECTION AND DISSEMINATION

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HB

DEPARTMENT OF STATE OFFICE OF ECONOMIC SECURITY

G.M.V.

Enclosure No. 1 to Despatch No. 948 dated April 5, 1947 from the United States Political Adviser for Japan, Tokyo, on the subject "Statement by General MacArthur Regarding Reparations and Japan Peace Treaty and Press Comment Thereon."

Flash

By MILES W. VAUGHN

United Press General Manager for Asia

General Douglas MacArthur, in an unprecedented press interview yesterday, urged immediate solution of the reparations question and a peace treaty with Japan at the earliest possible date, asserting "the present economic strangulation of Japan is more threatening than the atomic bomb" as it endangers millions of Japanese lives.

General MacArthur recommended the withdrawal of all Allied troops from Japan as soon as a peace treaty is signed.

MACARTHUR REPORT HAILS NEW ADVANCE TOWARD DEMOCRACY

New Cabinet Law Marks Sharp Break From Past, December Survey Declares

The Diet's enactment of legislation implementing the new constitution highlighted Japan's advancement toward democracy in the closing month of 1946, according to General MacArthur's latest report on the Occupation, released Sunday.

Japan's new laws create a popularly elected upper house in the legislature to replace the hand-picked elite of the old House of Peers, make the cabinet directly responsible to the people's representatives, deny special immunities to members of the Imperial Family, and assign to the people of Japan full control and authority over the holdings of the Imperial Household, reports SCAP's December summation.

Legislation Implementing the Constitution

The House of Peers, which will pass out of existence when the new constitution becomes effective on May 3, will be replaced by an entirely new legislative body, the House of Councillors, with all members chosen directly by the people. Although the legislative authority of the new upper house will be somewhat inferior to that of the House of Representatives, it is regarded by framers of the House of Councillors' Election Law as an agency which will temper the deliberations and actions of the powerful lower house.

Although the election of members to the House of Councillors may be held prior to enforcement of the new constitution, this law specifically provides that the balloting will be conducted under the constitution's terms.

Political observers have expressed belief that provisions of the new Cabinet Law represent an important step in the evolution of democracy in Japan. This law required that the cabinet be held collectively responsible to the Diet, marking a sharp break from the past when members of the cabinet were individually responsible to the Emperor.

The Imperial House Law, in addition to denying the Emperor special immunities and making him subject to the nation's laws, enables members of the Imperial Family, other than princes of the blood, to assume the status of ordinary citizens. Moreover, a high degree of democratic control over the public affairs of the Imperial Family is afforded by means of the completely reorganized Imperial House Council, half of whose members are to be elected officials.

The related Imperial House Economy Law specifies that the Diet may grant the Emperor a "privy purse" to provide for personal expenses, but transfers Imperial Household properties to the state. The specific financial needs of the Imperial Family will be determined by an Imperial House Economy Council, directly representative of the people, which will submit suitable recommendations to the Diet. This Council will also have authority to review the granting or receiving of gifts by the Imperial House and to determine which state properties, such as houses or estates, may be used by the Imperial Family.

Land Reform

Implementing the Land Reform Law, the Cabinet passed an ordinance calling for completion, within two years, of the national program to stamp out the evils of the old farm tenancy system and to make it possible for all farmers to own their own land. The Cabinet also created a Central Agricultural Land Commission to supervise the administration of the national program, which includes eight tenant farmers and an equal number of landlords, in addition to two representatives of national farm organizations and five agricultural experts, with the Minister of Agriculture and Forestry as Chairman.

Because the effectiveness of the Land Reform program depends in large measure on the people's understanding of it, an effort was made to give it widespread publicity prior to the election of more than 10,000 local or village land commissions in the December 20-31 voting. The local commissions, each of which will include five tenant farmers, two owner-cultivators, and three landlords, are directly responsible for administering agrarian reform within their communities. Prefectural land commissioners were to be chosen later by and from the local commissions in each prefecture.

In a further effort to stabilize the social and economic status of farm villages, the Ministry of Agriculture and Forestry reported that it had drafted a long-range program for development of rural industries.

It is planned to establish 50 model factories throughout Japan to train technical personnel and to furnish guidance to similar factories. These model factories will form the nucleus for the development of 10,000 rural factories engaged in processing agricultural products, light manufacturing and handicraft

production.

Labor Purge

In the field of labor, the government took decisive action to prevent the re-appearance of labor organizations designed to regiment workers or to violate their personal liberties under any guise and to eliminate the influence of wartime "labor front" leaders in labor affairs. An Imperial ordinance promulgated on 14 December effects the dissolution of the Tokyo Autonomous Labor Federation and similar re-earnings organizations of the wartime "labor front" organizations and excludes from leadership in organizations concerned with labor all former officials and influential persons in specified "patriotic" organizations guilty of infringing personal liberties. The ordinance provides also for the seizing of properties of dissolved organizations by the government.

It is predicted that 10,000 persons will be affected by the purge order.

The record indicates that the mediation activities of Labor Relations Committees assumed increasing importance in industrial relations.

In the first use of the provision allowing a labor relations committee to request the assistance of newspaper and radio in making public mediation proposals, a strike involving 12,000 workers of the Tokyo Express Railway Company was called off several hours after a mediation plan was broadcast.

NIPPON TIMES, March 18, 1947

WJS

IMMEDIATE ACTION ON PEACE PACT IS URGED BY GENERAL MACARTHUR**Flash**

By MILES W. VAUGHN

United Press General Manager for Asia

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Conclusion of 50 collective agreements in October brought to 1,501 the number reported since December 1945. More than three-fourths of these agreements were in manufacturing industries. The majority of disputes from August 1945 through October 1946, were settled without resort to acts of dispute.

By October 31, a total of 15,172 unions with a membership of 4,168,305, were registered. Consolidation of organized labor continued with the inauguration of several prefectural and regional federations of the national labor federations.

Political Developments

Although the close of 1946 was characterized by intensive political activity, maneuverings by political parties were regarded by many observers as an indication of growing political interest and awareness.

The anti-government offensive, led by the Social Democrats, gained impetus from production delays, rising inflation and labor disputes, reached a climax December 17 with the introduction in the Diet of a resolution calling for dissolution of the Diet and a new election.

This proposal was defeated by a vote of 236, to 160 after a five-hour debate in the House of Representatives.

Repatriation

The first Japanese to be repatriated from U.S.S.R.-controlled areas

arrived in Japan during the week of December 15, under terms of an interim agreement between SCAP and the Soviet Government, which provides for the return of Japanese nationals from Soviet-controlled areas, and the return of Korean nationals in Japan to North Korea.

Japanese repatriated from all areas during December numbered 98,022, while 20,889 persons were evacuated from Japan. The total number returned to Japan, as of the end of December, was 5,117,533; the number returned to their homelands from Japan was 1,152,766.

Economics and Finance

The Japanese Government placed its approval on a program of the Coal Board for rehabilitation and development of the coal industry. The plan calls for making available loans totaling 1,916,200,000 yen for reconstruction, development and current operations.

Preliminary figures on December coal production showed the output for the first 20 days as 1,393,200 metric tons, or 144,500 tons higher than that for the same period in November. Total November production was 2,022,400 tons, an increase of 231,000 tons over October, attributed to improved working conditions at the mines.

Only 34 per cent of the calculated minimum requirements of the economy was met in the production of basic heavy chemicals in November.

Foreign Trade

In the field of foreign trade, the Japanese Government during December was authorized to purchase from the Foreign Liquidation Commission surplus vehicles and civilian type military supplies specifically approved by SCAP as essential to prevent disease and unrest or to accomplish Occupation objectives.

A total of 746,877 bales of cotton on 41 ships had left the United States for Japanese ports through the end of November, while 35 had arrived in Japan with reported cargoes totaling 649,858 bales.

The first major sale of Japanese textiles to countries other than the United States since the surrender was consummated in November through the United States Commercial Company with representatives of the governments of the British Far East colonies, Burma, French Indo-China, the Netherlands East Indies, the Philippines and Siam.

Enclosure No: 2 to Despatch No. 948 dated April 5, 1947 from the United States Political Adviser for Japan, Tokyo, on the subject "Statement by General MacArthur Regarding Reparations and Japan Peace Treaty and Press Comment Thereon."

Mainichi

3/21/47

Page 1

(Editorial)

"Spiritual Revival of the Japanese First"

社説

まず日本人の精神復興

そのような意味で、平和條約の締結という事は、われわれ日本人は、いかに精神を奮起せよとばかりに、われわれ日本人の間に作りあげねばならない。それは政府も政党も宗教家も、日本人の精神を奮起せよとばかりに、われわれ日本人の間に作りあげねばならない。それは政府も政党も宗教家も、日本人の精神を奮起せよとばかりに、われわれ日本人の間に作りあげねばならない。

マッカーサー元帥は十七日東京、外人記者團との会見において、対日平和條約を締結し、締結する必要のあることを強調し、締結の準備が進行する状態は十分であると述べている。われわれ日本人もまた連合國の願ひをもつて適當とする時期に平和條約が締結され、新しい日本が自立の第一歩を踏み出し、世界に國際社會の一員たる資格を認められると、心から希望して、期待の時期が一日も早く来るといふ。

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(Translation)

MAINICHI

March 21, 1947

Page 1

(Editorial)

"Spiritual Revival of the Japanese First"

At a press conference with foreign correspondence in Tokyo on the 17th, General MacArthur is reported to have stressed the need of the speedily concluding a peace treaty with Japan. He is reported to have pointed out that "the objective conditions for commencing preparations for a peace treaty are attained. We Japanese are also heartily wishing that a peace treaty be concluded at a time recognized to be opportune by the Allied Powers, that a new Japan start a new step of independence, and that she be recognized as a qualified member of international society.

In this sense, the conclusion of a peace treaty casts a ray of bright hope to the Japanese. We, however, must make haste to keep our minds alert and to prepare for coping with a new situation after the conclusion of a peace treaty. The conclusion of a peace treaty means to the Japanese an enlargement of independence and freedom. The enlargement of independence and freedom is necessarily accompanied by corresponding responsibility. If we are indifferent to this "responsibility", independence and freedom will be replaced by demoralization and confusion. This is the reason why we say we must be alert from now on, while the time of concluding a peace treaty is approaching day by day. If we conclude a peace treaty without this spiritual preparation, our expectation of a peace treaty will be washed away by our weak-mindedness and self-indulgence.

In order that the Japanese may live as a democratic race,

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every person must be spiritually reborn first of all. Casting aside confusion caused by totalitarianism and decay of national morality deriving from defeat in war, we must build up in ourselves such moral standards as will protect us from an inferiority complex after our emergence into the international society. For this purpose, our government, political parties, scholars and religious workers - in fact, all the Japanese must become united for perfecting our spiritual revival. If this is to be accomplished by the time of a peace conference, a movement for spiritual revival must be started from tomorrow.

If the sentiment of all the Japanese agrees on this point, we believe that Japan's economic rehabilitation is possible by the concerted action of all the people. The proper attitude toward the reconstruction of Japan is the proper attitude toward the conclusion of a peace treaty. The backbone of this "Japan's attitude" is to concentrate all our powers on the construction of a democratic Japan. As General MacArthur pointed out in connection with the progress of democracy in Japan, SCAP "concentrated its power for establishing among the Japanese human freedom and dignity. The Japanese are taught according to the theory that the nation is not the master of the people, but the nation exists for the happiness of individuals who are the masters of the nation." "The establishment of human freedom and dignity" is the theoretical basis for whipping all the Japanese into unity for the building of a democratic Japan: it will never be harmful in this direction. There is no way for the present Japan to live other

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than through mutual assistance and cooperation. This is not the time for us to indulge in class struggle.

General MacArthur who stressed the need of the speedy conclusion of a peace treaty has expressed carefully a thought-out view about Japan's existence and the guarantee of the living of the Japanese after the signature of a peace treaty. The Japanese, however, are still lingering in a state of prostration, and depending upon SCAP for what they could otherwise do by themselves. Such weak-mindedness must be discarded as soon as possible. Such problems as labor disputes, delivery of rice, coal production, and land transportation, can be solved by the Japanese if they are determined to work them out are instead dragged out to the last stage and then must be solved by SCAP order. Such practices must be done away with speedily. If this state of affairs continues, Japan will be rushing to "racial ruin" even if a peace treaty is conclude.

yk

Asahi

3/20/47

Page 1

(Editorial)

"General MacArthur's statement and our Determination"

社説

マ元帥聲明と

われらの覚悟

マックアサヒー元帥は、十七日
 新聞記者の記者会見を好して
 単なる新聞記者の発表を行った。
 この新聞記者会見においては、ま
 ちたけ早く正式に日米協約を
 結び、日本の軍事占領を早く終
 結すべきであること、日本民主
 の管理指導は国際連合の監視の
 と、結ぶべきことなどが明示
 されたのである。

戦後協約締結の時期に關し
 ては、國內においてはすでにし
 ばは論議されたが、いすれも戦後
 協約の締結を急務とするところが
 ある論議から出たものではな
 くない。元帥は「日本の
 精神革命はおそらく世界最大とい
 った。マ元帥の聲明について、米
 國記者はまた何らの公式見解も発
 表していないが、占領軍最高責任
 者の見解表示であり、日米協約問
 題に關する最初の權威ある声と
 して、わが国民の深い関心を引
 ちのわが国民の関心を引
 ちのわが国民の関心を引

マ元帥の聲明を無視して、まず
 われわれの懸念するところは、總司
 命部最高責任者が、思想的、政治
 的、経済的、一日も速かに、日
 本を一八ヶ条の出来る國家に補
 育するために、總司の決定と協
 意をもつて、急務である。わ
 れわれはこの際、まずこの協約を
 締結するの前提たるポツダム宣言

の履行をまた、とりも直さずモ
 クラシーの完成にあることを、強
 く自覚しなければならぬのであ
 る。日本國民としてまず反省すべ
 きは、この点にある。

マ元帥が聲明している
 ことは、講和協約の締結、したが
 つて平和は、すべての指導ないし
 管理の完全な協約を意味するもの
 ではなく、その後の日本の管理と
 指導とは、国際連合の手によつて
 行われなければならない。

この協約の締結は、日本國民の
 意思であり、したがつて
 日本國民の意思と希望と努力とを
 反映させる余地はないかを見る
 が、決してそうではない。すなわ
 ち、果して戦後協約を正言將來に
 明瞭にするか否か、しかしその
 後の日本の管理方式をいかにすべ
 きかを決定するための材料は、日
 本國民の精神的思想的な客観的現
 實、政治的経済的な具体的能力如
 きは、この角度から常に強い反省を
 要してはならぬと認めるのであ
 る。

(Translation)

ASAHI

March 20, 1947

Page 1

(Editorial)

"General MacArthur's Statement and Our
Determination"

At a press conference on the 17th, General MacArthur made an important announcement to a group of newspaper correspondents.

In this announcement it was clearly indicated that a peace treaty with Japan should be formally concluded as soon as possible; that the military occupation of Japan should be speedily terminated; that the control and guidance of the democratization of Japan should be continued under the supervision of the United Nations; etc.

The time for the commencement of peace negotiations has been discussed frequently at home, but the discussion has not been based upon authoritative grounds. It was nothing but a hopeful observation, so to speak. Though the Department of State has expressed no formal view thereon, it is necessarily a subject that calls for serious concern on the part of our government and people, as it is an expression of opinion by the highest responsible person of the Occupation Army and the first authentic statement on the question of a peace treaty.

In reading General MacArthur's statement carefully, our attention is called to the fact that the highest responsible person of the Supreme Headquarters has an unusual determination and zeal for leading and fostering Japan as a nation that can walk alone as soon as possible in thought, politics and economics. We must first respond to the enthusiasm of the SCAP authorities at this time. The General stated: "The spiritual revolution in Japan may be called the greatest thing in the world. Japan has abandoned the feudalistic conception and awakened to the dignity of mankind." Consider-

- 2 -

ing this, do we not feel ashamed of ourselves? It is true that feudal relics have been completely swept away externally, and Japan is walking in the path of speedy democratization in the political, economic and social domains. Democracy, however, has never been completed, as expressed by the General. This fact is clear to one who thinks clearly. It must be firmly conceived that the execution of the Potsdam Declaration, prerequisite to Japan's independence, lies in the perfection of democracy. This is the first point on which the Japanese people must reflect.

Further, as General MacArthur stated, the conclusion of a peace treaty, and hence peace, does not mean a complete mitigation of all forms of guidance or control. The control and guidance of Japan thereafter will be continued by the United Nations. Among the people are some who hastily conclude that Japan will recover complete freedom and independence, once a peace treaty is signed. Such a hasty conclusion and error must be carefully avoided. It will be the United Nations which determines the control and guidance of Japan after the signature of a peace treaty.

Thus, it looks as though it were the will of the Allied Powers to determine the time of a peace conference and to form the appearance of Japan after a peace treaty, allowing no room for Japan to express her will, hope and effort. This, however, is not true. Such factors as the objective condition of the spirit and thought of the Japanese people and their concrete ability in the political and economic fields serve as data which determine whether or not a peace conference can be held in the near future, and how to decide the control method of Japan thereafter.

Needless to say, there is a strong desire common to all the people to recover national independence as soon as possible, to

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develop national strength to the fullest extent in the most peaceful form, and to contribute to the progress of the world as a member of international society. In order to fulfill this desire, however, the innate spirit of the Japanese people and their mode of living must make them worthy of independence.

In this sense, those who determine the fate of Japan are none but the Japanese themselves in the last analysis. We believe we must not neglect a thorough self examination from this angle.

yk

ASAHI SHIMBUN

March 20, 1947

WJS

"Gratitude to Understanding and Goodwill"

Premier Yoshida talks on General
MacArthur's statement"

Premier Yoshida published the following statement on 18th about an important statement made by General MacArthur at the foreign press conference on 17th:

"At a foreign press conference held in Tokyo on 17th, General MacArthur published an important talk and gave a suggestion of profound significance to the future of Japan.

The world knows without exception that General MacArthur has devoted himself with the utmost enthusiasm to thorough-going preparations for the execution of the occupation policy. His statement of this time is conclusive evidence of his thorough knowledge of the existing conditions in Japan and of his full understanding and goodwill toward the Japanese people. As for me, I have a profound respect for his statesmanship and sympathy shown to Japan. I have full confidence that the entire nation has been greatly impressed by his statement."

Translator's note: This news appeared in all papers in Tokyo of March 20, 1947.

理解と好意に感銘

マ元帥言明に吉田首相談

マ元帥は十七日の外人記者団との会見で日本の将来について重要な言明を行ったが、これに対し吉田首相は十八日つぎのことき首相談を発表した。

マックアーサー元帥は十七日在東京外人記者団に對し、重要な談話を發表せられ、日本の將來に對し極めて深い示唆を與えられた。マックアーサー元帥が日本占領政策について常に周到なる用意をもつて熟慮あふるる精力を傾けられてきたことは世界のひとしくこれを認めるところであるが、今回の言明は同元帥が現下の日本の國情に適合せられ、日本國民に對し十分な理解と好意をもちつておられる証左といつことができよう。私としては同元帥の示された日本に對する同情とその偉大なステーツマンシップに對し、深甚なる敬意を表するものであるが、日本國民全体もまた多大の感銘を蒙ったことを確信するものである。

MAINICHI SHIMBUN, March 19, 1947

WJS

"Echoes of MacArthur Statement"

All news published here are the same as those appeared in Asahi of March 19, except the followings news - By translator:

"United Nations also welcome"

New York 17th AP-Kyodo. The statement of General MacArthur was conveyed to the meeting of the Security Council of the United Nations which was discussing American trusteeship over the former Japanese mandated islands in the Pacific. The American Head Delegate Austin who read the news said this was a splendid idea. Nothing, however, could be said about how the United Nations can supervise the fate of Japan after the completion of military occupation.

Generally speaking, those connected with the United Nations *

今秋にも交渉開始
対日平和条約米官邊の意向

【ワシントン十七日発AP共同】対日平和条約を急ぎ締結すべしとのマッカーサー元帥の声明につき米國務省ではまだ吉田の公文を受取つていないので公式意見を表明することを避けているが、官報では十七日非公式に次のように語つた。

対日平和条約の問題については米國務省も極東委員会も政府も下準備を行つてゐるが今日まで先ず四大陸がドイツの平和条約について意見一致することになり、日本問題はあとまわしとなつてゐる。今この対日条約の締結を促進するといふ如きは米ソはじめその他の連合國にもみられぬが、トルーマン大統領とマシナル國務長官が問題をとりまけることを望むならば米國は今秋中に對日平和条約の交渉を開始する用意があつた。

なお極東委員十一カ國の構成する極東委員会も對日条約の交渉を促進することには賛成だが自らの問題に干渉する権限はないとの態度を保持している。

米紙大々的に報道

【ニューヨーク十七日発UP共同】対日平和条約促進に關するマッカーサー元帥の声明は十七日の米各紙に大々的に報道されており、ニューヨークの各紙はワシントン・ヘラルド・トリビューン一面トップに「マッカーサー元帥の声明は對日条約を促進する」という見出しをかかげ、また各紙のサンデー版も「日本からの引き返すマッカーサー要求」と見出しを掲げている。

英國は歓迎

【ロンドン十七日発AFP共同】英對日平和条約をできるだけ速かに締結すべきであるとのマッカーサー元帥の聲明に對して英國官報はこれに賛意を表している。

國連でも歓迎

【ニューヨーク十七日発AP共同】マッカーサー元帥の聲明は十七日折田太平洋軍日本委任統治領協議の米國による單獨信託統治案を審議中の國連安全會議理事會にも傳わり、このニュースを讀んだオースティン米官代表もこれはすばらしいと叫んだが實際に軍事占領終了後の日本を國連がいかん監視するかにつてはまた何ともいへぬ懸念があつた。一般に國連ではマッカーサー元帥の聲明は國連の組織に對する米國の信頼を示すものとして歓迎してゐるが、同聲明が果してマッカーサー元帥自身の意向を代表するものか、それともワシントンの米國政府全体の意向をも代表するものかにかかつて、これに對する意向の表明もまた管理するにやぶらばある。

* are welcoming the MacArthur statement as endorsing American confidence in the United Nations. The question lies whether the statement represents a personal view of General MacArthur, or it represents the view of the whole American Government. They, therefore, are reserving their comments on this question.

"Echoes to General MacArthur's Statement"

"Peace Negotiations with Japan Prepared"

"American authorities aiming at commencement this autumn"

Washington Special Despatch - 17th - AP) The Department of State has not yet received a full text of General MacArthur's speech stressing the opening of peace negotiations with Japan at the earliest possible date. It is, therefore, avoiding the publication of an official view thereon. Certain quarters of the government, however, expressed an unofficial view as follows:

マックアーサー元帥言明の反響

對日講和交渉の用意

米官邊 今秋中に開始を目途

【ワシントン特電十七日発】AP 特約 對日講和條約を成すべく、早い期間に締結すべしと、十七日のマックアーサー元帥の言明にたいし、米國務省はまた元帥の演説を受つておろさず、公的見解の発表を避けているが、官邸筋は非公式に具報して十七日つぎのうちに語つた。

【ワシントン十七日発】AP 共 同 對日講和條約に關するマックアーサー元帥の言明に、米國務省の幹部は元帥の提議する講和條約成立後の日本を國際連合に監視させる案と米の對日非武装化國際條約案とを、調和させるか、問題となつてゐる。

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條約交渉に期待 英國で

【ロンドン特電十七日発】AFP 特約 マックアーサー元帥が對日講和條約を成すべく、早い期間に締結したいと、言明したにたいし、英官邸筋はこれに賛意を表し、大平洋諸島の上の問題は對日講和会

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問題は四國條約の調整

【ワシントン十七日発】AP 共 同 對日講和條約に關するマックアーサー元帥の言明に、米國務省の幹部は元帥の提議する講和條約成立後の日本を國際連合に監視させる案と米の對日非武装化國際條約案とを、調和させるか、問題となつてゐる。

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"If President Truman and Secretary of State Marshall wish to expedite this matter, the American government is prepared to start peace negotiations with Japan by autumn this year. Up to this time, efforts have been concentrated among Four Powers to unify their views on the German problem, and the Japan's question has been postponed as the second step. No move has been made either by U.S. or by U.S.S.R., or by any

- 2 -

"other nation for hastening peace talks with Japan. On this question, however, both the Department of State and the Far Eastern Commission have been engaged in preliminary investigations for the past several months. The Far Eastern Commission is regarded as sympathetic toward expediting peace negotiations with Japan, but it is of opinion that it has no authority to take initiative in expediting the matter."

"Expectation from Peace Negotiations"
"The British Welcome the News"

(London Special Telegram, 17th - APP) The British authorities have expressed agreement with the General MacArthur's statement in favor of the conclusion of peace treaties with Japan as soon as possible. They consider that such problems as the Pacific islands can be solved clearly by the commencement of a peace conference with Japan. They think the time has arrived when many unsolved questions in the Far East can be solved, with this question as center.

"Question Lies in the Adjustmand of Four Power Treaty"

(Washington 17 - AP/Kyodo) According to the leading persons of the Department of State, on the question of peace treaties with Japan proposed by General MacArthur, it is a question how to harmonize a plan to leave Japan under the supervision of the United Nations after the conclusion of peace treaties with an American plan for a Four Power treaty concerning demilitarization of Japan.

It is recalled in June last year, the former Secretary of State Byrnes proposed a treaty supervising demilitarization of Japan by Four Powers for 25 years. The other countries, however, have not replied to this proposal yet. On the other hand, the American leaders in charge of Far Eastern affairs consider it desirable to find agreement between the U.S. and the Soviet Union on the question of Japanese reparations before the opening of peace negotiations with Japan. No prospect of solution, however, is in sight yet.

A reply of the former Ambassador Grew to a question concerning the statement of General MacArthur is not fully known yet, but he said he is always in agreement with the way General MacArthur acts.

"Prominent Publicity in All American Papers"

(New York 17th - UP-Kyodo) General MacArthur's statement concerning expediting peace treaties with Japan commanded prominent publicity in all American papers. The World Telegram, an evening paper in New York published it as top news on the first page under the heading "MacArthur requests urgent peace treaties with Japan for withdrawing his army." The Sun, another evening paper, gave heading "MacArthur requests withdrawal of army from Japan."

MAINICHI SHIMBUN, March 18, 1947

WJS

"Hasten Reparations and Peace Treaty"

"Toward Permission of International Trade"

"General MacArthur stresses Japan's economic stringency"

A summary of General MacArthur's statement at a foreign press interview in Tokyo on March 17th.

yk

賠償解決と平和條約を急げ

世界貿易の許可へ

マ元帥「日本の疲弊」力説

【UP通信(東京)UP通信極東総支配人マイルス・ウォーレン】マッカーサー元帥は十七日午後東京丸の内の連合軍記者クラブで異例の外



現任日本は経済的に窮乏し、この状態にあり、これは原子爆弾の被害以上に脅威で、数百万という日本人が餓死にさらされていくと述べると同時に平和條約締結とともにすべての連合軍は日本から撤退すべきであるとの下に述べた

平和條約締結後は日本の軍事占領は終り、連合軍最高司令部も直ちに解散されるべきである、今や対日和約締結の準備を開始する時機は十分熟している、條約締結後は條約履行の開始は國際連合に委ねるべきである、日本は新憲法により動員を放棄することによつてその運命を連合國に委ねたが連合國は日本人を侵略から守る道義的責任をもっている

満足すべきものではない、平和條約締結後の日本の世界貿易は政府による統制を最小限度に止めて遂行されねばならないと思つ、日本のある期間、できれば五十年ほど経済的に孤立させるべきだといふのが外國で行われているのは遺憾なことで、現在の日本の経済的疲弊は、数百万の日本人に餓死を宣告すると同様に、賠償について日本は滿州、朝鮮、台湾を失つたことによつてすでに巨額の支拂いをしてきたと指摘したい、これら地域における日本の負債は数十億に上り、この地域から日本はかつて膨大な糧食と原料を得ていたのである

"Opportunity of Peaceful Control of Japan Ripe"

"General MacArthur's straightforward statement at first public press interview"

A full text of General MacArthur's statement at a foreign press conference in Tokyo on 17th.

yk

日本平和管理の機熟す

マ元帥率直に言明

初め記者団の公開見聞



【INS特約】極東軍務局長ハワード・ハンドルマン記「マツカ...

「軍に平和條約だけでなく軍人以外のものによる日本管理の樹立および日本と世界の他の國々との間における私的通商の再開の機は既に熟している」と言明する。...

は何物をも充たさないであらう、國際連合は、...

講和條約を早急に

締結後は國連の管理へ

切をなしたからである、民主主義が日本に存在しているかどうかあ...

日本國が十分な食糧を確保できるとはとうとう思えない、...

日本國が十分な食糧を確保できるとはとうとう思えない、...

"Opportunity of Peaceful Control of Japan Ripe"

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日本平和管理の機熟す

マ元帥率直に言明

開公の記者会見



【INS特約】極東軍務局長ハワード・ハンドルマン記「マッカーサー元帥は連年の東洋駐在にマッカーサー司令部を設けて以来初めての公衆記者会見を十七日丸の内東京外紀者クラブで行ったが、元帥は日本との平和協定を速急に締結することが必要だと述べた」と強調した

「軍に平和協定だけでなく軍人以外のものによる日本管理の樹立が日本と世界の他の国々との間に私的通商の再開の機は熟している」と言明した。また平和協定締結後の日本管理は国際連合が行うべきだと強調した

は何物をも許さず、国際連合は、威嚇にまた強制されることなく健全な理解のもとに、戦争行為を促進する責任を承認しなければならない。余は国際連合による情けある管理を期待している、しかし余が考えているような管理方法をもつて日本はこれに反対しないであろうから、民間人による管理は必要ない期間だけ維持するのには困難はないであろう。余は講和協定後日本にはいかなる種類の軍事的組織も存在すべきではないと思ふ、なぜならばそのようなくは平和という言葉を

マッカーサー元帥の言明要旨はつぎの通り
日本は戦争で台湾、満州、朝鮮などの資源を失った大きな損失を蒙り、また生産のあらゆる分野において国内需要を充たすことができない事情にある、これらの点を考慮すればこの際苦難な賠償方式をおしつけることはむずかしい
日本管理については国際連合がその責任を引つぐべきであり、講和協定ができてから次期連合軍司令部は廃止されなければならない、かくして国際連合は将来平和を維持する能力をもち組織となるべき態勢の機会をもちているのである、そして日本を管理するべきものである、もし国際連合がこれらの条件を充たさなければそれは

講和協約を早急に

締結後は國連の管理へ

余は日本が経済的回復力のみならず、軍中に受けつらぬる負債を支拂う能力をもちていることに大きな期待を寄せている、日本は自給自足でない、従つて國民の生活を維持するには外國貿易に頼らねばならぬ、その外國貿易は海運を民間におき政府および軍部の手からは離さなければならぬ、日本の産業はどれも國內の需要を十分には満足できない、特に食糧は清米産から戦時日のうちに日本國民が十分な食糧を得得るとはとうとう思えない、このことは日本はぜひとも外國貿易を必要とするということである、賠償については、予は賠償計画の目的が、日本を滅ぼさざる程度に日本から生産設備を奪うことにあるのではなく、日本の産業を基礎的な経済水準を維持するに足るレベルにおくことであると考ふる、大切なはその水準を決定することだ、米國は日本の復興を助けるという責任をもち、われわれは米國の義務者が、三軍のうちに再び供給せねばならぬような物資を時置に販立せよとは思わぬ、日本は軍に自活してゆけるのみでなく、この数年間のうちに経済的に立直る潜在的能力を有し、また米國が前貸したものに對してもその代償を支拂うことができるのである
軍事の面では軍事的に侵襲を完了し、精神的には、世界中がすでに周知の偉大なる精神革命を完了した、また政治の面も完了した、政府が民主化促進の体制を樹立するために外部からなすべき一切をなしたからである、民主主義が日本に存在しているかどうかはあはや問題ではない、もし諸君が皮肉屋であり全体主義を信奉しているなら、あるいは民主主義が存在することを疑うかも知れないが、しかし予は心から予は絶対に民主主義が日本に存在している、また日本に根を張るといふことを信じている、民主主義がキリスト教を除けば人類最大の理念であり、世界を支配してユートピアにわれわれを導いてくれるものであることを信じている

講和協約作成後国際連合が管轄せねばならぬ大きな問題の一つは、日本をいかなる方向にむけるかということである、講和協約後われわれは日本が昔にもつて小さな防衛的軍事施設をつくることを許可すべきか、あるいは日本が供するといふなら世界の進歩せる道徳によつて彼らが侵略から自らを守ることを許すべきかの問題に直面しよう、このうちこのために国際連合があるのである、経済的に日本は戦時中のいかなる時よりも悪い状態にある、それは連合軍が經濟封鎖を行つてゐるのと、商人および工業部門の賣物のストックが消滅しつゝあるためである、經濟封鎖は「金のかゝる賣品」であり、これを維持するためにはわれわれは高い税率を拂わなければならぬか、幾百万という民衆を死なせねばならぬのだ、條件が熟しているから講和協約が締結されたらすぐに連合軍

Enclosure No. 3 to Despatch No. 948 dated April 5, 1947 from the United States Political Adviser for Japan, Tokyo, on the subject "Statement by General MacArthur Regarding Reparations and Japan Peace Treaty and Press Comment Thereon."

Editorial Survey

**MACARTHUR'S PRESS INTERVIEW
HIGHLIGHTS WEEK'S EVENTS**

General Douglas MacArthur's press conference with foreign correspondents in Tokyo and Yen-an's fall in China highlighted the march of Far Eastern events last week. Commenting on the SCAP interview, the Asahi in its Thursday editorial stressed the need for the Japanese people to help themselves to their feet.

On Friday the Mainichi editorialized on the same question, urging the Japanese to brace themselves up spiritually so as to be able to cope with the new situation to follow the anticipated conclusion of a peace treaty.

With the approach of the conclusion of the peace treaty, the Japanese people must prepare themselves spiritually to assume full responsibility for the resulting broadening in scope of their independence and freedom, the Mainichi warned. In the opinion of the paper the Japanese will have to become reborn spiritually in order to be able to claim their existence as a democratic nation. So the Mainichi urged preparation of a spiritual restoration program without delay. Then economic restoration will become so much the easier, the paper predicted.

The fall of the Communist capital in China prompted the Mainichi on Saturday to call attention to the serious situation resulting therefrom.

Concern Over Future

Citing the recent announcement by Nationalist Chief of Staff General Chen Cheng of the Chinese government's determination to break the military power of the Chinese Communists in three months, the Mainichi admitted the apparent competency of the well-equipped Nationalist Army to rout the main force of the Communists within a short space of time, but expressed grave concern over the future of the Chinese Reds' guerrilla warfare which is largely identical with political warfare in their case.

It was this political-guerrilla warfare that enabled the Reds several years before to carry through their 25,000-Chinese-mile exodus from Juichin to Yen-an, as the Mainichi pointed out.

So, the paper said, it would be by no means impossible for the Reds to attempt another exodus elsewhere, possibly to Harbin or Chiamussu.

And in view of the possible northward exodus of the Reds, which would deserve serious attention in the light of the present world situation, the Mainichi expressed its earnest hope for an early settlement of the Chinese civil war.

In commenting on Yen-an's fall, the Yomiuri on Saturday also reviewed the Red exodus of 1935 from Kiangsi Province through Hunan, Kweichow, Yunnan, Szechuan and Chinghai to Shensi, and said the fall of Yen-an as the second Red capital after Juichin marked a turning point in the Chinese civil war.

As to what course of action the Communists will follow after their recent loss of Yen-an, the Yomiuri foresaw rapid intensification of guerrilla warfare on the part of the Reds, predicting that a further spread of civil strife would be inevitable for some time to come, at least.

Thus the Yomiuri feared that with a new phase introduced in the Chinese civil war the teeming millions of that country would have to suffer incomparably greater hardships than heretofore. For this reason, the paper earnestly hoped that the situation would be prevented from further aggravation from the viewpoint of Japanese reconstruction and Far Eastern peace.

Earlier last week, the Yomiuri attracted attention by advocating a small constituency system for the forthcoming elections. On the same problem, the Asahi in its Sunday editorial also favored

in principle the small constituency system but preferred to compromise with the medium constituency with single balloting, urging cooperation in eliminating drawbacks attendant thereon.

Grave Warning Sounded

On Monday both Asahi and Mainichi took up the coal problem and sounded a serious warning regarding the actual production for the first ten days of March, which was only 87 per cent of the goal. In this connection the Asahi said that what is known as the March crisis was not a crisis for this month alone but one which started this month, warning that this crisis might by some chance touch off a serious under-production panic.

NIPPON TIMES, March 25, 1947

WJS

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The rice delivery issue continued to interest Tokyo editors last week with the Asahi in its Tuesday editorial urging the various political parties, and the Social Democrats and Communists in particular, to formulate concrete plans to expedite rice deliveries instead of merely criticizing the farmers or the authorities involved.

Among other questions dealt with editorially last week were the importance of the role to be played by women in democratizing Japan, on which the Mainichi elaborated on Tuesday, introduction abroad of Japanese culture, which the same journal advocated Wednesday, and reorganization of agrarian villages, the need of which the Tokyo Shimbun stresses on Thursday.

Especially worthy of note was what the Mainichi said Thursday regarding the position of trade unions in the forthcoming elections. Pointing out that many of the union candidates, and those from the Sanbetsu unions in particular, are "independents", the paper declared that no excuse could justify their failure to clarify their party affiliations if they believed in parliamentary politics.

The Mainichi also queried why trade unions were sending more candidates for the House of Councillors than for the House of Representatives despite the fact that the latter is to form the nucleus of Parliamentary politics with the former only serving supervisory purposes. For this reason the paper called upon the trade unions to act with more reason.

Minpo Takes Up Economy

The Minpo's Thursday editorial on controlled economy, which emphasized the imperative need to perfect Japan's economic planning by way of preparing for the world-wide over-production panic which is foreseen a few years ahead, may prove of no small interest to all impartial observers.

Equally interesting was what the Jinmin Shimbun said on Thursday regarding the political ability of women Diet members. Citing the oft-voiced criticism that women Diet members have achieved very little during their recent tenure, the paper declared that it was premature to pass any judgment on their political ability and called upon all women of the country to train themselves so as to liberate themselves through political elections.

Mention may also be made of the Chuka Nippo's Thursday editorial on the importance of the third plenary session of the Kuomintang's Central Executive and Supervisory Committees held in Nanking on March 15, the Akahata's advocacy of a mass movement for guarding against the activities of purgees from public offices, which appeared in the paper's editorial Friday, and what the Asahi said on Friday about the plight of scientists, which the paper ascribed to the paucity of Japanese politics.

THE MAINICHI, March 25, 1947

WJS

Gascoigne Supports Early Resumption Of Trade With Japan

**Reparations Settlement,
Speedy Peace Treaty
Are Also Given Backing**

By Ian Mutsu
United Press Staff Correspondent

Ambassador A.F.D. Gascoigne, head of the United Kingdom Liaison Mission to Japan, said Saturday, March 22, in an exclusive interview with the United Press that he fully supports General Douglas MacArthur's program for an early settlement of reparations and a peace treaty with Japan at the earliest possible moment.

Speaking in a personal capacity, the Ambassador, a veteran Far Eastern observer who served in Tokyo before the war, said that his country particularly desires an immediate restoration of private trade between Japan and the Allied Nations. This trade, the Ambassador believes, could be started before the peace treaty is signed.

Businessmen Seek Entry

Private British businessmen now are seeking entry into Japan to prepare for a resumption of pre-war trade, the Ambassador said. They are most anxious to restore their former contracts and to make plans for international commerce on a private basis.

There is an immediate prospect for a considerable trade between Nippon and the British colonial areas such as Hongkong and Singapore, the Ambassador said. Japanese cloth and other manufactured products particularly are needed in these regions.

The Ambassador thought that the problem of fixing an exchange value for the yen on the pound sterling and other foreign currencies in advance of the peace treaty could be solved by Allied agreement, at least on a temporary basis. He agreed, however, that the terms of the eventual peace agreement will have a considerable effect on the final exchange value of the yen on sterling and U.S. dollars.

In the course of a long and frank conversation the Ambassador made these points:

Britain is most anxious to re-establish her pre-war trade position with Japan. It is felt that private trade, as free from restrictions as possible, should be restored at once in the interest of general world stability. British areas need Japanese goods and are ready to supply raw materials and manufactured articles to Japan.

Britain is also greatly interested in restoring direct air and telegraphic communications between Nippon and British areas.

Task May Be 'Simpler'

The Ambassador felt the task of drawing up the peace treaty for Japan might prove "simpler" compared to the European treaties.

The Ambassador's own view was that the reparations claims against Japan should not be so heavy as to ruin the chance of Japanese reconstruction. However, as far as the Ambassador himself knew, no official decisions have yet been reached with regard to Britain's reparations claims. The final decision is up to the Far Eastern Commission in Washington.

The statement made last week

by American Ambassador George Atcheson, Jr., in favor of a quick reorientation of Japanese foreign trade to a private basis was characterized by Mr. Gascoigne as virtually coinciding with Great Britain's own views.

"That is just what we wanted all along and the goal towards which we have been working," he said.

For Equal Opportunities

Britain feels, however, the Ambassador added, that before any realization of trade controls at this end, the arrangement must be on a "level wicket" and that "equal opportunities must be assured British business interests." At present there are no private British businessmen in Japan.

Ambassador Gascoigne said that he personally thought that such businessmen, after their eventual arrival in Japan, should be allowed to remain in the country for an appropriate period in which to survey conditions and make preliminary arrangements "before the whistle goes off" for the actual trade to commence.

President Truman's stop-Communism speech in Washington is of significance and it is likely to have "far-reaching effects" upon the course of world events in the immediate future.

Gen. MacArthur Praised

General MacArthur is doing a "superb job" and it is unquestionably true that the successful record of the occupation would not have come about if it were not for the Supreme Commander's "intelligent treatment" of the Japanese people.

General MacArthur's "occupation with understanding has proved its superiority to an occupation with the iron fist."

Leading British personnel in Japan feel that the occupation has

been satisfactory in the British zone and the Japanese people have demonstrated a bona fide effort to measure up to Allied terms.

Although Japan "lost a great deal in the war," the Ambassador said he feels "optimistic" about the future of this country.

Recovering From Shock

The loss of ideals inflicted by war was one of the gravest blows that Japanese suffered, he said, but there are signs that the Japanese are recovering from this shock and are coming to address themselves to the task of national reconstruction.

Out of an original 9,000 troops from the United Kingdom stationed in the BCOF area, about 3,500 have departed and the remaining 6,500, including air force units, are indefinitely scheduled to remain.

STARS AND STRIPES, March 23, 1947

WJS

BRITISH ENVOY BACKS GENERAL MACARTHUR PROPOSAL ON JAPAN

Speaking Personally, He
Hopes For Trade Renewal
With Allies Before Treaty

By United Press

Ambassador A. F. D. Gascoigne, head of the United Kingdom Liaison Mission to Japan, said today in an exclusive interview that he fully supports General of the Army Douglas MacArthur's program for an early settlement of reparations and a peace treaty with Japan at the earliest possible moment.

Speaking in a personal capacity, the ambassador, a veteran Far Eastern observer who served in Tokyo before the war, said that his country particularly desires an immediate restoration of the private trade between Nippon and the Allied nations. This trade, the ambassador believes, could be started before the peace treaty is signed.

Private British businessmen now are seeking entry into Japan to prepare for a resumption of pre-war trade, the ambassador said. They are most anxious to restore their former contacts and to make plans for international commerce on a private basis.

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Great Britain is interested in surveying airport sites in Japan and for this and other technical purposes a British experts mission will arrive in Japan today for a visit of about one week.

The visit is being made in the course of a general Far Eastern survey. British air interests eventually may also be interested in participating in the operation of an internal air service in Japan since it may be years before the Japanese will be permitted to operate a civilian air service of their own.

NIPPON TIMES, Mar ch 23, 1947

WJS

GASCOIGNE BACKS SCAP'S PROGRAM FOR EARLY PEACE

Britain Most Anxious to Restore Private Trade At Once

TREATY ISSUE 'SIMPLER'

Says Reparations Claims Should Not be So Heavy As to Hit Reconstruction

By IAN MUTSU

United Press Staff Correspondent

Ambassador A. F. D. Gascoigne, Head of the United Kingdom Liaison Mission to Japan, said Saturday in an exclusive interview with the United Press that he fully supports Gen. Douglas MacArthur's program for an early settlement of reparations and a peace treaty with Japan at the earliest possible moment.

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Immediate Trade Prospect

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In the course of a long and frank conversation the Ambassador made these points:

Britain is most anxious to re-establish her prewar trade position with Japan. It is felt that private trade, as free from restrictions as possible, should be restored at once in the interest of general world stability. British areas need Japanese goods and are ready to supply raw materials and manufactured articles to Japan.

Britain is also greatly interested in restoring direct air, and telegraphic communications between Nippon and British areas.

Treaty Issue Seen 'Simpler'

The Ambassador felt the task of drawing up the peace treaty for Japan might prove "simple" compared to the European treaties and that the European peace settlement and the Japanese settlement "not being inter-related in every respect," the two jobs could be undertaken separately upon an independent basis.

The Ambassador's own view was that the reparations claims against Japan should not be so heavy as to ruin the chances of Japanese reconstruction. However, as far as the Ambassador himself knew, no official decisions have yet been reached with regard to Britain's reparations claims. The final decision is up to the Far Eastern Commission in Washington.

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President Truman's stop-Communism speech in Washington is of major significance and it is likely to have "far-reaching effects" upon the course of world events in the immediate future.

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Occupation Satisfactory

Leading British personnel in Japan feel that the occupation has been satisfactory in the British Zone and that the Japanese people have demonstrated a bona fide effort to measure up to Allied terms. Although Japan "lost a great deal in the war," the Ambassador said he feels "optimistic" about the future of this country.

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NIPPON TIMES, March 22, 1947

WJS

Britain Favors SCAP Plan,
London Times Comments

Kyodo-UP

LONDON, Mar. 21—The London Times, in an editorial, said that Britain favors General Douglas MacArthur's plan for an early conclusion of the Far Eastern settlement, including a formal peace with Japan.

It said, "General MacArthur's plea on early Japanese peace will command sympathy and respect throughout the British Empire."

NIPPON TIMES, March 22, 1947

WJS

SAYS PEOPLE GIVEN SIGNAL TO GO AHEAD

House Speaker States SCAP's
Recent Statements Will
Spur Reconstruction

The signal light turned green for the Japanese people who are headed for the reconstruction of their country as a peaceful nation, said House Speaker Takeshi Yamazaki, hailing General MacArthur's March 17 statements, in behalf of the people.

He expressed belief that the prospect of a Japanese peace parley being held this autumn or within a year at the latest would "invigorate the people who are longing almost impatiently for the event."

The House Speaker said he repeatedly read the lines word by word of the important statement and was deeply impressed by the frankness with which General MacArthur spoke.

He expressed confidence that none of the Japanese people would fail to share the deep impression with him.

The economic problem on which the Supreme Commander laid emphasis remains one of the difficult tasks confronting the nation, he pointed out. Concentrated efforts should be exerted to solve the problem even before the peace parley begins, the Speaker said.

It is tantamount, he further said, to ordering a "person to dance with his feet bound to require the Japanese nation to make redoubled efforts for the reconstruction of their country which is militarily defenceless, economically blockaded, her stockpiles dwindling to nil, and uncertainty over the reparations burdens."

Therefore, Mr. Yamazaki declared, it is only natural that the whole population has almost impatiently been waiting for the conclusion of a peace treaty with the Allied Powers.

Under the circumstances, General MacArthur's statement which called for an early peace parley for Japan will surely constitute a "green signal for the people who are determined to go ahead with the task of reconstructing the country as a peaceful and cultural nation," the House Speaker concluded.

THE MAINICHI, March 22, 1947

WJS

London Authorities Approve SCAP Plan Re Japanese Treaty

United Press

LONDON, Mar. 20.—Official circles expressed approval today of General Douglas MacArthur's suggestion for an early peace treaty with Japan, provided the British Dominions are associated with the treaty.

These official circles stressed that General MacArthur's suggestions coincided with the wish already expressed by Australian Minister of Foreign Affairs H.V. Evatt.

Official quarters also approved General MacArthur's desire to see private trade with Japan revived, preferably on a "non-discriminatory basis" with all Allied countries receiving equal facilities.

British sources said they regretted the final settlement of the Japanese reparations problem had been delayed by Soviet opposition against inclusion of external assets in the general reparations pool.

THE MAINICHI, March 22, 1947

WJS

State Dept. Silent

United Press

WASHINGTON, Mar. 19.—The State Department had no comment to make on General MacArthur's statement that the time had come to end the military occupation of Japan and place its administration under the United Nations.

A spokesman said the "text" of the General's proposal had not yet been received and therefore there was no comment.

NIPPON TIMES, March 21, 1947

WJS

JAPAN IS READY FOR PEACE ROLE, YOSHIDA STATES

People Here Basically
Democratic, Prime
Minister Holds

CITES CHAOS IN EUROPE

Early Reparations Decision
Is Prime Requisite To
Signing of Treaty

By HOWARD HANDLEMAN
INS Far East Bureau Chief

Prime Minister Shigeru Yoshida declared Wednesday evening that his people are now ready to "shoulder the responsibilities which accompany the peace treaty."

In an exclusive interview granted to answer questions submitted by International News Service and George Thomas Folster of National Broadcasting Company, the Prime Minister said "... I firmly believe that they (the Japanese people) will live up to this trust and confidence by passing the test of how well they can shoulder the responsibilities which accompany the peace treaty."

His answers to questions, which were based on points raised by Gen. Douglas MacArthur in his statement at the Tokyo Correspondents' Club on Monday, made it clear that the Prime Minister believes:

1. A peace treaty for Japan in the near future will contribute to the stability of the Far East and the world.

Must Retain Present Policies

2. Any change in the form of the occupation of Japan should not be made at the expense of "the enlightened policies which have guided the military under General MacArthur."

3. Japan's experiment in sovereignty without arms will depend for success "upon the conditions existing in other parts of the world."

4. The Allied Powers must decide whether the future occupation force will be American or international in character, but "naturally, Japan does not want a situation similar to that prevailing in Central Europe."

5. The Japanese people are democratic at heart and "although democracy is not yet complete in Japan, it is taking a firm root, both legally and psychologically, in the minds of the people."

6. An early decision on reparations "is a prime requisite to the signing of a peace treaty or the setting up of a plan for Japan's economic recovery."

7. Japan is basing her hopes on the success of her "no-war" pledge on "her faith in the lofty ideals embraced by all mankind for world peace and security."

Benefits of Peace Treaty

Asked what benefits an early peace treaty would bring to Japan, her neighbors and the rest of the world, Yoshida said:

"Naturally, a peace treaty would bring many benefits to Japan. Firstly, it would mean the resumption of normal relations with the other nations of the world. We hope, of course, that this will mean that Japan will be permitted to participate in the operation of the United Nations Organization, to engage in reciprocal trade with the rest of the world which will ensure the livelihood of her overflowing population and the healthy revival of a truly democratic Japan, and to demonstrate to the world her sincerity of desire to contribute to a just and stable peace."

"I am positive that all Japanese will welcome an early peace treaty as a fitting indication of the trust and confidence shown in them by the Allied Powers that they will make the grade in the difficult climb back to gain once more a position of respect in the comity of nations."

"And I firmly believe that they will live up to this trust and confidence by passing the test of how well they can shoulder the responsibilities which accompany the peace treaty."

Will Stabilize Far East

"A peace treaty for Japan will, I believe, promote the stabilization of conditions in the Far East in general and of the world as well."

Asked a question based on Gen. MacArthur's statement that the military occupation should end

with the peace treaty, the Prime Minister said:

"We have but the deepest gratitude and admiration for the able and just guidance of Japan since the end of the war by the Supreme Commander for the Allied Powers. We hope that civilian guidance, under the United Nations, if this is decided by the Allied Powers, will be based on the same enlightened policies which have guided the military under General MacArthur."

The Prime Minister added that "I can only say that the present occupation policies have been most constructive and helpful to Japan in her national recovery along democratic lines."

Asked to outline the progress of democratization, Mr. Yoshida said: "I may say that at heart the Japanese people cherish democratic ideals."

Love for Democracy Reborn

"Unfortunately, this inherent characteristic had been warped by militarists and misguided leaders with totalitarian ideas. Following Japan's defeat, however, this love for democracy has been freed from its narrow confines and has been given an opportunity to manifest itself in the operation of a modern democracy."

"In law great strides have been made toward democratic government by the introduction of the new constitution. The various reforms in government administration, agriculture, education, labor, public health and other spheres of national life are following."

"The coming general elections, I believe, will be a test of how well the people have adapted themselves psychologically to democratic processes."

"To sum up, I believe that although democracy is not yet complete in Japan, it is taking firm root, both legally and psychologically, in the minds of the people."

Depends on Reparations

Japan's ability to recover economically, the Prime Minister said, depends upon the reparations decision.

"A clear-cut indication of the exact scope of the reparations program for Japan," he said, "is a prime requisite to the signing of a peace treaty or the setting up of a plan for her economic recovery."

"In order to meet reparations payments, repay occupation debts and recover economically, which she must do at any rate, an early decision to enforce the reparations program is necessary."

Finally, on the question of Japan's faith in the world to respect her sovereignty even though Japan has no arms, Mr. Yoshida said:

"In her new constitution, Japan renounced war as an instrument of national policy. She took this unprecedented step because of her faith in the lofty ideals embraced by all mankind for world peace and security."

"Japan earnestly hopes that the day is not too distant when this common universal desire for 'peace on earth; goodwill toward men' will ultimately prevail throughout the world."

THE MAINICHI, March 21, 1947

WJS

**Will Authorize General MacArthur
Next Week Re Interim Reparations;
Up To Total Figure Of 30 Per Cent**

**Far Eastern Commission Notified By State Dept.;
Reactions From 11 Participating Governments
Awaited, Declared UP Dispatch From Washington**

United Press

WASHINGTON, Mar. 20.—The United States "probably will authorize General MacArthur next week" to proceed with an interim reparation plan awarding up to 30 per cent of available Japanese industry to claimant nations, an administration source said.

The State Department several weeks ago notified the Far Eastern Commission that it had such a plan and asked reaction from the 11 member nations.

THE MAINICHI, March 21, 1947

WJS

Prime Minister Expresses Respect Admiration For General MacArthur

Issuing a statement on Wednesday afternoon, March 19, Prime Minister Shigeru Yoshida expressed his respect and admiration for General Douglas MacArthur for the sympathy and statesmanship which was shown in the Supreme Commander's recent statement.

Prime Minister Yoshida's statement is as follows:

General Douglas MacArthur made an important statement to members of the foreign press in Tokyo, on March 17, presenting indications of utmost significance with regard to the future of Japan.

The entire world well knows that General MacArthur has constantly and diligently devoted his ardent efforts towards the execution of the occupation policies.

His statement is eloquent testimony of his accurate analysis and wide knowledge of the existing

conditions in Japan and his thorough understanding and goodwill for the Japanese people.

I wish to express my deepest respect and admiration to General MacArthur for the sympathy and great statesmanship he has shown to Japan. I am sure that the Japanese people as a whole have been as equally impressed as I have been.

NIPPON TIMES, March 21, 1947

WJS

PRESS COMMENTS

Thursday, March 20
SCAP STATEMENT AND OUR
RESOLVE

ASAHI—General of the Army Douglas MacArthur on March 17 made an important announcement of his views before newspapermen.

The question as to when negotiations are to begin for a peace treaty has already been frequently discussed at home but no authoritative quarter had yet made any pronouncement on the matter, most of the comments having been of a wishful thinking nature. Although the United States State Department has not yet made any official comment on the MacArthur statement, what the General said constitutes an expression of views in the highest authoritative quarter and the first weighty statement on the question of the peace treaty. Thus the interest aroused among the Japanese people has been profound.

What struck us most was the extraordinary resolve and zeal that SCAP showed to bring Japan up as an ideologically, politically and economically independent nation. It is up to us to respond to the earnest zeal shown on the part of the occupational authorities. The General says that Japan's spiritual revolution has been the greatest the world has ever seen and the Japanese have cast away their feudalistic notions and have awakened to the dignity of man. Is there no cause for us to feel shame over these words when we look back on what we have done? The vestiges of feudalism, to be sure, have been wiped out, at least in outward form. A rapid process of democratization is apparently taking place but, even as General MacArthur points out, Democracy has not yet been completely achieved in this country. This is obvious to all who takes stock of the situation with an open mind.

Some Japanese tend to think that as soon as a peace treaty is concluded, complete freedom of action and autonomy would be restored. Such a hasty jumping to conclusions must be strictly guarded against. After a peace treaty the control and guidance of Japan will most probably be in the hands of the United Nations Organization.

It seems in the circumstances that it will be the Allied Powers that will decide the date of a peace treaty and the shape of the Japanese nation to come so that there is no room for the reflection of any Japanese wishes or hopes in the matter but that is not so. The data that are necessary for the Allied Powers to decide whether a peace conference can be held in the near future or how Japan should be controlled are the objective facts of Japan's spiritual and ideological revolution and her ability to cope with concrete political and economic problems.

It is the strong and common hope of all Japanese to regain their independence and autonomy, to be able to develop their powers to the full so as to contribute to the progress of world civilization as the most peaceful nation on earth. But in order to achieve these aims Japan must prove that she is able to govern herself. In this sense what will decide her destiny is the Japanese people themselves. We must not neglect to exercise deep reflection at all times from this angle.

NIPPON TIMES, March 20, 1947

WJS

General MacArthur's Recommendations

General MacArthur's unprecedented press interview Monday demonstrated once again the towering stature of the man in whose hands, more than any other, rests at present the destiny of the Japanese nation. For the course which he recommended for the future treatment of Japan represents such a combination of practical intelligence and lofty idealism as could have been conceived only by a statesman of the highest order.

The highlights of his statement, very briefly, are that the work to be done by the military occupation is rapidly nearing completion, that the present economic strangulation of Japan is even "more threatening than the atomic bomb", that therefore the reparations problem should be solved and a permanent peace treaty with Japan should be concluded as soon as possible so that normal economic relations can be restored, and that the Allied military forces should be withdrawn as soon as the peace treaty is concluded and the work of guiding the democratization of Japan be entrusted thereafter to the United Nations.

General MacArthur's statement that the work of the military occupation is nearing completion attests most strongly to the brilliant success of his own work. The fact that he is able to say that the demilitarization of Japan is now virtually complete and that the foundations have now been firmly laid for the political and social democratization of Japan proves what a tremendous feat he has been able to accomplish in the relatively brief period of a year and a half of the occupation.

His statement that the economic problems of Japan cannot be solved by the military authorities reveals his unusual breadth of understanding. Although a military man himself, he is a statesman enough to recognize the limitations of military authority and constructively recommends that problems which are essentially non-military be handled through non-military means.

His recommendation for an immediate solution of the reparations problem and the early conclusion of formal peace shows his practical comprehension of the economic plight which constitutes the most alarming threat to the future of Japan and demonstrates his masterly understanding of the one sure way in which this menacing situation can be averted. The solution which he envisages means the early restoration of Japan to normal international intercourse. It is not the course of punitive oppression; it is the course of rehabilitation; and thereby General MacArthur proves that he is much more than a conquering general but is truly a constructive statesman of unusual breadth of vision and unusual magnanimity of spirit.

Finally his recommendation that the guidance of Japan after the peace treaty be entrusted to the United Nations emphasizes his lofty idealism. Where else, can it be imagined, is there a general in command of the military occupation of a conquered country who would recommend the early replacement of his own authority by the authority of such a body as the United Nations! It shows that General MacArthur is moved not only by consideration of the immediate welfare of Japan or of the immediate advantage of the United States but by the much higher and nobler consideration of promoting the emergence of a peaceful world cooperating in the interests of all mankind.

Japan must consider herself inestimably fortunate that her

steps during this critical period of transition from defeat to rehabilitation are being guided by a leader who is at once so masterly in his practical abilities, so courageous in his far-sighted vision, and so magnificent in his lofty idealism. The Japanese people can be assured that their fortunes cannot possibly be shaped any better than by the hands of this great statesman through whose efforts the hopes for the regeneration of the Japanese nation as a worthy member of the world community are so strongly promising to develop into a reality. General MacArthur's recent statement to the press has demonstrated anew, if any further demonstration were needed, the unprecedented historical significance of this great personage.

NIPPON TIMES, March 20, 1947

WJS

Yoshida Praises M'Arthur's Views

Prime Minister Shigeru Yoshida yesterday made the following comments on General of the Army Douglas MacArthur's remarks on Monday:

"On March 17th, General MacArthur made an important statement to members of the foreign press in Tokyo, presenting indications of utmost significance with regard to the future of Japan.

"The entire world well knows that General MacArthur has constantly and diligently devoted his ardent efforts towards the execution of the occupation policies. His statement in eloquent testimony of his accurate analysis and wide knowledge of the existing conditions in Japan and his thorough understanding and goodwill for the Japanese people.

"I wish to express my deepest respect and admiration to General MacArthur for the sympathy and great statesmanship he has shown to Japan. I am sure that the Japanese people as a whole have been as equally impressed as I have been."

THE MAINICHI, March 20, 1947

WJS

Japan Peace Treaty

**Acheson Discloses US
Now Working On Draft**

Radiopress

NEW YORK, Mar. 18.—Acting Secretary of State Acheson, at a State Department press conference disclosed that the United States is now working on terms of the peace treaty with Japan.

He said the treaty drafting is in a preliminary stage and would be completed as soon as possible, as has been suggested by General MacArthur.

The Acting Secretary said, however, that as a practical matter progress will have to be made on the German and Austrian treaties before negotiations on the Japanese peace treaty can be taken up.

STARS AND STRIPES, March 20, 1947

WES

OFFICIAL SOURCES IN BRITAIN APPROVE MACARTHUR'S PLAN

LONDON, March 19 (UP)—
Official circles expressed approval today of General of the Army Douglas MacArthur's suggestion for an early peace treaty with Japan, provided the British Dominions are associated with the treaty.

These official circles stressed that General MacArthur's suggestion coincided with the wish already expressed by Australian Minister of Foreign Affairs H. V. Evatt.

Official quarters also approved General MacArthur's desire to see private trade with Japan revived, preferably on a "non-discriminatory basis" with all Allied countries receiving equal facilities.

The necessity of finally fixing the level of Japan's industrial output was stressed. Official quarters said if the Allies achieved agreement on this most important point of rehabilitation of Japan, many other questions connected with it could be settled more easily.

British sources said they regretted that the final settlement of the Japanese reparations problem had been delayed by Soviet opposition against inclusion of external assets in the General reparations pool.

STARS AND STRIPES, March 20, 1947

WJS

UN Wants More Facts About MacArthur Plan

LAKE SUCCESS, March 19 (UP)—United Nations diplomats asked for more information before commenting on General of the Army Douglas MacArthur's plan to place Japan under the youthful world organization.

Some felt it was premature.

The majority asked two general questions about General MacArthur's statement that Japan is ready for the peace treaty and mild United Nations controls:

Personal View

1. Does it represent General MacArthur's personal view or the germ of an official plan under consideration in Washington?

2. What kind of United Nations control does General MacArthur contemplate for instance a Security Council supervision as in the case of Trieste? Policing by the United Nations is still non-existent since there is no world police force.

Some felt General MacArthur might be contemplating a United Nations trusteeship.

There was considerable doubt that General MacArthur was expressing official United States policy on Japan, particularly because American Delegate Warren Austin commented he "had not had time" to study the general's speech and he did not know what kind of control was envisioned.

Faith In UN

Some quarters interpreted General MacArthur's statement as an American expression for faith in the United Nations—a move that conceivably could ease the feeling on the part of some diplomats that President Truman had by-passed the United Nations in proposing American intervention in Greece.

Some contended however, that the General MacArthur statement could be taken as an indication the United States wanted the United Nations to assume responsibility for policing defeated Japan as soon as possible.

STARS AND STRIPES, March 20, 1947

WJS

**Gromyko Has No Comment
On MacArthur Statement**

WASHINGTON, March 19 (AP)
—Soviet United Nations Delegate
Andrei Gromyko had no comment
on General of the Army Douglas
MacArthur's suggestion for early
end of military occupation of
Japan and substitution of United
Nations control.

Australian Delegate Masluck
said he expected his government
would have some comment.

NIPPON TIMES, March 19, 1947

WJS

GRATEFUL NATION HE OPPOSES STER FAVORS PRIVATE

Officials Involved; Depreux
Promises Action

Kyodo-UP
PARIS, March 18—The French Government Monday, pledged an immediate, ruthless investigation of three major scandals implicating high police officials, prominent Catholic church officers and prison authorities.

Leaders as Well as Man In the Street Applaud General's Remarks

NATION GIVEN NEW HOPE

Appreciation Is Expressed In Political, Industrial And Financial Circles

A grateful nation yesterday hailed General of the Army Douglas MacArthur's interview with foreign correspondents on Monday in which he urged, among other things, an early peace treaty with Japan, the reopening of private commerce, and benevolent, non-military control of the country by the United Nations.

In political, industrial and financial circles leaders expressed deep appreciation for Gen. MacArthur's far-seeing proposals. The man-in-the-street applauded the interview as promising a bright future for the nation. In government circles, where officials were not able to speak officially, the general reaction was one of full concurrence and gratitude.

Political circles expressed determination to do their utmost to rehabilitate the country thereby to meet the General's expectations in the Japanese people.

"The statement by General MacArthur points to his superb statesmanship," commented Suyehiro Nishio, secretary-general of the Social Democratic Party. "Japan is fortunate to have such a Supreme Commander," he said.

Mr. Nishio declared that General MacArthur's views on reparations were "exceedingly practical." The General has confirmed that now that Japan cannot possibly rise again as a militaristic nation, she should cease to be a burden to foreign countries and instead be enabled to stand on a self-sufficiency basis.

In order to live up to General MacArthur's expectations, the Socialist secretary general urged the Japanese people to refrain from internal class and partisan struggles and to devote their efforts to cooperative planning and execution of industrial rehabilitation.

He added that Japan, now reduced to abject poverty, should seek the road to recovery in labor.

Commerce-Industry Minister Mitsujiro Ishii hailed the statement as "very fine."

Dr. Hitoshi Ashida, Liberal Party leader, also acclaimed the MacArthur message and exhorted the nation to greater efforts for the reconstruction of the country.

The Japanese business world is especially interested in the problem of credit as a background of the momentous statement. Kanichi Moroi, president of the Chichibu Cement Company, executive secretary of the Japan Industrial Council and secretary-general of the Federation of Economic Organizations, commented:

"The statement has greatly brightened our gloomy outlook. It stands to reason that 80,000,000 people cannot be supported on our narrow strip of land without foreign trade and in order that foreign trade may be reopened quickly a peace treaty must be signed as early as possible. General MacArthur shows a profound understanding of the fundamental problem of Japan and gives the impression that he intends to meet our fond hope. If we are to express a further wish, we hope that credit would be established for Japan so as to enable us to make an industrial recovery."

Kiyoshi Oye, vice-president of the Tokyo Bank, formerly the Yokohama Specie Bank, said:

"The financial world welcomes General MacArthur's statement as bringing bright hope to it. As a bank specializing in foreign trade finances, we heartily endorse the General's views on the importance of reopening our country to free international commerce. It is only natural that foreign trade should have been controlled to cope with postwar conditions but such an agreement, as was announced at the same time with the statement as concluded with the Philippines, shows the way to the future course of our foreign trade. Let us hope that similar agreements will be concluded with China, India and other foreign countries."

NIPPON TIMES, March 19, 1947

WJS

M'Arthur Sees Benign Control of Japan By United Nations

DEMOCRACY HERE TO STAY

Withdrawal of All Allied Troops After Pact is Signed Urged By Supreme Commander

By MILES W. VAUGHN

United Press General Manager for Asia

General Douglas MacArthur, in an unprecedented press interview Monday, urged immediate solution of the reparations question and a peace treaty with Japan at the earliest possible date, asserting "the present economic strangulation of Japan is more threatening than the atomic bomb" as it endangers millions of Japanese lives.

General MacArthur recommended the withdrawal of all Allied troops from Japan as soon as a peace treaty is signed.

"There should be no bayonet control of Nippon once the peace terms have been arranged," the Supreme Allied Commander said. "SCAP should end immediately with the peace treaty.

"Conditions at this time are ripe for the starting of conversations for the peace agreement.

"After the peace treaty supervision of its terms should be entrusted to the United Nations. By renouncing war in her new constitution, Japan has thrown herself on the mercy of the Allies who have a moral responsibility to protect the Japanese people from aggression."

Explains Role of UN

The General spoke in a clear, low voice and was emphatic when he explained his viewpoint with regard to the role of the United Nations in the new world order.

The United Nations, he said, is the obvious organ to be entrusted with the task of keeping Japan on the highway of Democracy after the peace treaty has been signed. That is what the United Nations is for. If the United Nations ever is to succeed, Japan offers a most favorable opportunity for the new world organization. If the United Nations is unable to undertake the task of guiding the people of Nippon in the postwar world, then the United Nations organizations means very little.

The immediate problem confronting the Allies, the General said, has very important economic aspects. Japanese production must be increased to a point where it can fulfill the needs of the Japanese people for minimum living conditions.

Japan must be restored as a commercial nation with exports and imports, the General believed.

Within her postwar boundaries, he pointed out, Nippon is utterly unable to fulfill the food requirements of the Japanese people.

Japanese agricultural production per square foot of land probably is the greatest in the world, the General said, but it can never be enough to feed the millions of people now crowded into the narrow confines of postwar Nippon. Hence Japan must be allowed to trade with the world and this trade should be carried on under a system of private enterprise.

The temporary barter systems employed by SCAP are not satisfactory, the General said, emphasizing his belief that Nippon's world trade after the peace treaty should be carried out with a minimum of governmental regulation.

The General deplored assertions abroad that Japan should be isolated economically for a period possibly as long as 50 years. He said that a continuation of the present "economic strangulation" of this country would be tantamount to sentencing millions of Japanese to death by starvation.

Has Paid Heavily

With regard to reparations, the General pointed out that Japan already has paid very heavily by the loss of Manchuria, Korea and Formosa—areas in which Nipponese investments amounted to billions of dollars and from which Japan formerly obtained vast amounts of food and materials.

Credits given to Japan by the United States for food and other supplies should be repaid by Nippon as soon as possible and should constitute a first claim against Japanese earnings after peace has been established, the General said. He implied that future American credit to Japan should be considered by private organizations in line with the policy of returning Japanese economy to a system of private enterprise.

The General's remarks were made at a luncheon tendered him by accredited foreign correspondents at the Tokyo Correspondents' Club in Marunouchi.

Replying to a question by this correspondent, the General outlined at length his views with regard to the need for a peace treaty between Japan and the Allies at the earliest possible moment.

The General answered frankly and in lucid details.

The occupation of Japan may be divided into three phases—military, political and economic, the General said. The military phase has been largely completed with the dissolution of the armed forces and return from overseas of a majority of Japan's former soldiers and sailors. The political phase is being completed as rapidly as possible under conditions of a military occupation.

The greatest stress has been placed upon the development of democratic institutions. The greatest stress has been placed upon personal liberty and the dignity of the individual. Japanese are being educated in the theory that the state exists for the welfare of the individual and that the individual is the master of the state, rather than the state being the master of the citizen.

SCAP has tried to emphasize that the individual must not be a pawn of the nation in the future, the General said.

Friendly Guidance Urged

It may take many years for the democratic processes to become firmly implanted into the soil of the Japanese nation, the General said, and during this time the Allies should give Japan friendly guidance.

But, the General continued, "I believe that Democracy in Japan is here to stay."

Democracy, along with Christianity, has been a great leavening force in the world and it has found fertile soil in these islands, the General said.

With regard to the economic situation, the General said that an

economic blockade of Japan was enforced throughout the fighting phase of the war and was continued after the fighting had ceased. That blockade still constitutes a strangling force which is causing the Japanese people great suffering because of the lack of food, clothing and other supplies.

The General recalled the prayers of his men for bread during the trying days on Bataan and said that no suffering, not even from so deadly a weapon as the atomic bomb, can compare with that caused by economic strangulation.

It is unfortunate that complete unity does not exist among the Allies at this time with regard to peace with Japan, the General said, emphasizing his own opinion that the peace negotiations should be started at the earliest possible date.

Japan deserves nothing but praise for abolishing her armed forces and utterly renouncing war, the Supreme Commander asserted, adding that the Nipponese people have indicated their willingness to rely "upon the advanced spirituality of the world to protect them from foreign aggression."

Referring to the reparations situation, the General recalled that "one cannot squeeze blood from a turnip."

Conditions Worsening

"The present economic condition of Japan has not been thoroughly understood abroad, the General said. "Japan emerged from the fighting phases of the war thoroughly exhausted. All she had left was manpower. Her essential stockpiles for military purposes were nearly exhausted. Now the reserves of the families in the country themselves are giving out. The people literally are scraping the bottom. They are selling their clothing and personal possessions to keep alive. Conditions are becoming progressively worse and some form of foreign trade must be evolved to avert starvation."

If the present economic blockade is maintained there is only one country which can provide Japan with the food and other materials which the people must have if they are to live, the General said. That means that the American people must foot the bill to provide the difference between Japan's ability to earn and her requirements to live.

The General implied his belief that the spinning industry should be quickly expanded in this country to aid in a restoration of the export trade. Cotton must come from the United States and wool from Australia.

The General emphasized his belief that Japan must resume her role as a commercial nation, carrying on trade with the whole world. Indicative of the need for trade, he called attention to a shortage of fertilizers and said this was linked to Japan's inability to obtain commercial salts from abroad.

Care must be taken to prevent

extensive deforestation in an effort to get new agriculture lands, the General said. Cutting away forest from the hillsides would result in landslides and floods.

The General suggested the need for some flexibility in controlling Japan's reparations and postwar trade. The purpose of reparations must be to destroy Nippon's war potential but not to destroy the ability of the country to earn a living.

The General was accompanied by his Aide, Colonel H. B. Wheeler, and was introduced by President Tom Lambert of the Correspondents' Club.

NIPPON TIMES, March 19, 1947

WJS

M'ARTHUR PROPOSAL IS WELCOMED BY U.N.

Members of Security Council
Informally Approve Plan
Advanced by SCAP

International News Service

LAKE SUCCESS, N.Y., March 18 —Security Council members Monday informally welcomed General Douglas MacArthur's proposal that Japan's fate be handed over to the United Nations.

The body heard the proposal shortly before reconvening to continue discussions on United States' request for permanent trusteeship over strategic Pacific areas.

India, the Netherlands, Philippines, New Zealand and Canada were ready to present their views as five non-council members invited at Australia's insistence.

Council chairman Brazilian delegate Oswaldo Aranha opened the meeting Monday by calling first for a vote on the Australian move to defer any permanent decision on trusteeship until the Japanese peace treaty is signed.

General MacArthur's announcement took the delegates by surprise. Soviet Delegate Andrei Gromyko displayed keen interest but said he was in no position to offer comment now on procedure or feasibility of General MacArthur's suggestion.

Several others including Mr. Aranha and Australia's Paul Hasluck said it would be worth watching closely to determine what action might come out of it in Washington.

Chief U.S. Delegate Warren Austin said it remained not clear to him as to what scheme General MacArthur had in mind. He pointed out that under the United Nations charter an immediate important concern is continued maintenance of law and order during the transitional period.

Mr. Austin added that under the circumstances, a method analogous to a transitional period of Trieste could come into question and thus have been arrived at in a peace treaty.

He stressed that outright transfer of Japan to the United Nations again would run into a snag that the international organization lacks an armed force to enforce its authority. The second possibility regarding Japan, he said, is putting the country into the trusteeship category and administering it accordingly.

Mr. Austin indicated that as far as he is concerned, no advance information has been received by the United States delegation at Lake

Success about General MacArthur's proposal.

A cooling in Russia's outspoken support of United States claims to a permanent trusteeship of Pacific areas is anticipated.

Debate over the trusteeship agreement was led by Mr. Hasluck with the contention that all belligerents in the Pacific war must be given voice in the peace settlement.

Mr. Hasluck argued that while Australia agrees to American trusteeship of mandates and that the peace treaty conference will be powerless to forestall it, disposal of the islands in question, nevertheless is part of the entire treaty.

Diplomatic sources at Lake Success are making this forecast based on their conclusions for such a change in Russia's attitude on Moscow's probable desire to demonstrate displeasure over President Truman's action on Greece and Turkey.

A head-on clash between Mr. Gromyko and Mr. Austin is already in prospect for Wednesday's meeting of the Atomic Energy Commission.

At that time, Mr. Austin, supported by other Western Powers including Britain, will confront the 12-nation group with the contention that the Baruch atomic control and inspection plan has been accepted by 10 of the commission's members and must therefore continue to remain the basis of further discussions and of the projected atomic treaty.

NIPPON TIMES, March 19, 1947

WJS

Spiritual Revolution in Japan Called Greatest World Has Known

**MacArthur Declares Time is Ripe For This Country
To Resume Place Among Family of Nations**

By **HOWARD HANDLEMAN**
INS Far East Bureau Chief

TOKYO, March 18—Gen. Douglas MacArthur's plea for an early peace treaty with Japan and an end to military occupation was couched in terms that expressed great faith in the Japanese people.

The General, speaking extemporaneously in answer to questions at a Tokyo Correspondent's Club luncheon Monday, declared without reservation:

"I believe sincerely and absolutely that it (democracy) is here and that it is here to stay."

Psychologically, he said, Japan has undergone "a spiritual revolution (which is) the greatest the world has known."

Throughout his talk, the General stressed that the "time is ripe" for Japan to resume her place among the family of nations, although he advocated a United Nations control, through civilian agencies only, which would be "benevolent" and would serve as a guide rather than a guard.

Japan Can Recover

Economically Gen. MacArthur expressed the greatest faith in Japan's powers to recover by saying:

"Japan not only can pay her way, but she has the potential to recover economically within a reasonable orbit of time and can repay anything that is advanced to her during the Occupation."

He made this statement of faith in Japan's power to recover econo-

mically in conjunction with his recognition that Japan cannot be self-sustaining with the resources within her home islands, and that foreign trade is essential to the economic life of the nation.

Actually his talk went beyond his hopes for Japan and expressed his hopes for the entire world.

"I believe it (democracy) is man's greatest idea, except Christianity," the general said, "and believe it will control the world and lead us toward Utopia."

He stressed that Japan has accepted that idea, which he said was the idea that next to spiritual values, the welfare of the individual is the most important goal of a state.

Japanese, more than any people on earth, he said, realize the folly of war and have turned to something better.

"Honestly and without coercion, but merely under the process of a sound idea," he said, "Japan contributed greatly to the cause of world peace by renouncing the sovereign right to wage war."

The United Nations Organization particularly, and the entire world generally, must accept that challenge, he said, and make certain that Japan never becomes the victim of aggression now that she has placed her faith in the "advanced spirituality" of the modern world.

THE MAINICHI, March 19, 1947

WJS

MacArthur Urges Early Peace Pact With Japan, Restoration Of Trade

Immediate Solution Of Reparations Issue, And End Of 'Economic Strangulation' Recommended In Unprecedented Interview

By Miles W. Vaughn, United Press General Manager For Asia

TOKYO, Mar. 17.—General Douglas MacArthur, in an unprecedented press interview today, urged immediate solution of the reparations question and a peace treaty with Japan at the earliest possible date, asserting "the present economic strangulation of Japan is more threatening than the atomic bomb, as it endangers millions of Japanese lives.

General MacArthur recommended the withdrawal of all Allied troops from Japan as soon as a peace treaty is signed.

"There should be no bayonet control of Nippon once the peace terms have been arranged," the Supreme Commander said. "SCAP should end immediately with the peace treaty.

'Conditions Ripe For Starting Peace Pact Talks'

"Conditions at this time are ripe for the starting of conversations for the peace agreement.

"After the peace treaty, supervision of its terms should be entrusted to the United Nations."

"By renouncing war in her New Constitution, Japan has thrown herself on the mercy of the Allies who have a moral responsibility to protect the Japanese people from aggression."

The General spoke in a clear low voice and was emphatic when he explained his viewpoint with regard to the role of the United Nations in the new world order.

The United Nations, he said, is the obvious organ to be entrusted with the task of keeping Japan on the highway of democracy after the peace treaty has been signed. That is what the United Nations is for.

If the United Nations ever is to succeed, Japan offers a most favorable opportunity for the new world organization. If the United Nations is unable to undertake the task of guiding the people of Nippon in the postwar world, then the United Nations organization means very little.

For Minimum Living Conditions

"The immediate problem confronting the Allies, the General said, has very important economic aspects. Japanese production must be increased to a point where it can fulfill the needs of the Japanese people for minimum living conditions.

Japan must be restored as a commercial nation with exports and imports, the General believed.

Within her postwar boundaries, he pointed out, Nippon is utterly unable to fulfill the food requirements of the Japanese people.

Japanese agricultural production per square foot of land probably is the greatest in the world, the General said, but it can never be enough to feed the millions of people now crowded into the narrow confines of postwar Nippon.

System Of Private Enterprise

Hence Japan must be allowed to trade with the world and this trade should be carried on under a system of private enterprise.

The temporary barter systems employed by SCAP are not satisfactory, the General said, emphasizing his belief that Nippon's world trade after the peace treaty should be carried out with a minimum of Governmental regulation.

The General deplored assertions abroad that Japan should be isolated economically for a period, possibly as long as 50 years.

He said that a continuation of the present "economic strangulation" of this country would be tantamount to sentencing millions of Japanese to death by starvation.

Japan Has Paid Heavily

With regard to reparations, the General pointed out that Japan already has paid very heavily by the loss of Manchuria, Korea, and Formosa—areas in which Nipponese investments amounted to billions of dollars and from which Japan formerly obtained vast amounts of food and materials.

Credits given to Japan by the United States for food and other supplies should be repaid by Nippon as soon as possible and should constitute a first claim against Japanese earnings after peace has been established, the General said.

He implied that future American credit to Japan should be considered by private organizations in line with the policy of returning Japanese economy to a system of private enterprise.

The General's remarks were made at luncheon tendered him by accredited foreign correspondents at the Tokyo Correspondents' Club in Marunouchi.

Replying to a question by this correspondent, the General outlined at length his views with regard to the need for a peace treaty between Japan and the Allies at the earliest possible moment.

The General answered frankly and in lucid details.

3 Phases Of Occupation

The occupation of Japan may be divided into three phases—military, political and economic, the General said.

The military phase has been largely completed with the dissolution of the armed forces and the return

from overseas of a majority of Japan's former soldiers and sailors. The political phase is being completed as rapidly as possible under conditions of a military occupation.

State Exists For Individual

The greatest stress has been placed upon the development of democratic institutions. The greatest stress has been placed upon personal liberty and the dignity of the individual. Japanese are being educated in theory that the state exists for the welfare of the individual and that the individual is the master of the state, rather than the state being the master of the citizen.

SCAP has tried to emphasize that the individual must not be a pawn of the nation in the future, the General said.

It may take many years for the democratic processes to become finally implanted into the soil of the Japanese nation, the General said, and during this time the Allies should give Japan friendly guidance.

But the General continued, "I believe that democracy in Japan is here to stay."

Democracy, along with Christianity, has been a great leavening force in the world and it has found fertile soil in these islands, the General said.

Economic Blockade Of Japan

With regard to the economic situation, the General said that an economic blockade of Japan was enforced throughout the fighting phase of the war and has continued after the fighting had ceased.

That blockade still constitutes a strong line force which is causing the Japanese people great suffering because of the lack of food, clothing and other supplies.

The General recalled the prayers of his men for bread during the trying days on Bataan and said that no suffering, not even from so deadly a weapon as the atomic bomb, can compare with that caused by economic strangulation.

It is unfortunate that complete unity does not exist among the Allies at this time in regard to peace with Japan, the General said, expressing his own opinion that the peace negotiations should be started at the earliest possible date.

Japan deserves nothing but praise for abolishing her armed forces and utterly renouncing war, the Supreme Commander asserted, adding that the Nipponese people have indicated their willingness to rely "upon the advanced spirituality of the world to protect them from foreign aggression."

Referring to the reparations situation, the General recalled that "one can not squeeze blood from a turnip."

Present Economic Condition

"The present economic condition of Japan has not been thoroughly understood abroad, the General said.

"Japan emerged from the fighting phases of the war thoroughly exhausted. All she had left was manpower. Her essential stockpiles for military purposes were nearly exhausted.

"Now the reserves of the families in the country themselves are giving out. The people literally are scraping bottom. They are selling their clothing and personal possessions to keep alive. Conditions are becoming progressively worse and some form of foreign trade must be evolved to avert starvation."

If the present economic blockade is maintained, there is only one country which can provide Japan with the food and other materials which the people must have if they are to live, the General said. That means that the American people must foot the bill to provide the difference between Japan's ability to earn and her requirement to live.

The General implied his belief the spinning industry should be quickly expanded in this country to aid in a restoration of the export trade. Cotton must come from the United States and wool from Australia.

The General emphasized his belief that Japan must resume her role as a commercial nation, carrying on trade with the whole world. Indicative of the need for trade, he called attention to a shortage of fertilizers and said this was linked to Japan's inability to obtain commercial salts from abroad.

Care must be taken to prevent extensive deforestation in an effort to get new agricultural lands, the General said. Cutting away forest from the hillside would result in landslides and floods.

The General suggested the need for some flexibility in controlling Japan's reparations and postwar trade.

Purpose Of Reparation

The purpose of reparations must be to destroy Nippon's war potential but not to destroy the ability of the country to earn a living.

The General was accompanied by his Aide, Colonel H.B. Wheelon, and was introduced by President Lambert of the Correspondents' Club.

NIPPON TIMES, March 19, 1947

WJS

Gen. M'Arthur's Interview

This is a transcript of the interview granted to foreign press correspondents on Monday by Gen. of the Army Gen. Douglas MacArthur as released by the Associated Press. No official text of the interview was made. The following excerpts are based on notes.

Gen. MacArthur: "I am now on the record for your questions."

Question — "General, you were quoted recently as proposing Japanese be placed under the United Nations. Would you care to elaborate on that?"

Answer—"The time is now approaching when we must talk peace with Japan. Our occupation job here can be defined as falling roughly into three phases—military, political and economic.

"The military purpose, which was to insure Japan will follow the ways of peace, and never again be a menace, has been, I think, accomplished.

"We have demobilized the troops, demilitarized the country, torn down military installations.

"Psychologically, I believe the success has been equally propitious. Japan today understands as thoroughly as any nation that war does not pay. Her spiritual revolution has been probably the greatest the world has ever known.

"The political phase is approaching such completion as is possible under the occupation.

"We have changed laws, standards and ideals of this country, from the feudalistic ideals of the past into the concept of what is the greatest thing in life, next to spiritual beauty—the dignity of man. We made them think that nations exist for the welfare of those who compose them, instead of the reverse.

"I don't, by that, mean to say that this thing called Democracy had been accomplished. The process of democratization is one of continual flux. It takes years.

"But insofar as you can lay down the framework, it has been already accomplished. There is little more, except to watch, control and guide.

"Democracy is a relative thing. It is a question of the degree of freedom you have. If you believe in the Anglo-Saxon idea, you will believe this will stay here.

"If you are a cynic, or believe in totalitarianism, you may doubt it is here to stay.

"I believe sincerely and absolutely that it is here to stay.

"The third phase is economic. Japan is still economically blockaded by the Allied Powers. Economic warfare along those lines still is as bitter here as when the guns were firing. And now strangulation is worse, because we have returned millions of repatriates from abroad.

"No weapon, not even the atom bomb, is as deadly in its final effect as economic warfare.

"The atom bomb kills by thousands, starvation by the millions.

"Japan was thoroughly exhausted economically at the end of the war." All she had left, was men. She was living on stockpiles and our blockade after the fall of the Philippines kept materials from coming in. Now they are scraping the bottom of the stockpiles.

"Each little family had its stockpile—of clothes and heirlooms. Now these are being sold to keep the men alive. Every resource have been placed under tight Government control but ever under strict rationing, Japan is not producing enough to satisfy her needs. The difference must be filled by the Allies.

"If we keep this economic blockade up, more and more will we have to support this country.

"It is an expensive luxury. But we will pay for it or let the people die by millions."

"There is not the same unity among the Allies" in the economic phase of the occupation as in the military and political phases.

"No a clear-cut economic framework has been outlined for Japan or Germany either, for that matter. But this is not a phase that the Occupation can settle. We can only enforce economic strangulation."

"It would be advisable for the world to initiate at this time peace talks with Japan. But Peace won't mean complete relaxation of all guidance or controls. . . .

"Japan on her initiative and without coercion has completed a Constitution which takes the great step or renouncing war. There was a great deal of criticism when this first appeared, but it remains. . . . She also has abolished military installations under the Potsdam Declaration.

"Therefore, they will be unprotected when we withdraw. Who is going to protect them?"

SCAP said one method would be to backtrack and permit small military establishment. . . . "but the Japanese are relying upon the advanced spirituality of the world to protect them against undue aggression. . . ."

It is on this basis, SCAP said, that he suggested recently to the visiting editor (Irwin Canham, of the Christian Science Monitor), that the United Nations should exercise control over Japan.

"If the United Nations is ever to succeed, this is the most favorable opportunity it ever had. Japan would be willing and would desire it."

"If the United Nations cannot provide mild controls, it cannot meet anything."

QUESTION:—"Would you care to

elaborate a little more on the Peace Treaty. When do you think it should be?"

ANSWER:—"I will say as soon as possible.

"In Japan there is a functioning Government. But in Germany the Government had to be built from the ground up and there is no Government to sign the Peace Treaty . . . Over here there is no problem of what to do with Japan.

"She has been squeezed out pretty nearly of everything we can expect to squeeze out of her.

"I am not talking of the reparations now. But she has already lost Manchuria, Korea and Formosa. There is little left. . . ."

"The days of SCAP should cease completely with the Peace Treaty because, I think, conditions are ripe for it now. . . ."

QUESTION:—"How long would you say the United Nations would have to continue the controls of democratization?"

ANSWER:—"I would not want to speculate that." The Japanese would accept it. . . . It would be considered protective rather than repressive. It could continue as long as it was munificent.

"I would not envision any military formations of any sort after the Peace Treaty. Bayonet control would be a mockery."

Gen. MacArthur then was asked about the restoration of Japan's economy. He pointed out Japan is economically poor—in fact, that was one reason she went to war, she was reaching out to get resources."

He pointed out that trade was the lifeblood of these Islands and that in order to stimulate trade, she must import such necessities as cotton and wool.

"We do not allow Japan to trade. She is got to be allowed to trade with the world. Japan is only permitted the barter system through the bottleneck of SCAP. We have got to take it out of the hands of the Government and put it in the hands of private traders.

"Eighty million people need 20,000,000 tons of food (annually). Seventeen million tons are produced here. . . . There is no way I can see, within appreciable future, that these people can get enough food from indigenous products."

The job of occupation, he said, is to restore Japan's production to self-sufficiency. "I once read a statement of Winston Churchill made in one of his moments of profound inspiration. Speaking of Germany, he said 'The problem is not to keep Germany down, but to keep it up.

"I didn't understand it then, but I do now. Our problem is to keep Japan up."

In recounting the difficulties of this, Gen. MacArthur said "Japan cannot sell her raw silk in United States. The scientists have outdone them. Milady would rather have nylon than a silk hose and they are the boss, as any man will tell you.

"Scientists have relegated silk to a secondary position—just as they relegated armies and navies to secondary position with air power and the atomic bomb.

"Well, that is not quite true, but it illustrates what I mean."

Gen. MacArthur said the Japanese are "magnificent farmers," but in working the land overtime, had exhausted its richness. Therefore they used fertilizers extensively. For this, they formerly imported something like a million and half tons of salt ingredient from China and Manchuria. "But not a pound has come in since the end of the War."

He cited this to show the difficulties of restoring production.

Gen. MacArthur mentioned he had read the proposal of a Congressman to cut off Japan's foreign trade for 50 years.

QUESTION:—"What would, happen if you did it?"

ANSWER:—"There would not be anybody left alive."

QUESTION:—"What do you see as final reparations program?"

ANSWER:—"I don't think there is any intent to take away from the industrial capacity of Japan that which would destroy it."

He noted here "some disagreement" between the Pauley and the Strike reports on reparations but "they both were working on the big problem of trying to find the proper balance on the questions.

"If reparations are cut too deeply, the United States will have to support Japan because we have undertaken the major burdens of the Occupation."

QUESTION:—"What is the possibility of a United States loan to Japan?"

ANSWER:—"I think Japan can pay back all the dollars we appropriate, but I think we should hold a first lien against anything we take out of her" in the way of trade.

"United States has not adopted a formula of loans yet, but we are operating on Army Budget and the expenditures probably will be charged against the costs of Occupation."

The chairman had announced at the outset, the questioning would continue for 20 minutes. At this point—considerably longer than that Gen. MacArthur excused himself to return to his office.

STARS AND STRIPES, March 18, 1947

WJS

Time Set For Establishment Of Non-Military Rule—SCAP

By International News Service

General of the Army Douglas MacArthur called for an early peace treaty with Japan yesterday.

He said the time is ripe not only for a peace treaty, but for the establishment of non-military controls over Japan and the reopening of private commerce between Japan and the other nations of the world.

He said in view of Japan's great war losses, including the riches of Formosa, Manchuria and Korea, and in view of the fact that in every field of production Japan is unable to meet the domestic needs of her people, that it would be difficult to impose stern reparations measures on the nation.

UN Should Take Over

He said he believed the United Nations should take over the control of Japan, and that SCAP should be ended as soon as a peace treaty is written.

The United Nations, he said, "has the most favorable opportunity it will ever have to establish itself as an organization capable of maintaining peace.

"Japan is willing," he continued. "If the United Nations cannot meet these conditions, it cannot meet anything."

He said the United Nations must accept the responsibility of protecting Japan which "honestly and without coercion, but merely under the process of a sound idea, contributed greatly to the cause of world peace by renouncing the sovereign right to wage war."

'Benevolent' Control

He said he envisioned a "benevolent" control by United Nations. The general refused to speculate on the length of time that Japan should be under the control of a civilian authority, but said:

"With such a control as I have in mind there would be no difficulty in continuing it as long as it was needed because the Japanese themselves would not object to it.

"I envision no military formation of any sort in Japan after the peace treaty as that would be a mockery of the term 'peace.'"

General MacArthur said he had high hopes of Japan's ability not only to recover economically, but to repay all obligations incurred under the occupation.

He said that no Japanese industry is producing enough for domestic requirements, and, stressing food, he said "I see no way within the appreciable future that they can get enough food for their people. That means they must have foreign trade.

"We do not want reparations to take things that the American taxpayers will have to resupply within a reasonable orbit of time and can repay anything advanced by the United States."

He said the military phase was completed materially with demobilization and psychologically with "a spiritual revolution the greatest the world has known."

The political phase, he said, is completed because the occupation has done everything that can be done "from the outside" to establish the framework of democratic process."

He added:

"It is not a question of whether democracy is here or is not here. If you are a cynic, devoted to totalitarianism, you will doubt that it is here.

"But I believe sincerely and absolutely that it is here and that it is here to stay. I believe it is man's greatest idea, except Christianity, and believe it will control the world and lead us toward a Utopia."

Problem of the Future

"After the peace treaty," he said, "we will be faced with the problem of permitting Japan to backtrack and establish a small protective military establishment, or, as they have said they desire, permit them to rely on the advanced spirituality of the world to protect them from aggression."

"That is what the United Nations is for."

Economically, he said, Japan is worse off now than at any time during the war because of the economic blockade which the Allies are maintaining.

Rev. 12th mtg
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Steering Comm. -
 Condensed Minutes
 (Revised)

REVISED MINUTES OF 11TH MEETING OF THE
 STEERING COMMITTEE, U. S. SAFETY-AT-SEA COM-
 MITTEES, 7 APRIL, 1947, U. S. COAST GUARD
 HEADQUARTERS, WASHINGTON, D. C.

PERMANENT FILE COPY

Present:

Admiral J. F. Farley, USCG, Chairman
 Commodore H. G. Shephard, USCGR, Vice Chairman
 Mr. J. E. Saugstad, Department of State, Member
 Mr. F. H. Van Riper, U. S. Maritime Commission, Member
 Mr. H. T. Morse, U. S. Maritime Commission, Alternate Member
 Mr. A. E. Roth, National Federation of American Shipping, Inc., Member
 Mr. H. Gerrish Smith, Shipbuilders Council of America, Member
 Commodore E. M. Webster, USCG (Ret.), Federal Communications Commission, Member
 Captain R. T. Merrill, USCGR, Executive Secretary, U. S. Safety-at-Sea Committees
 Lt. L. D. Bradley, Jr., USCG, Assistant Executive Secretary, U. S. Safety-at-Sea
 Committees

Also Present:

Mr. V. A. Wallace, Department of State
 Mr. John W. Mann, Department of State
 Mr. W. Harris, Shipbuilders Council of America

The Chairman, Admiral Farley, called the meeting to order at 11:00. He referred to Item (a) on the agenda, "A Report on International Activities Bearing on Safety-at-Sea", which had been attached to the announcement of the meeting. Mr. Van Riper inquired if the United States would have an observer at the Conference on Admeasurement to be held in Oslo in May, 1947. It was pointed out that the purpose of the Conference was not to propose new rules for admeasurement but to attempt to secure uniformity among the Scandinavian countries as to the interpretation of present rules. The Conference will be attended by Norway, Sweden, Denmark, Finland, The Netherlands and Belgium, with France and the United Kingdom as observers. Mr. Saugstad stated that the United States has not been requested to attend even as an observer but such an invitation could be arranged with facility. After further discussion, Mr. Van Riper made a motion that the United States should have an observer present at the Oslo Conference and that such observer should not take any part in the discussions or put forth any United States position on the subject. Mr. Roth seconded the motion and it was carried.

Mr. Smith brought up the question of the present status of the Admeasurement Committee of the United States Safety-at-Sea Committees. It was agreed the United States position on Admeasurement as heretofore established should be continued; namely that the subject should not be included on the agenda of the Safety Convention. However, it was felt desirable that the Admeasurement Committee should not be dissolved but should continue to study the matter.

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The Chairman then called on Mr. Smith for a report of the latest developments on the question of subdivision. Mr. Smith stated that the Subdivision Committee had held a meeting on March 20, 1947, in New York City. At that meeting it was agreed that the United States proposals should be somewhere between the 1929 standards and those proposed in Senate 164. The exact degree was in question and several months' work is still necessary thereon. There was also the question of extending subdivision requirements to cargo vessels. The majority of the Subdivision Committee did not favor such action. Loadlines were also discussed at that meeting but it was felt that this subject would require at least nine months' study. The Steering Committee agreed that if the Subdivision Committee studied the question of loadlines Mr. Smith should coordinate their work with the Structural Standards Committee.

The Chairman then brought up the question of conducting informal, preliminary discussions with representatives of other maritime nations in addition to the United Kingdom and Canada. After discussing the matter, the Committee voted that such discussions should be extended to other maritime nations.

The Committee then considered the tentative safety features of the UMCC draft constitution. It was pointed out that recent action of the Economic and Social Council had reversed the procedure heretofore contemplated and that the so-called organizational conference now would be held before the Safety-of-Life-at-Sea Conference. Therefore it would be necessary to have such safety provisions as were to be included in the constitution of the Organization developed for incorporation in the final IMCO draft to be considered in November, this year, at the Conference called by ECOSOC. Mr. Mann stated that, as a preliminary step in that direction, a meeting had been held in the Department of State on April 2nd, which had been attended by representatives of that Department, the Coast Guard, and Maritime Commission. It was decided that the United States might appropriately recommend and advocate amendments to the UMCC draft constitution to accomplish the following principles:

1. The Organization should not take final action insofar as the Organization is concerned on Safety Regulations except at regular bi-annual meetings of the Assembly, nor should the Organization approve any amendment to such Regulations unless it has been distributed to member governments at least six months in advance of consideration by the Assembly.
2. The Secretary-General of the Organization to designate a Technical Secretary to serve the Maritime Safety Committee.
3. Those provisions of the Draft Constitution which presently refer to the Maritime Safety Committee as one of the subsidiary organs of the Organization, to be amended so that the document will reflect the Committee's status as one of the principal organs of the Organization.
4. Suitable provisions in the nature of rules of procedure for the Maritime Safety Committee to be recommended for inclusion in the Constitution. It was decided at the meeting that the Maritime Safety Committee should be the body for initial consideration in the Organization of any technical proposal made by a member government, and that the Assembly should have the benefit of the advice and recommendations of the Maritime Safety Committee on any technical problem before the Organization.

5. Broaden the contemplated scope of the Organization (presently limited to consultative and advisory functions) to the extent that it would be able to perform duties in the field of maritime safety which might be assigned to it by the Safety Regulations or other international instrument to avoid the necessity of securing subsequent amendments to the Constitution.

Mr. Roth moved that the 5 principles be endorsed. The motion was seconded and carried.

The Committee then took up the question of labor representation on the General Committee. The past arrangements for obtaining the views of labor through the Labor Department were explained. The representation question arises from the request by the Labor Department that one CIO and one AFL representative be placed on the General Committee. At this point Mr. B. Wieman of the Division of International Labor, Social and Health Affairs of the Department of State arrived and was introduced by Mr. Saugstad. Mr. Wieman explained the views of his Division on the general subject of labor representation. After further discussion, it was agreed to leave the subject open to further negotiations by Mr. Saugstad who said he would canvass the Transport and Communications Division of the Department of State.

The meeting was adjourned at 1615.

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RESTRICTED

No. 464

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

740.00119 Control Japan / 11-145

The Acting Secretary of State refers to instruction no. 12 of November 9, 1945, and informs the Political Adviser that SWNCC 52/7, "BASIC DIRECTIVE FOR POST-SURRENDER MILITARY GOVERNMENT IN JAPAN PROPER", enclosed with that instruction, has been downgraded from TOP SECRET to RESTRICTED.

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UNITED STATES POLITICAL ADVISER FOR JAPAN

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Tokyo, April 8, 1947

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No. 965-615

DIVISION OF INVESTMENT AND ECONOMIC DEVELOPMENT
MAY 20 1947
DEPARTMENT OF STATE

OFFICE OF EUROPEAN AFFAIRS
DISTRIBUTION OFFICE
MAY 13 1947
DEPARTMENT OF STATE

INTERNATIONAL RESOURCES DIVISION
JUN 4 1947
DEPARTMENT OF STATE

SUBJECT: Twenty-ninth Meeting of the Allied Council for Japan, April 2, 1947.

740.00119 Control (Japan)
13-2247

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The United States Political Adviser for Japan has the honor to refer to this Mission's despatch No. 931, March 22, 1947, and to previous correspondence in regard to meetings of the Allied Council for Japan, and to forward as an enclosure five copies each of the Agenda and Corrected Verbatim Minutes of the Twenty-ninth Meeting of the Allied Council, held on April 2, 1947.

The first subject on the Agenda, "The Operation of the Power Industry of Japan", had been held over from the Twenty-eighth Meeting at the request of the Member for the Union of Soviet Socialist Republics. As he desired additional detailed information before making his recommendations, the subject is being held over for the Thirtieth Meeting.

The second subject on the Agenda, "Stabilization of Wage-Price Relationships", was proposed by the Supreme Commander for the Allied Powers. The British Commonwealth Member spoke at some length in an endeavor to show that the solution of this problem is political rather than economic. The Member for China bespokene the need of a resumption of Japan's external trade to effect internal stabilization. Both Members explicitly expressed their agreement with and support of the series of economic and financial controls already taken by the Supreme Commander. The Soviet Member said that he had not had sufficient time to study the problem and requested that discussion of the subject be postponed until the next meeting.

The Soviet Member had placed two other subjects on the Agenda, i.e., "Financial Institutions and Banks of Japan" and "The State of Public Health in Japan". Due to the short time between the

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DIVISION OF FINANCIAL AFFAIRS
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COMMUNICATIONS CENTER

Tokyo's No. 965
April 8, 1947

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of the subjects on the Agenda and the meeting, it was impossible to collect and co-ordinate the large amount of material required to answer the questions posed by the Soviet Member. Therefore, both subjects were also held over for the next meeting.

Enclosures:

1. Five copies Agenda
2. Five copies Corrected Verbatim Minutes

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

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Enclosure No. 1 to Despatch No. 965, April 8, 1947 from the United States Political Adviser, Tokyo, subject "Twenty-ninth Meeting of the Allied Council for Japan, April 2, 1947."

29-402

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PAN

to be held in the Meiji Building, Tokyo, Wednesday, 2 April 1947, at 1000 Hours

I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE TWENTY-EIGHTH MEETING (1 Session, Numbered 28-319).

II PROCEDURAL MATTERS

None held over or submitted as subjects for this Agenda.

III OFFICIAL MATTERS

1. The Operation of the Power Industry of Japan. (Inclosure #1).
2. Stabilization of Wage-Price Relationships. (Inclosure #2).
3. Financial Institutions and Banks of Japan. (Inclosure #3).
4. The State of Public Health in Japan. (Inclosure #4).

By Direction of the Chairman:

Glenn Abbey
GLENN ABBEY
Secretary-General

4 Incls:

- 1 - Agenda Item 28-319-2 (Revised) 28 March 1947).
- 2 - Agenda Item 29-402-1.
- 3 - Agenda Item 29-402-2.
- 4 - Agenda Item 29-402-3.

28 March 1947

29-402

AGENDA

for the

TWENTY-NINTH MEETINGALLIED COUNCIL FOR JAPAN

To be held in the Meiji Building, Tokyo,
Wednesday, 2 April 1947, at 1000 Hours

I APPROVAL OF THE CORRECTED VERBATIM MINUTES OF THE
TWENTY-EIGHTH MEETING (1 Session, Numbered 28-319).

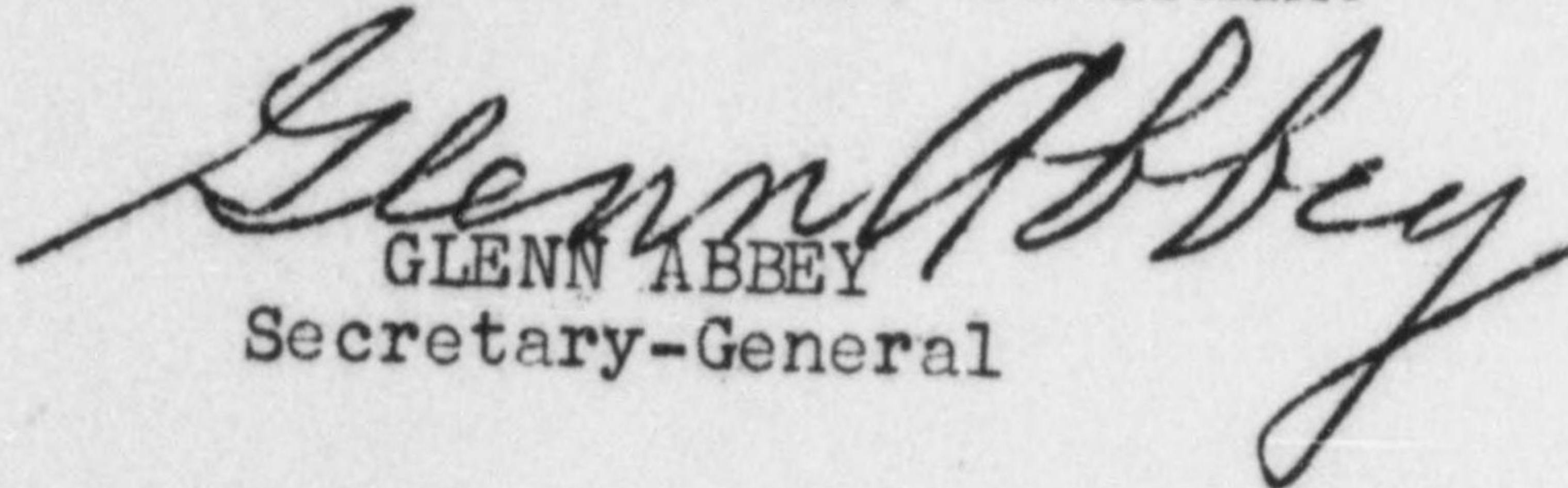
II PROCEDURAL MATTERS

None held over or submitted as subjects for this Agenda.

III OFFICIAL MATTERS

1. The Operation of the Power Industry of Japan.
(Inclosure #1).
2. Stabilization of Wage-Price Relationships.
(Inclosure #2).
3. Financial Institutions and Banks of Japan.
(Inclosure #3).
4. The State of Public Health in Japan.
(Inclosure #4).

By Direction of the Chairman:


GLENN ABBEY
Secretary-General

4 Incls:

- 1 - Agenda Item 28-319-2 (Revised)
28 March 1947).
- 2 - Agenda Item 29-402-1.
- 3 - Agenda Item 29-402-2.
- 4 - Agenda Item 29-402-3.

28 March 1947

ALLIED COUNCIL FOR JAPAN
Proposed Discussion Agenda

- I AGENDA ITEM NO. 28-319-2 (Revised 28 March 1947).
- II PROPOSED BY: LIEUTENANT GENERAL KUZMA N. DEREVYANKO,
Member for the Union of Soviet Socialist Republics.
- III SUBJECT FOR DISCUSSION: The Operation of the Power
Industry of Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 2 April 1947.
(Held over from Twenty-eighth Meeting at request of the
Soviet Member).
- V SCOPE OF INFORMATION DESIRED: No additional information
requested.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE:
None requested.
- VII REFERENCES: None.

Inclosure #1

ALLIED COUNCIL FOR JAPAN
Proposed Discussion Agenda

- I AGENDA ITEM NO. 29-402-1.
- II PROPOSED BY: THE SUPREME COMMANDER FOR THE ALLIED POWERS.
- III SUBJECT FOR DISCUSSION: Stabilization of Wage-Price Relationships.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 2 April 1947.
- V SCOPE OF INFORMATION DESIRED: Comments and Recommendations of the Members of the Council.
- VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE: None requested.
- VII REFERENCES: Memorandum to the Allied Council for Japan, 27 March 1947, including Partial Staff Study. (Inclosure A).

Inclosure #2

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

APO 500
27 March 1947

MEMORANDUM:

TO : Allied Council for Japan.

1. The problem of effecting a proper and stabilized wage price relationship in Japan is one of considerable difficulty in view of the great scarcity in Japan of practically every type of goods, aggravated by unequal distribution of monetary purchasing power and deficit financing of both governmental and industrial operations. In an economy of scarcity, a stable and proper relationship between wages and prices depends upon the successful operation of strong control measures, proper allocation of critical commodities to the most essential uses, effective rationing of consumer goods, strong enforcement machinery, and sound financial policies. Without a stabilized relationship between wages and prices, it is probable that the pressure of wage increases to meet rising costs of living may result eventually in an uncontrollable inflationary situation.

2. A partial Staff Study setting forth pertinent facts concerning this problem is attached hereto. The advice and recommendations of the Council are requested with regard to the determination of appropriate measures to effect a proper and stabilized wage price relationship.

FOR THE SUPREME COMMANDER:

/s/ Paul J. Mueller
/t/ PAUL J. MUELLER
Major General, General Staff Corps
Chief of Staff.

1 Incl:
Staff Study.

Inclosure A to Inclosure #2

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

27 March 1947

STABILIZATION OF WAGE-PRICE RELATIONSHIPS

Partial Staff Study

I. THE PROBLEM PRESENTED

To determine appropriate measures to effect a proper and stabilized wage-price relationship.

II. FACTS BEARING ON THE PROBLEM

1. Necessity for stabilization of wage-price relationships. Japan's economy today is characterized by a great scarcity of practically every type of goods, aggravated by unequal distribution of monetary purchasing power and deficit financing of both governmental and industrial operations. In an economy of scarcity, a stable and proper relationship between wages and prices depends upon the successful operation of other economic controls such as allocation of critical materials to the most essential uses, effective rationing of consumers goods, strong enforcement machinery and sound financial policies. Without such controls, consumers bid against each other for the limited supply of goods and services, and obtain a considerable part of their wants at exorbitant prices through black market channels. Producers, similarly, are driven to the black market for part of their supplies of raw materials. Price are forced up and, in turn, increase the pressure for wage increases to meet the rising cost of living. These wage increases cause further demands for price increases, and the cycle goes on. Without an effective program of economic stabilization, this spiraling may result in an uncontrollable inflationary situation.

2. Review of Japanese Wartime Economic Controls. Japan's wartime economic control structure was predicated on a combination of governmental and private controls. The legal basis for the controls exercised was the National Mobilization Act of 1938 and a number of Imperial Ordinances promulgated thereunder which regulated allocation, distribution, price and wage controls.

The administration of these Ordinances was accomplished nominally by the various Ministries each determining price, wage, and allocation policies and programs for the commodities under its control with little overall planning or coordination. Each Ministry in turn used the device of designating operating agencies such as Control Associations, National Policy Companies, and Quasi-Public Corporations to perform the actual administration of economic controls.

The Control Associations and National Policy Companies were, in effect, compulsory trade associations of producers or, in some instances, consumers. These private organizations had a complete monopoly over a given product, either through the power of allocation or through the power of allocation or through the exercise of the right of exclusive purchase and sale of designated products. Small independent producers and distributors were forced into mergers with larger organizations in the interests of more effective mandatory controls.

Inclosure A1

Through these associations and companies, involving a series of intercorporate stock holdings, holding companies and forced amalgamations, wartime trends in the Japanese economy resulted in increased concentration of wealth and control of industry in the hands of a few large industrial organizations.

Quasi-Public Corporations were also formed to centralize procurement for foreign trade and for munitions production.

Throughout the control structure there existed a balance of power between the Zaibatsu and other business interests and the government bureaucracy. The small and medium-sized businessmen lost ground rapidly. The Government bureaus established to administer the above controls, were granted tremendous power, although the actual administration of the wartime program was for the most part in the hands of the large monopoly businessman. The policies effectuated represented the coordination of a working agreement between the militarists and the Zaibatsu.

Price ceilings were established in September 1939. The determination of prices was in effect accomplished by the various Ministries though the control agencies and policies were formulated by a central cabinet committee. Enforcement was in the hands of the Home Ministry. Although prices increased somewhat thereafter, there was no large increase in the price level until shortly before the surrender.

With respect to wage controls, a basic wage ordinance was issued in October 1940. Since it was not deemed feasible to fix the wage of individual workers, controls were achieved by placing a limit on the total payroll of each factory through a formula based upon the number of workers and the nominal average daily wage. Provision was made for the granting of government approval for higher wages on the basis of certain defined criteria. In addition, restrictions were placed on bonuses and other allowances.

By 1943 the necessity of increasing labor efficiency in vital war industries had led to the removal of the total wage-payment limitation from strategic industries such as iron and steel, coal, light metals, shipping and aircraft. However, any general increases had still to be approved by the prefectural authorities.

The administration of wage and salary controls was not centralized in any one agency but was divided among the various ministries, with considerable discretion left to prefectural authorities. Enforcement of wage regulations was left primarily in the hands of the police, although the Minister of Welfare and the prefectural governors were authorized to make inspections.

Wage controls during the war period were moderately effective in preventing major increases in basic wage rates, although general increases were granted in various industries. On the other hand, wage controls were not effective in keeping down total earnings because there were significant increases in various payments and bonuses and special allowances were granted. In order to circumvent the restrictions on total payrolls, various methods for increasing earnings were devised with special allowances being granted for family dependents, attendance, special diligence or efficiency. Shortly before the surrender, very large separation allowances and other bonuses were made to wage and salary workers, resulting in a large increase in purchasing power and in money in circulation. At the same time, price ceilings were no longer observed and the whole control structure crumbled. By the time of the surrender the complexities of the wage structure had rendered control difficult and violations were widespread. As a result, a sharp rise in prices developed in the last six months of 1945. The complex wage structure developed during the war, wherein the basic wage constitutes less than half of

the workers' earnings, has continued to the present except in the case of government employees, where a partial revision of the wage structure was effectuated in July 1946.

On Japan's surrender and the subsequent Occupation, the Japanese economy was divorced from the control of the militarists, and by directive was divested of a large part of Zaibatsu control. However, the National Mobilization Act was used as the basis for extension of control powers by private agencies in the occupation economy until September 1946. Many of the control techniques established by the associations described above have continued to operate as methods in allocation and distribution of materials and many of the monopolistic nondemocratic features of these organizations have not yet been completely eradicated.

3. Summary of SCAP Directives on Economic Controls. On 22 September 1945, SCAP issued a directive which made the Japanese Government responsible for "initiating and maintaining a firm control over wages and prices" and for effecting controlled distribution of commodities in short supply. On 17 May 1946 the Japanese proposed the creation of the Economic Stabilization Board, designed to develop coordinated economic control policies. Other directives required the Japanese Government to abolish its wartime system of economic controls which was based on the delegation of governmental powers over production and distribution to private agencies. The first of these directives issued 6 August 1946, provided that the control associations be dissolved and that the laws establishing their powers be revoked. The second directive issued 11 December 1946 prohibited the exclusive purchase and sale of commodities except by public agencies, and required the Japanese Government to submit proposed ordinances establishing economic controls consistent with this policy. A third directive issued 6 March 1947, informed the Japanese Government that the ordinances submitted failed to establish acceptable democratic controls over the economy and were inconsistent with the announced program of the Economic Stabilization Board. References are memoranda to the Imperial Japanese Government:

- (1) Directive No. 3, Office of the Supreme Commander, 22 Sept 45 (ESS), Subject: Establishment of Economic, Industrial, and Commerce Controls.
- (2) AG 334 (17 May 46) ESS/PC (SCAPIN 960) dated 17 May 1946, Subject: Economic Stabilization Board.
- (3) AG 080 (6 Aug 46) ESS/AC (SCAPIN 1100) dated 6 August 1946, Subject: Dissolution of Control Associations (Tosei Kai) and Authorization to Establish Government Allocation Agency together with Necessary Control Organs Within Specific Industries.
- (4) AG 400 (11 Dec 46) ESS/AC (SCAPIN 1394) dated 11 December 1946, Subject: Methods of Control under the Temporary Demand and Supply Adjustment Act.
- (5) AG 010.5 (6 Mar 47) ESS/AC (SCAPIN 3340-A) dated 6 March 1947, Subject: Methods of Control under the Temporary Demand and Supply Adjustment Act.

4. Existing Japanese Government Machinery for Economic Control.

a. The Economic Stabilization Board: After Japan's defeat, many of the wartime control agencies were abolished and control functions transferred to normal peacetime ministries. This resulted

in a much less effective system of economic controls and considerable independence of action developed between the various ministries in the Japanese Government. Each ministry was primarily concerned with furthering the objectives in its particular field of responsibility. The most important policy actions initiated in any particular ministry were discussed in Cabinet meetings, but for the most part these Cabinet meetings merely resolved major differences between interested ministries and were not effective in devising well-coordinated economic plans.

In April 1946, the Japanese Government submitted to SCAP a proposed Imperial Ordinance designed to create the Economic Stabilization Board. It was intended that this Board would be responsible for "formulating fundamental policies and plans with reference to urgent measures taken relating to production, distribution, and consumption of commodities and to labor, prices, finance, transportation and other matters." It was also charged with "coordination, adjustment, supervision and promotion of the functions of the various government offices concerned."

The proposed Imperial Ordinance was referred to the Members of the Allied Council for Japan in April 1946 and the British and Chinese Members commented favorably on the Japanese proposal for creating the Economic Stabilization Board. In May, SCAP issued a Memorandum to the Japanese Government stating that no objections were offered to the creation of the proposed agency, but it was not until 12 August 1946 that Imperial Ordinance No. 380 was promulgated creating the Economic Stabilization Board.

Although the need for coordinated economic planning was recognized, considerable delay was experienced in naming a Director-General for the Board. Even after the agency began functioning it failed initially to take vigorous action in developing stabilization policies in general or the necessary allocation and distribution controls. It has developed a series of regulations and ordinances creating the necessary control measures on paper but has not yet made these regulations effective in operation. The details of the allocation program of the Economic Stabilization Board are shown in Appendix I.

b. The Price Board: After the surrender the Price Control function was transferred from the Cabinet Research Bureau to the Price Bureau of the Finance Ministry. Ministries and control agencies in effect, continued to establish ceiling prices and these price adjustments were approved by the Finance Ministry. As a bureau in the Finance Ministry the Price Control function was not given proper recognition and the Price Bureau could not effectively operate as an executive agency.

In August 1946, the Price Board of the Japanese Government was established as an independent agency under the direct supervision of the Prime Minister. The Director-General of the Economic Stabilization Board was appointed to serve concurrently as Director-General of the Price Board in order to assure close coordination between these two basic economic agencies. Under this arrangement the Deputy Director-General of the Price Board has been the real operating chief of the agency. As a further measure to achieve coordination, the Director and Deputy Director of the General Affairs Division of the Price Board have concurrently held the same positions in the Price Control Division of ESB.

The primary function of the Price Board is to determine and promulgate official maximum prices for all commodities under price control, which includes all import nt consumer and industrial goods,

services and rents. The Price Board is the executive agency of the Japanese Government in this field and operates under overall economic policy established by the ESB. In performing this function the Price Board coordinates the interests of the Ministries relative to prices and takes action jointly with the supervising Ministries in setting prices for commodities under government monopolies.

The Price Board has been operating as a going concern since shortly after its official creation in August 1946. In addition to the main office in Tokyo, which now includes a staff of some 430 employees, there are eight regional offices throughout Japan which average about 15 professional employees each. The Price Board has made substantial progress in developing objective methods of price determination and in collecting basic information. However, it is still hampered by an inadequate staff, especially in its regional offices, and "old line" Ministries have exerted considerable pressure to secure price advancements in all commodity fields. Furthermore, the absence of an effective economic stabilization program and in particular, the lack of proper distribution controls and wage stabilization measures, have made it impossible for the Price Board to achieve effective control of prices.

c. Existing Wage Stabilization Machinery With the breakdown of wartime controls no agency was established to fix wage ceilings. Instead, financial measures operated as a brake on the increase of purchasing power arising from wage increases. These measures, in effect, have constituted a method of indirect wage control. In February 1946 the Japanese Government limited cash payments of all wages and salaries to ¥500 per month plus ¥100 for each dependent. The balance of earnings was deposited in a blocked account, and the wage earner was permitted to draw against this blocked account in restricted checks for certain expenses such as rent, utilities, education, taxes, medical expenses, etc. Further restrictions in purchasing power were maintained through the income tax structure. From the beginning of the fiscal year 1946-1947 through December 1946, the law provided for deduction at the source of 20% of all wages over ¥200 per month with a small additional credit for dependents. Moreover, all income over ¥10,000 per year (¥833 per month) was subject to an additional graduated tax beginning at 35% for incomes between ¥10,000 and ¥15,000 per year.

In addition to the above indirect financial controls on wages, the government has directly controlled the wages of government employees, workers on public works, and workers employed for the Occupation Forces, constituting approximately 1/3 of the total 10 million non-farm employment.

By the autumn of 1946, although cash wages had increased six to eight times beyond those prevailing in 1945, real wages had decreased, lagging behind prices and immediate family expenditures. With average industrial workers' income exceeding the ¥500 limitation, with farmers and large groups of "new yen classes" unaffected by the limitation, and with reluctance of creditors to accept restricted checks on blocked accounts, the measure had taken on a discriminatory character. Wage earners and salaried workers found themselves virtually the only group subject to the "free yen" restrictions.

Further, with the rising wage levels, a significant portion of the labor force was moving into the surtax brackets so that apparently substantial wage increases could result in far smaller gains in take home pay. The discrimination against wage and

salaries inherent in the income tax structure also became increasingly apparent with the rapidly decreasing purchasing power of the yen during 1946. Workers were subject to income tax deduction at the source whereas unearned income recipients who paid on a preceding year net income basis, could wait from seven months to two years before paying tax.

These pressures resulted in rising demands on the part of workers for wage increases to meet the immediate cost of living, together with the elimination of the "free yen" limitation, and changes in the income tax structure.

As a countermeasure to renewed demands for wage increases, especially by the electric workers, the Economic Stabilization Board in November 1946 proposed the institution of a virtual "wage freeze." At the same time it was proposed to establish a Wage Committee, composed primarily of government and public representatives, with some representation of labor and management. This Committee was to determine the proper and reasonable rate of wages from an equitable point of view in the light of cost of living, prevailing wages and national economic strength.

Reconsideration of the effect of this action with regard to a wage freeze caused the proposal to be dropped. The factors leading to this decision included (a) the wide gap between the increase in wages and the rise in prices; (b) the total absence of wage administrative machinery; (c) the adverse effect on labor relations; (d) the necessity of having a flexible and clearly defined wage stabilization policy which would allow for wage adjustments in the light of specific criteria, and (e) the inequity of a wage freeze in the absence of effective control of rationing, prices, allocation and distribution of goods, and appropriate financial measures. It was recognized, too, that any wage stabilization program to be effective required the active participation and support of labor and management, not only in the planning of a wage stabilization program but in its implementation. Therefore, earlier plans for the Wage Commission were revised to provide equal representation of labor, management and the public.

Although a secretariat to serve the proposed Commission was functioning in the latter part of December 1946, it was not until 22 January 1947 that the ordinance establishing the Wage Investigation Commission was promulgated. The Commission, as initially established, consists of 18 voting members (six representing labor, six representing management, and six representing the public) and three non-voting members (the Prime Minister as Chairman and the Minister of Finance and the Director of the Economic Stabilization Board as Vice-Chairman.) In addition, the Commission has authority to appoint technical advisers who do not have voting privileges. The function of the Commission as defined in the ordinances is to investigate and consider matters concerning wages and allowances and the economically important matters relating thereto, and to submit their recommendations to the Premier.

The Commission met on 24 January 1947, but disagreement in regard to organizational and procedural matters resulted in an adjournment without discussing any of the basic issues. For almost two months the Wage Investigation Commission was moribund. During this period pressures for wage adjustments continued. Though the ¥500 limitation on cash payments of wages was relaxed to ¥700, further price increases had negated this relief. The new income tax law affords some relief by raising the exemption

level from ¥200 to ¥500 per month for a single person. On 20 March 1947, the organizational difficulties encountered by the Commission were partially resolved by the appointment of technical advisers (six representing labor and six representing management.) On this date the Commission held an informal conference at which an agenda prepared by the Secretariat was submitted for consideration by the Commission.

The task before the Commission is complex and difficult. Wages cannot be divorced from basic considerations of minimum standard of living, rationing, prices, production, distribution and allocation of goods, and financial matters. The nature of the Japanese wage structure with its numerous components further complicates the task. In addition to developing a formula for appropriate and stable wage-price relationships, the Commission must meet the problems of public acceptance of the formula and administrative machinery for its implementation.

5. Current Situation: Japan is now confronted with a substantial inflation. The unbalanced relationship between wages and prices is only one of the more serious consequences of the inflation and cannot be properly evaluated except in the light of the lack of stability in the economy as a whole.

The economy is characterized by a low level of industrial production, resulting in a low level of export trade with which to secure foreign exchange funds to finance essential imports; an acute shortage of food, raw materials and manufactured goods; widespread black marketing which results in diversion of materials from essential uses and results in the maldistribution of commodities; maldistribution of purchasing power, a large amount of deficit spending both by government and by industrial concerns, a rapid expansion in the volume of currency and sharply rising prices and wages.

Since prewar years the movements of official prices and of wages have been extreme. Official wholesale prices as of January 1947 had increased 21 times since 1933, official retail prices had increased 28 times, and average factory wage rates had increased 16 times according to the most reliable indexes prepared by Japanese sources (see appendices II, III and IV).

Consumer reliance upon the black market since the war, however, has made the comparison of official prices and wages of limited validity. Even though such a comparison indicates that prices have risen considerable more than wages, the use of official prices strongly understates the disparity. For example, staple foods purchased by the average family in Tokyo in January cost ¥ 152 in the official market for 1143 calories per person per day and ¥ 361 in the black market for only 339 calories per person per day. Because of the black market traffic a relatively small amount of total staple foods accounted therefore for the majority of money spent for staple foods. For non-staple foods the situation is even more acute. For all families in Tokyo average food expenditures accounted for 70 percent of total expenditures (see appendix V).

The black market results in a dual price system, each commodity having an official price and a black market price. The effective price for a commodity, while not a price quotation, is at any given time the average of the official and the black market prices weighted by the volume of purchases at each price.

The index of effective consumer prices in Tokyo has risen from 95 in September 1946 to 136 in January 1947 (see appendix VI).

The most important items bringing about this sharp upward movement were foods, primarily non-staples. In January 1947 effective prices for staple foods on the average were approximately 260 percent of official prices and were still higher for non-staples.

Under the impact of the high cost of living and especially of the high cost of the most basic necessities, workers have continued to press for wage increases to preserve a minimum standard of living. An inflationary spiral has therefore resulted and is continuing at an accelerated rate in which wages are forced upward by the high cost of living, and wages in turn have pressed official prices to higher levels. Increasing official prices as well as the large volume of goods moving at still higher prices in the black market are in turn generating renewed demands for wage increases.

Fundamental to the inflationary spiral is the fact that Japan has an absolute shortage of food. During the current food year (1 Nov. 1946 to 31 Oct. 1947) in order to maintain the present stringent staple food ration the requirements for all staple foods for the non-self supplying part of the population amounts to 49.2 million koku while the indigenous supply which is expected to be available for rationing approximates 36 million koku. There is therefore a minimum deficit from indigenous sources of more than 13 million koku or approximately 27 percent of minimum requirements.

The index of industrial production rose from 15.8 in January 1946 (1930 - 1934 - 100) to only 34.7 in December 1946, and then fell to 30.4 in January 1947 (see appendix VII). Such a low level of industrial output over a long period of time has resulted in a severe dearth of commodities within the economy as well as a small volume of export trade. The shortage of goods has been accompanied by a growing traffic in the black market and consequent diversion of materials from essential uses, maldistribution of consumer goods, and the channeling of a large volume of purchasing power into the hands of those who deal in the black-market traffic.

The intensity of the blackmarket in industrial materials and commodities is indicated by the disparity between effective and official wholesale prices in the period September 1946 through January 1947. Of 97 selected important items the effective prices of only 15 were at or near the official prices. The effective price of 30 items ranged up to 150 percent of the official prices; the effective prices of 35 items ranged between 150 and 300 percent of the official prices; the effective prices of the remaining 17 items exceeded 300 percent of official prices (see appendix VIII).

Substantial blackmarket traffic in industrial goods is resulting in diversion from most essential uses and in a lower level of output than otherwise could be attained. This in turn is resulting in a low volume of production for export and insufficient foreign exchange funds with which to promote imports of food and of other supplies vital to the restoration of potential levels of industrial production or to the levels requires before a minimum economy can be attained.

Virtually all commodities are in short supply. The indexes of production in January 1947 (1930 - 1934 - 100), for example, for coal was 77.3, textiles 18.0, crude steel 22.3, cement 26.6, and chemicals 27.9. The most acute shortage of basic materials is in coal and because of the deterioration in quality since the base period the coal production index of 77.3 in January is an overstatement of the actual caloric supply. Labor unrest at the

mines because of the high cost of living and the difficulty of obtaining vital mine supplies and equipment because of black-market diversion are paramount factors limiting the expansion of coal production.

The disparity between the production index of coal and that of commodities in general reflects the fixed demands for coal by the railways, electric power generation and other large consumers, plus the fact that Japan historically has imported large quantities of coking grade coal, which imports have not been possible since the end of the war.

Current inadequate industrial production cannot be expected to ease during the foreseeable future. Lack of imported raw materials constitutes the one major deterrent to production; little hope is seen of substantially increasing such imports within any reasonable period of time. The economy of Japan may be expected, therefore, to remain one of scarcity insofar as industrial products are concerned.

Current scarcities may well be accentuated by virtue of exhaustion of small stockpiles of materials and continued deterioration of capital equipment, especially in such vital services as transportation and public utilities.

The increasing volume of purchasing power to support the rising price level has stemmed primarily from deficit spending by the government. On 1 March 1946, following the currency conversion, the Bank of Japan note issue stood at 16 billion and 12 months later had reached 105 billion. In the fiscal year ending 31 March 1947, the government deficit approximated 75 billion yen.

For the fiscal year beginning 1 April 1947, government expenditures for the regular budget are not budgeted at 114 billion yen with an approximately equal amount of revenues anticipated. Whether the budget can in fact be balanced during the new fiscal year however depends largely upon the degree of further inflation during the period. Inflation will probably have a much more pronounced effect in increasing expenditures than in increasing revenues.

The continuing factors of low industrial production stringency of all industrial raw materials, large currency volume, maldistribution of materials and goods, and rapidly increasing prices and wages are subjecting the Japanese economy to extreme inflationary pressures. These forces must be brought under control so that wages and prices can be properly related within the framework of over-all economic stabilization, or the present inflation will continue to increasingly acute levels.

8 Appendices (to Members only):

- I Allocations Program of the Economic Stabilization Board.
- II Price and Wage Indexes.
- III Average Money Wages in Manufacturing, Mining, Transportation and Communications Industries, November 1946.
- IV Increases in Official Prices for Selected Commodities between 1937 and January 1947.
- V Average Family Expenditures - Tokyo.
- VI Index of Effective Consumer Prices - Tokyo.
- VII Japanese Economic Statistics, Bulletin No. 6, February 1947.
- VIII Estimated Intensity of the Black Market for Selected Wholesale Commodities.

ALLIED COUNCIL FOR JAPANProposed Discussion Agenda

- I AGENDA ITEM NO. 29-402-2.
- II PROPOSED BY: LIEUTENANT GENERAL KUZMA N. DEREVYANKO,
Member for the Union of Soviet Socialist Republics.
- III SUBJECT FOR DISCUSSION: Financial Institutions and
Banks of Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 2 April 1947.
- V SCOPE OF INFORMATION DESIRED:
1. Among what organizations or individuals and by what means have been distributed or sold the assets of the wartime colonial and foreign banks and financial institutions, subject to dissolution under the SCAP Directive No. AG 091 dated 30 September 1945?
 2. Is it proposed to liquidate or reorganize any other banks or other financial institutions? Thus the NIPPON TIMES on 8 October 1946, reported that with the abolition of payment of wartime indemnities the system of special banks would be completely liquidated with the exception of the Industrial Bank of Japan, the main task of which will only be to insure the reconstruction of industry. Were any concrete measures taken with regard to those banks?
 3. The press reported about the establishment of the Reconstruction Financing Bank the tasks of which evidently are identical with the new task of the Industrial Bank of Japan. It would be desirable to receive information as to how the functions of this new bank will differ from those of the Industrial Bank of Japan?
 4. What measures are being taken by the GHQ SCAP with regard to the limitation of development of big monopolistic banks and other financial institutions, taking into consideration numerous amalgamations and consolidations of banks carried out by the Japanese Government during the war?
 5. What changes have taken place in the financing of big, medium and small commercial and industrial enterprises and firms since the end of the war up till now?

Inclosure #3

6. It is desirable to receive a complete list of all banks (state, semigovernmental, Zaibatsu and others) existing now in Japan, together with their capitalization, specific place and role in the rehabilitation of economy and various industries, as well as lists of foreign branches and agencies of these banks together with assets.

VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE: None.

VII REFERENCES: SCAPIN 74, 30 September 1945.

ALLIED COUNCIL FOR JAPANProposed Discussion Agenda

- I AGENDA NO. 29-402-3.
- II PROPOSED BY: LIEUTENANT GENERAL KUZMA N. DEREVYANKO,
Member for the Union of Soviet Socialist Republics.
- III SUBJECT FOR DISCUSSION: The State of Public Health in
Japan.
- IV DATE PROPOSED FOR DISCUSSION: Wednesday, 2 April 1947.
- V SCOPE OF INFORMATION DESIRED:
1. In what degree has the political purge affected the organizations and institutions connected with public health beginning with the Ministry of Health and ending with separate institutions?
 2. Why is the Ministry of Health carrying on the policy aiming at preserving medical officers personnel in former military and navy hospitals, not admitting there those who were not formerly in active service? Has the purge affected medical personnel of these hospitals?
 3. What is the number of state, public and private clinics in each prefecture (with a number of beds from 10 and higher)?
 4. What is the number of clinics for infectious diseases in each prefecture, the number of beds in the clinics and conditions of treatment of infectious patients in these clinics? In particular is the treatment free of charge or does it require payment?
 5. What was the stock of medicines and medical equipment in former army and navy stores by the time of the surrender? What amount of those medicines has already been allocated to clinics and private doctors? The future plan of allocation of the balance of medicines and medical equipment. On what terms will they be allocated?
 6. What is the present capacity of Japanese pharmaceutical industry and what are the prospects of its development? In particular what amount of penicillin and insecticide preparations has been produced?
 7. What is the number of private and state pharmaceutical enterprises?

Inclosure #4

8. What institutes and laboratories make biologicals, what is the productive capacity of these institutes and laboratories?
9. What is the number of medical schools (high schools and colleges) of different specialties in Japan and the annual number of specialists graduating from those schools?
10. What is the number and allocation of expenditure items on public health in the state budget (for clinics, sanatoriums, scientific-research institutions, etc.). In particular what sum of money is provided for in the state budget for the treatment of one patient during one year?

VI SPECIFIC INFORMATION DESIRED ON PROGRESS TO DATE: None.

VII REFERENCES: None.

Enclosure No. 2 to Despatch No. 965, April 8, 1947 from the United States Political Adviser, Tokyo, subject "Twenty-ninth Meeting of the Allied Council for Japan, April 2, 1947."

29-402

of the
TWENTY-NINTH MEETING
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 2 April 1947, at 1000 Hours

MEMBERS PRESENT

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

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

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

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

SECRETARY-GENERAL

Mr. Glenn Abbey

Office of the Secretariat
Allied Council for Japan
3 April 1947

29-402

CORRECTED
VERBATIM MINUTES
of the
TWENTY-NINTH MEETING
ALLIED COUNCIL FOR JAPAN

Meiji Building, Tokyo, Wednesday, 2 April 1947, at 1000 Hours

MEMBERS PRESENT

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

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

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

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

SECRETARY-GENERAL

Mr. Glenn Abbey

Office of the Secretariat
Allied Council for Japan
3 April 1947

THE CHAIRMAN: The meeting will please come to order.

The first matter is the approval of the Minutes of the Twenty-eighth Meeting. The Minutes of that Meeting were circulated among the Members for correction, and in the absence of objection (pause) the Corrected Minutes will be recorded as approved.

Are there any Procedural Matters? (Pause)

Under Official Matters the first subject is "The Operation of the Power Industry of Japan." This subject was proposed at the last meeting by the Soviet Member. After some discussion, at his request it was held over for further discussion at this meeting. GENERAL DEREVYANKO?

LIEUTENANT GENERAL DEREVYANKO: While studying the problem of operation of the power industry of Japan, need arose for me to ask a few additional questions on the subject. Though the answer to my question number 9 was given at the previous meeting of the Allied Council, the structure of the Nihon Hassoden Company is still not quite clear to me. I would like to receive an additional answer to this same question, with more detailed data as to the distribution of the company's capital according to ownership; namely, what quantity of shares is in the possession of government agencies and private companies, and what are the characteristics of those fifty-five large shareholders who possess, as it is clear from the answer given at the previous meeting, more than a half of all shares of the Nihon Hassoden Company, in value. Are there any Zaibatsu concerns among these large shareholders?

THE CHAIRMAN: MR. PIERCE, Chief of the Gas and Electric Branch of the Economic and Scientific Section, has been kind enough to come here again this morning. I will ask MR. PIERCE if he can possibly throw some further light on that subject.

MR. PIERCE. (Pause) MR. PIERCE does not have with him a complete breakdown of the information which the Soviet Member has requested, and we will endeavor to obtain it and provide the Soviet Member with it in due course.

LIEUTENANT GENERAL DEREVYANKO: The second question--How can be explained the sharp discrepancy amounting approximately to three point four (3.4) million kilowatts in the evaluation of the capacity of the Japanese power plants between the data given by GHQ SCAP to MR. PAULEY's commission in December 1945 and those communicated by the representative of GHQ SCAP at the previous meeting of the Allied Council on March 19, 1947? According to the data of GHQ SCAP in December 1945, at the end of 1945 in Japan were 1,550 hydroelectric plants with the capacity of 6,665,071 kilowatts, 298 thermal plants with the capacity of 4,114,367 kilowatts, and fifty steam plants with the capacity of 2,686,050 kilowatts. Total, 1,898 plants, with a total capacity of 13,465,488 kilowatts. According to the data given at the meeting of the Allied Council, the total capacity of power plants is 10,061,000 kilowatts.

THE CHAIRMAN: That seems to be another question which would require rather detailed study. Is that correct, MR. PIERCE?

MR. PIERCE: Yes, that can't be answered on the spot.

SOVIET INTERPRETER: Sir, would you mind repeating your previous remark?

THE CHAIRMAN: I said that that seems to be another question which would require rather detailed study. MR. PIERCE naturally doesn't have all of these figures tabulated in his mind so that he can analyze them extemporaneously. If we had had notice of these questions, MR. PIERCE would have been prepared to reply to them.

LIEUTENANT GENERAL DEREVYANKO: MR. CHAIRMAN, in view of

the necessity of receiving additional information on this subject and making a more thorough study of the answers given to my questions by the representative of GHQ SCAP, I would refrain from making recommendations at the present time, and shall make them after the study of the problem has been completed and the additional information received.

THE CHAIRMAN: I am sure there will be no objection to holding this subject over for further discussion at the next meeting. I think we have requested several times that in preparing their subjects for the Agenda, Members be as specific as possible in outlining the information desired, so that the officers of Headquarters who provide the information can have an opportunity to prepare it. We would appreciate it very much, should the Soviet Member have any further questions on this matter, if he would let us know in plenty of time specifically what information he desires.

MR. SHEN: MR. CHAIRMAN, may I make a little inquiry?

THE CHAIRMAN: Yes, sir.

MR. SHEN: In connection with this subject, to MR. PIERCE, an inquiry which doesn't concern figures. I understand that in the power system in Japan there are both fifty and sixty cycle plants. It has been reported that sixty cycle would be adopted as the Japanese national frequency standard. If the report is correct, may I ask if there is any concrete or definite plan for converting the fifty cycle plants into sixty cycle?

MR. PIERCE: That question is being studied by the Japanese. It will necessarily be a long-range program, and I see no possibility in the near future that such could be accomplished.

MR. SHEN: I have some more inquiries, but since they include figures of data, I shall put them in written form, by

separate communication.

THE CHAIRMAN: I take it that the other Members are agreeable to holding this subject over for discussion at the next meeting? (Pause). Thank you, MR. PIERCE.

The second subject under Official Matters, "Stabilization of Wage-Price Relationships" was proposed by the Supreme Commander who requests comments and recommendations of the Members of the Council on this extremely important subject. Attached to the Agenda which was distributed to all the Members is a most comprehensive partial Staff Study, which I assume the Members have studied. In order to assist the Members in the study of this problem we have with us this morning DR. FINE, Economic Adviser to the Economic and Scientific Section, and a staff of experts. I take pleasure in introducing DR. FINE to the Members of the Allied Council, and MR. ROSS who is also an economic adviser to the Economic and Scientific Section, General Headquarters.

If the Members have any questions that they wish to ask these two gentlemen in regard to the subject, before making comments or recommendations, they will be glad to endeavor to answer them.

MR. BALL: MR. CHAIRMAN, I think I would like to make a few preliminary comments, if I may.

THE CHAIRMAN: Surely, sir.

MR. BALL: It seems to me that the question put before the Council is exactly the same question as was dealt with by GENERAL MacARTHUR in his letter to the Japanese Prime Minister a short time ago. I should like at the outset to express my fullest support for the line taken in GENERAL MacARTHUR's letter.

THE CHAIRMAN: I suggest that we might insert GENERAL MacARTHUR's letter to the Prime Minister in the Minutes, and

also the reply from the Japanese Prime Minister.

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22 March 1947

Mr. Prime Minister:

Last year at this time the Japanese people were confronted with a serious food crisis which disrupted the entire economy and brought severe hardships to the people. In this emergency, the United States shipped substantial quantities of food to Japan which enabled the Japanese people to escape widespread starvation. Food imports have been scheduled for Japan again this year in order to supplement indigenous supplies and to meet the essential minimum requirements of the Japanese people. However, I must advise you that these food imports are calculated on a minimum basis and presuppose the maximum utilization of indigenous foods and the equitable distribution of these supplies. To maximize collections of food into official channels and to bring about a proper transfer of food from surplus to deficit prefectures so as to achieve continuation of food rationing are clear responsibilities of the Japanese Government.

At this time I wish to call to your attention Directive No. 3, which I issued to the Imperial Japanese Government on 22 September 1945. This directive made it the responsibility of the Japanese Government to maintain a firm control over wages and prices and to initiate and maintain a strict rationing program for essential commodities in short supply as well as to insure that such commodities are equitably distributed. It is imperative that the Japanese Government carry out this responsibility to the Japanese people. The Allied Powers, of course, are under no obligation to maintain or to have maintained any particular standard of living in Japan, nor is there any responsibility to import foodstuffs to meet deficits arising from the failure of Japan to assure the just and efficient distribution of its own food supplies.

The food problem, though basic to the peaceful reconstruction of Japan, is not an isolated phenomenon, but is on the contrary only one part of the over-all problem of economic stabilization which includes the additional factors of increased production of raw materials and industrial products, stabilized wages and prices, maximum exports, and sound public finance. By the same token, black marketing of food and failure to realize full collections are only two manifestations of general maldistribution. These problems are so inextricably interwoven that it is not practical to think in terms of a solution for one independent of the others. What is required is an integrated approach across the entire economic front. Accordingly, it is essential that the Japanese Government, through the Economic Stabilization Board which was created for this purpose, take early and vigorous steps to develop and implement the integrated series of economic and financial controls which the current situation demands. These economic objectives are national in scope, transcending the special interests of any group, and therefore should be non-partisan. Unless determined measures are undertaken at once by the Japanese

Government, the inflationary condition of the economy, together with its attendant maldistribution of food and other necessities, will become increasingly serious, industrial recovery will be further retarded, and the achievement of the social and political objectives toward which the Japanese people have made such an encouraging start will be endangered.

The social and economic welfare of Japan will depend largely on Japan's own efforts in the redirection of its human and natural resources to peaceful living and upon competent public administration of democratic and effective economic controls. Aid to Japan cannot be expected upon a scale sufficiently great to overcome maldistribution and inflation within Japan. Outside assistance is contingent upon full utilization of indigenous resources, which is entirely a responsibility of the Japanese Government.

Sincerely yours,

DOUGLAS MacARTHUR

Mr. Shigeru Yoshida
Prime Minister of Japan
Tokyo

28 March 1947

Dear General MacArthur,

I have read your letter of March 22 with a deep sense of appreciation.

For more than a year and a half since the termination of the war, the Government has been taking various measures for the reconstruction of the Japanese economy. Now, having regard to the results so far obtained, with new ideas and with a firm resolve, the Government proposes to carry out necessary measures with expedition and efficiency. The main points of the proposed measures are:

1. As regards the collection of staple food, force as well as persuasion are being used by the authorities concerned. The Government will do everything possible to ensure the 110 per cent collection and will see to the efficiency of the control of distribution.

The capacity of railway transportation has recently been increasing and the transfer of allotted quotas from producing district to consuming centres will further be expedited.

2. Efforts will be made to attain the goal of producing

30,000,000 tons of coal in the coming fiscal year, and, with that as a central object, to rebuild industrial economy from its foundation. Above all, in view of the over-all condition of the demand and supply of materials, all the necessary steps will be taken to provide for the allocation of basic materials on a strict priority basis and for the equitable distribution of necessities of life. On the other hand, of the measures already adopted, such as are liable to evils or are unnecessary will be either abolished or remedied. In this respect, it is proposed to effect a complete readjustment of the distribution structure and method of materials, with chief reference to the various public corporations, of which Bills have been introduced to the present session of the Diet.

3. Along with the maintenance of a proper level of wages, efforts will be continued to check the advance of commodity prices.

Especially as against the illegal circulation of commodities hoardings, etc., Police and Public Prosecutor's Office are doing their utmost to check such practices, and the present efforts to suppress black market transactions will not be slackened.

4. Facilities will be given in the supply of funds, raw materials, power, etc. for export industries, with a view to realizing a maximum export trade.

5. Adhering to the principle of sound finance, which underlies the formulation of the Budget Estimates for the fiscal year 1947, efforts will be made to prevent any laxity in the supply of funds, and to stave off inflation. Further positive measures will be taken to stimulate the people to increased savings.

6. With a view to ensuring a well-balanced execution of those economic measures, the Economic Stabilization Board will be expanded and strengthened in structure and personnel, so that it can exert a more effective motivating influence in the implementation of those measures.

It is my earnest wish that you will recognize the effort the Government is making in various measures stated above in order to carry out its responsibilities indicated in your letter and that you will continue the assistance and advice which you have been kind enough to give us.

Yours sincerely,

SHIGERU YOSHIDA

General of the Army Douglas MacArthur

General Headquarters

Supreme Commander for the Allied Powers

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✓ MR. BALL: I feel, MR. CHAIRMAN, that the partial Staff Study which has been sent us shows a most disquieting record of continuous failure. It is a failure that has extended over eighteen months, a failure to take effective steps necessary to restore Japanese economy and prevent something that might be likened to an economic collapse. I think that the question put to us, although on the face of it an economic question, is in fact fundamentally a political question.

✓ On the purely economic level I think the important thing to remember is that it is a waste of time to consider wage-price controls apart from other controls. GENERAL MacARTHUR, I think, made this quite clear in his letter to the Prime Minister when he said that what was needed was an integrated approach across the entire economic front. I imagine, MR. CHAIRMAN, anybody with any kind of economic training knows the basic controls that must be imposed, there must be controls on critical raw materials, there must be controls of restrictions of spending on consumer goods, there must be financial controls by the government to balance the budget. The point I am trying to make is that I think it would be foolish for this Council to consider control of prices and wages without recognizing that what is needed is not merely control of prices and wages, but a controlled economy. And, in saying that, MR. CHAIRMAN, I don't think I am expressing any political ideology. Whether you are an individualist, or whether you are a Socialist, I think you must be convinced that in the present situation in Japan there must be a controlled economy to meet the actual situation here.

I think, MR. CHAIRMAN, that on the purely economic level the problem is technically a simple one, but it is impossible to separate the economic question from the political question.

The real problem is to find Japanese authorities who have the will and the capacity to establish a controlled economy in Japan today. It is important that they should have the will because undoubtedly there are certain minority groups in Japan who profit at least temporarily from the present inflationary tendencies. And it isn't much good if they have the will unless they have the capacity to get their will and desires carried out by the people. They must have the loyal support of the overwhelming majority of the Japanese people. They must have the actual authority to get their policies effected.

In so far as this question to the Council involves technical, economic and administrative problems, I feel that it would be very difficult for the Council Members to give specific advice today. After all, we have only had your partial Staff Study since Saturday afternoon. Nevertheless, MR. CHAIRMAN, I feel that this is a very appropriate time for GHQ or for the SUPREME COMMANDER to have asked the views of the Council on this question, because in my view it is fundamentally a political question, and not an economic question, and during the next few weeks the Japanese people will have the responsibility of deciding the kind of government they want. If they select the kind of government that is prepared to establish a directed economy, that will make all the difference to the future of Japan.

THE CHAIRMAN: Certainly, the Japanese Government has before it some very heavy problems. This subject, of course, was placed on the Agenda as an economic subject in the hope that the Members of the Council might be able to make some suggestions or recommendations along economic lines which would be helpful in what has become a very serious situation. I realize, of course, that to restrict discussion merely to wages and prices

perhaps narrows the question a little too much, and I, for one, would be glad to hear comment and recommendations along economic lines in regard to any aspect of the problem which has a bearing upon the question which the SUPREME COMMANDER has placed before us.

MR. BALL: MR. CHAIRMAN, in--MR. CHAIRMAN, I don't want to indicate any unwillingness at all to help, in so far as there are technical and economic problems involved. I am quite sure every Member of the Council, in so far as he has some expert advice available, is only too glad to give any advice or kind of constructive help he can. What I am suggesting is simply what the Chief of Staff has already said in his note, that "in an economy of scarcity, the stable and proper relationship between wages and prices depends upon the successful operation of strong control measures, proper allocation of critical commodities to the most essential users, effective rationing, strong enforcement measures and sound financial policy." I was really only repeating what the Chief of Staff has said, MR. CHAIRMAN, more shortly and effectively.

And, MR. CHAIRMAN, on those more general economic problems, I mean the whole series of geared controls that are essential, the Staff Study shows perfectly well, if I may be permitted to say so, that the economic experts in SCAP know their job perfectly well. We are all quite agreed on the kind of economic controls that are essential and so I think we do come back to the point I started with, that the basic problem before us is not an economic problem at all; it is a political problem. How are we going to find Japanese authorities prepared to carry out the sort of economic controls that all of us are agreed are essential?

THE CHAIRMAN: Of course, we could begin on the premises

that certain controls are necessary. My comment, sir, was merely directed toward keeping the discussion as much as possible upon an economic basis. The whole question of whether or not you have a controlled economy is of course a political question, but as I see it, the question before us has nothing to do with the election you mentioned--

MR. BALL: MR. CHAIRMAN--

THE CHAIRMAN: --but as I see it, the question of what political party, of what political program--

MR. BALL: Well, perhaps you will permit me to say, MR. CHAIRMAN, that while I have already said that I feel our main problem is to find Japanese authorities who will have the will and the capacity to carry out this kind of program, in saying that, I was not meaning to make any comment, explicit or implicit, on any particular political party in Japan, on the success or on the failure of any political party or any particular government. Unquestionably there are numerous difficulties that face any particular government in Japan at the present time. It is quite easy for us to say that the existing government has failed to do this or that, but it is much harder for us to determine that some alternative government would be able to do better, and I would be very sorry indeed if anything I have said should be interpreted as expressing a view in favor of one or another political ideology in Japan today.

THE CHAIRMAN: No, I did not understand your remark to mean anything to that effect.

MR. SHEN: MR. CHAIRMAN, may I also make some preliminary comments?

THE CHAIRMAN: Surely, sir.

MR. SHEN: I think all of you will agree with me that we

are deeply appreciative of the well-documented and valuable information which GHQ SCAP has made available to us on the question under discussion. The SUPREME COMMANDER deserves our support in his efforts to urge the Japanese Government to take immediate and vigorous steps in developing and implementing the integrated series of economic and financial controls which the current situation necessitates. However, it seems to me that studies and views have been rather concentrating on the internal economic control of Japan. I think it is rather an accepted view that no nation can hardly achieve the stabilization of her national economy by vigorously enforcing internal control alone, without taking into consideration such factors as the encouragement of a freer international exchange of commodities, credits and services with other countries. The present situation of Japan's economy is, one may say, by and large a kind of closed economy, as reflected in the saying that Japan is still under blockade--an economic blockade. Such a system involves a high degree of external as well as internal control. Thus at present there exists little, if any, economic relations between Japan and the rest of the world. As we all know, there is no official exchange rate between Japanese yen and the currencies of other countries. The foreign trade of Japan is still limited to a government-to-government barter scheme which is under the strict control of GHQ SCAP. Her shipping, for instance, is likewise restricted. Since the problem we are discussing today is rather technical in nature and wide in scope, I am in no position to offer any recommendations toward its solution. However, as a layman sees it, I would like to make a few inquiries, the elucidation of which might prompt us to think along the right line. What is the attitude of GHQ toward the external economic relations

of Japan? Would GHQ take any favorable view of making an early attempt to modify the existing control measures that have set a barrier between Japan and the other countries?

THE CHAIRMAN: I think that the Chinese Member has echoed some of the recent remarks of GENERAL MacARTHUR in regard to the economic blockade of Japan.

MR. SHEN: Yes, I did.

THE CHAIRMAN: The Chinese Member has also raised some very interesting questions, but I rather feel, as CHAIRMAN, that if we can we should hold as much as possible to the specific subjects before us. I think that when we get into the question of external shipping and international shipping-- while it is a very interesting subject and one that is quite appropriate for discussion here at the Council table--I think that we are getting a little bit far afield from the specific problems which have been placed before us. I quite agree with MR. SHEN that the question of internal economy cannot by any means be completely solved without solving some of the questions of external or international trade.

MR. BALL: MR. CHAIRMAN, if I may just put in a word. As always, I agree with MR. SHEN. I agree with him that the resuming of trade with Japan is extremely important, but I think that the order in which you take questions is also important, and I think it would be a pity if our attention was diverted from the internal problems of Japan at this moment by consideration of the external problems. If a reservoir breaks, you don't mend it by importing bottles of water, and I don't think that the internal situation in Japan can be remedied by external aid.

MR. SHEN: I ventured to raise the point of external control because I thought it was closely related with internal